

Exhibit A
Affidavit of Alan Varvis

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company) Docket No. ER16-___-000

**AFFIDAVIT OF ALAN VARVIS
FOR SOUTHERN CALIFORNIA EDISON COMPANY**

I, Alan Varvis, being duly sworn, depose and state as follows:

I. INTRODUCTION

1. My name is Alan Varvis. I am the Principal Manager of Capital Asset Analytics and Depreciation in the Controllers Department at Southern California Edison Company (“SCE”).

My business address is 2244 Walnut Grove Avenue, Rosemead, California 91770.

2. I am submitting this affidavit on behalf of SCE. The statements made herein are true and correct to the best of my knowledge and belief, and I adopt them as my sworn testimony in this proceeding.

3. I have worked for SCE for 22 years. In my current position as Principal Manager of Capital Asset Analytics and Depreciation, I am responsible for the forecasting and budgeting related to plant-in-service, book and tax depreciation, and regulatory cost recovery.

4. I joined Southern California Edison in the Transmission and Substation Division in 1993 and, from 1993-1995, I performed the role of a business analyst. I was promoted to Supervisor of Material & Accounting in 1995. My responsibilities included supervising the processing and handling of work orders related to transmission line and substation capital equipment replacements. In 1996, I accepted a supervisor position in the Power Grid Business Unit where my primary role was to provide budgeting and regulatory finance support. In 2003, I

received a promotion to a manager position and, from 2003-2015, I held a variety of manager roles in the areas of budgeting, regulatory finance, reporting, and financial system functions supporting the Transmission & Distribution Business Unit. In 2015, I accepted a position in my current role as Principal Manager of Capital Asset Analytics and Depreciation.

5. I received a Bachelor of Science degree in Business Administration, with an emphasis in Accounting and a Masters of Business Administration from California State Polytechnic University, Pomona.

6. I have previously submitted testimony before the Federal Energy Regulatory Commission as an expert witness on O&M Jurisdictional Allocation in SCE's Application for Formula Ratemaking (ER11-3697-000). I have previously submitted testimony before the California Public Utilities Commission ("CPUC") on the T&D Jurisdictional Cost Study in SCE's 2006 General Rate Case (A.04-12-014), the 2009 General Rate Case (A. 07-11-011), the 2012 General Rate Case (A.10-11-015), and the 2015 General Rate Case (A.13-11-003).

7. The purpose of my affidavit is to describe SCE's proposed revisions to the depreciation module of SCE's formula transmission rate ("Formula Rate") necessary to implement the CPUC decision in Phase 1 of SCE's 2015 General Rate Case (Decision (D.) 15-11-021 , the "CPUC Decision") regarding non-transmission depreciation rates issued on November 12, 2015.

8. My affidavit is organized as follows:

- In Section II, I provide background on SCE's Formula Rate and the calculation of non-transmission depreciation expense under the Formula Rate;

- In Section III, I describe the CPUC Decision, the method of determination of non-transmission depreciation rates in the CPUC Decision, and the proposed revised non-transmission depreciation rates adopted in the CPUC Decision;
- In Section IV, I describe the revisions to the depreciation module of the Formula Rate necessary to conform to the CPUC Decision on non-transmission depreciation rates; and
- In Section V, I present an illustrative quantification of the changed depreciation rates.

II. BACKGROUND ON SCE'S FORMULA RATE

9. SCE filed the currently-effective Formula Rate in June of 2011 in Docket No. ER11-3697. In an order issued on August 2, 2011, the Commission accepted for filing and suspended the Formula Rate, to be effective on January 1, 2012, subject to refund, hearing and settlement procedures. Settlement procedures were successful, resulting in SCE filing a settlement that was approved by the Commission on November 5, 2013. Pursuant to the formula protocols, SCE submits an Annual Update each year by December 1 determining rates for the upcoming year. On December 1, 2015 SCE submitted its most recent Annual Update for 2016 rates.

10. Included in the Formula Rate is a module that determines SCE's depreciation expense which flows through to the determination of its Base Transmission Revenue Requirement ("Base TRR"). This depreciation module is contained in Schedule 17 of the Formula Rate. Schedule 18 of the Formula Rate lists the currently-effective depreciation rates by FERC Plant Account.

