

**DRAFT**

November XX, 2022

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 (TO2023)

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 ("TO2023 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 TO2023 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”).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.<sup>1</sup> On September 16, 2019, an Offer of Settlement was filed with the Commission. On December 3, 2019, the Commission accepted the Offer of Settlement.<sup>2</sup>

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.<sup>3</sup> 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,

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

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

<sup>3</sup> *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 April 30, 2020, in Docket No. ER20-1720, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.<sup>4</sup> 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.<sup>5</sup> 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. 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 January 18, 2022, SCE filed its compliance filing. On March 21, 2022 the Commission issued a Letter Order accepting SCE’s compliance filing.<sup>6</sup> Accordingly, SCE has incorporated the proposed revisions under ER20-1720 into this TO2023 Annual Update.

On October 21, 2021, SCE filed Docket No. ER22-166 proposing discrete revisions to the TO2019A Formula Rate intended to ensure that following the 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 (“MTLLC”) pursuant to the West of Devers (“WOD”) Formula Rate are credited to the originating expense accounts in

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<sup>4</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order 864”).

<sup>5</sup> 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.

<sup>6</sup> On April 11, 2022, SCE refiled under ER20-1720-003 the tariff records originally filed in SCE’s January 18, 2022 compliance filing to correct an administrative error in eTariff. This refile does not modify the previously accepted revisions.

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. On December 16, 2021, the Commission issued a Letter Order accepting SCE's proposed revisions. SCE has incorporated the revisions under ER22-166 into this TO2023 Annual Update.

SCE filed its second formula transmission rate Annual Update filing following the TO2019A settlement ("the TO2022 Annual Update") on November 19, 2021, pursuant to the process outlined in the Formula Rate Protocols. The TO2022 rates went into effect on January 1, 2022.

On December 10, 2021, the CPUC and Six Cities filed separate protests to certain discrete cost items included in SCE's TO2022 Annual Update.<sup>7</sup> On December 27, 2021, SCE filed a Motion for Leave to Answer Protests and Answer to Protests. On January 11, 2022, the protesting parties filed a Motion for Leave to Answer and Answer of Protesting Parties. On June 3, 2022, the Commission issued an order granting the protests and directing SCE to make associated compliance filings.

On February 25, 2022, in Docket No. ER22-1117, SCE filed a modification to Schedule 18 of the TO2019A Formula Rate to conform non-transmission depreciation rates to the California Public Utilities Commission's ("CPUC") 2021 General Rate Case Phase 1 Order.<sup>8</sup> On April 20, 2021, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2023 Annual Update.

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<sup>7</sup> The items at issue are (1) treatment of post-construction environmental restoration mitigation costs required as a condition of Tehachapi licensing, and (2) recovery of prudently incurred cancelled work order costs.

<sup>8</sup> SCE generally follows a four-year rate GRC cycle at the CPUC. On August 21, 2021 the CPUC issued the CPUC Decision (Decision 21-08-036) representing the final GRC decision in Phase 1 of the 2021 test year GRC and setting SCE's total CPUC-jurisdictional revenue requirements.

On March 25, 2022, in Docket No. ER22-1446, pursuant to Section 8b 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 11, 2022, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2023 Annual Update.<sup>9</sup>

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 TO2023 Annual Update is January 1 through December 31, 2023. 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, the O&M Services Formula Revenue, 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 2021. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case, calendar years 2022 and 2023) 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

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<sup>9</sup> As explained in SCE's March 25th filing, the Authorized PBOPS Expense Amount of \$0 reflects no change relative to the previously authorized amount.

during the Prior Year, as well as any applicable prior period adjustments. The O&M Services Formula Revenue is revenue collected pursuant to an O&M Services Formula presented on Schedule 35 and is a credit to the Base TRR.<sup>10</sup> Therefore, this TO2023 Annual Update revises the retail Base TRR from the TO2022 Annual Update amount of \$1.412 billion to \$1.316 billion, a year-over-year change of negative \$96 million. The wholesale Base TRR is revised from \$1.395 billion to \$1.301 billion, a year-over-year change of negative \$94 million.

As described below, roughly half of this change relates to a 2021 decrease in O&M and A&G costs. The remaining difference is largely due to the balancing account nature of the True-Up Adjustment. For TO2023 this is a charge of about \$51 million whereas in TO2022 it was a charge of about \$94 million.

### **III. Reasons for Changes in SCE's Base TRR**

The Prior Year TRR for TO2023 is \$1.229 billion, compared with \$1.269 billion in TO2022. The IFPTRR in TO2023 is \$98 million compared to \$111 million in TO2022. The TO2023 Base TRR reflects a True Up Adjustment undercollection of \$51 million. This compares to a \$94 million True Up Adjustment undercollection in TO2022. The TO2023 Base TRR also reflects a Cost Adjustment of -\$62 million, compared with a similar -\$62 million Cost Adjustment in TO2022. Combined, these changes add up to a \$96 million decrease in Base TRR from TO2022 to TO2023. The principal factors contributing to the year-over-year change in the Base TRR are summarized below:

- O&M (approximately -\$27M): The decrease in O&M expenses is primarily driven by reductions in arial inspections, vegetation management, and Covid related expenses.

