

# **EXHIBIT A**

Declaration of Alan Varvis

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company ) Docket No. ER20-\_\_\_-000

**DECLARATION OF ALAN VARVIS  
FOR SOUTHERN CALIFORNIA EDISON COMPANY**

I, Alan Varvis, declare and state as follows:

**I. INTRODUCTION**

1. My name is Alan Varvis. My business address is 2244 Walnut Grove Avenue, Rosemead, California 91770.

2. I am the Principal Manager of Capital Asset Analytics in the Treasurers Department at Southern California Edison Company (“SCE”). I am responsible for the forecasting and budgeting related to plant-in-service, book depreciation, and regulatory cost recovery.

3. I received a Bachelor of Science degree in Business Administration, with an emphasis in Accounting and a Masters of Business Administration from California State Polytechnic University, Pomona. I have been certified as a Certified Depreciation Professional (CDP) by the Society of Depreciation Professionals. I have worked for SCE for 26 years. I joined Southern California Edison in the Transmission and Substation Division in 1993 and, from 1993-1995, I performed the role of a business analyst. I was promoted to Supervisor of Material & Accounting in 1995. My responsibilities included supervising the processing and handling of work orders related to transmission line and substation capital equipment replacements. In 1996, I accepted a supervisor position in the Power Grid Business Unit where my primary role was to provide budgeting and regulatory finance support. In 2003, I received a promotion to a manager

position and, from 2003-2015, I held a variety of manager roles in the areas of budgeting, regulatory finance, reporting, and financial system functions supporting the Transmission & Distribution Business Unit. In 2015, I accepted a position in my current role as Principal Manager of Capital Asset Analytics.

4. I have previously submitted testimony before the Federal Energy Regulatory Commission as an expert witness on O&M Jurisdictional Allocation in SCE's Application for Formula Ratemaking (ER11-3697-000). I have previously submitted testimony before the California Public Utilities Commission ("CPUC") on the T&D Jurisdictional Cost Study in SCE's 2006 General Rate Case (A.04-12-014), the 2009 General Rate Case (A. 07-11-011), the 2012 General Rate Case (A.10-11-015), the 2015 General Rate Case (A.13-11-003), and the 2018 General Rate Case (A.16-09-001). I also submitted testimony before the CPUC on the SCE Depreciation Study in the 2018 General Rate Case (A.16-09-001).

5. The purpose of my declaration is to describe SCE's proposed revisions to the depreciation module of SCE's formula transmission rate ("Formula Rate") necessary to implement the CPUC decision in Phase 1 of SCE's 2018 General Rate Case (Decision (D.) 19-05-020, the "CPUC Decision") regarding non-transmission depreciation rates issued on May 16, 2019.

6. My declaration is organized as follows:

- In Section II, I provide background on SCE's Formula Rate and the calculation of non-transmission depreciation expense under the Formula Rate;
- In Section III, I describe the CPUC Decision, the method of determination of non-transmission depreciation rates in the CPUC Decision, and the proposed revised non-transmission depreciation rates adopted in the CPUC Decision;

- In Section IV, I describe the revisions to the depreciation module of the Formula Rate necessary to conform to the CPUC Decision on non-transmission depreciation rates; and
- In Section V, I present an illustrative quantification of the changed depreciation rates.

## **II. BACKGROUND ON SCE’S FORMULA RATE**

7. SCE filed the currently-effective Formula Rate in April of 2019 in Docket No. ER19-1553. In an order issued on June 11, 2019, the Commission accepted for filing and suspended the Formula Rate, to be effective on November 12, 2019, subject to refund, hearing and settlement procedures. Settlement procedures are in progress. Pursuant to the formula protocols, SCE submits an Annual Update each year by December 1 determining rates for the upcoming year. On November 22, 2019 SCE submitted its most recent Annual Update for 2020 rates. Included in the Formula Rate is a module that determines SCE’s depreciation expense which flows through to the determination of its Base Transmission Revenue Requirement (“Base TRR”). This depreciation module is contained in Schedule 17 of the Formula Rate. Schedule 18 of the Formula Rate lists the currently-effective depreciation rates by FERC Plant Account.

8. Pursuant to Section 8 of Appendix IX (“Protocols”) of the Formula Rate, when the CPUC issues an order affecting depreciation rates for General, Intangible or Distribution plant, SCE must then make a “single-issue” Section 205 filing to the Commission proposing to revise such non-transmission depreciation rates in conformance with the CPUC order:

“SCE will make a single-issue Section 205 filing to change the depreciation rates for General, Intangible or Distribution plant in Schedule 18 upon approval by the CPUC of revised depreciation rates for these plant categories. SCE shall make a filing at the Commission, as set forth in this section, between January 1 and March 1 of the year following the year that the CPUC order became effective.”

### III. THE CPUC 2018 GRC PHASE 1 DECISION

9. The CPUC Decision was issued by the CPUC on May 16, 2019, representing the final decision in SCE's 2018 GRC Phase 1 proceeding. The CPUC Decision adopted a revenue requirement for SCE's CPUC-jurisdictional electric assets, to be effective on January 1, 2018. The relevant portions of the CPUC Decision are provided in Exhibit C.

