

DRAFT

November 30, 2018

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 Filing in Docket No. ER18-169___ (TO2019)

Dear Ms. Bose:

Under Southern California Edison Company's ("SCE") Transmission Owner Tariff ("TO Tariff"), SCE calculates its retail and wholesale Base Transmission Revenue Requirements ("Base TRR") using a formula rate spreadsheet. SCE hereby submits for informational purposes its annual formula transmission rate annual update filing ("TO2019 Annual Update"), pursuant to Section 3 of Attachment 1 to Appendix IX of SCE's TO Tariff (the "Formula Rate Protocols").

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(d)(3) of the Formula Rate Protocols, does not subject SCE's Formula Rate to modification.

SCE requests that the Commission issue a public notice of filing for the TO2019 Annual Update and establish a comment date.

I. Background

On October 27, 2017 in Docket No. ER18-169-000, SCE filed its TO2018 Transmission Formula Rate with the Commission (“TO2018 Formula Rate”). The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”). Several entities intervened or protested the TO2018 Formula Rate filing. By Order dated December 29, 2017, the Commission accepted SCE’s TO2018 Formula Rate and related 2018 TRR, suspended it for a nominal period, to be effective January 1, 2018, subject to refund, and established hearing and settlement judge procedures.¹ Additionally, because SCE’s TO2018 Formula Rate filing proposed a TRR reduction and a further decrease may be warranted, the Commission also instituted an investigation pursuant to section 206 of the FPA in Docket No. EL18-44-000 to determine whether SCE’s proposed TRR reduction is just and reasonable, and consolidated the TO2018 Formula Rate proceedings for purposes of hearing and settlement judge procedures.² Settlement discussions are in progress in the TO2018 Formula Rate docket.

On _____, 2018, SCE filed a modification to the TO2018 Formula Rate proposing changes necessary to implement the 2017 Tax Cuts and Jobs Act (“TCJA”). The Commission accepted SCE’s proposed changes by Order dated _____. SCE proposed four tax changes that impact this TO2019 Annual Update. First, Schedule 26 was amended to reflect the reduction in the Federal Income Tax rate (“FIT”) from 35% to 21%. Second, Schedule 9 was amended to reflect an amount of Excess Deferred Income Taxes (“EDIT”) due to the difference between Accumulated Deferred Income Taxes (ADIT”) balances previously on SCE’s books (determined using the pre-2018 FIT of 35%) and the

¹ *Southern California Edison Company*, 161 FERC ¶ 61,309 (2017)

² *Id.*

new amounts of ADIT (based on the 2018 FIT of 21%). Third, the Formula Rate Protocols were amended to mandate that the 2017 True Up TRR calculated using the Original Formula Rate reflect the 2017 recorded EDIT. The fourth change was to Schedule 1 to reflect the amortization of the EDIT associated with implementation of the TCJA. This last change does not impact the 2019 TRR since there was no amortization of EDIT in 2017.

SCE is now submitting its Annual Update to the Commission in accordance with Section 3 of the Formula Rate Protocols, which specifies that each year SCE will file an Annual Update on or before December 1, revising the Base TRR and associated rates to be effective on January 1 of the upcoming Rate Year. The Rate Year for TO2019 Annual Update is January 1, 2019 through December 31, 2019.

II. SCE's Formula Transmission Rate

Pursuant to SCE's formula transmission rate, 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 Prior Year, which in this instance is 2017. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case 2018 and 2019) as compared to the costs incurred in the Prior Year. The True Up Adjustment is the difference between actual transmission revenues and actual transmission costs during the Prior Year³, as well as prior period adjustments. Therefore, this TO2019 Annual Update revises the retail Base TRR from the currently-effective amount of \$1.169 billion to \$1.038 billion, and the wholesale Base TRR from \$1.163 billion to \$1.033 billion.

³ The True Up TRR for calendar year 2017 was determined using SCE Original Formula Rate pursuant to Section 4(e) of the Formula Protocols.

III. Reasons for Changes in SCE's Base TRR

As indicated above, in this Annual Update, SCE's retail Base TRR decreases from the currently-effective amount of \$1.169 billion to \$1.038 billion, a decrease of \$131 million. The wholesale Base TRR also decreases by \$130 million, from \$1.163 billion to \$1.033 billion.

The Prior Year TRR for TO2019 is \$1.001 billion, compared with \$1.100 billion in TO2018. The IFPTRR in TO2019 is \$99.7 million compared to \$109.3 million in TO2018. Finally, the TO2019 Base TRR reflects a True Up Adjustment of -\$62.9 million. This compares to a -\$39.6 million True Up Adjustment in TO2018. Combined, these changes add up to a \$131 million decrease in Base TRR from TO2018 to TO2019. The principal factor contributing to the decrease in Base TRR is the reflection of the lower Federal Income Tax Rate associated with the TCJA.

Pursuant to Section 4(e) of the Formula Protocols, the True Up TRR for calendar year 2017 is calculated using Original Formula Rate including the 35% federal income tax rate in effect for 2017. As noted above, the Original Formula was modified to reflect the EDIT recorded at the end of calendar year 2017. Therefore, the TO2019 True Up Adjustment includes a Previous Annual Update adjustment that reflects the difference in the calculation of the True Up TRR using the Original Formula methodology and the TO2018 Formula Rate methodology. This adjustment is reflected on Schedule 3 as a \$69.3 million adjustment in December 2017. This will be the last year this adjustment will be necessary since 2017 is the last year subject to the Original Formula Rate. Additionally, as part of the TO2019 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for 2015 and 2016. There are five corrections reflected in the One-Time Adjustment. First, SCE is correcting an error in the 55kV circuit breaker count used on Schedule 27 in 2015 and 2016. Second, SCE is correcting an error

in the calculation of net income for Edison Material Supply reflected on Schedule 21 in 2016. Third, SCE is correcting the recorded PBOPs expense reflected on Schedule 20 in 2016. Fourth, SCE is correcting a negative A&G exclusion which was made in error in 2016. This correction will impact the FERC Account 920 exclusions reflected on Schedule 20 in 2016. The fifth and final correction is the split of Interconnection Facility Finance Charges revenue and Interconnect Charge – Customer Financed revenue shown on Schedule 21 in 2015 and 2016. These corrections are reflected on Schedule 3 of the Formula Rate spreadsheet as a single One-Time Adjustment of - \$0.138 million.

IV. Documents Submitted With This Filing

This filing consists of the following documents:

- 1) This filing letter;
- 2) An attestation by an SCE officer;
- 3) Attachment 1: The populated formula rate, in both pdf and Excel formats, showing the calculation of the TO2019 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2019;
- 5) Attachment 3: Revisions to formula rate inputs from the TO2019 Draft Annual Update; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Formula Rate Protocols.
- 7) Attachment 5: The populated original formula rate, in both pdf and Excel formats, showing the calculation of the 2017 True Up TRR and associated incremental supporting workpapers.

V. Service

Copies of this filing have been served on all parties to Docket No. ER18-169, including the California Public Utilities Commission, as well as the California Independent System Operator Corporation (“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:

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Very truly yours

Jeffrey L. Nelson

ATTESTATION

Aaron D Moss attests that he is Vice President 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.

Aaron D Moss

Vice President

Dated: November __, 2018