Attachment 3

Revisions to Formula Rate Inputs as Compared to the Draft Annual Update

This attachment lists the changes reflected in this TO2022 Annual Update filing relative to the TO2022 Draft Annual Update Formula Rate Spreadsheet that SCE posted on its website on June 15, 2021.

The revisions from the Draft Annual Update are as follows:

(1) Schedule 1 – Base TRR: Pursuant to the Formula Rate Protocols, Section 1, SCE is including in the TO2022 Annual Update filing two Cost Adjustments in addition to the negative $83,133,820 that was part of the Draft Annual Update on line 85 of Schedule 1. The first is in the amount of negative $48,564,647. This new Cost Adjustment is related to the leasing of portions of SCE's West of Devers Project to Morongo Transmission. In July 2021 Morongo Transmission entered into the lease arrangement and made a lease payment of $400,000,000 to SCE. Accordingly, as of this date the plant subject to such lease will be accounted for as electric plant leased to others. In the TO2022 Draft Annual Update, SCE forecasted that the entirety of the West of Devers Project would be in SCE's rate base during the Rate Year (2022). This assumption was reasonable because at the time of the draft posting Morongo Transmission had not yet executed the lease. Given that the lease has now been executed, SCE is making a Cost Adjustment to reduce costs in the Rate Year given that the leased portion of the referenced project will not be in SCE's rate base during the Rate Year. The second Cost Adjustment is in the amount of $69,884,756 and is 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. Finally, the wildfire related Cost Adjustment previously included in the draft posting is being slightly revised downward from negative $83,133,820 to negative $83,156,448 due to the revisions to the Transmission Wages and Salaries Allocation Factor resulting from the A&G revisions outlined below. Combined, these changes bringing the total cost adjustment to negative $61,836,339. Support for the Cost Adjustment is included in the workpaper titled WP Schedule 1 Cost Adjustment. This change increases the TO2022 Retail Base TRR by $21,297,481.

(2) WP Schedule 14 Incentive Plant: The Tehachapi accumulated depreciation amount for December 2019 shown in the Draft Annual Update workpaper does not match what is reported in the draft TO2022 Formula Rate, Schedule 14, line 54, Col 2. SCE notes that the amount reported in Schedule 14 of the draft TO2022 Formula Rate is correct. SCE has corrected this workpaper in the TO2022 Annual Update filing. This error does not impact the transmission revenue requirement.

(3) WP Schedule 20: The exclusion of $13,851,524 from FERC account 930.2 on page 2, line 2ff of the referenced workpaper was incorrectly labeled as "Generation – PV" in the Draft Annual Update. SCE has corrected the label to "Nuclear – PV" in the TO2022 Annual Update filing. This error does not impact the transmission revenue requirement.

(4) Schedule 20 – A&G: The excluded amount of $4,314,518 in WP Schedule 20, tab "shareholderExcDetail", cell B24, which feeds into the total exclusion amount of $9,473,549, included $2,310,118.08 in 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. Accordingly, SCE has revised the referenced WP to reflect a total A&G account 923 exclusion totaling $7,163,431.57 flowing into the Formula Rate in the TO2022 Annual Update filing. Additionally, SCE has determined that this error also occurred in 2019, where $79,471.82 in costs were excluded from account 923 expenses, yet this amount actually recorded to account 426. SCE has corrected this error in the TO2022 Annual Update filing. This error, including the associated One-Time adjustment related to 2019, increases the TO2022 Retail Base TRR by $359,704.

(5) Schedule 20 – A&G: The inputs in WP Schedule 20, tab "Incentives", lines A.2.4, A.2.5. and A.2.6 Column A contained the incorrect values for actual Non-Officer Incentive Compensation ("NOIC") payouts of $55,038,439, $26,106,687, and 95,108,829, respectively. The correct values are $60,321,784, $27,186,830, and $96,575,545. Similarly, tab "Incentive Caps", line 1, Column E contained the incorrect value of $176,253,955 for actual NOIC payout. The correct value is $184,084,158.

