

DRAFT

November 17, 2023

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. ER24-XXXX (TO2024)

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 ("TO2024 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 Federal Energy Regulatory Commission ("FERC" or the "Commission") for informational purposes only. This filing is not subject to the requirements of Section 205 of the Federal Power Act (16 U.S.C. § 824d (2023)), 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 TO2024 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697, which terminated on December 31, 2017 (“Original Formula Rate”).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 June 30, 2020, SCE filed an Offer of Settlement under ER19-1553. The Offer of Settlement was approved on September 23, 2020.⁴

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).

⁴ *Southern California Edison Company*, 172 FERC ¶ 61,270 (2020).

SCE filed its first formula transmission rate Annual Update following the TO2019A settlement (“the TO2021 Annual Update”) on November 20, 2020 in Docket No. ER19-1553-000, 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. ER20-1720-000, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.⁵ 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”).⁶ On October 9, 2020, SCE made a filing to correct an administrative error associated with the tariff record.⁷ 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.⁸

On October 21, 2021, in Docket No. ER22-166-000, SCE filed discrete revisions to the TO2019A Formula Rate intended to ensure that, following the December 31, 2021 expiration of the accounting waiver authorized by the

⁵ *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order 864”).

⁶ Federal Public Law 115-97, enacted on December 22, 2017.

⁷ 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 Docket No. ER20-1720 on June 5, 2020.

⁸ On April 11, 2022, SCE refiled under Docket No. ER20-1720-003 the tariff records originally filed in SCE’s January 18, 2022 compliance filing to correct an administrative error in eTariff. This refiled does not modify the previously accepted revisions.

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 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 filed its second formula transmission rate Annual Update filing following the TO2019A settlement (“the TO2022 Annual Update”) on November 19, 2021 in Docket No. ER19-1553-000, 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 California Public Utilities Commission (“CPUC”), the California Department of Water Resources State Water Project (“SWP”), and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the “Six Cities”) filed separate protests to certain discrete cost items included in SCE’s TO2022 Annual Update.⁹ On December 27, 2021, SCE filed a Motion for Leave to Answer Protests and Answer to Protests. On January 11, 2022, the CPUC, SWP, Six Cities, and TANC jointly 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.¹⁰ On August 2, 2022, SCE made a compliance

⁹ The items at issue were: (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. In addition to the protests filed by the CPUC, SWP, and Six Cities, the Transmission Agency of Northern California (“TANC”) filed comments in support of the CPUC’s protest.

¹⁰ *Southern California Edison Company*, 179 FERC ¶ 61,171 (2022).

filing as directed by the Commission's June 3, 2022, order.¹¹ On January 30, 2023, the Commission issued an order accepting SCE's compliance filing.¹²

On February 25, 2022, in Docket No. ER22-1117-000, SCE filed a modification to Schedule 18 of the TO2019A Formula Rate to conform non-transmission depreciation rates to the CPUC's 2021 General Rate Case Phase 1 Order.¹³ On April 20, 2022, the Commission issued a letter order accepting SCE's proposed changes.

SCE filed its third formula transmission rate Annual Update filing following the TO2019A settlement ("the TO2023 Annual Update") on November 18, 2022 in Docket No. ER19-1553-000, pursuant to the process outlined in the Formula Rate Protocols. The TO2023 rates went into effect on January 1, 2023.

On December 9, 2022, the CPUC filed a protest relating to the accrual of Allowance for Funds Used During Construction ("AFUDC") for six discrete capital projects included in SCE's TO2023 Annual Update. Also on December 9, 2022, SWP and TANC separately filed comments in support of the CPUC's protest. On December 23, 2022, SCE filed a Motion for Leave to Answer Protests and Answer to Protests. On January 9, 2023, the CPUC, SWP, and TANC filed a Motion for Leave to Answer and Answer to SCE. On January 20, 2023, SCE filed a Motion for Leave to Answer the Answer of the CPUC, SWP, and TANC. As of the date of this filing, the Commission has not issued an order on SCE's TO2023 Annual Update and the related protests.

¹¹ Separately on August 1, 2022, SCE submitted a revised 2021 FERC Form No. 1 to conform to the Commission's June 3, 2022 order and reclassify certain environmental restoration costs as O&M rather than capital.

