Calculation of True Up TRR

A) Rate Base for True Up TRR

Line	Rate Base Item	Calculation Method	Notes	FERC Form 1 Reference or Instruction	Amount	Revised TO2025 in TO2026 Annual Update Amount	Variance
1	ISO Transmission Plant	13-Month Avg.		6-PlantInService, Line 18	$10,990,492,371	$10,990,492,370	$1
2	General + Elec. Misc. Intangible Plant	BOY/EOY Avg.		6-PlantInService, Line 24	$377,284,530	$366,108,685	$11,175,844
3	Transmission Plant Held for Future Use	BOY/EOY Avg.		11-PHFU, Line 9	$9,132,043	$9,132,043	$0
4	Abandoned Plant	BOY/EOY Avg.		12-AbandonedPlant Line 4	$0	$0	$0
	Working Capital Amounts						
5	Materials and Supplies	13-Month Avg.		13-WorkCap, Line 17	$29,827,796	$28,944,243	$883,553
6	Prepayments	13-Month Avg.		13-WorkCap, Line 33	$10,381,283	$10,073,771	$307,512
7	Cash Working Capital	1/8 (O&M + A&G)		1-Base TRR Line 7	$28,502,848	$25,717,913	$2,784,935
8	Working Capital			Line 5 + Line 6 + Line 7	$68,711,927	$64,735,927	$3,976,000
	Accumulated Depreciation Reserve Amounts						
9	Transmission Depreciation Reserve - ISO	13-Month Avg.	Negative amount	8-AccDep, Line 14, Col. 12	-$2,542,373,549	-$2,542,373,549	$0
10	Distribution Depreciation Reserve - ISO	BOY/EOY Avg.	Negative amount	8-AccDep, Line 17, Col. 5	$0	$0	$0
11	G + I Depreciation Reserve	BOY/EOY Avg.	Negative amount	8-AccDep, Line 23	-$141,367,189	-$137,179,640	-$4,187,550
12	Accumulated Depreciation Reserve			Line 9 + Line 10 + Line 11	-$2,683,740,738	-$2,679,553,189	-$4,187,550
13	Accumulated Deferred Income Taxes	BOY/EOY Avg.		9-ADIT-1, Line 15	-$1,471,399,988	-$1,471,828,068	$428,079
14	CWIP Plant	13-Month Avg.		14-IncentivePlant, L 15, C2	$296,319,924	$296,319,924	$0
15	Network Upgrade Credits	BOY/EOY Avg.	Negative amount	22-NUCs, Line 7	-$39,117,002	-$39,117,002	$0
16	Unfunded Reserves			34-UnfundedReserves, Line 7	-$62,092,461	-$60,253,171	-$1,839,290
17	Other Regulatory Assets/Liabilities	BOY/EOY Avg.		23-RegAssets, Line 15	$0	$0	$0
18	Rate Base			L1+L2+L3+L4+L8+L12+ L13+L14+L15+L16+L17	$7,485,590,605	$7,476,037,520	$9,553,085

B) Return on Capital

Line						
19	Cost of Capital Rate	See Instruction 1	Instruction 1, Line j	7.1706%	7.1706%	0.0000%
20	Return on Capital: Rate Base times Cost of Capital Rate		Line 18 * Line 19	$536,763,798	$536,078,809	$684,988

C) Income Taxes

21	Income Taxes = [((RB * ER) + D) * (CTR/(1 – CTR))] + CO/(1 – CTR)			$152,508,903	$152,317,353	$191,551
	Where:					
22	RB = Rate Base		Line 18	$7,485,590,605	$7,476,037,520	$9,553,085
23	ER = Equity ROR inc. Com. and Pref. Stock	Instruction 1	Instruction 1, Line k	5.1611%	5.1611%	0.0000%
24	CTR = Composite Tax Rate		1-Base TRR L 59	27.9836%	27.9836%	0.0000%
25	CO = Credits and Other		1-Base TRR L 63 + Line 25a	$282,670	$282,670	$0
25a	Adjustments to CO term for the True Up TRR	Note 2 Wkpaper:	WP Schedule 4	$2,606,000	$2,606,000	$0
26	D = Book Depreciation of AFUDC Equity Book Basis		1-Base TRR L 65	$5,139,283	$5,139,283	$0

