

November 19, 2021

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. ER19-1553 (TO2022)

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 rate spreadsheet ("Formula Rate"). SCE hereby submits for informational purposes its annual formula transmission rate update filing ("TO2022 Annual Update"), pursuant to Section 3 of Attachment 1 to Appendix IX of SCE's TO Tariff (the "Formula Rate Protocols").

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(d)(3) of the Formula Rate Protocols, does not subject SCE's Formula Rate to modification.

SCE requests that the Commission issue a public notice of filing for the TO2022 Annual Update and establish a comment date.

I. Background

On October 27, 2017, in Docket No. ER18-169-000, SCE filed its Second Transmission Formula Rate with the Commission (“TO2018 Formula Rate”). The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”). Several entities intervened or protested the TO2018 Formula Rate filing. By Order dated December 29, 2017, the Commission accepted SCE’s TO2018 Formula Rate and related 2018 TRR, suspended it for a nominal period, to be effective January 1, 2018, subject to refund, and established hearing and settlement judge procedures.¹ On September 16, 2019, an Offer of Settlement was filed with the Commission. On December 3, 2019, the Commission accepted the Offer of Settlement.²

On April 11, 2019, in Docket No. ER19-1553-000, SCE filed to amend the TO2018 Formula Rate proposing tariff changes necessary to reflect dramatic regulatory and financial conditions that had changed since the submission of the TO2018 Formula Rate (“TO2019A Formula Rate”) associated with unprecedented wildfire impacts that occurred within the state of California. On June 11, 2019, the Commission accepted SCE’s TO2019A Formula Rate and related revised 2019 Base TRR, suspended it for a five-month period, to become effective November 12, 2019, subject to refund, and established hearing and settlement judge procedures.³ On July 1, 2020, SCE filed an Offer of Settlement under ER19-1553. The Offer of Settlement was approved on September 23, 2020.

SCE filed its first formula transmission rate Annual Update filing following the TO2019A settlement (“the TO2021 Annual Update”) on November 20, 2020,

¹ *Southern California Edison Company*, 161 FERC ¶ 61,309 (2017).

² *Southern California Edison Company*, 169 FERC ¶ 61,177 (2019).

³ *Southern California Edison Company*, 167 FERC ¶ 61,214 (2019)

pursuant to the process outlined in the Formula Rate Protocols. The TO2021 rates went into effect on January 1, 2021.

On March 26, 2021, in Docket No. ER21-1521, pursuant to Section 8.b of the Formula Rate Protocols, SCE filed a modification to Schedule 20 of the TO2019A Formula Rate proposing tariff changes necessary to change SCE's Post Retirement Benefits Other than Pensions ("PBOPs") stated amount of the Authorized PBOPs Expense Amount, to be included for recovery in SCE's formula transmission rate. On May 17, 2021, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2022 Annual Update.

On April 30, 2020, in Docket No. ER20-1720, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.⁴ These revisions included the creation of additional schedules (9-ADIT-2 and 9-ADIT-3) to annually track information related to excess and deficient accumulated deferred income taxes caused by the Tax Cuts and Jobs Act ("TCAJA"). On October 9, 2020, SCE made a filing to correct an administrative error associated with the tariff record.⁵ On November 20, 2020, the Commission's Office of Energy Market Regulation issued a Deficiency Letter, requesting additional information to process the filing. On December 11, 2020, SCE filed its response to the Deficiency Letter. SCE has incorporated the proposed revisions under ER20-1720 into this TO2022 Annual Update. On November 18, 2021, the Commission issued an Order On Compliance and accepted SCE's proposed Tariff revisions, and directed SCE to submit a further compliance filing within 60 days of such order.

On October 21, 2021, SCE filed Docket No. ER22-166 proposing discrete revisions to the TO2019A Formula Rate intended to ensure that following the

⁴ *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) ("Order 864").

⁵ SCE previously identified this error for the Commission and parties in its Motion for Leave to Respond and Response to Six Cities' Protest, filed in ER20-1720 on June 5, 2020. Accession Number 20200605-5213.

