

September 5, 2014

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

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Regulations under the Federal Power Act (18 C.F.R. § 35.13), Southern California Edison Company ("SCE") submits proposed changes to SCE's Post Retirement Benefits Other than Pensions ("PBOPs") stated amount of Authorized PBOPs Expense Amounts to be included for recovery in SCE's formula transmission rate ("Formula Rate"), as set forth in Appendix IX of SCE's Transmission Owner Tariff, FERC Electric Tariff, Third Revised Volume No. 6 ("TO Tariff").¹ Additionally, in this filing, SCE is proposing revisions to the Formula Rate PBOPs Mechanism set forth in Section 8b of the Formula Protocols as well as Schedules 4, 20, and 35 of the Formula Spreadsheet. The purpose of the proposed revisions to the PBOPs Mechanism is to ensure that the mechanism works correctly and as intended over sequential Formula Rate Annual Update cycles. The proposed revisions to the Authorized PBOPs Expense Amounts are explained in Section II, while the proposed revisions to the PBOPs Mechanism are explained in Section III.

¹ Attachment 1 to the Formula Rate is the Formula Protocols, and Attachment 2 is the Formula Spreadsheet.

In this filing, SCE is only seeking to revise its Formula Rate to reflect the revision to the Authorized PBOPs Expense Amounts required pursuant to the Formula Protocols and the additional revisions to ensure that the PBOPs Mechanism will work correctly. SCE is not proposing to revise the currently-effective Retail or Wholesale Base Transmission Revenue Requirement (“TRR”), or any associated rates.²

The documents submitted with this filing consist of this letter of transmittal and all attachments hereto, and the revisions to the TO Tariff in both clean and redline format.

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, with an effective date of January 1, 2012. After extensive settlement discussions, SCE filed an Offer of Settlement on August 26, 2013, which was approved by the Commission on November 5, 2013.

Pursuant to the annual update procedures set forth in the Formula Protocols, SCE is required to submit an annual update by December 1 of each year updating the Formula Rate inputs based on updated cost and forecast information and calculating the Formula Rate outputs, including SCE’s Retail and Wholesale Base TRRs and associated retail and wholesale rates. The Formula Protocols state that the revised Retail and Wholesale Base TRRs and associated retail and wholesale transmission rates become effective each January 1.

² However, if the Commission accepts SCE’s proposed revisions, SCE’s TO9 Annual Update Retail Base TRR for 2015 is expected to be about \$2.8 million lower than otherwise, with commensurate reductions in the Wholesale Base TRR and associated rates.

SCE's Formula Rate provides for recovery of a stated amount of PBOPs expenses, called "Authorized PBOPs Expense Amount" in the Formula Rate. The Authorized PBOPs Expense Amount appears on Schedule 20, Note 3 of the Formula Spreadsheet. It has been set at \$52,707,000 since the inception of the Formula Rate on January 1, 2012.³ In accordance with Commission policy, the stated Authorized PBOPs Expense Amount can only be revised pursuant to Commission approval of a Section 205 filing requesting a new stated amount.⁴

SCE's Formula Rate includes a mechanism designed to determine when SCE must submit a Section 205 filing to the Commission requesting revised Authorized PBOPs Expense Amounts, and if so, what the requested amounts over the next five years should be. That mechanism (the "PBOPs Mechanism") is set forth in Section 8b of the Formula Protocols and implemented through Schedule 35 of the Formula Spreadsheet. In every other Annual Update cycle, beginning with the current TO9 Annual Update cycle, SCE must fill out Schedule 35 to determine whether a filing must be made, and if so, the corresponding Authorized PBOPs Expense Amounts for which to request Commission approval.

The PBOPs Mechanism requires SCE to make a Section 205 filing requesting a revision to the Authorized PBOPs Expense Amounts if the actual PBOPs expenses incurred over the past two years and SCE's forecast PBOPs expenses have diverged beyond a specified range from SCE's Authorized PBOPs Expense Amounts. Because SCE has determined that this range has been

³ PBOPs Expenses are a component of Administrative and General Expenses, which are allocated to the Base TRR using a labor allocation factor expected to be about 4.25% in this upcoming TO9 Annual update.

