

April 30, 2020

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: Southern California Edison Company, Docket No. ER20-\_\_\_\_-000  
Order No. 864 Compliance Filing

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d (2020), and Section 35.13 of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) regulations under the FPA (18 C.F.R. § 35.13 (2020)), Southern California Edison Company (“SCE”) submits proposed changes to SCE’s Formula Transmission Rate (“Formula Rate”), Appendix IX of SCE’s Transmission Owner Tariff, FERC Electric Tariff, Volume No. 6 (“TO Tariff”)<sup>1</sup> to comply with Order 864.<sup>2</sup> These proposed changes to SCE’s Formula Rate are submitted consistent with the Commission’s Notice of Extension of Time,<sup>3</sup> which extended the deadline for SCE to make this compliance filing to May 1, 2020.

The documents submitted with this filing consist of this letter of

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<sup>1</sup> Appendix IX of SCE’s TO Tariff includes an Attachment 1, the Formula Rate Protocols, and an Attachment 2, the Formula Rate Spreadsheet, which itself consists of 34 individual schedules that calculate different aspects of SCE’s Base Transmission Revenue Requirement (“TRR”) and associated rates.

<sup>2</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order 864”).

<sup>3</sup> FERC Docket No. AD20-11-000, *Extension of Non-Statutory Deadlines*, Notice of Extension of Time (issued on Mar. 19, 2020).

transmittal and all of the following attachments hereto: the Declaration of Alfred L. Lopez (Exhibit A), which describes the changes to SCE's Formula Rate and demonstrates that these proposed changes comply with Order 864; new permanent working spreadsheets that are populated as required by Order 864 and which annually track information related to excess and deficient accumulated deferred income taxes caused by the Tax Cuts and Jobs Act ("TCAJA")<sup>4</sup> (Exhibit B); and the revised Formula Rate Spreadsheet (TO Tariff, Appendix IX, Attachment 2) tariff sheets in both clean and redline format.

## **I. BACKGROUND**

The tax-related changes from TCAJA included, among other things, a reduction in the federal corporate income tax rate from 35% to 21% beginning January 1, 2018. This reduction in the federal corporate income tax rate required corporations, including public utilities, to re-value their accumulated deferred income tax ("ADIT") balances to reflect the lower tax rate. The difference between ADIT previously recorded at 35% and ADIT that is now recorded at 21% results in either excess or deficient ADIT amounts.<sup>5</sup> On November 15, 2018, FERC issued a Notice of Proposed Rulemaking in Docket No. RM19-5-000,<sup>6</sup> which proposed requiring public utility transmission providers to revise their transmission rates to account for changes caused by the TCAJA. On November 21, 2019, FERC issued its final rule in Docket No. RM19-5-000, known as Order 864, requiring all public utility transmission providers with transmission formula rates under an Open Access Transmission Tariff, a transmission owner tariff, or a rate schedule to revise those transmission formula rates to account for changes

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<sup>4</sup> Federal Public Law 115-97, enacted on December 22, 2017.

<sup>5</sup> The remeasurement of ADIT liabilities from 35% to 21% will result in excess ADIT, while the remeasurement of ADIT assets will result in deficient ADIT.

<sup>6</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, 165 FERC ¶ 61,117 (2018).

caused by the TCAJA

The requirements of Order 864 are designed to address the effects of the TCAJA on ADIT reflected in transmission formula rates. To this end, Order 864 requires each public utility with a transmission formula rate to submit a filing to demonstrate compliance with Order 864, including transmission formula rate revision(s), as necessary. This submission by SCE is in response to Order 864, and the Declaration of Alfred L. Lopez, attached hereto as Exhibit A (the “Lopez Declaration”), demonstrates that the changes to SCE’s Formula Rate proposed in this filing, coupled with SCE’s existing Formula Rate meet all of the requirements of Order 864.