December 31, 2021 expiration of the accounting waiver authorized by the Commission in Docket No. ER21-1280, payments received from Morongo Transmission Limited Liability Company (“LLC”) pursuant to the West of Devers (“WOD”) Formula Rate are credited to the originating expense accounts in a manner that provides SCE’s transmission customers the full benefit of the credits while remaining consistent with the requirements of the Uniform System of Accounts (“USofA”). SCE requested an effective date of January 1, 2022 for these revisions. As of the date of this filing, the proposed revisions are pending before the Commission. SCE has not incorporated the proposed revisions under ER22-166 into this TO2022 Annual Update.⁶

SCE is now submitting its 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 of the upcoming Rate Year. The Rate Year for the TO2022 Annual Update is January 1, 2022 through December 31, 2022. In preparing this Annual Update, SCE used the TO2019A Formula Rate to establish its Base TRR.

As part of the TO2022 Annual Update, SCE and interested stakeholders engaged in a robust review process that began with the posting on SCE’s website of the TO2022 Draft Annual Update on June 15, 2021. A formal informational request period was initiated on this same date, which ended on November 1, 2021. During this time SCE responded to over 180 data requests from various stakeholders. SCE also held a Draft Annual Update Conference on July 9, 2021, to provide an overview of the TO2022 Draft Annual Update. SCE held a follow-up conference call on October 15, 2021, to provide further information on the Annual Update and addressed additional stakeholder questions. On October 29,

⁶ The WOD Formula Rate went into effect in 2021, and consequently has no effect on costs related to calendar year 2020, which is the Prior Year in this Annual Update.

2021, the California Public Utilities Commission (“CPUC”), along with several other interested parties (collectively the “Joint Customers”),⁷ notified SCE that they had identified certain outstanding issues associated with SCE’s TO2022 Draft Annual Update. In response, SCE held two additional conference calls with the Joint Customers on November 8 and 16, 2021. During, and subsequent to these conferences, SCE shared additional information regarding SCE’s accounting, tariff application, and the resulting inputs to the TO2022 Annual Update.

II. SCE’s Formula Transmission Rate

Pursuant to SCE’s formula transmission rate, the Base TRR is calculated as the sum of the Prior Year TRR, the Incremental Forecast Period TRR (“IFPTRR”), a True Up Adjustment, and if required, a Cost Adjustment. The Prior Year TRR represents the transmission costs that SCE incurred in the Prior Year, which in this instance is calendar year 2020. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case calendar years 2021 and 2022) as compared to the costs incurred in the Prior Year. The True Up Adjustment is the difference between actual transmission revenues and actual transmission costs during the Prior Year, as well as any applicable prior period adjustments. Therefore, this TO2022 Annual Update revises the retail Base TRR from the TO2021 Annual Update amount of \$1.087 billion to \$1.412 billion, a year-over-year change of \$326 million. The wholesale Base TRR is revised from \$1.082 billion to \$1.395 billion, a year-over-year change of \$313 million.

As described below, roughly half of this change relates to 1) a 2020 increase of the reserve for 2017/18 wildfires/mudslides of \$1.297 billion, which

⁷ In addition to the CPUC, the Joint Customers includes the California Department of Water Resources State Water Project, the Los Angeles Department of Water and Power, the Northern California Power Agency, the Transmission Agency of Northern California, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

increases A&G injuries and damages costs, and 2) an increase in FERC rate base of about \$671 million. The remaining difference is largely due to the balancing account nature of the True-Up Adjustment. For TO2022 this is a charge of about \$94 million whereas in TO2021 it was a credit of about \$59 million.

III. Reasons for Changes in SCE's Base TRR

The Prior Year TRR for TO2022 is \$1.269 billion, compared with \$1.046 billion in TO2021. The IFPTRR in TO2022 is \$111 million compared to \$99 million in TO2021. The TO2022 Base TRR reflects a True Up Adjustment of \$94 million (undercollection). This compares to a -\$59 million (overcollection) True Up Adjustment in TO2021. Additionally, the TO2022 Base TRR reflects a Cost Adjustment of -\$62 million, compared to no Cost Adjustment in TO2021. Combined, these changes add up to a \$326 million increase in Base TRR from TO2021 to TO2022. The principal factors contributing to the change in Base TRR are summarized below:

