

DRAFT

November XX, 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”).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. As of the date of this filing, the proposed revisions in ER20-1720 (including the error correction) are pending before the Commission. SCE has incorporated the proposed revisions under ER20-1720 into this TO2022 Annual Update.

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

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.

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.

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 \$1.398 billion, a year-over-year change of \$311 million. The wholesale Base TRR is revised from \$1.082 billion to \$1.378 billion, a year-over-year change of \$296 million.

As described below, roughly half of this change relates to 1) an increase of the reserve for 2017/18 wildfires/mudslides of \$1.297 billion, which 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 \$98 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 \$1.272 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 \$98 million (undercollection). This compares to a -\$59 million (overcollection) True Up Adjustment in TO2021. Additionally, the TO2022 Base TRR reflects a Cost Adjustment of -\$83 million, compared to no Cost Adjustment in TO2021. Combined, these changes add up to a \$311 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 +\$157M):** 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 \$98 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 -\$83M):** 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. SCE believes the \$1,297 million A&G expense accrual mentioned above meets these criteria and has quantified the Cost Adjustment amount based on the impact of this on SCE’s Base TRR (Schedule 1, Line 85).

Finally, as part of the TO2022 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for prior calendar years.⁶ 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

⁶ Pursuant to Section 3.d.8 of the Formula Rate Protocols, SCE filed an Amended Annual Update informational filing on XX/XX/XX in the docket of the affected Annual Update 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”.

These corrections are reflected on Schedule 3 of the Formula Rate spreadsheet as a single One-Time Prior Period Adjustment of \$10 million (Schedule 3, Line 12, 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;
- 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
Senior Attorney
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-6521

Jeffrey L. Nelson
FERC Rates & Market Integration
Southern California Edison Company
P.O. Box 800
Rosemead, CA 91770
Tel. (626) 302-4834

Very truly yours

Jeffrey L. Nelson

ATTESTATION

Aaron D. Moss attests that he is Vice President and Corporate Controller 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 his knowledge and belief.

Aaron D. Moss

Vice President

Dated: November XX, 2021