

September 14, 2012

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
Informational Filing in Docket No. ER11-3697-___

Dear Ms. Bose:

Southern California Edison Company ("SCE") hereby submits for informational purposes its first annual formula transmission rate Informational Filing ("Informational Filing"), pursuant to Section 3 of Appendix IX of SCE's Transmission Owner Tariff ("TO Tariff"). The Informational Filing revises SCE's retail and wholesale Base Transmission Revenue Requirements ("Base TRR") and associated retail and wholesale transmission rates effective October 1, 2012.

Pursuant to the formula set forth in SCE's TO Tariff, this Informational Filing revises the retail Base TRR from the currently-effective amount of \$722 million to \$900 million, and the wholesale Base TRR from \$716 million to \$894 million. As explained in Section III, the primary reason for the increase in SCE's Base TRR is the increase in Construction Work in Progress ("CWIP") for certain transmission projects for which SCE has received Commission approval to include CWIP in Rate Base.

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 Appendix IX to SCE's TO Tariff, does

not subject SCE's formula transmission rate, as set forth in Appendix IX to SCE's TO Tariff, to modification.

SCE requests that the Commission issue a notice of filing for the Informational Filing and establish a comment date.

I. Background

Because this is SCE's first annual Informational Filing under its formula transmission rate, SCE will provide a brief summary of the formula transmission rate proceedings in order to put this Informational Filing in perspective. On June 3, 2011, in Docket No. ER11-3697-001, SCE submitted its formula transmission rate to the Commission.¹ 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,² with an effective date of January 1, 2012, and directed SCE to submit a compliance filing modifying the filed formula to utilize a Return on Equity based on the Median methodology rather than the filed Midpoint methodology.³ SCE submitted the Compliance Filing on September 1, 2011, which the Commission accepted in its Order on Compliance Filing on November 30, 2011.⁴

For the past several months, SCE has been engaged in settlement discussions in that docket with intervening parties. In addition to participating in four settlement conferences on August 31, 2011, February 28-29, 2012, June 6-7 2012, and July 25-26, 2012, SCE also held two technical conferences at the request of intervening parties on October 19, 2011 and December 6-7, 2011 for the purpose of explaining the design and operation of the formula rate.

¹ Appendix IX to SCE's TO Tariff.

² 136 FERC ¶ 61,074 P 1.

³ 136 FERC ¶ 61,074 P 30 and Ordering Paragraph B. SCE sought rehearing of that ruling, which the Commission denied. *Southern California Edison Co.*, 137 FERC ¶ 61,016 (2011). SCE has appealed the Commission's orders to the United States Court of Appeals for the District of Columbia Circuit. *Southern California Edison Co. v. Federal Energy Regulatory Commission*, No. 11-1471 (D.C. Cir. filed Dec. 5, 2011) ("ROE Appeal").

⁴ 137 FERC ¶ 61,173.

SCE is submitting this filing to the Commission in accordance with the currently-effective formula rate protocols which specify that each year SCE will make an Informational Filing on or before September 15, revising the Base TRR and associated rates to be effective on October 1. Prior to this filing, SCE had posted a draft of this filing for review by interested parties, responded to extensive informational requests from the interested parties regarding the posted information, and held two technical conferences to respond to questions about the posting.

Since the Commission accepted SCE's formula transmission rate subject to refund, this Informational Filing will be subject to the ultimate outcome of Docket No. ER11-3697, and any appeals thereof, including the ROE Appeal.

II. SCE's Formula Transmission Rate

SCE's formula transmission rate is similar to many formula rates in effect subject to the Commission's jurisdiction.⁵ 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, 2011. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the Rate Effective Period as compared to the costs incurred in the Prior Year.⁶ And the True Up Adjustment trues up actual transmission revenues to actual transmission costs during the Prior Year, if the formula rate was in effect during that year. In this initial Informational Filing, since SCE's formula rate was not in effect in 2011, there is not a True Up Adjustment composed of a comparison of actual revenues to actual costs for 2011⁷. Since the formula rate became effective

⁵ See for example, the SDG&E formula rate approved by the Commission in Docket No. ER07-284.