- **A&G (approximately +\$92M):** The increase in A&G expenses is primarily due to a 2020 upward adjustment to the reserve related to the 2017/18 wildfires/mudslides in the amount of \$1,297 million. This entry recorded to FERC account 925 – Injuries and Damages, and FERC ratepayers were charged a labor allocated portion of this amount under Schedule 20 – A&G.
- **Rate Base Impact (approximately +\$63M):** The year-over-year increase in 2020 FERC jurisdictional rate base was approximately \$671 million, and was driven primarily by a \$377 million increase in plant in service, as well as an increase in incentive CWIP plant balances of \$326 million, partially offset by increases in rate base reducing items such as Accumulated Depreciation Reserve and Unfunded Reserves.
- **True-Up Adjustment (approximately +\$153M):** The True-Up Adjustment is intended to reflect any over/undercollections in prior years. As discussed

above, the TO2021 True-Up Adjustment was -\$59 million (i.e., a credit due to previous overcollections). This year's value of \$94 million (i.e., a charge due to previous undercollections) is shown on Schedule 3, Line 30. This value reflects a required adjustment of \$59 million (Schedule 3, Line 27) to ensure the True Up Adjustment accounts for the two-year lag inherent in the formula rate.

- **Cost Adjustment (approximately -\$62M):** Pursuant to the Formula Rate Protocols, Section 1, SCE must include a Cost Adjustment “in the event that a discrete cost of service item (e.g., individual O&M expense, tax expense, or revenue credit) incurred anytime between the beginning of the Prior Year and the September 30 immediately preceding the filing of the Annual Update filing (i.e., a 21-month window) is a one-time item that will not recur in such Rate Year.” Additionally, the Protocols require that the Cost Adjustment must amount to at least 3% of the Base TRR. Accordingly, SCE has made three Cost Adjustments. First, SCE included a Cost Adjustment associated with the 2020 \$1,297 million A&G expense accrual mentioned above. Second, SCE included a Cost Adjustment associated with the Morongo Transmission LLC leased portion of the West of Devers Line. The capital forecast that is part of the TO2022 Annual Update filing assumes the entirety of the West of Devers Line will be in SCE's rate base during the forecast period. However, since the TO2022 Draft Annual Update Morongo Transmission LLC has leased a portion of the referenced project. Accordingly, this additional Cost Adjustment reduces the Retail Base TRR by the expected effect of the \$400 million capital lease payment made by Morongo Transmission LLC, which was not reflected in the capital forecast.⁸ Third, SCE included a Cost Adjustment

⁸ The TO2023 Annual Update, which will true up calendar year 2021, will reflect a reduction in SCE's recorded 2021 plant in service consistent with the referenced Morongo capital lease payment of \$400 million.

associated with a September 2021 expense accrual reflecting an upward adjustment to the reserve related to the 2017/18 wildfires/mudslides in the amount of \$1,090 million (Schedule 1, Line 85).

On June 28, 2021, FERC's Division of Audits and Accounting (DAA) issued an audit report under Docket No. FA20-01-000. Pursuant to such report, SCE was directed to provide refunds to transmission customers related to finding 1, Accounting for Compromise Settlements, and finding 3, Allowance for Funds Used During Construction. SCE has calculated the required refunds to be reflected in the TO2022 Annual Update, and DAA has approved such refunds and method of implementation. Accordingly, SCE is now including such refunds in the TO2022 Annual Update which reduce the Retail Base TRR by approximately \$1.4 million.⁹

Finally, as part of the TO2022 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for prior calendar years.¹⁰ The corrections reflected in this Annual Update are summarized below:

1. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar years 2018 and 2019. This error relates to an exclusion found in the workpaper titled "WP Schedule 20 A&G," tab titled "ShareholderAndOther," Section 3 - Order 668 Amount Transferred from O&M Accounts 569. The amount to be transferred to A&G from O&M, \$38 million in 2018 and \$39 million in 2019, should have been entered as a positive value in the workpaper for each respective year. Instead, due to an input error these entries were entered as negative values. This error caused total A&G to be reduced by the entered amounts, rather than increased as

⁹ See Attachment 3 – Revisions to Formula Rate Inputs as Compared to the Draft Annual Update, for further details.