## **II. SCE’S EXISTING FORMULA RATE**

SCE’s currently-effective Formula Rate was submitted to the Commission on April 11, 2019 in Docket No. ER19-1553.<sup>7</sup> In an Order issued on June 11, 2019,<sup>8</sup> the Commission accepted for filing and suspended the Formula Rate, to be effective on November 12, 2019, subject to refund, and established hearing and settlement procedures. In a Letter Order issued on December 3, 2019,<sup>9</sup> the Commission accepted SCE’s offer of a partial settlement; and on March 30, 2020, the parties reported that they had reached an agreement in principle and expected to file a settlement offer with the Commission by July 1, 2020.<sup>10</sup> The Formula Rate thus remains in settlement procedures.

On January 4, 2019, the Commission accepted SCE’s tariff revisions in

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<sup>7</sup> SCE’s first formula rate was in effect from January 1, 2012 through December 31, 2017 (Docket No. ER11-3697), and SCE’s second formula rate was in effect from January 1, 2018 through November 11, 2019 (Docket No. ER18-169).

<sup>8</sup> *S. Cal. Edison Co.*, 167 FERC ¶ 61,214 (2019).

<sup>9</sup> *S. Cal. Edison Co.*, 169 FERC ¶ 61,176 (2019).

<sup>10</sup> *S. Cal. Edison Co.*, Docket No. ER19-1553-000, Status Report (issued on Apr. 13, 2020).

Docket Nos. ER 18-2440-000 and ER 18-2440-001 that incorporated certain changes into SCE's Formula Rate resulting from the TCAJA.<sup>11</sup> These changes included revised ADIT balances calculated under the new federal income tax rate of 21% for purposes of adjusting rate base. In addition, a new tax-related adjustment to rate base was included in SCE's Formula Rate to reflect the net excess ADIT caused by the tax rate change resulting from the TCAJA. SCE's existing Formula Rate also already includes, in its calculation of income tax expense, a line-item for the amortization of any net excess or deficient ADIT amounts. The Lopez Declaration describes these relevant aspects of SCE's existing Formula Rate, as well as the changes proposed herein, in further detail.

### **III. SUMMARY OF PROPOSED REVISIONS TO SCE'S FORMULA RATE**

In this filing, SCE is proposing the following revisions to its Formula Rate Spreadsheet to meet the requirements of Order 864:

- 1) Add a new Schedule 9-ADIT-2: provides information to annually track the amount of excess or deficient ADIT;
- 2) Add a new Schedule 9-ADIT-3: provides transparency in its calculation of any new excess or deficient ADIT amounts resulting from a change in tax rates;
- 3) Rename Schedule 9-ADIT as 9-ADIT-1, and revise references on other schedules to refer to 9-ADIT-1;
- 4) Rename the description on Line 60 of Schedule 1 to "Amortization of Net (Excess)/Deficient Deferred Tax Liability/Asset," and revise the related reference to Line 500 of 9-ADIT-2;
- 5) Revise the reference on Schedule 9-ADIT-1, Line 4 to provide the ability to reference to the specific locations in FERC Form 1 that the input is sourced from;

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<sup>11</sup> *S. Cal. Edison Co.*, 166 FERC ¶ 61,006 (2019).

6) Revise the label of Schedule 9-ADIT-1, Line 4 to delete the reference to the 2017 TCAJA;

7) Revise Note 4 of Schedule 9-ADIT-1 to better describe the derivation of the amount on Line 4 of Schedule 9-ADIT-1, and eliminate Note 5 on Schedule 9-ADIT-1; and

8) Revise description on Line 13 of 1-BaseTRR to state “Accum Net ADIT (Liab)/Asset and Net (Excess)/Deficient ADIT Amount” from previous “Accumulated Deferred Income Tax.”

The Lopez Declaration explains the aforementioned proposed revisions and how these revisions comply with the requirements of Order 864. SCE’s currently-effective Retail Base TRR of \$963 million, established in SCE’s TO2020 Annual Update filing submitted on November 22, 2019 in Docket No. ER19-1553 and effective January 1, 2020, is not being revised in this filing.