D) True Up TRR Calculation

27	O&M Expense	1-Base TRR L 66	$125,310,835	$105,996,729	$19,314,107
28	A&G Expense	1-Base TRR L 67	$102,711,951	$99,746,579	$2,965,372
29	Network Upgrade Interest Expense	1-Base TRR L 68	$4,204,158	$4,204,158	$0
30	Depreciation Expense	1-Base TRR L 69	$324,189,626	$322,943,232	$1,246,394
31	Abandoned Plant Amortization Expense	1-Base TRR L 70	$0	$0	$0
32	Other Taxes	1-Base TRR L 71	$91,656,792	$91,431,839	$224,953
33	Revenue Credits	1-Base TRR L 72	-$58,664,881	-$58,664,881	$0
34	Return on Capital	Line 20	$536,763,798	$536,078,809	$684,988
35	Income Taxes	Line 21	$152,508,903	$152,317,353	$191,551
36	Gains and Losses on Transmission Plant Held for Future Use -- Land	1-Base TRR L 75	$0	$0	$0
37	Amortization and Regulatory Debits/Credits	1-Base TRR L 76	$0	$0	$0
38	Total without True Up Incentive Adder	Sum Line 27 to Line 37	$1,278,681,183	$1,254,053,819	$24,627,364
39	True Up Incentive Adder	15-IncentiveAdder L 20	$23,620,314	$23,620,314	$0
39a	True Up Incentive Adder Reversal	Negative of Line 39, Note 1	-$23,620,314	-$23,620,314	$0
40	True Up TRR without Franchise Fees and Uncollectibles Expense included:	Sum of Lines 38 to 39a	$1,278,681,183	$1,254,053,819	$24,627,364

E) Calculation of final True Up TRR with Franchise Fees and Uncollectibles Expenses

Line			Revised TO2025 in TO2026 Annual Update	Reference:	Variance	
41	True Up TRR wo FF:	$1,278,681,183	$1,254,053,819	Line 40	$24,627,364	**Change In TO2025 TUTRR**
42	Franchise Fee Factor:	0.936%	0.936%	28-FFU, L 5	0.000%	
43	Franchise Fee Expense:	$11,974,314	$11,743,689	Line 41 * Line 42	$230,625	$1,288,758,307
44	Uncollectibles Expense Factor:	0.75084%	0.76558%	28-FFU, L 5	-0.01475%	$1,263,900,318
45	Uncollectibles Expense:	$9,600,809	$9,600,809	Line 41 * Line 44	$0	$24,857,989
45a	O&M Services Formula Revenues	-$11,498,000	-$11,498,000	Negative of 35-Oth	$0	
46	True Up TRR:	$1,288,758,307	$1,263,900,318	L 41 + L 43 + L 45-	$24,857,989	

TO2026 Annual Update, WP Schedule 3, Page 11, Line 46

Schedule 4
True Up TRR
(Revised 2023 True Up TRR Variance)

Amended TO2025 Annual Update
Attachment 5
Calculation of the True Up TRR Variance

Instructions:

1) Use weighted average (by time) of the Return on Equity in effect during the Prior Year in determining the "Cost of Capital Rate" on Line 19 and the "Equity Rate of Return Including Preferred Stock" on Line 23 in the event that the ROE is revised during the Prior Year. In this event, the ROE used in Schedule 1 will differ from the ROE used in this Schedule 4, because the Schedule 1 ROE will be the most recent ROE, whereas the Schedule 4 Cost of Capital Rate and Equity Rate of Return including Com. + Pref. Stock will be based on the weighted-average ROE.