¹⁰ Pursuant to Section 3.d.8 of the Formula Rate Protocols, SCE filed an Amended Annual Update informational filing on 11/15/2021 in Docket No. ER19-1553, which is the docket of the affected Annual Updates associated with these errors.

- intended. The net TO2022 one-time adjustment related to this error is \$10 million, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
2. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar years 2018 and 2019. The error relates to outside counsel expenses related to employment litigation or arbitration matters. The net TO2022 one-time adjustment related to this error is -\$53, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
 3. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar year 2018. The error relates to ACE/Spot bonuses that were not excluded from recovery due to a linking error in the workpaper titled “WP Schedule 20 A&G.” The net TO2022 one-time adjustment related to this error is -\$39,139, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period”.
 4. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar year 2019. The error relates to a BRRBA Distribution credit erroneously excluded. The net TO2022 one-time adjustment related to this error is -\$140,611, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
 5. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar year 2019. The error relates to a Pensions & Benefits Billed to Affiliates credit erroneously excluded. The net TO2022 one-time adjustment related to this error is -\$23,358, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period”.
 6. SCE has identified an input error relating to an A&G exclusion affecting the True Up TRR of calendar year 2019. The error relates to EIX costs. In 2019 SCE excluded costs which were erroneously reported as 923 expenses

- but which in fact recorded to FERC account 426, an account that is already excluded from the Formula Rate. The net TO2022 one-time adjustment related to this error is \$5,491, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period”.
7. On June 28, 2021, FERC issued SCE's Audit Report in Docket No. FA20-1 and required refunds related to compromise employee settlements for calendar years 2017-2019.¹¹ These refunds relate to A&G FERC Account 925. Additionally, the Audit Report required a refund related to the historical calculation of AFUDC, and its effect on calendar years 2017-2020. The net TO2022 one-time adjustment related to the compromise settlements refunds is -\$399,297, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period”. The net TO2022 one-time adjustment related to the AFUDC calculations is -\$764,025, as described in more detail in the workpaper titled “WP Schedule 3 FERC Audit Refund AFUDC F3R2 and F3R13”.

These corrections are reflected in the Formula Rate spreadsheet as a single One-Time Prior Period Adjustment of \$9.6 million on Schedule 3, Line 12, Col 4, and a single One-Time Prior Period Adjustment of -\$0.8 million on Schedule 3, Line 23, Col 4.

IV. Documents Submitted With This Filing

This filing consists of the following documents:

- 1) This filing letter;
- 2) An attestation by an SCE officer;

¹¹ The Audit Report requires an additional refund related to calendar year 2020, which is reflected as an exclusion to A&G costs under Schedule 20 in this TO2022 Annual Update. See Attachment 3 – Revisions to Formula Rate Inputs from the TO2022 Draft Annual Update, for more details.

- 3) Attachment 1: The populated formula rate spreadsheet, in both pdf and Excel formats, showing the calculation of the TO2022 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2022;
- 5) Attachment 3: Revisions to Formula Rate Inputs from the TO2022 Draft Annual Update; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Formula Rate Protocols and the TO2019A settlement.

V. Service

Copies of this filing have been served on all parties to Docket No. ER19-1553, 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:

Matthew Dwyer
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Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
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Jeffrey L. Nelson
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Very truly yours

/s/ Jeffrey L. Nelson

Jeffrey L. Nelson

ATTESTATION

Kate Sturgess attests that she is Vice President 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.

Kate Sturgess

DocuSigned by:
kate sturgess
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Vice President

Dated: November 16, 2021

CERTIFICATE OF SERVICE

I hereby certify that I have, this day, served a true copy of “**ANNUAL FORMULA TRANSMISSION RATE UPDATE FOR RATE YEAR 2022 (TO2022) OF SOUTHERN CALIFORNIA EDISON COMPANY**” on all parties identified on the official service list(s) for FERC docket ER19-1553-000, including the California Public Utilities Commission (“CPUC”), the California Independent System Operator (“CAISO”), and the Attorney General of California’s Office. Service was effected by transmitting the copies via email to all parties who have provided an e-mail address. First class mail will be used if electric service cannot be effectuated.

Dated at Rosemead, California this **19th**, day of **November 2021**.

/s/Vicki Carr-Donerson

Vicki Carr-Donerson
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