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<sup>10</sup> The O&M Services Formula Revenue is \$0 for the Prior Year 2021 due to the accounting waiver granted under docket No. ER21-1280. See also Schedule 35, Instruction 1. This accounting waiver, applicable only to calendar year 2021, allowed SCE to record all the revenue received pursuant to the WOD Formula Rate in FERC O&M Account 566 – Miscellaneous Transmission Expenses.

- **A&G (approximately -\$33M):** The decrease in FERC related A&G expenses between TO2023 and TO2022 is primarily driven by a lower Transmission Wages and Salary Allocation Factor (“Labor Allocator”), as well as differences in 2017/18 wildfire/mudslides reserve adjustments. The Labor Allocator is approximately 6.22% in 2021 vs 6.98% in 2020. This reduction is in turn primarily driven by lower ISO O&M labor costs due to reductions in aerial inspections, vegetation management, and Covid related expenses. Regarding the 2017/18 wildfire/mudslides reserve adjustments, in 2021 SCE implemented an upward adjustment to this reserve of \$1.090 billion. 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. In 2020, SCE implemented a 2020 upward adjustment of \$1.297 billion.
- **True-Up Adjustment (approximately -\$43M):** The True-Up Adjustment is intended to reflect any over/undercollections in prior years. As discussed above, the TO2022 True-Up Adjustment was \$94 million (i.e., a charge due to previous undercollections). This year’s value of \$51 million (also a charge due to previous undercollections) is shown on Schedule 3, Line 30. This value reflects a required downward adjustment of \$94 million (Schedule 3, Line 27) to ensure the True Up Adjustment accounts for the two-year lag inherent in the Formula Rate.

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 a Cost Adjustment associated with the 2021 \$1,090 million A&G expense accrual attributable to an upward adjustment to the 2017/18 wildfire/mudslides reserve as mentioned above (Schedule 1, Line 85).<sup>11</sup>

As part of the TO2023 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for prior calendar years.<sup>12</sup> The corrections reflected in this Annual Update are summarized below and are reflected in the Formula Rate Spreadsheet as a single One-Time Prior Period Adjustment of \$4.663 million on Schedule 3, Line 12, Col 4.

1. SCE has identified input errors relating to A&G exclusions affecting the True Up TRR of calendar years 2019 and 2020. The errors relate to CPUC Balancing Accounts (BAs) and Memo Accounts (MAs) which were inadvertently identified as having 100% recovery through CPUC rates, when in fact they are jurisdictionalized. This error caused A&G exclusions to be overstated. The net TO2023 one-time adjustment related to this error is \$4,717,685, 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 2019 and 2020. The error relates to outside counsel expenses related to employment litigation or arbitration matters. The net TO2023 one-time adjustment related to this error is -\$12,846, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”

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<sup>11</sup> See also WP Schedule 1 Cost Adjustment.

<sup>12</sup> Pursuant to Section 3.d.8 of the Formula Rate Protocols, SCE filed an Amended Annual Update informational filing on XX/XX/2022 in Docket No. ER19-1553, which is the docket of the affected Annual Updates associated with these errors.



3. SCE has identified an input error relating to Revenue Credits affecting the True Up TRR of calendar year 2020. The error relates to an inadvertent omission on line 10cc of the Revenue Credits Schedule of the Passive Income Indicator (P) from the Gross Revenue Sharing Mechanism (GRSM). The net TO2023 one-time adjustment related to this error is -\$871, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
4. In addition to the corrections above affecting calendar year 2020, SCE has made an additional adjustment related to uncollectible expense affecting 2020. In TO2022, the FERC uncollectible expense for 2020 was \$13,789,000. To hold this value constant given the corrections above, SCE is making a TO2023 one-time adjustment of -\$40,996, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”

Finally, SCE is making a One-Time Morongo Rate Consistency Adjustment of \$65,423 consistent with section 5 of Attachment 1 to Appendix XIV of SCE’s TO Tariff (the “WOD Formula Rate Protocols”), to ensure rate consistency between Appendix XIV and Appendix IX. This adjustment ensures that the revenue received pursuant to Appendix XIV is accurately credited to transmission customers. The One-Time Morongo Rate Consistency Adjustment is reflected on Schedule 3, Line 23, Col 4.<sup>13</sup>

#### **IV. Documents Submitted With This Filing**

This filing consists of the following documents:

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

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<sup>13</sup> See also WP Schedule 3 One-Time Adj Morongo Rate Consistency.

- 3) Attachment 1: The populated formula rate spreadsheet, in both pdf and Excel formats, showing the calculation of the TO2023 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2023;
- 5) Attachment 3: Revisions to Formula Rate Inputs from the TO2023 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:

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Senior Attorney  
Southern California Edison Company  
P.O. Box 800  
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Tel. (626) 302-6521

Jeffrey L. Nelson  
FERC Rates & Market Integration  
Southern California Edison Company

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
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P.O. Box 800  
Rosemead, CA 91770  
Tel. (626) 302-4834

Very truly yours

/s/ Jeffrey L. Nelson

Jeffrey L. Nelson

## ATTESTATION

Kate Sturgess attests that she 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 her knowledge and belief.

Kate Sturgess

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Vice President

Dated: November \_\_, 2022