$25,046,531	FF1 Revision
-$188,543	FF&U Adjustment
$24,857,989	Total Adjustment

Calculation of weighted average Cost of Capital Rate in Prior Year:

If ROE does not change during year, then attribute all days to Line a "ROE at end of Prior Year" and none to "ROE at start of PY"

		Percentage	Reference:	From	To	Days ROE In Effect
a	ROE at end of Prior Year	10.30%	See Line e below	Jan 1, 2023	Dec 31, 2023	365
b	ROE start of Prior Year		See Line f below			
c					Total days in year:	365
d	Wtd. Avg. ROE in Prior Year	10.30%	((Line a ROE * Line a days) + (Line b ROE * Line b days)) / Total Days in Year			

Commission Decisions approving ROE:

		Reference:
e	End of Prior Year	Settlement of TO2019A (ER19-1553)
f	Beginning of Prior Year	169 FERC ¶ 61,177

		Percentage	Reference:
g	Wtd. Cost of Long Term Debt	2.0096%	1-Base TRR L 51
h	Wtd.Cost of Preferred Stock	0.2686%	1-Base TRR L 52
i	Wtd.Cost of Common Stock	4.8925%	1-Base TRR L 47 * Line d
j	Cost of Capital Rate	7.1706%	Sum of Lines g to i

Calculation of Equity Rate of Return Including Common and Preferred Stock:

	Percentage	Reference:
k	5.1611%	Sum of Lines h to i

Notes:

1) True Up TRR Incentive Adder Reversal backs out the revenue requirement associated with any project-specific Incentive Adders (Line 39) for True Up Years during the term of the settlement of ER19-1553.

2) Include any amount appropriate for the True Up TRR calculation for the Prior Year not already included in Line 63 of Schedule 1. Such amounts will specifically include an amount of the South Georgia Adjustment applicable to the 2023 Prior Year of $2,606,000 in SCE's Annual Update setting transmission rates for 2025 and, for the 2024 Prior Year, an amount of $1,303,000 in SCE's Annual Update setting transmission rates for 2026. No further amounts relating to the current SGA amount shall be included in SCE's Formula Rate, as the SGA will be fully amortized after 2024.

Calculation of True Up TRR

A) Rate Base for True Up TRR

Line	Rate Base Item	Calculation Method	Notes	FERC Form 1 Reference or Instruction	Amount	TO2026 Annual Update Amount	Variance
1	ISO Transmission Plant	13-Month Avg.		6-PlantInService, Line 18	$11,158,192,559	$11,158,192,560	-$1
2	General + Elec. Misc. Intangible Plant	BOY/EOY Avg.		6-PlantInService, Line 24	$438,621,762	$425,784,917	$12,836,845
3	Transmission Plant Held for Future Use	BOY/EOY Avg.		11-PHFU, Line 9	$11,950,901	$11,950,901	$0
4	Abandoned Plant	BOY/EOY Avg.		12-AbandonedPlant Line 4	$0	$0	$0
	Working Capital Amounts						
5	Materials and Supplies	13-Month Avg.		13-WorkCap, Line 17	$34,301,782	$33,288,001	$1,013,781
6	Prepayments	13-Month Avg.		13-WorkCap, Line 33	$8,192,147	$7,950,030	$242,117
7	Cash Working Capital	1/8 (O&M + A&G)		1-Base TRR Line 7	$30,939,339	$26,712,360	$4,226,979
8	Working Capital			Line 5 + Line 6 + Line 7	$73,433,268	$67,950,391	$5,482,877
	Accumulated Depreciation Reserve Amounts						
9	Transmission Depreciation Reserve - ISO	13-Month Avg.	Negative amount	8-AccDep, Line 14, Col. 12	-$2,739,564,021	-$2,739,564,021	$0
10	Distribution Depreciation Reserve - ISO	BOY/EOY Avg.	Negative amount	8-AccDep, Line 17, Col. 5	$0	$0	$0
11	G + I Depreciation Reserve	BOY/EOY Avg.	Negative amount	8-AccDep, Line 23	-$170,967,133	-$165,916,068	-$5,051,065
12	Accumulated Depreciation Reserve			Line 9 + Line 10 + Line 11	-$2,910,531,153	-$2,905,480,089	-$5,051,065
13	Accumulated Deferred Income Taxes	BOY/EOY Avg.		9-ADIT-1, Line 15	-$1,538,475,625	-$1,538,855,058	$379,433
14	CWIP Plant	13-Month Avg.		14-IncentivePlant, L 15, C2	$278,593,442	$278,593,442	$0
15	Network Upgrade Credits	BOY/EOY Avg.	Negative amount	22-NUCs, Line 7	-$55,302,802	-$55,302,802	$0
16	Unfunded Reserves			34-UnfundedReserves, Line 7	-$47,147,745	-$45,754,304	-$1,393,441
17	Other Regulatory Assets/Liabilities	BOY/EOY Avg.		23-RegAssets, Line 15	$0	$0	$0
18	Rate Base			L1+L2+L3+L4+L8+L12+ L13+L14+L15+L16+L17	$7,409,334,607	$7,397,079,958	$12,254,649

