



Jeffrey L. Nelson
Director
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DRAFT

November XX, 2020

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 (TO2021)

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 ("TO2021 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 TO2021 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”).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 Additionally, because SCE’s TO2018 Formula Rate filing proposed a TRR reduction and a further decrease may have been warranted, the Commission also instituted an investigation pursuant to section 206 of the FPA in Docket No. EL18-44-000 to determine whether SCE’s proposed TRR reduction was just and reasonable, and consolidated the TO2018 Formula Rate proceedings for purposes of hearing and settlement judge procedures.² On September 16, 2019, an Offer of Settlement was filed with the Commission. On December 3, 2019, the Commission accepted the Offer of Settlement.³

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”). 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

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

² *Id.*

³ *Southern California Edison Company*, 169 FERC ¶ 61,177 (2019).

procedures.⁴ On September 27, 2019, SCE filed an Offer of Partial Settlement in Docket No. ER19-1553 to reduce the requested ROE from 17.62% to 12.47%, due to a change in circumstances related to wildfires in California. On October 4, 2019, SCE filed a motion for interim rate relief to implement the lower ROE. On October 18, 2019, an Order of Chief Judge Granting Motion for Interim Implementation of Settlement Rates was issued which accepted the interim Settlement Rates proposed by SCE effective November 12, 2019, and terminated Docket No. ER19-1553-002. On December 3, 2019, the Commission issued a Letter Order approving the Partial Settlement.⁵ On July 1, 2020, SCE filed an Offer of Settlement under ER19-1553. The Offer of Settlement was approved on XXXX. SCE has incorporated the terms of the settlement into this TO2021 Annual Update.

On February 21, 2020, in Docket No. ER20-1057, SCE filed a modification to Schedule 18 of the TO2019A Formula Rate in order to conform non-transmission depreciation rates to the California Public Utilities Commission's ("CPUC") 2018 General Rate Case Phase 1 Order.⁶ On April 14, 2020, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2021 Annual Update.

On March 25, 2020, in Docket No. ER20-1382, 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 8, 2020, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2021 Annual Update.

⁴ *Southern California Edison Company*, 167 FERC ¶ 61,214 (2019)

⁵ *Southern California Edison Company*, 169 FERC ¶ 61,176.

⁶ SCE generally follows a three-year rate GRC cycle at the CPUC. On May 16, 2019 the CPUC issued the CPUC Decision, (Decision: 19-05-020) representing the final GRC decision in Phase 1 of the 2018 test year GRC and setting SCE's total CPUC-jurisdictional revenue requirements.

Commented [A1]: SCE's draft TO2021 Annual Update reflects the terms of the pending settlement.

On April 30, 2020, in Docket No. ER20-1720, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.⁷ 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 XXXX, the Commission issued a letter order XXXX and therefore SCE has incorporated the changes into this TO2021 Annual Update.

Commented [A2]: SCE’s draft TO2021 Annual Update reflects SCE’s as-filed revisions in ER20-1720.

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 TO2021 Annual Update is January 1, 2021 through December 31, 2021. 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 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 2019. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case calendar years 2020 and 2021) 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 during the Prior Year,⁸ as well as prior

⁷ *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) (“Order 864”).

⁸ In accordance with the Formula Rate Protocols, the True Up TRR for calendar year 2019 was determined using a weighted average of the True Up TRRs calculated pursuant to the formula rates in effect in 2019, which was SCE’s TO2018 Formula Rate from January 1, 2019 through November 11, 2019, and the TO2019A Formula Rate from November 12, 2019 through December 31, 2019.

period adjustments. Therefore, this TO2021 Annual Update revises the retail Base TRR from the TO2020 Annual Update amount of \$0.963 billion to \$1.086 billion, and the wholesale Base TRR from \$0.958 billion to \$1.081 billion.

III. Reasons for Changes in SCE's Base TRR

As indicated above, in this Annual Update, SCE's retail Base TRR increases from the TO2020 amount of \$0.963 billion to \$1.086 billion, an increase of \$123 million. The wholesale Base TRR also increases by \$123 million, from \$0.958 billion to \$1.081 billion.

The Prior Year TRR for TO2021 is \$1.046 billion, compared with \$1.204 billion in TO2020. The IFPTRR in TO2021 is \$99.2 million compared to \$133.4 million in TO2020. The TO2021 Base TRR reflects a True Up Adjustment of -\$59.3 million. This compares to a -\$184.2 million True Up Adjustment in TO2020. Combined, these changes add up to a \$123 million increase in Base TRR from TO2020 to TO2021. The principal factor contributing to the increase in Base TRR is the reflection of the TO2019A Settlement established in Docket No. ER19-1553. Additionally, the TO2020 Annual Update included a -\$190.4M Cost Adjustment related to the 2017/2018 Wildfire Event Reserve that was not expected to recur, as well as a rate reduction pursuant to the TO2018 Formula Rate Settlement. The TO2021 Annual Update does not require a Cost Adjustment.

Pursuant to Section 6 of the Formula Protocols, the True Up TRR for calendar year 2019 is calculated using the weighted average of the True Up TRRs calculated using the TO2018 Formula Rate and the TO2019A Formula Rate ("Weighted Avg True Up TRR") to reflect that the TO2018 Formula Rate was used for the period January 1 through November 11, 2019, and the TO2019A Formula Rate was used for the period November 12 through December 31, 2019. Therefore, the TO2021 True Up Adjustment includes a One-Time Adjustment that reflects the difference in the calculation of the True Up TRR using the Weighted

Avg True Up TRR and the TO2019A Formula Rate methodology (-\$13.0 million). Additionally, this One-Time Adjustment also includes an adjustment related to 2019 Wildfire events that are to be treated on a cash basis pursuant to the TO2019A Formula Rate settlement (-\$0.9 million), as well as a One-Time Adjustment related to excess deferred income tax (“EDIT”) amortization (\$19.2 million). Collectively, these adjustments totaling \$5.3 million are reflected in Schedule 3 on line 23. Finally, as part of the TO2021 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for prior calendar years. There is one correction reflected in the One-Time Prior Period Adjustment. SCE is increasing the Account 923 exclusions for calendar years 2017 and 2018, thereby decreasing the 2017 and 2018 True Up TRRs. This correction is reflected on Schedule 3 of the Formula Rate spreadsheet as a single One-Time Prior Period Adjustment of -\$2,306.

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 TO2021 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2021;
- 5) Attachment 3: Revisions to formula rate inputs from the TO2021 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.

- 7) Attachment 5: The populated TO2018 Formula Rate, in both pdf and Excel formats, showing the calculation of the 2019 True Up TRR and associated incremental supporting workpapers.

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

Jeffrey L. Nelson

ATTESTATION

Aaron D. Moss attests that 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 knowledge and belief.

Aaron D. Moss

Vice President

Dated: November **XX**, 2020