⁶ The Rate Effective Period for this Informational Filing is October 1, 2012 through September 30, 2013.

⁷ This Informational Filing includes a True Up Adjustment containing the current calculation of the final balance in SCE's previous Construction Work In Progress rate mechanism, which was discontinued on December 31, 2011. This is in accordance with Section 6 of Appendix IX of SCE's TO Tariff. In the

on January 1, 2012, the True Up Adjustment for the 2012 calendar year will be included in SCE's second annual Informational Filing, to be submitted on or before September 15, 2013.

In this filing, SCE utilizes the formula accepted by the Commission in its Order on Compliance Filing, as reflected by Attachment 1 to Appendix IX of SCE's TO Tariff, in determining the Base TRR and associated rates.

III. Reasons for Increases in SCE's Base TRR

In this Informational Filing, SCE's retail Base TRR increases from the currently-effective amount of \$722 million to \$900 million, an increase of \$178 million or 25%. The Wholesale Base TRR increases from \$716 million to \$894 million. The primary reason for the increase in the Base TRR is increases to CWIP in Rate Base for the projects that SCE has received Commission approval for such treatment. SCE's recorded CWIP in Rate Base increased to \$1.278 billion at the end of year 2011, compared to \$638 million the end of year 2010, an increase of \$640 million. SCE is forecasting that much of this CWIP will be placed in service by the end of the forecast period (September 30, 2013), so that the amount of forecast plant additions included in this filing is \$1.106 billion, compared to only \$379 million that was included in the initial filing for the equivalent forecast period (through September 30, 2012).

IV. Draft Informational Filing and Documents Submitted With This Filing

SCE's formula rate protocols require SCE to post a Draft Informational Filing on SCE's website on or before June 15 of each year. SCE posted the Draft Informational Filing on June 15, 2012. During the review period from June 15 to September 15, SCE held two conferences to discuss the Draft Informational Filing

event that the final balance reflected in this Informational Filing is revised in the future, the formula rate provides a mechanism to reflect a revised final balance in a future Informational Filing.

with parties, and responded to numerous requests for information, and as a result has made some revisions to the Draft Informational Filing. These revisions are set forth in Attachment 3. Additionally, the formula rate protocols require that SCE include in the Informational Filing a copy of the Plant Study which determines the amount of plant classified as Transmission or Distribution in SCE's accounts that is under the Operational Control of the California Independent System Operator ("CAISO"), and whose costs are therefore recovered through this formula transmission rate.⁸

In addition to the Plant Study, 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, showing the calculation of the Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on October 1, 2012;
- 5) Attachment 3: Revisions to formula rate inputs from the June 15 Draft Informational Filing; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Settlement in Docket No. ER11-1952

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 CAISO, and all Participating Transmission Owners in the CAISO.

⁸ Formula protocols, Appendix IX to SCE's TO Tariff, Section 9.

VI. Communications

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

Anna Valdborg
Senior Attorney
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-1058

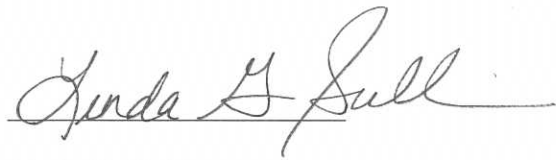
James A. Cuillier
Director, FERC Rates & Regulation
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Cuillier", with a long horizontal flourish extending to the right.

ATTESTATION

Linda G. Sullivan attests that she is Senior Vice President and Chief Financial Officer of Southern California Edison Company, and is chief accounting officer thereof, 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.

A handwritten signature in cursive script, reading "Linda G. Sullivan", written in dark ink over a horizontal line.