#### **IV. EFFECTIVE DATE**

SCE requests that the Commission authorize the proposed changes to SCE’s Formula Rate Spreadsheet to become effective on January 27, 2020, as expected in Paragraph 100 of Order 864:

We adopt a modified version of EEI’s proposal in its comments to the NOPR and require each public utility with transmission formula rates to submit a filing to demonstrate compliance with the final rule including revisions to its transmission formula rates, as necessary, within the later of (1) 30 days of the effective date of this final rule or (2) the public utility’s next annual informational filing following the issuance of this final rule. We find that this schedule for compliance filings will reduce the burden on public utilities by allowing them flexibility to align the compliance requirement with their annual informational filing deadlines. However, we note that this compliance filing schedule represents the deadline to submit a compliance filing and that public utilities may choose to make their compliance filings earlier. Additionally, on compliance, we expect public utilities with transmission formula rates to make their proposed tariff sheets effective on the effective date of this final rule.

If the Commission accepts the proposed revisions effective January 27, 2020, SCE will include the revisions, and all information required in Schedules 9-ADIT-2 and 9-ADIT-3, in SCE's TO2021 Annual Update, to be filed by December 1, 2020.<sup>12</sup>

## **V. SERVICE**

Copies of this filing have been served on all parties to Docket No. ER19-1553, including the California Public Utilities Commission ("CPUC"), as well as the California Independent System Operator ("CAISO").

## **VI. COMMUNICATIONS**

SCE requests that all correspondence, pleadings and other communications concerning this filing be served upon:

Alexa Mullarky  
Attorney  
Southern California Edison Company  
P.O. Box 800  
Rosemead, CA 91770  
Tel. (626) 302-1577  
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Jeffrey L. Nelson  
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Southern California Edison Company  
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<sup>12</sup> On February 21, 2020 in Docket No. ER20-1057 SCE submitted a Section 205 tariff filing that proposed to revise the Formula Rate non-transmission depreciation rates on Schedule 18. The Commission accepted those proposed revisions in a Letter Order issued on April 14, 2020. Additionally, on March 25, 2020 in Docket No. ER20-1382, SCE submitted a Section 205 tariff filing that proposes to revise the Authorized PBOPs Expense Amount in the Formula Rate. The Commission has yet to act on that filing. The revisions to the tariff filed herein include both of these proposed revisions in clean.

## **VII. OTHER FILING REQUIREMENTS**

No expenses or costs included in the rates tendered herein have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices. SCE is not proposing to revise the currently-effective Base Transmission Revenue Requirement or any aspect of its Formula Rate other than the above revisions.

SCE believes that the information contained in this filing provides a sufficient basis upon which to accept this filing; however, to the extent necessary, SCE further requests that the Commission waive its filing requirements contained in Section 35 of its regulations to the extent necessary in order to permit this filing to be made effective as requested.

SCE believes that this filing conforms to any rule of general applicability and to any Commission order specifically applicable to SCE, and has made copies of this filing available for public inspection in SCE's principal office located in Rosemead, California. SCE has provided copies of this filing to those persons whose names appear on the enclosed mailing list.

Very truly yours,

/s/ Jeffrey L. Nelson

JEFFREY L. NELSON

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**CERTIFICATE OF SERVICE**

I hereby certify that I have, this day, courtesy served a true copy of **“PROPOSED REVISIONS TO FORMULA TRANSMISSION RATE TO COMPLY WITH ORDER NO. 864 (‘ORDER NO. 864 COMPLIANCE FILING’) OF SOUTHERN CALIFORNIA EDISON COMPANY”** on all parties identified on the official service list(s) for FERC docket ER19-1553-000, including the CPUC, as well as the California Independent System Operator (“CAISO”). 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 **30th**, day of **April 2020**.

*/s/Vicki Carr-Donerson* \_\_\_\_\_

Vicki Carr-Donerson  
Sr Specialist, Legal Support

Southern California Edison Company  
2244 Walnut Grove Avenue  
Rosemead, CA 91770