⁴ See the Commission's Statement of Policy on PBOPs issued December 17, 1992 in AI93-4. 61 FERC ¶ 61,330 (1992); *order on reh'g*, 65 FERC ¶ 61,035 (1993). The Commission reiterated the policy in *Vermont Yankee Nuclear Power Corp.*, 120 FERC ¶ 61,043 at P8, stating that "[t]he Commission requires companies to file changes in their PBOP expense prior to passing through jurisdictional wholesale rates."

exceeded, it is submitting this filing to modify these Authorized PBOPs Expense Amounts. These revisions are discussed in more detail in Section II of this filing.

This filing contains a second change related to SCE's recovery of its PBOP expenses. Over the course of preparing SCE's TO9 Draft Annual Update, SCE discovered that the currently-effective PBOPs Mechanism requires some modification in order to work as intended. The proposed modifications are described in Section III of this filing.

Pursuant to Section 11c of the Formula Protocols:

Except as provided for under Section 8 of these Protocols, neither SCE nor any other party shall make a unilateral filing, with a proposed effective date prior to July 1, 2015, at the Commission under Section 205 or Section 206 of the FPA proposing revisions to the Formula Rate, including these Protocols and the Formula Rate Spreadsheet attached to Appendix IX of SCE's TO Tariff as Attachment 2. Notwithstanding the foregoing, SCE may make a Section 205 filing revising the Formula Rate, including these Protocols and the Formula Rate Spreadsheet attached to Appendix IX of SCE's TO Tariff as Attachment 2 if such revisions are supported or unopposed by the parties to Docket No. ER11-3697 as identified in the Offer of Settlement filed by SCE in Docket No. ER11-3697.

Thus, SCE may make a unilateral filing to revise the Formula Rate with a proposed effective date prior to July 1, 2015 if: (1) SCE invokes certain "single-issue" filing rights that are specifically identified in Section 8 of the Formula Protocols, including the right to revise the Authorized PBOPs Expense Amounts; or (2) the proposed revisions are supported or unopposed by parties to Docket No. ER11-3697.

This filing satisfies both of these exceptions. Because this filing requests the revision of the Authorized PBOPs Expense Amounts, SCE may invoke its "single-issue" filing rights with respect to that aspect of the filing. SCE also developed the proposed revisions to the PBOPs Mechanism in consultation with the parties to Docket No. ER11-3697. Specifically, SCE explained the issue to parties in a meeting to discuss SCE's Draft Annual Update held on July 10, 2014.

On July 18, 2014, SCE circulated detailed information about the issue to the parties. An additional technical conference was held on August 5, 2014 to discuss the issue and proposed revisions in detail with several interested parties. Finally, SCE provided a draft of the filing to all parties to Docket No. ER11-3697. All of those parties have either authorized SCE to represent that they either support or do not oppose the proposed revisions to the PBOP mechanism, or have not indicated any opposition to the revisions. Accordingly, it is SCE's belief that the proposed revisions to the PBOPs Mechanism are in accordance with the conditions stated in the Formula Protocols.

II. PROPOSED REVISIONS TO SCE'S AUTHORIZED PBOPS EXPENSE AMOUNT

SCE is required pursuant to the Formula Protocols to make a single-issue Section 205 filing to revise its stated Authorized PBOPs Expense Amount every other year if certain conditions are met, beginning with the TO9 Annual Update cycle. The condition is stated in Section 8b of the Formula Protocols:

“If the absolute value of the sum of the Cumulative PBOP Recovery Difference and the Future PBOP Recovery Difference is greater than twenty (20) percent of the sum of SCE's forecast PBOP expense for the then-current Rate Year and the immediately succeeding Rate Year, SCE will make a single-issue Section 205 filing to adjust the Authorized PBOPs Expense Amount.”