11. Pursuant to Section 8 of Appendix IX (“Protocols”) of the Formula Rate, when the CPUC issues an order affecting depreciation rates for General, Intangible or Distribution plant, SCE must then make a “single-issue” Section 205 filing to the Commission proposing to revise such non-transmission depreciation rates in conformance with the CPUC order:

“SCE will make a single-issue Section 205 filing to change the depreciation rates for General, Intangible or Distribution plant in Schedule 18 upon approval by the CPUC of revised depreciation rates for these plant categories. SCE shall make a filing at the Commission, as set forth in this section, by the later of either the filing date for the next Annual Update following the CPUC ruling or sixty days after the CPUC ruling.”

III. THE CPUC 2015 GRC PHASE 1 DECISION

12. The CPUC Decision was issued by the CPUC on November 12, 2015, representing the final decision in SCE’s 2015 GRC Phase 1 proceeding. The CPUC Decision adopted a revenue requirement for SCE’s CPUC-jurisdictional electric assets, to be effective on January 1, 2015. The relevant portions of the CPUC Decision are provided in Exhibit B.

13. Among other things, the CPUC Decision adopted depreciation rates for various plant accounts including some accounts that are utilized in the Formula Rate. These adopted rates include changes to the depreciation rates for distribution substation structures and improvements and distribution station equipment (FERC Plant Accounts 361 and 362). In addition, the CPUC Decision adopted changes to the depreciation rates for general and intangible plant (FERC Plant Accounts 389 – 399 and 301 – 303) which are an allocated component of SCE’s Base TRR based on a labor allocation factor that is currently about 5.4%. As noted above, pursuant to the CPUC Decision, these revised depreciation rates became effective January 1, 2015.

14. The CPUC Decision adopted SCE's proposal to decrease the distribution¹ depreciation rate for Account 361 to 3.04%, a decrease of 0.16%. The CPUC Decision also adopted new depreciation parameters for Account 362, but with no net change to the rate of 3.13%.² SCE's proposed changes were based on a review of industry practices, Simulated Plant Records ("SPR") analysis,³ analysis of recorded net salvage costs, and reviews with engineering and technical personnel. SCE's SPR analysis indicated a slightly longer average service life for Account 361, resulting in a slightly lower depreciation rate. The net salvage experience demonstrated a more negative net salvage ratio for Account 362. The depreciation analyses supporting SCE's proposed depreciation estimates and the CPUC's decision regarding the depreciation parameters can be found in Exhibits B and C (the CPUC Decision and the GRC Application).

15. The CPUC Decision adopted SCE's proposals to create two new sub-accounts within Account 397. Specifically, SCE's proposals were: 1) Account 397 – Data Network Systems was created to isolate equipment which was deemed to have a 5 year service life. This equipment was previously included with Account 397 – Telecomm Network Systems that had a 7 year service life. 2) Account 397 – Telecomm Power Systems was created to isolate

¹ Currently, SCE has no distribution assets under the CAISO Operational Control. Accordingly, the change in the depreciation rate for these two distribution accounts will not affect SCE's depreciation expense recovered through the formula rate.

² While there was no change in the total rate, the components are "Plant Less Salvage" and "Removal Cost". Plant Less Salvage is revised from 2.29% to 2.17%, while Removal Cost is revised from 0.84% to 0.96%. Since the changes offset each other, the total rate of 3.13% remains unchanged. The Formula Rate Schedule 18 includes both components as well as the total depreciation rate, so a change to any component requires a change to the Tariff.

³ SPR is a form of semi-actuarial analysis where simulated plant balances are matched to survivor curve types and analyzed for best fit. Curve-Lives provide an estimate of the average life of the property as well as the expected remaining life.

equipment which was deemed to have a 20 year service life. This equipment was previously included with Account 397 - Microwave Equipment and Antenna Assembly that had a 15 year service life. Both of these proposals were based on changing life characteristics that were cited in SCE's Depreciation Study in SCE's 2015 GRC Filing. These proposed changes were uncontested and adopted by the CPUC.

16. The CPUC Decision also adopted new depreciation rates for General and Intangible plant as follows:

Account	Description	Prior Rate	Adopted Rate
390	Structures and Improvements	1.80%	2.74%
302	Hydro Relicensing	2.64%	2.52%
303	Capitalized Software 5 year life	21.41%	20.58%
303	Capitalized Software 7 year life	14.71%	14.93%
303	Capitalized Software 10 year life	10.00%	12.45%
303	Capitalized Software 15 year life	6.67%	6.78%
397	Communication Equipment- Data Network Systems	14.29%	20.00% ⁴
397	Communication Equipment – Telecomm Power Systems	6.67%	5.00% ⁵
397	Communication Equipment: Fiber Optic Comm. Cables	6.06%	6.06% ⁶
397	Communication Equipment: Telecom Infrastructure	3.75%	3.75% ⁷

⁴ The Data Network Systems were previously using a seven year average service life. SCE proposed a reduced five year average service life in the 2015 GRC due to changing life characteristics indicated in the depreciation study from engineering surveys with field experts.

