

DRAFT

October XX, 2017

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. ER11-3697-___ (TO12)

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 transmission rate. SCE hereby submits for informational purposes its sixth annual formula transmission rate annual update filing ("TO12 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 of the Formula Rate Protocols, does not subject SCE's Formula Rate to modification.

SCE requests that the Commission issue a notice of filing for the TO12 Annual Update and establish a comment date.

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,¹ with an effective date of January 1, 2012. SCE engaged in settlement discussions with intervening parties, reaching an agreement in principle in July 2013. SCE filed the Offer of Settlement on August 26, 2013, and it was approved by the Commission on November 5, 2013.² The Offer of Settlement included revised Attachments 1 and 2 to SCE's TO Tariff Appendix IX, which constitute SCE's currently-effective Formula Rate Protocols and Formula Rate spreadsheet.

SCE filed its fifth formula transmission rate annual update filing ("the TO11 Annual Update") on November 30, 2016, pursuant to the process outlined in the Formula Rate Protocols. The TO11 rates went into effect on January 1, 2017.

SCE filed a modification to Schedule 9 of the Formula Rate spreadsheet on February 1, 2017, in FERC Docket No. ER17-914 proposing to delete only certain line items in Schedule 9 (ADIT) of the Formula Spreadsheet that were used to calculate the net operating loss accumulated deferred tax asset ("NOL/DTA"). These line items are no longer needed because the TO11 Annual Update included an accounting change which reflects the appropriate NOL/DTA amount. This modification was accepted by the Commission on March 22, 2017.

SCE is now submitting its sixth 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.

¹ 136 FERC ¶ 61,074 P 1.

² 145 FERC ¶ 61,103.

II. SCE's Formula Transmission Rate

Pursuant to SCE's currently adopted 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 previous calendar year, in this instance, 2016. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the Rate Year as compared to the costs incurred in the Prior Year.³ The True Up Adjustment is the difference between actual transmission revenues and actual transmission costs during the Prior Year.

The Formula Rate Protocols state that the current formula rate terminates December 31, 2017. The Formula Rate Protocols requires that SCE file a successor rate mechanism no later than 60 days prior to December 31, 2017 to be effective on January 1, 2018⁴. Additionally, Section 4 of the Formula Rate Protocols requires that the True Up Adjustment for calendar year 2016 be filed concurrently with the proposed successor rate mechanism. While the TO12 Annual Update will be used to determine the 2016 True Up Adjustment, it is not the replacement rate required by the Formula Rate Protocol.

If the successor rate mechanism is made effective January 1, 2018, then the 2016 True Up Adjustment shall be treated as surcharge or credit, as applicable, to the January 1, 2018 Base TRR. The True Up Adjustment for calendar year 2016 is calculated to be \$59.6 million. This reflects an under-recovery during calendar year 2016.

However, if the Commission does not permit the successor rate mechanism to become effective January 1, 2018, Section 2 of the Formula Rate Protocols requires that the current formula rate shall remain in effect until the date that the successor rate is made effective. Therefore, pursuant to the formula rate set forth

³ The Rate Year for this Annual Update is January 1, 2018 through December 31, 2018.

⁴ The replacement rate will become effective January 1, 2018 unless suspended by the Commission, in which case TO12 would be the effective rate during the suspension.

in Attachment 2 to Appendix IX of SCE's TO Tariff (the "Formula Rate"), this Annual Update revises the retail Base TRR from the currently-effective amount of \$1.189 billion to \$1.174 billion, and the wholesale Base TRR from \$1.183 billion to \$1.168 billion.

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 \$1.189 billion to \$1.174 billion, a decrease of \$15 million. The wholesale Base TRR also decreases by \$15 million, from \$1.183 billion to \$1.168 billion.

The TO12 Base TRR reflects a True Up Adjustment for 2016 of \$59.6 million which increases the TO12 Base TRR. This compares to a \$94.2 million True Up Adjustment in TO11. Prior Year TRR for TO12 is \$1.020 billion, compared with \$0.989 billion in TO11. And finally the IFPTRR in TO12 is \$94.3 million compared to \$105.0 million in TO11. Combined, these changes explain the \$15 million decrease in Base TRR from TO11 to TO12.

As part of the TO12 True Up Adjustment, SCE is proposing to correct its True Up TRRs for 2012, 2013, 2014, and 2015. These corrections are reflected in Schedule 3 of the Formula Rate spreadsheet as a single One-Time Adjustment of negative \$78 thousand collectively, which decreases the TO12 Base TRR. There are five corrections reflected in the One-Time Adjustment. First, SCE is restating ISO transmission line plant amounts to exclude SCE's investment in the Hoover-Mead 230kV line. This line is leased to Western Area Power Authority and was not placed under ISO's Operational Control, and is being excluded from rates. Second, SCE is restating its Construction Work In Progress contribution to rate base for eligible incentive projects reflecting minor corrections to the balances which flowed through the Formula Rate. These corrections were identified during the closing of various incentive project workorders. Third, SCE corrects Schedule 5, ROR-2 to revise costs associated with gains/losses from purchase and tender

offer notes and its unamortized issuance costs. When Series B and C were redeemed by Series G in 2013, the remaining balance of “unamortized issuance cost” for those Series B and C should have moved to “net gain (loss) from purchase and tender offers”, but it did not. The adjustments reflect the correct treatment of the redeemed series. Also, the issuance cost of several preferred stock series was based on an estimation made at the time of issuance, and this revision trues-up the adjustments to reflect actual costs incurred. The forth change involves minor changes to five operational and maintenance expense allocators. During a review of TO12 allocation factors, SCE identified an unintended change in methodology for these five allocators in prior years and is correcting these minor inconsistencies. Fifth, SCE corrects some A&G exclusions in prior years to remove additional legal costs deemed to be shareholder expense. The derivation of this One-Time Adjustment amount is set forth in the Schedule 3 Workpapers.

IV. TO12 Draft Annual Update and Documents Submitted With This Filing

SCE’s Formula Rate Protocols require SCE to post a Draft Annual Update on SCE’s website on or before June 15 of each year. SCE posted the TO12 Draft Annual Update on June 15, 2017.

This filing consists of the following documents:

- 1) This filing letter;
- 2) An attestation by an SCE officer;
- 3) Attachment 1: The populated formula transmission rate, in both pdf and Excel formats, showing the calculation of the TO12 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2018, should the successor rate be suspended;

- 5) Attachment 3: Revisions to formula rate inputs from the TO12 Draft Annual Update; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Settlement in Docket No. ER11-1952, the Settlement in Docket No. ER11-3697, and the Formula Rate Protocols.

V. Service

Copies of this filing have been served on all parties to Docket No. ER11-3697, 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:

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

Jeffrey L. Nelson
FERC Rates & Market Integration
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-4834

Very truly yours

Jeffrey L. Nelson

ATTESTATION

Constance J. Erickson attests that she is Vice President and Controller 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 her knowledge and belief.

Constance J. Erickson
Vice President
and Controller

Dated: October XX, 2017