

SCE has the following comments on the HV TAC Estimating Model:

- 1) The Tax Cuts and Jobs Act of 2017 lowered the Federal Income Tax Rate (“FIT Rate”) beginning January 1, 2018 from 35% to 21%. For any Investor-Owned Utility (which comprise the great majority of the CAISO PTOs in terms of total HV Transmission Revenue Requirements), this will materially reduce TRRs and the associated HVTRRs. SCE estimates that the TRR impact to be about 10%. The three IOUs currently each have formula rates which should fully reflect the impact of the reduced FIT Rate by 2019 or 2020 at the very latest. However, the nature of the CAISO’s TAC forecast model is that it has a starting point (baseline) that is based on TRRs that were in effect on 1-1-18, all of which utilized a 35% FIT Rate.

SCE believes that reflecting the lower 21% FIT Rate in the CAISO’s TAC forecast would provide a better forecast over the term of the forecast period, since the tax impact will affect TRRs over almost all of the period except the 2018 and perhaps 2019 to some degree. Since the impact is easily quantifiable (as SCE notes, it is about 10%), SCE would support an immediate reflection of 10% of the TRRs for all IOU PTOs beginning in 2019 for HV TAC forecast purposes.

- 2) SCE also has the following comments on various cost assumptions utilized in the forecast:
  - a) Mesa Substation: no portion of the Mesa substation is included in 2018 rates. So SCE believes that it is not appropriate to include \$83 million as “already in rates”.
  - b) Alberhill: No portion of the Alberhill project is “already in rates” for 2018 except for \$8.2 million that is currently included in “Plant Held for Future Use”.
  - c) Eagle Mountain Shunt Reactors: There was \$4.8 million of costs that were included in SCE’s forecast costs for 2018, and so this amount is “already in rates”.
  - d) Lugo – Eldorado Series Cap and Terminal Equipment Upgrade: No amount of this project was included in SCE’s 2018 rates.

Please let me know if you have any questions. Thanks,

**Bert Hansen**