

November 26, 2013

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 in Docket No. ER11-3697

Dear Ms. Bose:

Southern California Edison Company ("SCE") hereby submits 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 Transmission Owner Tariff ("TO Tariff"). The TO8 Annual Update revises SCE's retail and wholesale Base Transmission Revenue Requirements ("Base TRR") and associated retail and wholesale transmission rates effective January 1, 2014.

Pursuant to the formula set forth in SCE's TO Tariff, this TO8 Annual Update revises the retail Base TRR from the currently-effective amount of \$789 million to \$821 million, and the wholesale Base TRR from \$783 million to \$815 million.

SCE's currently-effective Base TRRs are based on SCE's "Unopposed Motion for Implementation of Corrected Interim Settlement Rates, Request for Expedited Consideration, and Request for Shortened Answer Period" ("Interim Rate Request") filed by SCE on October 9, 2013, and approved by the Chief Judge on October 11, 2013.

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 Attachment 1 to Appendix IX to SCE's

TO Tariff, does not subject SCE's formula transmission rate, as set forth in Appendix IX to SCE's TO Tariff, to modification.

SCE requests that the Commission issue a notice of filing for the TO8 Annual Update and establish a comment date. In the event that any protests and/or comments are filed, SCE requests that the Commission issue an order taking action on this filing.

I. Background

On June 3, 2011, in Docket No. ER11-3697-001, SCE submitted its formula transmission rate to the Commission ("Original Formula Rate").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, and directed SCE to submit a compliance filing modifying the Original Formula Rate to utilize a Return on Equity based on the Median methodology rather than the filed Midpoint methodology. SCE submitted the Compliance Filing on September 1, 2011, which the Commission accepted in its Order on Compliance Filing on November 30, 2011.³ 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, 2013⁴, which was approved by the Commission on November 5, 2013.⁵ The Offer of Settlement included revised Attachments 1 and 2 to SCE's Transmission Owner Tariff Appendix IX, which constitute SCE's currently-effective Formula Rate ("Settlement Formula Rate").

On September 14, 2012, SCE submitted its first Annual Update under its Original Formula Rate ("TO7 Annual Update"). The TO7 Annual Update Base

¹ Appendix IX to SCE's TO Tariff.

² 136 FERC ¶ 61,074 P 1.

³ 137 FERC ¶ 61,173.

⁴ SCE filed corrections to certain settlement exhibits on October 9, 2013.

⁵ 145 FERC ¶ 61,103.

TRR of \$900 million and associated rates went into effect on October 1, 2012 pursuant to SCE's filed protocols. As mentioned above, SCE's Interim Rate Request Base TRR of \$789 million went into effect on October 1, 2013.

SCE is submitting this TO8 Annual Update to the Commission in accordance with the Settlement Formula Rate protocols which specify that each year SCE will make an Annual Update filing on or before December 1, revising the Base TRR and associated rates to be effective on the following January 1.

II. SCE's Settlement Formula Rate

SCE's Settlement Formula Rate is similar to many formula rates in effect subject to the Commission's jurisdiction.⁶ 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, 2012. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the Rate Year as compared to the costs incurred in the Prior Year.⁷ And the True Up Adjustment trues up actual transmission revenues to actual transmission costs during the Prior Year. This TO8 Annual Update is the first to include a comparison of actual revenues to actual costs, since the Prior Year of 2012 corresponds to the year that the formula rate became effective.

III. Reasons for Increases in SCE's Base TRR

In this TO8 Annual Update, as noted above, SCE's retail Base TRR increases from the currently-effective amount of \$789 million to \$821 million, an increase of \$32 million. The Wholesale Base TRR increases from \$783 million to \$815 million. The primary reasons for the increase in the Base TRR are: 1) The

⁶ See for example, the SDG&E formula rate approved by the Commission in Docket No. ER07-284.

⁷ The Rate Year for this TO8 Annual Update is January 1, 2014 through December 31, 2014.

Prior Year TRR is increasing to \$680 million from \$582 million, an increase of \$98 million; and 2) the True Up Adjustment is -\$68 million, as compared to a True-Up Adjustment of \$2 million in the current interim rates pursuant to the Interim Rates Request (a change of -\$70 million). The increase in the Prior Year TRR is primarily attributable to an increase in Rate Base, leading to higher Return on Capital and Income Tax expenses.

IV. Draft Annual Update and Documents Submitted With This Filing

SCE's Settlement 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 Draft Annual Update on June 14, 2013 utilizing the Original Formula Rate then in effect. On September 24, 2013, SCE posted the Draft Annual Update utilizing the Settlement Formula Rate, which is the basis of this TO8 Annual Update. Since the September 24, 2013 posting, SCE has identified two necessary revisions that collectively raise the Base TRR by only about \$28,000. The revisions are set forth in Attachment 3.

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 format, showing the calculation of the Base TRR and associated rates;⁸
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2014;
- 5) Attachment 3: Revisions to formula rate inputs as compared to the September 24, 2013 Draft Annual Update; and

⁸ Note that the wholesale TRBAA filed by SCE in Docket No. ER14-464, requested to be effective January 1, 2014, has been reflected in Schedule 29 of the formula rate spreadsheet.

- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including all information required pursuant to the Offer of Settlement in Docket No. ER11-3697 and the formula rate protocols set forth in Attachment 1 to Appendix IX of SCE's TO Tariff, and information required pursuant to the Settlement in Docket No. ER11-1952.

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:

Anna Valdborg
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-1058

James A. Cuillier
Director, FERC Rates & Regulation
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770

Very truly yours,



ATTESTATION

Mark C. Clarke attests that he is Vice President and Controller of Southern California Edison Company, and that the cost of service statements and supporting data submitted as a part of this filing which purport to reflect the books of Southern California Edison Company are true, accurate, and current representations of the utility's books and other corporate documents to the best of his knowledge and belief.



Mark C. Clarke
Vice President and Controller

Dated: November 25, 2013