

DRAFT

September XX, 2012

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

RE: Southern California Edison Company 2013 Formula Transmission
Rate Informational Filing submitted pursuant to Docket No. ER11-3697

Dear Ms. Bose:

Southern California Edison Company (“SCE”) hereby submits for informational purposes its first annual formula transmission rate Informational Filing (“Informational Filing”), pursuant to Section 3 of Appendix IX of SCE’s Transmission Owner Tariff (“TO Tariff”). The Informational Filing revises SCE’s retail and wholesale Base Transmission Revenue Requirements (“Base TRR”) and associated retail and wholesale transmission rates effective October 1, 2012. Pursuant to formula set forth in SCE’s TO Tariff, this Informational Filing revises the retail Base TRR from the currently-effective amount of \$722 million to \$894 million. As explained in Section III, the primary reason for the increase in SCE’s Base TRR is increases in Construction Work in Progress (“CWIP”) for certain transmission projects for which SCE has received Commission approval to include CWIP in Rate Base.

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 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.

In the event that any party protests this Informational Filing, SCE respectfully requests that the Commission either: 1) summarily accept this Informational Filing to become effective on October 1, 2012; or 2) accept the filing to become effective on October 1, 2012 subject to refund, and hearing/settlement procedures.

I. Background

On June 3, 2011, in Docket No. ER11-3697, SCE submitted its 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, and directed SCE to submit a compliance filing modifying the filed formula to utilize a Return on Equity based on the Median methodology rather than the filed Midpoint methodology.³ SCE submitted the Compliance Filing on September 1, 2011, which the Commission accepted in its Order on Compliance Filing on November 30, 2011.⁴

For the past several months, SCE has been engaged in settlement discussions with intervening parties. In addition to participating in three settlement conferences on August 31, 2011, February 28-29, 2012, and June 6-7 2012, SCE also held two technical conferences at the request of intervening parties on October 19, 2011 and December 6-7, 2011 for the purpose of explaining the design and operation of the formula. In addition, SCE has responded to extensive informal information requests. SCE is submitting this filing to the Commission in accordance with the currently-effective formula protocols which specify that each

¹ Appendix IX to SCE's TO Tariff.

² 136 FERC ¶ 61,074 P 1.

³ 136 FERC ¶ 61,074 P 30 and Ordering Paragraph B.

⁴ 137 FERC ¶ 61,173.

year SCE will make an Informational Filing on September 15, revising the Base TRR and associated rates on October 1.

Since the Commission accepted SCE's formula transmission rate subject to refund, this Informational Filing will be subject to the ultimate outcome of Docket No. ER11-3697.

II. SCE's Formula Transmission Rate

SCE's formula transmission rate is similar to many formulas in effect subject to the Commission's jurisdiction.⁵ 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 2011. 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.⁶ And the True Up Adjustment trues up actual transmission revenues to actual costs during the Prior Year, if the formula was in effect during that year. In this initial Informational Filing, since SCE's formula was not in effect in 2011, there is not a True Up Adjustment composed of a comparison of actual revenues to actual costs for 2011⁷. Since the formula became effective January 1, 2012, the True Up Adjustment for the 2012 calendar year will be included in SCE's second annual Informational Filing, to be submitted on or before September 15, 2013.

In this filing, SCE utilizes the formula accepted by the Commission in its Order on Compliance Filing, as reflected by Attachment 1 to Appendix IX of SCE's TO Tariff, in determining the Base TRR and associated rates. To the extent that the outcome of settlement discussions or hearings results in revisions to

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

⁶ The Rate Effective Period for this Informational Filing is October 2012 through September 2013.

⁷ This Informational Filing includes a True Up Adjustment containing the final balance in SCE's previous Construction Work In Progress rate mechanism, which was discontinued on December 31, 2011. This is in accordance with Section 6 of Appendix IX of SCE's TO Tariff.

the filed formula, SCE will make any required refunds in accordance with the Commission order accepting the revised formula.

III. Reasons for Increases in SCE's Base TRR

In this Informational Filing, SCE's retail Base TRR increases from the currently-effective amount of \$722 million to \$894 million, an increase of \$172 million or 24%. The Wholesale Base TRR increases from \$716 million to \$888 million. The primary reason for the increase in the Base TRR is increases to CWIP in Rate Base for the projects that SCE has received Commission approval for such treatment. SCE's recorded CWIP in Rate Base increased to \$1.278 billion for the end of year 2011, compared to \$638 million for the end of year 2010, an increase of \$640 million. SCE is forecasting that much of this CWIP will be placed in service by the end of the forecast period (September of 2013), so that the amount of forecast plant additions included in this filing is \$1.106 billion, compared to only \$379 million that was in the initial filing for the equivalent forecast period (through September of 2012).

IV. List of Documents Submitted

SCE's formula protocols require SCE to post a Draft Informational Filing on SCE's website on or before June 15 of each year. SCE posted the Draft Informational Filing on June 15, 2012. Additionally, the formula protocols require that SCE include in the Informational Filing a copy of the Plant Study in the workpapers which determines the amount of plant classified as Transmission or Distribution in SCE's accounts that is under the Operational Control of the California Independent System Operator ("CAISO"), and whose costs are therefore recovered through this formula transmission rate.⁸

This filing consists of the following documents:

⁸ Formula protocols, Appendix IX to SCE's TO Tariff, Section 9.

- 1) This filing letter.
- 2) An attestation by an SCE officer.
- 3) Attachment 1: The populated formula transmission rate in Excel format, showing the calculation of the Base TRR and associated rates.
- 4) Attachment 2: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Settlement in Docket No. ER11-1952.
- 5) Attachment 4: Retail and Wholesale Transmission rates.

V. Communications

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

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Very truly yours,