⁵ Telecomm Power Systems consists of the D.C. Power Systems and Power Generation Systems. SCE proposed and was authorized an increase in the average service life to 20 years (from 15 years) as a result of changing life characteristics indicated in the depreciation study from engineering surveys with field experts.

⁶ The components are “Plant Less Salvage” and “Removal Cost”. For Fiber Optic Comm. Cable: Plant Less Salvage is revised from 6.06% to 5.94%, while Removal Cost is revised from 0.00% to 0.12%. Since the changes offset each other, the total rate of 6.06% remains unchanged. For Telecom Infrastructure: Plant Less Salvage is revised from 3.75% to 3.65%, while Removal Cost is revised from 0.00% to 0.10%. Since the changes offset each other, the total rate of 3.75% remains unchanged. The Formula Rate Schedule 18 includes both components as well as the total depreciation rate, so a change to any component requires a change to the Tariff.

⁷ *Id.*

For Account 390 SCE used a similar statistical analysis as used for transmission and distribution assets. The analysis resulted in an increase to the depreciation rate due to a shorter remaining life (due to aging and a shorter average life). SCE identifies remaining General and Intangible plant by sub-accounts with similar average service lives. Most of this plant consists of a large volume of items having a low value. Following FERC guidelines, the items in these accounts are not accounted for individually, but are amortized by vintage group over the specified service life and retired at the end of the life span. Accounting for property in such a way eliminates costly record keeping and continuous physical tracking of the assets. The changes in depreciation rates for Accounts 302 and 303 are entirely attributable to accumulated depreciation adjustments inherent in the straight-line remaining life depreciation method. For Accounts 390, 397, 302 and 303, the CPUC Decision adopted SCE's proposal without discussion.⁸ SCE's proposed changes are supported by its analysis and can be found in Exhibits B and C (the CPUC Decision and the GRC Application).

IV. REVISIONS TO THE FORMULA RATE TO CONFORM TO THE CPUC DECISION

17. The CPUC-authorized changes to the non-transmission depreciation rates require modification to Schedule 18 in the Formula Rate. These modifications are shown in the redline tariff for Schedule 18 attached to this filing. A clean revision of Schedule 18 is also attached.

⁸ CPUC Decision D.15-11-021, pages 410 and 426 states: "*There are a number of other accounts for which no party contested SCE's showing. Unless otherwise noted above, SCE's proposals are approved.*"

18. Under SCE's Formula Rate Protocols, this single-issue change to the non-transmission depreciation rates in the Formula Rate does not result in a redetermination of the currently-effective Base TRR and transmission rates. Any rate impact of the changes in the non-transmission depreciation rates will be reflected in the next Annual Update Filing, to be submitted by December 1, 2016.

V. ILLUSTRATIVE QUANTIFICATION OF CHANGED DEPRECIATION RATES

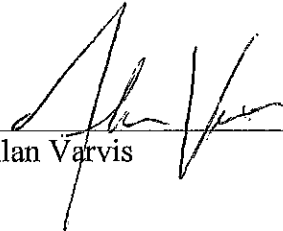
19. While this filing does not result in a change in the Base TRR and transmission rates at this time, to provide a rough estimate of the future impact of these depreciation rate changes on SCE's Base TRR, I used SCE's last Annual Update Filing in FERC Docket No. ER11-3697, dated December 1, 2015 to develop an illustrative proxy.

20. The result of these illustrative changes was to increase the Base TRR by only about \$1.66 million, or approximately 0.15%. Attachment 1 to my affidavit supports this calculation.

VI. CONCLUSION

21. My affidavit demonstrates that the revisions SCE is proposing to Schedule 18 of the Formula Rate are necessary to properly implement the Formula Rate Protocols in order to reflect the CPUC Decision. Such revisions are to become effective on January 1, 2015 in accordance with SCE's Formula Rate Protocols.

I declare under penalty of perjury that the foregoing statements are true to the best of my knowledge, information, and belief. Executed this 5th day of January, 2016, at Rosemead, California.




Alan Varvis

State of California)
County of Los Angeles)

On JANUARY 5, 2016, before me, ANA A. CALDERON, personally appeared Alan Varvis, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature of Notary Public

Dated: January 5, 2016

