

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



December 9, 2011

Advice Letter 2647-E

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

**Subject: Refund of Transmission Rates Authorized by the
Federal Energy Regulatory Commission in Docket
No. ER08-375**

Dear Mr. Jazayeri:

Advice Letter 2647-E is effective November 1, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division

October 31, 2011

ADVICE 2647-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Refund of Transmission Rates Authorized
by the Federal Energy Regulatory Commission in
Docket No. ER08-375

PURPOSE

The purpose of this advice filing is to implement the transmission refund for Southern California Edison Company's (SCE's) retail customers authorized by the Federal Energy Regulatory Commission (FERC) in an October 6, 2011 order in Docket No. ER08-375.

BACKGROUND

On December 21, 2007, SCE filed a Transmission Owner Tariff (TO Tariff) revision with FERC in Docket No. ER08-375-000 to reflect proposed changes to its transmission revenue requirement and transmission rates applicable to customers taking service over SCE's transmission facilities. In the filing, SCE proposed to implement the portion of the FERC's November 2007, transmission incentives order issued in Docket No. EL07-62 (Incentives Order) authorizing SCE, among other things, to recover in transmission rates 100 percent of Construction Work in Progress (CWIP) for three of its major transmission projects through a stand-alone balancing account mechanism. The three transmission projects authorized to receive incentive ratemaking treatment included: (1) Devers-Palo Verde II Project (DPV2); (2) Tehachapi Transmission Project (Tehachapi); and (3) Rancho Vista Transmission Substation Project (collectively referred to as the "Projects").

In the Incentives Order, FERC specifically authorized SCE to implement a stand-alone balancing account mechanism to recover the CWIP revenue requirement through a future Section 205 rate filing. FERC found that allowing SCE to include 100 percent of CWIP in base transmission rates would enhance its cash flow, reduce interest expense, assist SCE with financing, and improve SCE's coverage ratios, which are used by rating

agencies to determine credit quality, by replacing non-cash Allowance for Funds Used During Construction with cash earnings. FERC also found that allowing SCE to include 100 percent of CWIP in base rates would result in better rate stability for customers.

Among other things, in the December 21, 2007 filing in Docket No. ER08-375-000, SCE proposed to revise its TO Tariff to reflect implementation of a new CWIP Ratemaking Mechanism, and an increase in the Base Transmission Revenue Requirement (Base TRR) and associated transmission rates to begin recovering CWIP for the Projects. An order from the FERC was issued on February 29, 2008, accepting SCE's tariff changes, subject to refund. FERC also ordered a paper hearing on the issue of SCE's proposed Return on Equity (ROE). On April 15, 2010, the FERC issued an order on the paper hearing (April 2010 Order) reducing SCE proposed base ROE from 11.5 percent to 9.54 percent. In May 2010, SCE sought rehearing of the April 2010 Order. On October 6, 2011, FERC issued an Order on Rehearing and Clarification (October 2011 Order). In the October 2011 Order, FERC upheld the ROE authorized in the April 2010 Order and directed SCE to provide refunds within 30 days.

PROPOSED REFUND PLAN

As a result of the reduced rate levels adopted in the October 2011 Order relative to those implemented, subject to refund by SCE on March 1, 2008, SCE must provide retail customer refunds for over-collections accrued between March 1, 2008, and December 31, 2008 (Refund Period).¹ The refund reflects the difference between revenues billed under the March 1, 2008 Base Transmission rates and revenues that would have been billed had the lower rates been in effect during the Refund Period. SCE has calculated a refund to retail customers of \$5.3 million, including interest.

SCE will record the \$5.3 million in the Distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA) on November 1, 2011. The balance recorded in the BRRBA on December 31, 2011, including this FERC refund amount, will be consolidated into retail rate levels upon a final California Public Utilities Commission (Commission) decision in SCE's 2012 Energy Resource Recovery Account (ERRA) Forecast proceeding, which is expected to be in the first quarter of 2012. SCE will allocate the \$5.3 million refund to rate groups in the same proportion as the Base TRR over-collection was accrued. The rate adjustments will then be reflected in the Distribution component of rates, consistent with the treatment of BRRBA, which are applied to the same billing determinants as Transmission rates.

¹ In addition, SCE intends to provide refunds for wholesale Existing Transmission Contract customers on November 1, 2011, and has informed the California Independent System Operator Corporation of its obligation to provide refunds to wholesale Wheeling customers as a result of the October 2011 Order. The October 2011 Order also requires SCE to file a refund report at FERC within 15 days of the date that refunds are provided to customers.

TIER DESIGNATION

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.1, this advice letter is submitted with a Tier 1 designation.

EFFECTIVE DATE

Pursuant to FERC's October 2011 Order, SCE requests that this advice filing become effective on November 1, 2011.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Leslie E. Starck
Senior Vice President
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and A.10-11-015 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Robert Thomas at (626) 302-1746 or by electronic mail at Robert.Thomas@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:rt:sq
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2647-E Tier Designation: 1

Subject of AL: Refund of Transmission Rates Authorized by the Federal Energy Regulatory Commission in Docket No. ER08-375

Keywords (choose from CPUC listing): Refunds

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? Yes No

Requested effective date: 11/1/11 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Leslie E. Starck
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Southern California Edison Company
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5540
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