

April 3, 2015

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 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").¹

In this filing, SCE is proposing revisions to Schedule 34 of the Formula Spreadsheet, the determination of the Unfunded Reserves rate base adjustment, in order to eliminate a duplication of an income tax impact associated with Unfunded Reserves as described in Section II, and additional tariff changes as described in Section III.

SCE is not proposing to revise the currently-effective Retail or Wholesale Base Transmission Revenue Requirement ("TRR"), or any associated rates in this filing. If the Commission accepts SCE's proposed revisions, SCE will reflect the

¹ Attachment 1 to the Formula Rate is the Formula Protocols, and Attachment 2 is the Formula Spreadsheet.

impact in its subsequent 2016 Formula Rate Annual Update (“TO10”) to be filed by December of 2015.

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.

SCE filed its third formula transmission rate annual update filing (“the TO9 Annual Update”) on November 25, 2014, pursuant to the process outlined in the Formula Protocols. The Commission noticed the filing and established a comment deadline of December 16, 2014. The M-S-R Public Power Agency (“M-S-R”) submitted comments on SCE’s filing. In its comments, M-S-R noted that during a telephone conference between SCE and its transmission customers, the transmission customers questioned whether the Unfunded Reserves component of the Formula Spreadsheet (i.e., Schedule 34) has been functioning as intended or whether it permits the over-recovery of accumulated deferred income taxes (“ADIT”).² M-S-R stated that it believes that SCE’s proposal to collaborate with transmission customers in the preparation of a Section 205 filing with an aim to submit the filing in early 2015 would be the most appropriate response.³ On December 23, 2014, SCE provided a response to M-S-R’s comments in order to provide further clarification. SCE indicated that it believed that the issue raised by

² Comments of The M-S-R Public Power Agency to the TO-9 Formula Rate Annual Update of Southern California Edison Company, filed on December 16, 2014 at ¶8.

³ *Id.* at ¶9.

the transmission customers may have merit in that there did appear to be a duplicative handling of tax impacts related to Unfunded Reserves between Schedule 9 and Schedule 34. SCE also explained that if there is a problem with the Formula Rate, the only way to remedy the issue is for SCE to make a Section 205 filing with the concurrence or non-opposition of all of the Parties to Docket No. ER11-3697.⁴ Without the support of all Parties, SCE cannot file under Section 205 to modify the Formula Rate until July 1, 2015, pursuant to Section 11(c) of the Formula Protocols.⁵ SCE understands that no party opposes the tariff changes proposed herein.

II. PROPOSED REVISIONS TO SCHEDULE 34

After thorough investigation of the issue, SCE has determined that there is a duplicative handling of tax impacts related to Unfunded Reserves between Schedule 9 and Schedule 34. As explained above, SCE is making this filing to revise the Unfunded Reserves schedule to remove the duplicative tax component in Schedule 34. SCE's proposed clean and redline tariffs incorporating the proposed revisions to Schedule 34 of the Formula Spreadsheet (Attachment 2 to Appendix IX of SCE's TO Tariff) are attached to this filing.⁶

⁴ Southern California Edison Company's request for leave and response to comments, filed on December 23, 2014 at page 3.

⁵ Section 11(c) of SCE's Formula Protocol states: Except as provided for under Section 8 of these Protocols, neither SCE nor any other party shall make a unilateral filing, with a proposed effective date prior to July 1, 2015, at the Commission under Section 205 or Section 206 of the FPA proposing revisions to the Formula Rate, including these Protocols and the Formula Rate Spreadsheet attached to Appendix IX of SCE's TO Tariff as Attachment 2. Notwithstanding the foregoing, SCE may make a Section 205 filing revising the Formula Rate, including these Protocols and the Formula Rate Spreadsheet attached to Appendix IX of SCE's TO Tariff as Attachment 2 if such revisions are supported or unopposed by the parties to Docket No. ER11-3697, as identified in the Offer of Settlement filed by SCE in Docket No. ER11-3697.

⁶ SCE is including tariff revisions for the Formula Spreadsheet for both January 1, 2015 and January 1, 2016 effective dates. The Commission has already approved the January 1, 2015 and January 1, 2016 Formula Spreadsheet tariffs as a result of SCE's PBOPs revision filing submitted and approved in Docket No. ER14-2788 (note that the only difference between the two tariffs is the different "Authorized PBOPs Expense Amount" on Schedule 20, Note 3, Line a, which does

As shown in Attachment 1, the revision to the Unfunded Reserves schedule decreases the True Up TRR for calendar year 2012 from \$626,424,153 to \$625,829,704 or by \$594,449. The 2013 True Up TRR is reduced from \$781,976,785 to \$781,483,230, or by \$493,555. SCE is proposing to reflect these changes in the 2012 and 2013 True Up TRRs as a One Time Adjustment to be included in SCE's next Annual Update filing, the TO10 filing, due to be filed at FERC by no later than December 1, 2015.⁷ Specifically, the One Time Adjustment would be included in Schedule 3, Line 11, Column 4 (which will correspond to the January 2014 month in the TO10 filing). The quantification of the proposed One Time Adjustment of -\$1,125,667, including all applicable interest, is presented in Attachment 1. As the TO10 Annual Update filing will determine retail and wholesale rates for 2016, this One Time Adjustment will be reflected in rates in 2016.

