

Explanation of ER08-375 CWIP ROE Change Description of Schedule Impacts

Pursuant to the Formula Rate Protocol Section (6)(d), which states:

“The impact of a final resolution of SCE’s CWIP Ratemaking Mechanism Dockets (FERC Docket Nos. ER08-375, ER09-187, ER10-160, and ER11-1952) shall be included as a “One Time True Up Adjustment” amount in the True Up Adjustment Calculation in the Annual Update following such final resolution, if such impact was not previously reflected in the CWIP Ratemaking Mechanism final balance initially included in the Formula Rate pursuant to Section 6 (b). This impact shall be quantified by recalculating SCE’s final CWIP balance based on the final resolution of the CWIP Ratemaking Mechanism Dockets and comparing this final balance to the amount originally included in Section 6 (b) above. Any difference, including interest calculated in accordance with Section 35.19a of the Commission’s regulations, shall be the One Time True Up Adjustment associated with the final resolution of SCE’s CWIP Ratemaking Mechanism.”

CWIP Balancing Account: Consistent with the June 19, 2014 Order in Docket No. ER08-375-006, and Section 6(d) of SCE’s Formula Rate Protocols, SCE modified the ROE for the “locked-in” period (March 1, 2008 through December 31, 2008) from 9.54% to 10.55% in its CWIP Ratemaking Mechanism balancing account. Implementing the 10.55% base ROE in the CWIP balancing account for 2008 changes the ending December 2011 CWIP balancing account balance from about \$8.7 million over-collection in the TO8 Annual Update to an about \$7.1 million over-collection as shown on page 4 of the TO9 Annual Update Revised, WP-Schedule 3-CWIPBA Balance, or an increase of about \$1.6 million, as illustrated in the TO9 Annual Update Revised, WP-Schedule 3-One Time Adj True Up Adj, page 2. The variance between the two ending CWIP balancing account balances is inputted in the January 2012, Previous Period Adjustment in the TO9 Annual Update Revised, Schedule 3-One Time Adj True Up Adj workpaper, page 1, where interest is calculated from January 1, 2012 through December 31, 2012 and added to the additional One-Time Adjustment for the revised 2012 True Up TRR resulting in the Total One-Time Adjustment for 2012 of about \$8.0 million under-collection as calculated at the bottom of page 1 of WP-Schedule 3-One Time Adj True Up Adj- Revised workpaper for TO9 Revised.

Note the \$1.6 million increase in the CWIP Balancing Account component of the One Time Adjustment in the Revised TO9 Draft Annual Update represents an approximate \$1.9 million increase from the June 13, 2014 TO9 Draft Annual Update (i.e, an increase from -\$0.340 million to +\$1.566 million (before interest)).

Schedule 3-True Up Adjustment: The Total One-Time Adjustment of approximately \$8.0 million is inputted into the Formula Rate in Schedule 3-True Up Adjustment (column 4, line 11) where it is used to calculate the December 2014 Cumulative Excess in Revenue with interest of

about (\$64.4 million) at the end of 2014 as shown on Column 9, line 34. This amount is then amortized over the Rate Effective Period of 2015 with interest to yield the True Up Adjustment of about (\$65.4 million) (Column 2, line 62).

Schedule 1-Base TRR: The True Up Adjustment of approximately \$65.4 million over-collection (Schedule 1, line 83) is a component of the Base Transmission Revenue Requirement (Schedule 1, line 86). The retail Base TRR is calculated by adding the Prior Year TRR (Schedule 1, line 81), the Incremental Forecast Period TRR (Schedule 1, line 82), the True Up Adjustment (Schedule 1, line 83) and the Cost Adjustment (Schedule 1, line 85) totaling approximately \$915.9 million. The change in the Base TRR from the June 13, 2014 posting is due to a \$2.1 million increase in the True Up Adjustment resulting from the Order in Docket No. ER08-375-006.