As part of SCE's TO9 Draft Annual Update, posted on SCE's website on June 13, 2014, SCE determined that the above condition had been met, so that SCE is required to make a single-issue filing to revise the stated Authorized PBOPs Expense Amount. That determination is included in Attachment 1 “TO9 Draft Annual Update Schedule 35”.⁵ SCE must make this filing to revise the

⁵ The condition for determining whether a filing is required is evaluated on Lines 1-4 of Schedule 35. For the TO9 Draft Annual Update, the Cumulative PBOPs Recovery Difference is negative \$20.9 million (Line 1), the Future PBOPs Recovery Difference is

Authorized PBOPs Expense Amount to ensure that the Commission is able to act on SCE's request in a timely manner so that SCE may revise the Formula Rate to reflect the revised 2014 Authorized PBOPs Expense amount in the TO9 December 1, 2014 Annual Update.

SCE's requests that the Commission approve the following Authorized PBOPs Expense Amounts to be effective on these dates:

Effective Date	Requested Authorized PBOPs Expense Amount
January 1, 2014	Negative \$7,105,091
January 1, 2015	\$18,990,910
January 1, 2016	\$45,759,000
January 1, 2017	\$45,759,000
January 1, 2018	\$45,759,000

These requested amounts for the Authorized PBOPs Expense Amounts are determined by the currently-effective PBOPs Mechanism, Schedule 35 of the Formula Spreadsheet. Attachment 1, which is the Formula Spreadsheet Schedule 35 with all inputs filled out for the TO9 Draft Annual Update, shows the derivation of the amounts, shown on Lines 5-9, Column 3. Attachment 2 is the Actuarial Report for 2013, which was also included as a workpaper for SCE's TO9 Draft Annual Update, showing the inputs for Schedule 35.

These proposed Authorized PBOPs Expense Amounts are lower than the current amount of \$52,707,000, and will accordingly result in a reduction to SCE's Base TRR if approved by the Commission. The underlying reasons why the

negative \$72.6 million (Line 2), for a total absolute value sum of \$93.5 million (Line 3), which is greater than 20% of the sum of the Two-Year Forecast PBOPs Expenses of \$6.5 million (Line 4, equal to 20% of the 2014-2015 forecast total of \$32.8 million on Lines 5 and 6).

proposed “Authorized PBOPs Expense Amounts” beginning January 1, 2014 are lower than the current amount are: 1) SCE’s actual PBOPs expenses for the first two years of the Formula Rate were in total \$20.9 million less than the authorized expenses; and 2) SCE’s forecast PBOPs expenses have decreased (e.g., SCE’s forecast PBOP expense for 2014 is \$3.3 million).⁶ The Formula Rate PBOPs Mechanism considered these two factors and determined that the Authorized PBOPs Expense Amounts should be reduced to the amounts shown above.

III. PROPOSED REVISIONS TO SCE’S PBOPS MECHANISM

As stated above, SCE has determined that it must revise the PBOPs Mechanism to ensure that the mechanism works as intended over multiple annual update cycles. SCE has separately identified two issues with the PBOPs Mechanism and is proposing solutions for both of them.

The first issue is that the PBOPs Mechanism does not correctly reflect the “Cumulative PBOPs Recovery Difference” in determining the future proposed Authorized PBOPs Expense Amounts, which would first become apparent with the TO11 Annual Update cycle (to be filed in 2016). Essentially, the PBOPs Mechanism would not consider that embedded within the new Authorized PBOPs Expense amounts for 2014 and 2015 is a component representing the Cumulative PBOPs Recovery Difference from previous Annual Updates. In this instance for TO11, the PBOPs Mechanism would ignore the \$20.9 million over recovery from 2012-2013 when it calculates the TO11 Authorized PBOPs Expense Amounts. The solution to this first issue is to revise Note 1 to Schedule 35 to incorporate that factor by adding a new Column 3, “Previous Over (-) or Under (+) Recovery”. (See Attachment 3 “Proposed Revised Formula Spreadsheet with TO9 Inputs” showing the added Column 3 in Note 1.)

⁶ The forecast PBOPs expenses are shown in Attachment 1, Note 2.