Linda G. Sullivan
Senior Vice President
and Chief Financial Officer

Dated: September 13, 2012

ATTACHMENT 2

Southern California Edison

Retail Base Transmission Rates

Effective Date: October 1, 2012

| CPUC Rate Schedules | Regular Service | | | Standby Service | |
|---|-----------------|-------|-------|-----------------|-------|
| | \$/kWh | \$/kW | \$/HP | \$/kW | \$/HP |
| Total Residential ^{1/} | 0.01214 | | | | |
| LSMP | | | | | |
| GS-1 ^{2/} | 0.01219 | | | | |
| TC-1 ^{3/} | 0.00727 | | | | |
| GS-2 ^{4/} | | 3.23 | | 2.06 | |
| TOU-GS-3 ^{5/} | | 3.58 | | 2.06 | |
| Large Power | | | | | |
| TOU-8-Sec ^{6/} | | 3.75 | | 2.06 | |
| TOU-8-Pri ^{6/} | | 3.64 | | 1.56 | |
| TOU-8-Sub ^{6/} | | 3.68 | | 0.63 | |
| TOU-8-220 kV ^{6/} | | 1.16 | | 0.74 | |
| Ag. & Pumping | | | | | |
| PA-1 ^{7/} | | | 0.46 | | 0.46 |
| PA-2 ^{8/} | | 2.01 | | 2.01 | |
| AG-TOU ^{9/} | | 1.65 | 1.24 | 1.65 | 1.24 |
| TOU-PA-5 ^{10/} | | 3.01 | | 2.06 | |
| Total Street Lights ^{11/} | 0.00483 | | | | |

* Retail Base Transmission Rates are based on the Retail Base Transmission Revenue Requirement of \$899,888,718.

^[1] Includes Schedules D, D-APS, D-APS-E, D-CARE, DE, D-FERA, DM, DMS-1, DMS-2, DMS-3, DS, TOU-D-1, TOU-D-2, TOU-D-T, TOU-EV-1, and TOU-D-TEV.

^[2] Includes Schedules GS-1, GS-APS, GS-APS-E, TOU-EV-3, and TOU-GS-1.

^[3] Includes Schedules TC-1, Wi-Fi-1, and WTR.

^[4] Includes Schedules GS-2, GS-APS, GS-APS-E, and TOU-EV-4.

^[5] Includes Schedules TOU-GS-3, TOU-GS-3-CPP, TOU-GS-3-SOP, TOU-BIP, GS-APS, and GS-APS-E.

^[6] Includes Schedules TOU-8, TOU-8-CPP, TOU-8-RBU, RTP-2, TOU-BIP, GS-APS, and GS-APS-E.

^[7] Includes Schedule PA-1, and AP-I.

^[8] Includes Schedule PA-2, and AP-I.

^[9] Includes Schedules TOU-PA, PA-RTP, TOU-PA-SOP, TOU-PA-ICE, and AP-I.

^[10] Includes Schedule TOU-PA-5, and AP-I.

^[11] Includes Schedules AL-2, DWL, LS-1, LS-2, LS-3, and OL-1.

Southern California Edison**Wholesale Transmission Rates*****Effective Date: October 1, 2012**

| <u>Wholesale Rates:</u> | <u>Rate</u> |
|---|---------------------|
| High Voltage Existing Contracts Access Charge | \$4.27 per kW |
| Low Voltage Existing Contracts Access Charge | \$0.29 per kW |
| High Voltage Utility Specific Rate | \$0.0085193 per kWh |
| Low Voltage Access Charge | \$0.00058 per kWh |
| Low Voltage Wheeling Access Charge | \$0.00058 per kWh |

*The above wholesale rates are based on the Wholesale Transmission Revenue Requirement of \$823,755,192, composed of the Base Wholesale TRR of \$893,796,462, the Wholesale TRBAA of -\$60,654,041, and Standby Revenues of -\$9,387,228. See Schedule 29 of Attachment 1.
SCE's 12-CP Load is 180,565 MW. See Schedule 32 of Attachment 1.
SCE's Gross Load is 90,531,472 MWh . See Schedule 32 of Attachment 1.