SCE has included an annotated version of the Formula Spreadsheets used to determine the proposed adjustments to the 2012 and 2013 True Up TRRs in Attachments 2 and 3, respectively.

III. ADDITIONAL PROPOSED TARIFF REVISIONS

SCE is proposing additional tariff revisions to: 1) Streamline the Formula Rate with respect to the mechanism of making corrections to inputs that affected the True Up TRR in a previous Annual Update; 2) Eliminate the potential double-exclusion of EPRI costs in determining wholesale rates; and 3) Correct typographical errors in the Formula Rate. These proposed revisions are to the Formula Protocols as well as Schedules 3, 5 ROR-2, 25, and 31 of the Formula Spreadsheet. These proposed revisions are discussed below.

not relate to the requested revisions in this filing). SCE is requesting that the Formula Protocol tariff revisions be made effective January 1, 2015.

⁷ A draft of the filing is to be posted on sce.com by no later than June 15, 2015.

SCE is proposing to streamline the formula mechanism for correcting input errors that do not significantly increase a prior True Up TRR. Specifically, SCE proposes to eliminate the requirement to make an Amended Annual Update filing, as currently set forth in Section 3(d)(8) of the Formula Protocols, for any error that does not increase the prior True Up TRR by an amount greater than \$1 million. Instead, SCE proposes that when such errors are identified, SCE shall determine the revised amount, and include that as a One Time Adjustment in the subsequent Annual Update filing. SCE also has specified that when there are multiple input errors, the impact on the True Up TRR is to be individually identified and corrected. As with other aspects of the Draft Annual Update process, the One Time True Up Adjustment shall be subject to scrutiny through the information exchange and the other annual update procedures as set forth in Section 3 of the Formula Protocols. The proposed tariff revisions are to Section 3(d)(8) of the Formula Protocols,⁸ as well as to add Note 5(d) to Schedule 3.⁹ These proposed revisions will streamline the operation of the Formula Rate by eliminating the need for a separate filing whenever an error that does not significantly increase a prior True Up TRR is identified. Instead, these input errors will be properly identified, quantified, and reflected by use of a One Time Adjustment to SCE's Base TRR and associated rates in the subsequent Annual Update. An error that increases a prior True Up TRR by more than \$1 million will continue to be subject to the Amended Annual Update process set forth in Section 3(d)(8) of the Formula Protocols.

SCE is also proposing a revision to Schedule 25 to eliminate the exclusion of EPRI expenses twice in the determination of wholesale rates. EPRI expenses

⁸ Additionally, SCE proposes to correct the term "True Up" in Section 3(d)(8) (iii) to be "True Up TRR."

⁹ In Schedule 3 of the Formula Spreadsheet tariff, SCE also proposes to add the phrase "or other appropriate" to Instruction 5b and Note 4 in order to be consistent with the "or other appropriate" language already included in the first sentence of Instruction 5.

have been excluded both in A&G Schedule 20 (since they are 100% recovered through retail CPUC revenue requirements, pursuant to Instruction 2(g)(4) of Schedule 20), and in Schedule 25 on Line 27. This is redundant and has resulted in an inappropriate double exclusion of EPRI expenses for wholesale rate purposes. The proposed revision to Schedule 25 is to add Note 5, as shown in the proposed tariff revisions. The addition of this note will ensure that there will no longer be a double exclusion of these expenses in future filings.

Finally, SCE has identified a few typographical errors that it is proposing to correct in this filing. These are:

- 1) Currently, Section 12(a)(4) in the Formula Protocols wrongly states that the Quarterly Tracking Report due on November 1 is for the quarter ending October 31. SCE is proposing to change October 31 to September 30 for alignment of the third quarter with the timeline for the other quarters, where the report is due one month after the end of a three-month quarter.
- 2) On Schedule 5 ROR-2, on the second line of the schedule, SCE proposes to replace the “-“ with a yellow input cell to allow for the input of the corresponding year, consistent with other schedules. This cell is intended to be changed each year to indicate the calendar year of the recorded data presented, which requires that the cell be a yellow-shaded input cell.
- 3) On Schedule 31, Line 9 SCE proposes to change the Low Voltage (“LV”) threshold to “less than 200 kV” rather than the current “less than 220kV” to be consistent with Lines 7 and 8, as well as the definition of Low Voltage in the California Independent System Operator (“CAISO”) Tariff.

SCE's proposed revisions to Schedules 3, 5, 25 and 31 are shown in the revised tariffs attached to this filing.

IV. DOCUMENTS SUBMITTED WITH THIS FILING

This filing consists of the following documents:

- 1) This filing letter;
- 2) Attachment 1: Workpapers showing the derivation of the One Time True Up Adjustment proposed to be effective as of January 1, 2014;
- 3) Attachment 2: Formula Spreadsheet showing the determination of the True Up TRR change for 2012 associated with the proposed revision to Schedule 34;
- 4) Attachment 3: Formula Spreadsheet showing the determination of the True Up TRR change for 2013 associated with the proposed revision to Schedule 34; and
- 5) Clean and redline versions of the revised Formula Rate tariffs (Spreadsheets and Protocols) that reflect the proposals set forth herein.

V. COMMUNICATIONS

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

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

James A. Cuillier
Director, FERC Rates & Regulation
Southern California Edison Company
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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

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,



James A. Cuillier