

128 FERC ¶ 61,237  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
and Philip D. Moeller.

Southern California Edison Company

Docket Nos. ER08-1343-000  
ER08-1353-000  
ER09-187-000  
ER09-187-001  
EL09-19-000  
ER09-446-000  
(consolidated)

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued September 11, 2009)

1. On July 1, 2009, Southern California Edison Company (SoCal Edison) submitted an explanatory statement, an offer of settlement and attachments including revised tariff sheets concerning SoCal Edison's Transmission Revenue Requirement (TRR) resulting from negotiations between SoCal Edison, intervening parties<sup>1</sup> and Commission Trial Staff. In this order, the Commission approves the uncontested settlement (Settlement) between SoCal Edison and the intervening parties (Parties) that resolves all the issues that were set for hearing in the above-captioned dockets.<sup>2</sup>

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<sup>1</sup> The intervening parties are: Arizona Electric Power Cooperative, Inc. and Southwest Transmission Cooperative, Inc. (AEP/CO/SWTC); California Department of Water Resources State Water Project (State Water Project); California Public Utilities Commission (CPUC); Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California; Cities of Redding and Santa Clara, California (Six Cities); City of Vernon, California (Vernon); Energy Producers and Users Coalition; Golden State Water Company; Los Angeles Department of Water and Power (LADWP); The Metropolitan Water District of Southern California; Modesto Irrigation District; M-S-R Public Power Agency; Northern California Power Agency; Pacific Gas and Electric Company; San Diego Gas & Electric Company; State Water Contractors; The Transmission Agency of Northern California; and Atlantic Path 15, LLC.

<sup>2</sup> The Settlement does not resolve the Return on Equity filed in Docket Nos. ER09-187-000 and ER09-187-001, which the Commission made subject to the paper hearing procedures in Docket No. ER08-375-000.

## I. Background

2. SoCal Edison filed its original Transmission Owner (TO) tariff on March 31, 1997.<sup>3</sup> The TO tariff specifies, among other things, the rates and charges for transmission access over the California Independent System Operator Corporation (CAISO) Controlled Grid. On April 1, 1998, SoCal Edison transferred operational control of its transmission facilities to the CAISO. The Commission accepted SoCal Edison's TO tariff, suspended it and permitted it to become effective, subject to refund, on April 1, 1998, the date the CAISO began operations.<sup>4</sup>

3. Most recently, SoCal Edison filed revisions on August 1, 2008 to its TO tariff to reflect proposed changes to its TRR and transmission rates applicable to customers taking service over SoCal Edison's transmission facilities.<sup>5</sup> This filing is the third transmission rate case filed by SoCal Edison since the Commission accepted SoCal Edison's first TRR.<sup>6</sup> SoCal Edison proposed a rate increase in order to reflect an increase in capital-related costs associated with new transmission investment that SoCal Edison was expecting to place into service by the end of 2009, as well as increases in transmission operating and maintenance expenses. In a companion filing, SoCal Edison filed revisions to certain existing transmission contracts (ETCs) to reflect a transition from a path-specific rate method to a postage stamp method of rate determination.<sup>7</sup>

4. On September 30, 2008, the Commission issued an order consolidating these two SoCal Edison proposals, accepting and suspending the filings, and setting them for hearing and settlement judge proceedings.<sup>8</sup> On October 31, 2008, SoCal Edison

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<sup>3</sup> Southern California Edison Co., Docket No. ER97-2355-000.

<sup>4</sup> *Pacific Gas & Elec. Co.*, 81 FERC ¶ 61,323 (1997), *order on reh'g*, 82 FERC ¶ 61,324 (1998).

<sup>5</sup> Southern California Edison Co., Docket No. ER08-1343-000.

<sup>6</sup> SoCal Edison submitted revisions to its TRR in January 2002 and November 2005, which were subsequently settled. SoCal Edison's proposed 2002 revisions were set for hearing and settlement judge procedures in *Southern California Edison Co.*, 99 FERC ¶ 61,032 (2002). The subsequent settlement was approved by *Southern California Edison Co.*, Docket No. ER02-925-002 (Dec. 24, 2002) (unpublished letter order). SoCal Edison's proposed 2005 revisions were set for hearing and settlement judge procedures in *Southern California Edison Co.*, 114 FERC ¶ 61,018 (2006). The subsequent settlement was approved in *Southern California Edison*, 116 FERC ¶ 61,010 (2006).

<sup>7</sup> Southern California Edison Co., Docket No. ER08-1353-000.

