

August 16, 2016

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 the 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").<sup>1</sup>

In this filing, SCE is seeking to revise its Formula Rate to reflect the revision to the Authorized PBOPs Expense Amounts, required pursuant to the Formula Protocols. SCE is not proposing to revise the currently-effective Retail or Wholesale Base Transmission Revenue Requirement ("TRR"), or any associated rates.<sup>2</sup>

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<sup>1</sup> Attachment 1 to the Formula Rate is the Formula Protocols, and Attachment 2 is the Formula Spreadsheet.

<sup>2</sup> However, if the Commission accepts SCE's proposed revisions, SCE's TO11 Annual Update Retail Base TRR for 2017, to be filed by December 1, 2016, is expected to be

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 post a Draft Annual Update by June 15 of each year, followed by the filing of the 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.<sup>3</sup> The Formula Protocols state that the revised Retail and Wholesale Base TRRs and associated retail and wholesale transmission rates become effective each January 1 following the filing of the Annual Update.

SCE's Formula Rate provides for recovery of a stated amount of PBOPs expenses, called the "Authorized PBOPs Expense Amount" in the Formula Rate. The Authorized PBOPs Expense Amount appears on Schedule 20, Note 3 of the Formula Spreadsheet. Since January 1, 2016, it has been set at \$45,759,000,

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about \$513,000 lower than otherwise, with commensurate reductions in the Wholesale Base TRR and associated rates.

<sup>3</sup> See SCE Formula Rate Protocols, Section 3.

pursuant to SCE's filing in ER14-2788 on September 5, 2014.<sup>4</sup> 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.<sup>5</sup>

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, SCE must fill out Schedule 35 in the Draft Annual Update to determine whether a filing must be made, and if so, the corresponding Authorized PBOPs Expense Amounts for which to request Commission approval. The first assessment was made in 2014 and is required to be made again this year.

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. As discussed in detail in Section II of this filing, SCE has determined that this range has been exceeded, and submits this filing seeking Commission approval to revise the Authorized PBOPs Expense Amounts for 2016, 2017, and 2018 and beyond.

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<sup>4</sup> 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 6.02% in the upcoming TO11 Annual Update.

<sup>5</sup> 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."

## **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 TO11 Draft Annual Update, posted on SCE’s website on June 15, 2016, 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 Amounts. That determination is included in Attachment 1 “Schedule 35 with TO11 Inputs”.<sup>6</sup> SCE must make this filing to revise the 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 2016 Authorized PBOPs Expense amount in the TO11 December 1, 2016 Annual Update.

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<sup>6</sup> The condition for determining whether a filing is required is evaluated on Lines 1-4 of Schedule 35. For the TO11 Draft Annual Update, the Cumulative PBOPs Recovery Difference is \$9.66 million (Line 1), the Future PBOPs Recovery Difference is negative \$23.41 million (Line 2), for a total absolute value sum of \$13.75 million (Line 3), which is greater than 20% of the sum of the Two-Year Forecast PBOPs Expenses of \$13.62 million (Line 4, equal to 20% of the 2016-2017 forecast total of \$68.11 million on Lines 5 and 6).

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

<b>Effective Date</b>	<b>Requested Authorized PBOPs Expense Amount</b>
January 1, 2016	\$37,714,779
January 1, 2017	\$40,055,779
January 1, 2018	\$40,171,333
January 1, 2019	\$40,171,333
January 1, 2020	\$40,171,333

These requested amounts for the Authorized PBOPs Expense Amounts are determined by the PBOPs Mechanism, Schedule 35 of the Formula Spreadsheet. Attachment 1, which is the Formula Spreadsheet Schedule 35 with all inputs filled out for the TO11 Draft Annual Update, shows the derivation of the amounts, shown on Lines 5-9, Column 3. Attachment 2 is the Actuarial Report for 2015, which was also included as a workpaper for SCE's TO11 Draft Annual Update, showing the inputs for Schedule 35.

These proposed Authorized PBOPs Expense Amounts are lower than the current amount of \$45,759,000, and will accordingly result in a reduction to SCE's Base TRR if approved by the Commission. The primary reason why the proposed "Authorized PBOPs Expense Amounts" beginning January 1, 2016 are lower than the current amount relate is that the new five-year forecast of PBOPs Expenses is lower than the current Authorized PBOPs Expense Amount, offset somewhat by a cumulative undercollection of \$9,661,558 for the 2012-2015 years of operation of this PBOPs mechanism.<sup>7</sup> The Formula Rate PBOPs Mechanism considered these

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<sup>7</sup> The five-year forecast of PBOPs expenses ranges from \$32,884,000 in 2016 to \$42,119,000 in 2020. The cumulative undercollection amount is applied to the first two

two factors and determined that the Authorized PBOPs Expense Amounts should be reduced to the amounts shown above.

#### **IV. EFFECTIVE DATE**

Pursuant to Section 8b of the Formula Protocols, SCE requests that the Commission authorize the revised Authorized PBOPs Expense Amounts of \$37,714,779 to become effective January 1, 2016, \$40,055,779 to become effective January 1, 2017, and \$40,171,333 to become effective January 1, 2018. Attached to this filing are the associated tariff sheets in clean and redline for each of these periods of time.<sup>8</sup> 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.

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years of the in equal amounts of \$4,830,779. See Lines 5-9 of Attachment 1 showing the derivation of the proposed Authorized PBOPs Expense Amounts.

<sup>8</sup> SCE is submitting a total of five revised tariffs in this filing (Attachment 2 to Appendix IX, the Formula Spreadsheet). During the 2016 year there are three currently-effective tariffs corresponding to three periods of time for which the currently-effective tariff differs pursuant to previous tariff revision filings approved by the Commission. SCE's currently-effective tariff effective January 1, 2016 through May 29, 2016 is as filed and approved by the Commission in Docket No. ER16-686. SCE's currently-effective tariff effective May 30, 2016 through June 12, 2016 is as filed and approved by the Commission in Docket No. ER16-1292. SCE's currently-effective tariff effective June 13, 2016 is as filed and approved by the Commission in Docket No. ER16-1393. Additionally, SCE is submitting revised tariffs effective January 1, 2017, and January 1, 2018.

## **V. COMMUNICATIONS**

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

Rebecca Furman  
Senior Attorney  
Southern California Edison Company  
P.O. Box 800  
Rosemead, CA 91770  
Tel. (626) 302-3475

Karen Koyano  
Principle Manager, FERC Rates and Compliance  
Southern California Edison Company  
P.O. Box 800  
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## **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 2016, however, SCE's TO11 Base TRR for 2017 will be approximately \$0.51 million lower than if the currently-effective amount were to be maintained.

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,

A handwritten signature in black ink that reads "Karen Koyano". The signature is written in a cursive, flowing style.

Karen Koyano