Additionally, line B.4.4, and tab "Incentive Caps", line 2, contained an incorrect value for actual Officer Executive Incentive Compensation ("OEIC") of $7,830,203. The correct value should have been $3,467,015.

This error in the referenced WP resulted in a corresponding error to the inputs to Schedule 20 of the Formula Rate. SCE has corrected this error in the TO2022 Annual Update filing. This error reduces the TO2022 Retail Base TRR by $512,537.

(6) Schedule 25 – Wholesale Difference: The inputs to lines 27 and 28 relating to EPRI and EEI Dues excluded from wholesale rates were inadvertently transposed. EPRI dues were reported as $46,948 but should have been $468,351. EEI Dues were reported as $468,351 but should have been $46,948. SCE has corrected this error in the TO2022 Annual Update filing. This error does not impact the transmission revenue requirement.

(7) Schedule 28 – FFU: SCE has updated the Uncollectibles Expense Factor based on discussions with the CPUC pertaining to uncollectibles associated with the Prior Year (2020), to be consistent with approvals in Advice Letter 4377-E-A. The revised Uncollectibles Factor is reduced from 1.3459% to 1.1409%, and is reflected in Schedule 28 – FFU of the Formula Rate and in WP Schedule 28 FFU. This change reduces the TO2022 Retail Base TRR by $5,420,733.

(8) Schedule 29 – Wholesale TRRs: SCE has incorporated into lines 2, 3, and 4 a change to the Wholesale Transmission Revenue Balancing Account Adjustment ("TRBAA") inputs to be consistent with SCE's TRBAA Update filed on November 1, 2021 in FERC Docket ER22-308.

(9) 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.

Finding 1, Accounting for Compromise Settlements, is as follows:

> SCE improperly recorded approximately $7.3 million of compromise settlement payments relating, at least in part, to alleged employment discrimination in Account 925, Injuries and Damages. As a result of the improper accounting for compromise settlements, SCE overstated its annual transmission revenue requirement and overbilled wholesale transmission customers.

As part of the TO2022 Annual Update, SCE has included a One-Time Adjustment related to the refunds for 2017, 2018, and 2019 since these are adjustments that relate to prior annual updates. This One-Time Adjustment is included in the TO2022 calculation of the True-Up Adjustment in Schedule 3 of the Formula Rate. Details of the One-Time Adjustment calculation are included in the workpaper titled "FERC Audit Refund Analysis_F1R3 and F3R13". The One-Time Adjustment related to 2017, 2018, and 2019 totals negative $399,297. The refunds related to calendar year 2020 do not relate to prior annual updates but instead relate to the current TO2022 Annual Update. Accordingly, SCE has made an adjustment to reflect the appropriate cost exclusions related to 2020 in Schedule 20 (A&G) of the Formula Rate, and the workpaper titled "WP Schedule 20". The A&G exclusion related to 2020 totals negative $1,260,864.

Finding 3, Allowance for Funds Used During Construction, is as follows:

> SCE's method for computing and applying its AFUDC rate to construction projects was deficient. Specifically, SCE improperly excluded short-term debt related to energy procurement margin and collateral postings, and improperly excluded $100 million of long-term debt related to nuclear fuel procurement from its AFUDC rate calculation. In addition, SCE improperly accrued $182,586 of AFUDC on a suspended construction project during the audit period. As a result, SCE overaccrued AFUDC included in utility plant accounts and overbilled wholesale transmission customers.

As part of the TO2022 Annual Update, SCE has included a One-Time Adjustment related to the refunds for 2017, 2018, 2019, and 2020 related to this finding. This One-Time Adjustment is included in the TO2022 calculation of the True-Up Adjustment in Schedule 3 of the Formula Rate. Details of the One-Time Adjustment calculation are included in the workpaper titled "WP Schedule 3 FERC Audit Refund AFUDC_F3R12 and F3R13". The One-Time Adjustment related to this finding totals negative $764,025.

Implementation of the two audit adjustments described above reduces the TO2022 Retail Base TRR by $1,430,645.