B) Return on Capital

Line							
19	Cost of Capital Rate		See Instruction 1	Instruction 1, Line j	7.3917%	7.3917%	0.0000%
20	Return on Capital: Rate Base times Cost of Capital Rate			Line 18 * Line 19	$547,675,156	$546,769,685	$905,470

C) Income Taxes

21	Income Taxes = [((RB * ER) + D) * (CTR/(1 – CTR))] + CO/(1 – CTR)				$146,088,016	$145,840,232	$247,783
	Where:						
22	RB = Rate Base			Line 18	$7,409,334,607	$7,397,079,958	$12,254,649
23	ER = Equity ROR inc. Com. and Pref. Stock		Instruction 1	Instruction 1, Line k	5.2132%	5.2132%	0.0000%
24	CTR = Composite Tax Rate			1-Base TRR L 59	27.9836%	27.9836%	0.0000%
25	CO = Credits and Other			1-Base TRR L 63 + Line 25a	-$3,834,242	-$3,834,242	$0
25a	Adjustments to CO term for the True Up TRR	Note 2	Wkpaper:	WP Schedule 4	$1,303,000	$1,303,000	$0
26	D = Book Depreciation of AFUDC Equity Book Basis			1-Base TRR L 65	$3,397,333	$3,397,333	$0

D) True Up TRR Calculation

27	O&M Expense	1-Base TRR L 66	$148,114,725	$117,135,364	$30,979,361
28	A&G Expense	1-Base TRR L 67	$99,399,989	$96,563,519	$2,836,471
29	Network Upgrade Interest Expense	1-Base TRR L 68	$8,697,485	$8,697,485	$0
30	Depreciation Expense	1-Base TRR L 69	$337,224,309	$335,719,403	$1,504,906
31	Abandoned Plant Amortization Expense	1-Base TRR L 70	$0	$0	$0
32	Other Taxes	1-Base TRR L 71	$93,425,734	$93,163,621	$262,113
33	Revenue Credits	1-Base TRR L 72	-$43,889,309	-$43,889,309	$0
34	Return on Capital	Line 20	$547,675,156	$546,769,685	$905,470
35	Income Taxes	Line 21	$146,088,016	$145,840,232	$247,783
36	Gains and Losses on Transmission Plant Held for Future Use -- Land	1-Base TRR L 75	$0	$0	$0
37	Amortization and Regulatory Debits/Credits	1-Base TRR L 76	$0	$0	$0
38	Total without True Up Incentive Adder	Sum Line 27 to Line 37	$1,336,736,105	$1,300,000,001	$36,736,104
39	True Up Incentive Adder	15-IncentiveAdder L 20	$22,844,401	$22,844,401	$0
39a	True Up Incentive Adder Reversal	Negative of Line 39, Note 1	-$22,844,401	-$22,844,401	$0
40	True Up TRR without Franchise Fees and Uncollectibles Expense included:	Sum of Lines 38 to 39a	$1,336,736,105	$1,300,000,001	$36,736,104