<sup>8</sup> *Southern California Edison Co.*, 124 FERC ¶ 61,308 (2008).

submitted its 2009 Construction Work in Progress (CWIP) proposal in Docket No. ER08-187-000.<sup>9</sup> The Commission accepted SoCal Edison's proposed 2009 CWIP tariff revisions, suspended them, subject to refund, and consolidated this proposal with SoCal Edison's August 1, 2008 filings, previously set for hearing. Also in this docket, the Commission initiated a Federal Power Act section 206 investigation into the justness and reasonableness of the proposed 2009 CWIP rate reduction.<sup>10</sup> However, the Commission severed the Return on Equity (ROE) portion of the 2009 CWIP proposal and ordered that the Return on Equity for SoCal Edison's CWIP filing would be determined by the SoCal Edison paper hearing proceeding established in Docket No. ER08-375-000.<sup>11</sup>

5. Finally, on December 22, 2008, SoCal Edison filed revisions to its TO tariff rate sheets to reflect annual updates and rate adjustments effective January 1, 2009 in Docket No. ER09-446-000. On February 19, 2009, the Commission issued an order accepting these tariff sheets, suspending them, subject to refund, and consolidating this filing with the ongoing consolidated SoCal Edison rate proceeding in Docket No. ER08-1343-000, *et al.*<sup>12</sup>

## **II. Procedural Matters**

6. The Parties filed the Settlement with the Commission pursuant to Rule 602 of the Commission's Rules of Practice and Procedure.<sup>13</sup> Pursuant to Rules 602(d)(2) and 602(f),<sup>14</sup> initial comments were due on or before July 21, 2009, and reply comments were due on or before July 28, 2009.

7. On July 17, 2009, Commission Trial Staff filed initial comments. On July 21, 2009, Vernon and the CPUC separately filed initial comments. No reply comments were filed.

8. On July 30, 2009, the settlement judge certified the Settlement to the Commission as uncontested.<sup>15</sup>

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<sup>9</sup> SoCal Edison submitted a corrected tariff sheet on December 5, 2008 in Docket No. ER08-187-001.

<sup>10</sup> *Southern California Edison Co.*, 125 FERC ¶ 61,329 (2008).

<sup>11</sup> *Southern California Edison Co.*, 122 FERC ¶ 61,187 (2008).

<sup>12</sup> *Southern California Edison Co.*, 126 FERC ¶ 61,126 (2009).

<sup>13</sup> 18 C.F.R. § 385.602 (2009).

<sup>14</sup> 18 C.F.R. §§ 385.602(d)(2) and 385.602(f) (2009).

<sup>15</sup> *Southern California Edison Co.*, 128 FERC ¶ 63,004 (2009).

### III. The Terms of the Settlement

9. The Settlement establishes the level of SoCal Edison's retail and wholesale base TRRs and overall TRRs and the rates to be charged pursuant thereto.<sup>16</sup> The total retail TRR is \$394,457,291 and total wholesale TRR is \$384,083,914.<sup>17</sup>

10. The Settlement also provides revised rates for certain ETCs to reflect a transition from a path-specific rate method to a postage stamp method of rate determination.<sup>18</sup> The rates for the affected ETCs will be in effect for the period specified in the Settlement. After the expiration of a phase-in period for each of these ETCs, the rate for each affected ETC customer for the duration of the contract will be calculated using the methodology used by SoCal Edison for calculating the High Voltage Existing Contracts Access Charge (HVECAC) rate in its filing in the consolidated proceeding.<sup>19</sup> Modifications to certain terms and conditions for these ETCs are also addressed in the Settlement. For all affected ETCs, the Settlement only modifies or terminates service provided over the CAISO-Controlled Grid. The Settlement does not modify non-CAISO service provided under the affected ETCs. With regard to Vernon's ETC, the Parties and Commission Trial Staff have agreed not to oppose the inclusion of all revenues paid by Vernon to SoCal Edison with respect to Vernon's affected ETCs in the calculation of Vernon's base TRR, and not in Vernon's Transmission Revenue Balancing Account Adjustment during the phase-in periods in the Settlement.<sup>20</sup> Further, the Settlement provides that within ten business days after this Settlement is filed with the Commission, Vernon would file a petition with the Commission to reflect a change in Vernon's currently effective TRR.<sup>21</sup> All parties agree not to oppose the inclusion in Vernon's TRR of the costs incurred by Vernon under the rates set forth in the Settlement.<sup>22</sup>

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<sup>16</sup> Settlement section I.

