

March 30, 2016

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").<sup>1</sup>

In this filing, SCE is proposing a revision to Schedule 33 of Attachment 2 of the Formula Rate, the schedule that determines SCE's retail customer transmission rates based on the Base Transmission Revenue Requirement ("Base TRR") calculated elsewhere in the Formula Rate. The proposed revision modifies the Formula Rate so that it develops retail transmission rate levels in a manner that more closely recovers the retail Base TRR.

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<sup>1</sup> Attachment 1 to the Formula Rate is the Formula Protocols, and Attachment 2 is the Formula Spreadsheet.

The documents submitted with this filing consist of this letter of transmittal and all attachments hereto, and the revisions to the TO Tariff in both clean and redline format.

## **I. BACKGROUND**

SCE's retail transmission rates are calculated in Schedule 33 of the Formula Rate Spreadsheet (Attachment 2 to Appendix IX of the TO Tariff). Schedule 33 determines the retail transmission rates by first allocating the Base TRR costs to each of SCE's California Public Utilities Commission ("CPUC") approved Rate Groups, and then dividing the costs allocated to each Rate Group by the forecast billing determinants (either kilowatt-hour ("kWh") of energy or kilowatt ("kW") of demand) for that Rate Group. The currently-effective Formula Rate provides that the kWh billing determinants for each of the Rate Groups be equal to SCE's corporate-approved kWh sales forecast.<sup>2</sup>

Since 1996, SCE's retail tariffs authorized by the CPUC have included a Net Energy Metering Program ("NEM Program"). This Program allows certain retail customers to net kWh amounts of energy exported against amounts supplied to the customer over the customer's monthly billing period, and to further net bills over an annual period. The NEM Program netting results in participants being billed for fewer kWh of energy than the amount of kWh that SCE supplies to the customers, with some participants potentially being billed for zero kWh of transmission service. In a recent decision ("the NEM 2.0 Decision"),<sup>3</sup> the CPUC established a successor NEM tariff that eliminates the current caps on the size of individual participating generation facilities<sup>4</sup> and on the total kWh of generation

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<sup>2</sup> See Note 2 of Schedule 33 which states that the kWh billing determinants are to be based on the "Sales forecast in total Giga-watt hours usage" for the non-demand charge schedules (i.e., the rate schedules that bill on a \$ per kWh basis).

<sup>3</sup> CPUC D.16-01-044 dated January 28, 2016 (Attachment 1).

<sup>4</sup> NEM 2.0 Decision (Attachment 1) at pages 16 and 95, respectively.

that can participate in the program.<sup>5</sup> The NEM 2.0 Decision furthermore explicitly provides that the transmission component of retail rates will be “bypassable,” i.e., subject to netting as described above, and thus some kWh of retail energy supplied by SCE will not yield transmission revenue.<sup>6</sup>

As a result of the expansion of the NEM Program, SCE believes that the retail rate design calculations in the Formula Rate Tariff should be modified to explicitly reflect the impacts of the NEM Program. Instead of developing the retail transmission rate levels for retail Rate Groups using the corporate sales forecast, SCE believes that the retail rate design should reflect that retail transmission charges are not assessed to a portion of the delivered energy reflected in the sales forecast as a result of the NEM Program. Thus, the retail rate design should be based on SCE’s kWh deliveries that are expected to result in transmission revenues to SCE, and exclude those deliveries that are expected to result in no transmission revenues due to the netting structure of the NEM Program.<sup>7</sup> This will result in an improved rate design in that the actual transmission revenues that SCE expects to receive under its retail rate design process will be equal to the retail Base TRR.

## **II. PROPOSED REVISIONS TO THE FORMULA RATE TARIFF**

SCE’s proposed revision to Schedule 33 of the Formula Rate Tariff is to modify the formula calculation of the retail transmission rates to specify that the billing determinants for kWh-billed Rate Groups (also called non-demand billed Rate Groups) exclude any energy included in the kWh sales forecast that is netted

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<sup>5</sup> In accordance with Public Utilities Code Section 2827, participation on the existing NEM Program is capped at 5 percent of SCE’s aggregate customer peak demand. Public Utilities Code Section 2827.1, which governs the successor tariff, has no cap on participation.

<sup>6</sup> NEM 2.0 Decision (Attachment 1) at page 89.

<sup>7</sup> Wholesale transmission rates will continue to be developed based on Gross Load, as determined in the Formula Rate Spreadsheet Schedule 32.

pursuant to the NEM Program, and thus not expected to result in transmission charges to customers, and thus, revenues to SCE.

Note 2 of Schedule 33 currently specifies the amount of retail kWh billing determinants upon which the energy-billed rates are calculated must tie to the sales forecast:

Current Note 2) Sales forecast in total Giga-watt hours usage - applies to non-demand charge schedules, represents the customers' total annual GWh usage.

This requirement explicitly links the kWh billing determinants to the sales forecast, and results in SCE's billing determinants used to design retail rates to include some energy that will not yield transmission revenue.

SCE's proposed revision to Schedule 33 is to revise the kWh billing determinants downward by an "NEM Adjustment" to ensure that the retail billing determinants only include the kWh expected to yield transmission revenue. This is accomplished by adding a new Column 4 "NEM Adjustment" at the top of Schedule 33 showing the GWh of sales forecast energy in Column 3 that are not expected to yield transmission revenue, and an associated new Note 3 defining specifically what is to be entered in Column 4:

Proposed Note 3) Amount of energy included in the sales forecast that is not subject to transmission charges pursuant to the California Public Utilities Commission ("CPUC") approved net energy metering program.

The amount of the NEM Adjustment in Column 4 is subtracted from the amount of the Sales Forecast in Column 3 to yield the kWh billing determinants for use in calculating the per kWh rates for the four Rate Groups with per kWh

transmission rates (Domestic, GS-1, TC-1, and Street Lighting), which are shown in new Column 7 “Billing Determinants with NEM Adjustment.” Note 2 is also clarified to state that the sales forecast is the same sales forecast used in the determination of Gross Load on Schedule 32, but measured at the customer meter level. Additionally, conforming changes are made to references throughout Schedule 33.<sup>8</sup> Attachment 2 to this filing is a working Excel version of proposed Schedule 33 with all links intact.

These proposed revisions to Schedule 33 will ensure that the retail transmission rates determined by the Formula Rate will yield transmission revenues during the Rate Year that equal SCE’s Base TRR (assuming the sales forecast and the associated projected NEM Adjustment is realized).

### **III. EFFECTIVE DATE**

SCE requests that the proposed tariff revisions be made effective on May 30, 2016. Assuming that the Commission issues an order accepting these proposed tariff revisions by that date, SCE will utilize the revised tariff in the TO11 Draft Annual Update to be posted on SCE’s website by June 15, 2016, as well as in the TO11 Annual Update to be filed with the Commission by December 1, 2016, which will set SCE’s Base TRR and associated transmission rates for 2017. In the TO11 Draft Annual Update, SCE will provide the sales forecast and NEM Adjustment proposed for use in developing the TO11 rates for 2017.

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<sup>8</sup> Original Note 7 is deleted because it was determined to be unnecessary.

#### **IV. COMMUNICATIONS**

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

Anna Valdborg  
Director and Managing 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  
Tel. (626) 302-3627

#### **V. SERVICE**

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

#### **VI. OTHER FILING REQUIREMENTS**

There are no forecast changes in revenues resulting from the revisions to the Formula Rate proposed in this filing, since SCE is not proposing to revise current retail transmission rates as determined in SCE's TO10 Annual Update for the 2016 Rate Year.

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,

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

James A. Cuillier