E) Calculation of final True Up TRR with Franchise Fees and Uncollectibles Expenses

Line			TO2026 Annual Update	Reference:	Variance	Change In TO2024 TUTRR	
41	True Up TRR wo FF:	$1,336,736,105	$1,300,000,001	Line 40	$36,736,104	$1,360,167,793	
42	Franchise Fee Factor:	0.9365%	0.936%	28-FFU, L 5	0.000%		
43	Franchise Fee Expense:	$12,517,974	$12,173,956	Line 41 * Line 42	$344,018	$1,323,087,671	TO2026 Annual Update, Schedule 4, Line 46
44	Uncollectibles Expense Factor:	1.3843%	1.423%	28-FFU, L 5	-0.039%	$37,080,123	
45	Uncollectibles Expense:	$18,504,108	$18,504,108	Line 41 * Line 44	$0		
45a	O&M Services Formula Revenues	-$7,590,394	-$7,590,394	Negative of 35-Oth	$0		
46	True Up TRR:	$1,360,167,793	$1,323,087,671	L 41 + L 43 + L 45-	$37,080,123		

$37,307,827	FF1 Revision
$313,838	STIP A&G Revision
-$18,643	TO2026 Protest Adj
-$522,899	FF&U Adjustment
$37,080,123	Total Adjustment

Instructions:

1) Use weighted average (by time) of the Return on Equity in effect during the Prior Year in determining the "Cost of Capital Rate" on Line 19 and the "Equity Rate of Return Including Preferred Stock" on Line 23 in the event that the ROE is revised during the Prior Year. In this event, the ROE used in Schedule 1 will differ from the ROE used in this Schedule 4, because the Schedule 1 ROE will be the most recent ROE, whereas the Schedule 4 Cost of Capital Rate and Equity Rate of Return including Com. + Pref. Stock will be based on the weighted-average ROE.

Calculation of weighted average Cost of Capital Rate in Prior Year:

If ROE does not change during year, then attribute all days to Line a "ROE at end of Prior Year" and none to "ROE at start of PY"

		Percentage	Reference:	From	To	Days ROE In Effect
a	ROE at end of Prior Year	10.30%	See Line e below	Jan 1, 2024	Dec 31, 2024	366
b	ROE start of Prior Year		See Line f below			
c					Total days in year:	366
d	Wtd. Avg. ROE in Prior Year	10.30%	((Line a ROE * Line a days) + (Line b ROE * Line b days)) / Total Days in Year			

Commission Decisions approving ROE:

		Reference:
e	End of Prior Year	Settlement of TO2019A (ER19-1553)
f	Beginning of Prior Year	169 FERC ¶ 61,177

		Percentage	Reference:
g	Wtd. Cost of Long Term Debt	2.1785%	1-Base TRR L 51
h	Wtd.Cost of Preferred Stock	0.3207%	1-Base TRR L 52
i	Wtd.Cost of Common Stock	4.8925%	1-Base TRR L 47 * Line d
j	Cost of Capital Rate	7.3917%	Sum of Lines g to i

Calculation of Equity Rate of Return Including Common and Preferred Stock:

	Percentage	Reference:
k	5.2132%	Sum of Lines h to i

Notes:

1) True Up TRR Incentive Adder Reversal backs out the revenue requirement associated with any project-specific Incentive Adders (Line 39) for True Up Years during the term of the settlement of ER19-1553.
2) Include any amount appropriate for the True Up TRR calculation for the Prior Year not already included in Line 63 of Schedule 1. Such amounts will specifically include an amount of the South Georgia Adjustment applicable to the 2023 Prior Year of $2,606,000 in SCE's Annual Update setting transmission rates for 2025 and, for the 2024 Prior Year, an amount of $1,303,000 in SCE's Annual Update setting transmission rates for 2026. No further amounts relating to the current SGA amount shall be included in SCE's Formula Rate, as the SGA will be fully amortized after 2024.