

167 FERC ¶ 61,132
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur, Richard Glick,
and Bernard L. McNamee.

Southern California Edison Company

Docket Nos. EL18-164-000
ER19-845-000

ORDER ACCEPTING COMPLIANCE FILING AND TERMINATING SECTION 206
PROCEEDING

(Issued May 16, 2019)

1. On January 22, 2019, as amended on January 23, 2019, Southern California Edison (SCE) submitted a compliance filing in Docket No. ER19-845-000, to eliminate from SCE's transmission formula rate the two-step averaging methodology it had used to calculate the Accumulated Deferred Income Tax (ADIT) component of rate base,¹ in accordance with the Commission's order issued on December 20, 2018 in Docket No. EL18-164-000.² In this order, we accept the compliance filing, effective January 1, 2019, and terminate the proceeding in Docket No. EL18-164-000 that was initiated pursuant to section 206 of the Federal Power Act.³

I. December 2018 Order

2. In the December 2018 Order, the Commission found that the two-step averaging methodology used in SCE's transmission formula rate to calculate the ADIT component of rate base was unjust and unreasonable and unduly discriminatory or preferential.⁴

¹ ADIT arises from timing differences between the method of computing taxable income for reporting to the Internal Revenue Service and the method of computing income for regulatory accounting and ratemaking purposes.

² *S. Cal. Edison Co.*, 165 FERC ¶ 61,241 (2018) (December 2018 Order).

³ 16 U.S.C. § 824e (2012).

⁴ December 2018 Order, 165 FERC ¶ 61,241 at P 30.

(continued ...)

Accordingly, the Commission directed SCE to submit a compliance filing revising its transmission formula rate to eliminate the use of the two-step averaging methodology, with such changes to be effective June 27, 2018, the refund effective date established by the order instituting this proceeding.⁵

II. Compliance Filing

3. On January 22, 2019, SCE submitted a compliance filing proposing to revise Attachment 2 to Appendix IX of its Transmission Owner Tariff to eliminate the use of the two-step averaging methodology in the calculation of ADIT balances in SCE's transmission formula rate to comply with the December 2018 Order.⁶

4. SCE requests an effective date of January 1, 2019 for revisions relating to the elimination of the two-step averaging methodology.⁷ SCE states that an effective date of January 1, 2019 will allow the Transmission Revenue Requirement true-up calculation for 2018 to be calculated in the TO2020 Annual Update, to be submitted on or before December 1, 2019, to be based entirely on the new pro rata method for averaging ADIT. SCE further states that an effective date of January 1, 2019 is consistent with the Commission's orders in *Pub. Serv. Co. of Colo.*, 165 FERC ¶ 61,234 (2018) and *Ameren Ill. Co.*, 165 FERC ¶ 61,233 (2018).⁸

III. Notice and Responsive Pleadings

5. Notice of SCE's compliance filing in Docket No. ER19-845-000 was published in the *Federal Register*, 84 Fed. Reg. 708 (2019), with interventions and protests due on or before February 12, 2019. Modesto Irrigation District filed a timely motion to intervene.

IV. Discussion

A. Procedural Matters

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), Modesto Irrigation District's timely, unopposed motion to intervene serves to make it a party to the proceeding in Docket No. ER19-845-000.

⁵ *Ameren Illinois Co.*, 163 FERC ¶ 61,200 (2018) (June 2018 Order).

⁶ Filing at 1, 3-4.

⁷ *Id.* at 1-2, 4.

⁸ *Id.* at 2.

(continued ...)

B. Substantive Matters

7. We find that SCE's filing complies with the December 2018 Order and addresses the concerns identified in the June 2018 Order by eliminating the use of the two-step averaging methodology in the calculation of ADIT balances for SCE's projected test year and annual true-up calculations.⁹ Accordingly, we accept the compliance filing, effective January 1, 2019, and terminate the captioned section 206 proceeding.

The Commission orders:

(A) SCE's compliance filing in Docket No. ER19-845-000 is hereby accepted, effective January 1, 2019, as discussed in the body of this order.

(B) The section 206 proceeding in Docket No. EL18-164-000 is hereby terminated, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁹ June 2018 Order, 163 FERC ¶ 61,200 at PP 13-14.