

November 30, 2016

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-\_\_\_ (TO11)

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 fifth annual formula transmission rate annual update filing ("TO11 Annual Update"), pursuant to Section 3 of Attachment 1 to Appendix IX of SCE's TO Tariff (the "Formula Rate Protocols"). The TO11 Annual Update revises SCE's retail and wholesale Base TRR and associated retail and wholesale transmission rates effective January 1, 2017. Pursuant to the formula rate set forth 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 \$1.092 billion to \$1.189 billion, and the wholesale Base TRR from \$1.086 billion to \$1.183 billion.

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 TO11 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,<sup>1</sup> 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.<sup>2</sup> 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 fourth formula transmission rate annual update filing ("the TO10 Annual Update") on December 1, 2015, pursuant to the process outlined in the Formula Rate Protocols. The TO10 rates went into effect on January 1, 2016.

SCE filed a modification to Schedule 18 of the Formula Rate spreadsheet on January 6, 2016, in FERC Docket No. ER16-686 proposing modification of the non-transmission depreciation rates to reflect the rates adopted by the CPUC in SCE's 2015 General Rate Case Order. This modification was accepted by the Commission on February 22, 2016. Additionally, SCE filed a modification to Schedule 33 of the Formula Rate spreadsheet on March 30, 2016, in FERC Docket No. ER16-1292 proposing modification of the calculation of retail rates to reflect the CPUC's authorized Net Energy Metering Program. This modification was accepted by the Commission on May 19, 2016. Furthermore, SCE filed a

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<sup>1</sup> 136 FERC ¶ 61,074 P 1.

<sup>2</sup> 145 FERC ¶ 61,103.

modification to Schedule 33 of the Formula Rate spreadsheet on April 13, 2016, in FERC Docket No. ER16-1393 relating to the allocation of costs and determination of rates for three Standby Rate Groups and three associated Large Power Rate Groups consistent with the CPUC's latest Phase II General Rate Case Order. This modification was accepted by the Commission on June 2, 2016. Finally, SCE filed a revision to the Authorized Post Retirement Benefits Other than Pensions ("PBOPs") Expense Amounts, as discussed further below. These four changes are reflected in this TO11 Annual Update.

SCE is now submitting its fifth 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.

## **II. SCE's Formula Transmission Rate**

In SCE's 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.<sup>3</sup> The Prior Year TRR represents the transmission costs that SCE incurred in the previous calendar year, in this instance, 2015. 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.<sup>4</sup> The True Up Adjustment trues up actual transmission revenues to actual transmission costs during the Prior Year.

## **III. Reasons for the Increase in SCE's Base TRR**

As indicated above, in this Annual Update, SCE's retail Base TRR increases from the currently-effective amount of \$1.092 billion to \$1.189 billion,

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<sup>3</sup> This is similar to many formula rates in effect. *See, e.g.* SDG&E's approved formula rate in Docket No. ER13-941.

<sup>4</sup> The Rate Year for this Annual Update is January 1, 2017 through December 31, 2017.

an increase of \$97 million. The wholesale Base TRR also increases by \$97 million, from \$1.086 billion to \$1.183 billion.

The primary reasons for this increase in the Base TRR are the growth in transmission plant in service due to SCE's completion of major transmission projects in 2015, which is offset to a large extent by a reduction in the Incremental Forecast Period TRR relative to TO10, and a positive True Up Adjustment. The TO11 Base TRR reflects the addition of \$921 million in transmission plant in-service in 2015, including segments 8 and 11 of the Tehachapi Renewable Transmission Project and the addition of a new 500/220kV transformer bank at the Eldorado Substation. Also, SCE has forecasted a decline in new transmission facilities and expenditures in 2016 and 2017, thereby causing a reduction in the Incremental Forecast Period TRR. Finally, the True Up Adjustment for 2015 is \$94 million which increases the TO11 Base TRR.

As part of the True Up Adjustment, SCE is proposing to correct its True Up TRRs for 2012, 2013 and 2014. This correction is reflected in Schedule 3 of the Formula Rate spreadsheet as a One-Time Adjustment that decreases the TO11 Base TRR by \$0.275 million. In its TO10 Annual Update, SCE had made certain adjustments to reflect the approval of the San Onofre Nuclear Decommissioning Settlement by the California Public Utilities Commission. In the TO10 Annual Update, SCE did not properly calculate the level of participant billings in those adjustments and the One-Time Adjustment in this filing corrects that error. In addition, SCE discovered that it did not exclude from Administrative & General ("A&G") expenses all the San Onofre related expenses. SCE is proposing to correct this error through the One-Time Adjustment. Finally, SCE determined that the TO10 Network Upgrade Credit against rate base was overstated. This error is also being corrected through the One-Time Adjustment. The derivation of this One-Time Adjustment amount is set forth in the Schedule 3 Workpapers.

SCE is also incorporating the PBOPs filing accepted by the Commission in FERC Docket No. ER16-2433 on September 28, 2016. The PBOPs filing was made and accepted after the June 15, 2016, draft posting. The PBOPs change reduces the Base TRR by approximately \$0.5 million. Lastly, SCE filed to update its Transmission Revenue Balancing Account Adjustment (“TRBAA”) on October 31, 2016, in FERC Docket No. ER17-250. SCE is proposing to reduce the Wholesale TRBAA by \$79.3 million from -\$31.1 million to -\$110.4 million. SCE has reflected this reduction in its TO11 Annual Update.

#### **IV. TO11 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 TO11 Draft Annual Update on June 15, 2016.

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 TO11 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2017;
- 5) Attachment 3: Revisions to formula rate inputs from the TO11 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.

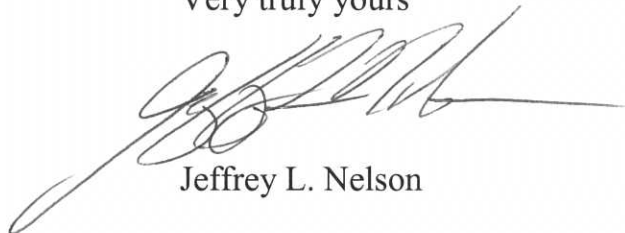
**VI. Communications**

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  
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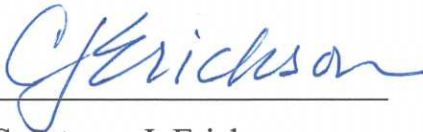
Very truly yours



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.

A handwritten signature in blue ink, appearing to read "C. Erickson", written over a horizontal line.

Constance J. Erickson  
Vice President  
and Controller

Dated: November 15, 2016