10. Among other things, the CPUC Decision adopted depreciation rates for various plant accounts including some accounts that are utilized in the Formula Rate. These adopted rates include changes to the depreciation rates for distribution substation structures and improvements and distribution station equipment (FERC Plant Accounts 361 and 362). In addition, the CPUC Decision adopted changes to the depreciation rates for general and intangible plant (FERC Plant Accounts 389 – 399 and 301 – 303) which are an allocated component of SCE's Base TRR based on a labor allocation factor that is currently about 5.9%. As noted above, pursuant to the CPUC Decision, these revised depreciation rates became effective January 1, 2018.

11. For applicable Distribution accounts, the CPUC Decision adopted SCE's proposal to increase the average service life for both Accounts 361 and 362.<sup>1</sup> The results were decreases in distribution<sup>2</sup> depreciation rates to 2.27% for Account 361 and 1.90% for Account 362 (a reduction of 0.12% and 0.11%, respectively). SCE's proposed changes were based on a review of industry practices, Actuarial life analysis,<sup>3</sup> analysis of recorded net salvage costs, and reviews

---

<sup>1</sup> Longer average service life will have the effect of lower depreciation rate. Conversely, higher (or more negative) net salvage rate will have the effect of higher depreciation rate.

<sup>2</sup> Currently, SCE has no distribution assets under the CAISO Operational Control. Accordingly, the change in the depreciation rate for these two distribution accounts will not affect SCE's depreciation expense recovered through the formula rate.

<sup>3</sup> In Actuarial life analysis, plant balances are matched to survivor curve types and analyzed for best fit. Curve-Lives provide an estimate of the average life of the property as well as the expected remaining life.

with engineering and technical personnel. The depreciation analyses supporting SCE's proposed depreciation estimates and the CPUC's decision regarding the depreciation parameters can be found in Exhibits B and C (the GRC Application and the CPUC Decision).

12. For General and Intangible accounts, SCE identifies plant by sub-accounts with similar average service lives. Most of this plant consists of a large volume of items having a low value. Following FERC guidelines, the items in these accounts are not accounted for individually but are amortized by vintage group over the specified service life and retired at the end of the life span. Accounting for property in such a way eliminates costly record keeping and continuous physical tracking of the assets. The CPUC Decision adopted SCE's proposals to create a new 5-year sub-account (20% rate) and to eliminate the 25-year sub-account (4% rate) within Account 391. This change was implemented by renaming the DDSMS Map Board to DDSMS 5-Year. Specifically, SCE's proposals were: 1) Account 391.4 – DDSMS Five Year was created to isolate equipment which was deemed to have a 5-year service life in the current study. This equipment was previously included within other sub-accounts that had varying service lives. 2) Account 391.4 – DDSMS Map Board was eliminated because this equipment was previously included in its own sub-account that had a 25-year service life (4% rate) and now consolidated with the 10-year service life (10% rate) in Account 391.4 DDSMS Controllers, Receivers, Communication. Both proposals were based on changing life characteristics that were cited in SCE's Depreciation Study in SCE's 2018 GRC Filing. These proposed changes were uncontested and adopted by the CPUC.

13. Also included in the General and Intangible accounts, the Commission Decision adopted longer average license lives for Account 302 Hydro Relicensing, which resulted in a

decrease in depreciation rate of 1.85%.<sup>4</sup> The Commission's adopted changes and SCE's proposed changes are supported by its analysis and can be found in Exhibits B and C (GRC Application and the CPUC Decision).

#### **IV. REVISIONS TO THE FORMULA RATE TO CONFORM TO THE CPUC DECISION**

14. The CPUC-authorized changes to the non-transmission depreciation rates require modification to Schedule 18 in the Formula Rate. These modifications are shown in the redline tariff for Schedule 18 attached to this filing. A clean revision of Schedule 18 is also attached.

15. Under SCE's Formula Rate Protocols, this single-issue change to the non-transmission depreciation rates in the Formula Rate does not result in a redetermination of the currently-effective Base TRR and transmission rates. Any rate impact of the changes in the non-transmission depreciation rates will be reflected in the next Annual Update Filing, to be submitted by December 1, 2020.

#### **V. ILLUSTRATIVE QUANTIFICATION OF CHANGED DEPRECIATION RATES**

16. While this filing does not result in a change in the Base TRR and transmission rates at this time, to provide a rough estimate of the future impact of these depreciation rate changes on SCE's Base TRR, I used SCE's last Annual Update Filing in FERC Docket No. ER19-1553 (TO2020), dated November 22, 2019 to develop an illustrative proxy.

---

<sup>4</sup> CPUC Decision D.19-05-020, page 324 states, "The evidence supports recognizing the vast majority of licenses will be renewed."

The result of these illustrative changes was to decrease the Base TRR by \$1.11 million, or approximately 0.11%.

## **VI. CONCLUSION**

17. My declaration demonstrates that the revisions SCE is proposing to Schedule 18, contained in Exhibit A, of the Formula Rate are necessary to properly implement the Formula Rate Protocols in order to reflect the CPUC Decision. Such revisions are to become effective on November 12, 2019 in accordance with SCE's Formula Rate Protocols.<sup>5</sup>

---

<sup>5</sup> These revisions to the non-transmission depreciation rates were included in the settlement of SCE's previous Formula Rate (ER18-169), which was effective for the period January 1, 2018 through November 11, 2019.



I declare under penalty of perjury that the foregoing statements are true to the best of my knowledge, information, and belief. Executed this 18 day of February, 2020, at Rosemead, California.

  
\_\_\_\_\_  
Alan Varvis