ATTACHMENT 3

Attachment 3

Revised Inputs to Formula Rate Spreadsheet Relative to the June 15 Draft Informational Filing

This attachment lists the changes made to this Informational Filing relative to the June 15 Draft Informational Filing. The revisions are as follows:

- 1) The following additional amounts have been excluded from various Administrative and General Accounts as indicated. These exclusions are entered into the formula on Schedule 20, Note 1, Column 1. The workpapers for Schedule 20 demonstrate the derivation of the actual Schedule 20 Note 1 inputs based upon this and other source data.

| Account | Description | Amount |
|----------------|--|---------------|
| 920 | Project Development Division Memorandum Account ("PDDMA") | \$1,688,651 |
| 920 | Solar Photovoltaic Program ("SPVP") Memorandum Account | \$1,641,580 |
| 920 | Air Resources Board Fee Memorandum Account ("ARBFMA") | \$3,738,476 |
| 921 | Penalties and Fines | \$7,397 |
| 923 | Hydrogen Energy California ("HECA") | \$12,992,753 |
| 923 | Project Development Division Memorandum Account ("PDDMA") | \$925,874 |
| 923 | Solar Photovoltaic Program ("SPVP") Memorandum Account | \$983,556 |
| 923 | Long-Term Procurement Plan Technical Assist. Memo Acc. ("LTAMA") | \$28,726 |
| 928 | Energy Resource Recovery Account (ERRA) | \$4,873,422 |
| 928 | Energy Settlements Memorandum Account (ESMA) | \$6,711,588 |
| 928 | Public Purpose Programs Adjustment Mechanism (PPPAM) | \$745,071 |
| 930.2 | Provision for Doubtful Accounts | \$2,144,094 |
| 930.2 | Project Development Division Memorandum Account ("PDDMA") | \$507,103 |
| 930.2 | Research, Development and Demonstration Adj. Clause ("RDDAC") | \$3,409,403 |

- 2) The Draft Informational Filing proposed inputs on Schedules 19 and 20 to make SCE's treatment of Order 668 Information Technology costs consistent with SCE's CPUC General Rate Case. Upon review of the issue, SCE has concluded that these inputs are not consistent

with the currently-effective formula rate and has removed them. The specific revisions made are:

- a) Schedule 19: Remove \$12,659,792 of excluded costs from Lines 31-33, Column 8, and an associated reason code F in Column 5 on these same lines, as well as removing the description of reason code F in Note 2.
 - b) Schedule 20: Remove the same \$12,659,792 as a negative exclusion in Line 24, Col. 1.
- 3) The Results Sharing amount in Schedule 20, Note 2, Lines d and f has been revised due to organizational changes that affected the classification of Results Sharing costs into departments. Specifically, Line d was revised from \$35,132,504 to \$36,903,316, and Line f was revised from \$19,127,980 to \$17,357,167. The total amount for all four departments of \$107,137,117 was unaffected by this revision.
- 4) An amount of -\$10,781,687 was input to Line 30, Column D, of Schedule 21. This amount was inadvertently left out of the Draft Informational Filing, but does not affect any calculations, since the purpose of the input is solely to demonstrate that the total of amounts included in the formula for account 418.1 ties to SCE's FERC Form 1 stated amount.
- 5) Lines 10x and 12aaa of Schedule 21 have been shaded yellow, indicating they are new revenue credit line items relative to the initial filed formula.
- 6) Lines 60 and 61 of Schedule 19, Column 6 have been revised to include the proper sum (the sum of Columns 7 and 8) which was inadvertently omitted in the Draft Informational Filing. This does not affect the O&M expense or the Base TRR.