¹² *Southern California Edison Company*, 182 FERC ¶ 61,035 (2023).

¹³ SCE generally follows a four-year rate General Rate Case ("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 24, 2023, in Docket No. ER23-1453-000, 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 Rate. On May 17, 2023, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2024 Annual Update.¹⁴

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 TO2024 Annual Update is January 1 through December 31, 2024. In preparing this Annual Update, SCE used the TO2019A Formula Rate to establish its Base TRR and FERC Form No. 1.

II. SCE's Formula Transmission Rate

Pursuant to SCE's Formula 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 2022. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case, calendar years 2023 and 2024) as compared to the costs incurred in the Prior Year. The True Up Adjustment is the

¹⁴ As explained in SCE's March 24, 2023 filing in Docket No. ER23-1453-000, the Authorized PBOPS expense amount of \$0 reflects no change relative to the previously authorized amount.

difference between actual transmission revenues and actual transmission costs 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.¹⁵ The Cost Adjustment allows SCE to reflect in the Base TRR the effect of known and significant cost impacts, either positive or negative, that differ from those that are included in the Prior Year TRR. Therefore, this TO2024 Annual Update decreases the retail Base TRR from the TO2023 Annual Update amount of \$1.415 billion to \$1.129 billion, a year-over-year change of \$286 million. The wholesale Base TRR decreases from \$1.400 billion to \$1.116 billion, a year-over-year change of \$284 million.

As described below, this change is primarily driven by a decrease in the True-Up Adjustment, as well as the Cost Adjustment.

III. Reasons for Changes in SCE's Base TRR

The Prior Year TRR for TO2024 is \$1.276 billion, compared to \$1.241 billion in TO2023. The IFPTRR in TO2024 is \$70 million compared to \$98 million in TO2023. The TO2024 Base TRR reflects a True Up Adjustment overcollection of \$133 million. This compares to a \$64 million True Up Adjustment undercollection in TO2023. The TO2024 Base TRR also reflects a Cost Adjustment of -\$71 million, compared to a \$12 million Cost Adjustment in TO2023. Combined, these changes add up to a \$286 million decrease in the Base

¹⁵ This TO2024 Annual Update is the first time SCE is reporting revenue under Schedule 35. The O&M Services Formula Revenue was \$0 in TO2023 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.

TRR from TO2023 to TO2024. The principal factors contributing to the year-over-year change in the Base TRR are summarized below:

- True-Up Adjustment (approximately -\$197M): The True-Up Adjustment is intended to reflect any over/undercollections in prior years. As discussed above, the TO2023 True-Up Adjustment was \$64 million (*i.e.*, a charge due to previous undercollections). This year's value of -\$133 million (a credit due to previous overcollections) is shown on Schedule 3, Line 30. This value reflects a required credit adjustment of \$64 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 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. The TO2023 Cost Adjustment was \$12M. For TO2024 SCE has made one adjustment. This Cost Adjustment, in the amount of negative \$71 million and related to a Prior Year cost not expected to recur, is associated with the 2022 \$1,296 million A&G expense accrual attributable to an upward adjustment to the 2017/18 wildfire/mudslides reserve. The Cost Adjustment is shown on Schedule 1, Line 85.¹⁶

¹⁶ See also, WP Schedule 1 Cost Adjustment.

As part of the TO2024 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for prior calendar years. 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 -\$0.113 million on Schedule 3, Line 12, Col 4.

- SCE has identified an adjustment relating to an A&G exclusion affecting the True Up TRR of calendar years 2017 through 2021. The adjustment relates to outside counsel expenses related to employment litigation or arbitration matters. The net TO2024 one-time adjustment is -\$113,210, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”

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 TO2024 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2024;
- 5) Attachment 3: Revisions to Formula Rate Inputs from the 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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Very truly yours

/s/ Jeffrey L. Nelson

Jeffrey L. Nelson

ATTESTATION

TBD¹⁷ attests that she/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/her knowledge and belief.

TBD

Vice President

Dated: November __, 2023

¹⁷ SCE is actively filling the position of Vice President and Corporate Controller, which was recently vacated. This position is expected to be filled by the time SCE submits its TO2024 Annual Update.