The second issue is that the PBOPs Mechanism would, by default, apply a revised stated Authorized PBOPs Expense Amount to the year previous to the year it is made effective by the Commission. This is because SCE's formula is designed to consider "Prior Year" costs in determining the TRR. The solution to this issue is to make an adjustment to the True Up TRR calculation that will ensure that the correct Authorized PBOPs Expense Amount is applied to the Prior Year. This adjustment is calculated on proposed new lines 10-14 of Schedule 35, and the adjustment is then included in new Line 27a of Schedule 4.

Without the proposed revisions, the Formula Rate PBOPs Mechanism would determine incorrect proposed Authorized PBOPs Expense Amounts (beginning with the TO11 Annual Update to be submitted in 2016) and would not correctly implement revised Authorized PBOPs Expense Amounts on the correct effective date (beginning with this TO9 Annual Update).

A full description of the above two issues and proposed Formula Rate revisions to correct the issues is presented in Attachment 4, "PBOPs Formula Rate Issue Description." SCE distributed this document in substantially the same form to all parties to Docket No. ER11-3697 and utilized it in the technical conference held on August 5, 2014. Additionally, SCE is providing the Formula Spreadsheet in Excel with all formulas and links intact as Attachment 5.

IV. EFFECTIVE DATE

Pursuant to Section 8b of the Formula Protocols, SCE requests that the Commission authorize the revised Authorized PBOPs Expense Amounts of negative \$7,105,091 to become effective January 1, 2014, \$18,990,910 to become effective January 1, 2015, and \$45,759,000 to become effective January 1, 2016. Attached to this filing are the associated tariff sheets in clean and redline for each year. The Authorized PBOPs Expense Amount is a stated value on Schedule 20, Note 3, Line a of Attachment 2 to Appendix IX of SCE's TO Tariff. Section 8b of

the Formula Protocols states that in the event that SCE makes a Section 205 filing to revise the Authorized PBOPs Expense Amount, the revisions shall become effective for the year in which the filing is being made.

Additionally, SCE requests that the Commission approve the proposed revisions to SCE's PBOPs Mechanism to become effective on January 1, 2014. Clean and redline versions of these proposed revisions to the formula rate tariff are also attached to this filing. These revisions include revisions to Schedules 4 and 35 of SCE's Formula Rate Spreadsheet included in Attachment 2 to Appendix IX of SCE's TO Tariff, as well as Section 8b of the Formula Protocols, Attachment 1 to Appendix IX of SCE's TO Tariff. As described in Section III above, an effective date of January 1, 2014 for the revisions to the PBOPs Mechanism is necessary to ensure the mechanism works as intended beginning with the TO9 Annual Update.

V. COMMUNICATIONS

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

Tamar Braz
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-3906

James A. Cuillier
Director, FERC Rates & Regulation
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-3627

VI. SERVICE

Copies of this filing have been served on all parties to Docket No. ER11-3697.

VII. OTHER FILING REQUIREMENTS

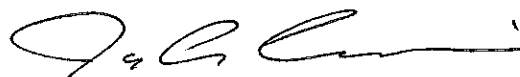
There are no forecast changes in revenues resulting from the revisions to the Formula Rate proposed in this filing. If the Commission approves the proposed revised Authorized PBOPs Expense Amount for 2014, however, SCE's TO9 Base TRR for 2015 will be approximately \$2.8 million lower.

No expenses or costs included in the rates tendered herein have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices.

SCE believes that the information contained in this filing provides a sufficient basis upon which to accept this filing; however, to the extent necessary, SCE further requests that the Commission waive its filing requirements contained in Section 35 of its regulations to the extent necessary in order to permit this filing to be made effective as requested.

SCE believes that this filing conforms to any rule of general applicability and to any Commission order specifically applicable to SCE, and has made copies of this filing available for public inspection in SCE's principal office located in Rosemead, California. SCE has provided copies of this filing to those persons whose names appear on the enclosed mailing list.

Very truly yours,



James A. Cuillier