<sup>17</sup> *Id.*

<sup>18</sup> Settlement section II. For purposes of the Settlement, the affected ETCs are the six ETCs addressed in Settlement section II between SoCal Edison and, respectively, the State Water Project, AEP/CO/SWTC, Vernon, and the M-S-R Public Power Agency.

<sup>19</sup> Settlement section II.B.4.

<sup>20</sup> Settlement section II.A.5.b.

<sup>21</sup> Vernon submitted its petition in Docket No. EL09-64-000 on July 15, 2009. The Commission is acting on that filing concurrently with the instant order. *City of Vernon, California*, 128 FERC ¶ 61,235 (2009).

<sup>22</sup> Settlement section II.A.5.c.

11. Among other things, the Settlement also provides for retail rate design,<sup>23</sup> and addresses non-rate terms.<sup>24</sup> The Settlement states that the effective date of the rates adopted pursuant to the Settlement will be March 1, 2009, except as otherwise provided in the specific ETCs.<sup>25</sup>

12. The Settlement also provides for refunds for wholesale and retail customers.<sup>26</sup> The Settlement provides that, within 30 business days of the issuance of this order, SoCal Edison will request that the CAISO calculate and refund to wholesale customers, including applicable interest calculated pursuant to 18 C.F.R. § 35.19a of the Commission's regulations, any charges billed to wholesale customers using SoCal Edison's proposed wholesale TRR in excess of the charges that would have been charged using the Settlement wholesale TRR as of the refund effective date.<sup>27</sup>

13. Settlement section V.B. states that within 30 business days of the issuance of this order, SoCal Edison will provide refunds to wholesale ETC customers, including applicable interest, necessary to reflect the Settlement rates and TRRs accepted by this order as of the refund effective date. Within 30 days after making the ETC refunds, SoCal Edison commits to file with the Commission a refund report showing monthly interest computed, together with a summary of such information for the total refund period.<sup>28</sup> The Settlement also provides that the treatment of refunds to retail customers shall be determined by the CPUC.<sup>29</sup>

14. With respect to future changes to the Settlement itself, the Settlement provides that "[t]he appropriate standard of review governing this Settlement is the just and reasonable standard, unless specifically noted in the Existing Transmission Contracts section of the Settlement."<sup>30</sup>

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<sup>23</sup> Settlement section III.

<sup>24</sup> Settlement section IV.

<sup>25</sup> Settlement section V.A.

<sup>26</sup> Settlement section V.B.

<sup>27</sup> Settlement section V.B.1.

<sup>28</sup> Settlement section V.B.3.

<sup>29</sup> Settlement section V.B.2.

<sup>30</sup> Settlement section I.J.

15. Modifications to affected ETC rates are discussed in Settlement section II.B.4.a., which states that:

Except as provided in Settlement II.B.4.b. and Settlement II.B.4.c.,<sup>31</sup> any proposal to unilaterally modify the Affected ETC rates during the phase-in period or to unilaterally modify the methodology for calculating the HVECAC rate from that used in [SoCal Edison's] filing in this consolidated proceeding shall be subject to the public interest standard as set forth in *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish, Washington*, 2008 U.S. Lexis 7520: provided that the standard for review of any such modification that is proposed by an entity that is not a Party to these proceedings, or by the Commission acting *sua sponte*, shall be the most stringent standard permissible under then-applicable law.

#### **IV. Commission Determination**

16. The Settlement appears to be fair and reasonable and in the public interest and is hereby approved. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The tariff sheets and rate schedule sheets submitted as part of the Settlement are properly designated, accepted for filing and made effective as specified in the Settlement.<sup>32</sup>

17. Given that the Parties intend this Settlement to be a full and final settlement of the issues in this proceeding, this order terminates Docket Nos. ER08-1343-000, ER08-1353-000, EL09-19-000, and ER09-446-000. It also terminates Docket Nos. ER08-187-000, and ER09-187-001, with the exception of the Return on Equity portion of the 2009 CWIP proposal, as explained herein.

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<sup>31</sup> Generally, Settlement section II.B.4.b. and II.B.4.c. reserve the Parties' rights under sections 205 and 206 of the Federal Power Act, 16 U.S.C. § 824d and § 824e (2006), for issues not covered in the Settlement. For instance, SoCal Edison can submit a section 205 filing to modify its TRR and other Parties can oppose such a filing.

<sup>32</sup> *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs. ¶ 31,096 (2000).

The Commission orders:

The Settlement is hereby approved, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.