

EXHIBIT SCE-1

PREPARED DIRECT TESTIMONY OF BERTON J. HANSEN

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company

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Dkt. No. ER24-_____-000

**PREPARED DIRECT TESTIMONY OF
BERTON J. HANSEN**

**ON BEHALF OF
SOUTHERN CALIFORNIA EDISON COMPANY**

(EXHIBIT SCE-1)

APRIL 2024

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company

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Dkt. No. ER24-_____ -000

**SUMMARY OF THE
PREPARED DIRECT TESTIMONY OF
BERTON J. HANSEN**

(EXHIBIT SCE-1)

Mr. Hansen provides an overview of Southern California Edison Company’s (“SCE’s”) proposed revisions to its Formula Transmission Rate (“Formula Rate”), which address the expiration on July 1, 2024, of the South Georgia Adjustment (“SGA”) and four other tax amortization items. These legacy cost components have been included in each version of SCE’s Formula Rate since its inception in 2012. The SGA and other tax items affect the calculation of the Formula Rate Transmission Revenue Requirements (“TRR”), and their expiration requires Formula Rate tariff revisions be made effective for use in the TO2025 Annual Update, to be filed by December 1, 2024. Mr. Hansen explains that the impact of eliminating the SGA from the Formula Rate will be to reduce the TRRs calculated in the Formula Rate beginning with the TO2025 Annual Update. Mr. Hansen also explains that the four additional retail/wholesale legacy cost differentials expiring in 2024 (referred to as “Legacy Retail/Wholesale Differences”) affect the calculation of the Wholesale Base Transmission Revenue Requirement (“Wholesale Base TRR”) relative to the Retail Base Transmission Revenue Requirements (“Retail Base TRR”). These Legacy Retail/Wholesale Differences also need to be removed from the

Formula Rate, and Mr. Hansen describes SCE's proposed tariff revisions to accomplish this. Finally, Mr. Hansen describes the handful of minor, non-substantive revisions that SCE proposes to make to its Formula Rate to correct typographical errors.

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**PREPARED DIRECT TESTIMONY OF
BERTON J. HANSEN
ON BEHALF OF
SOUTHERN CALIFORNIA EDISON COMPANY**

1 **Q. Please state your name and business address for the record.**

2 A. My name is Berton J. Hansen, and my business address is 8631 Rush St.,
3 Rosemead, California 91770-3714.

4 **Q. Briefly describe your present responsibilities at Southern California
5 Edison Company (“SCE” or “Edison”).**

6 A. I am a Senior Advisor in the FERC Rates and Market Integration Division of
7 the Regulatory Affairs Department. My primary responsibilities include
8 developing rates for services that are under the jurisdiction of the Federal
9 Energy Regulatory Commission (“FERC”).

10 **Q. Briefly describe your educational and professional background.**

11 A. I received a Bachelor of Science Degree in economics from the University of
12 California at Riverside, and a Master of Arts Degree in economics from the
13 University of California at San Diego. I have been employed at SCE since
14 1984 in various positions, including Regulatory Economics Analyst, Power
15 Systems Planner, Financial Analyst, Project Manager, and Senior Advisor.

16 **Q. Have you submitted testimony to the Commission previously?**

17 A. Yes. I have submitted testimony in four of SCE’s transmission stated rate case
18 proceedings (Docket Nos. ER02-925, ER06-186, ER08-1343, and

1 ER09-1534), SCE’s first, second, and third formula rate cases (Docket Nos.
2 ER11-3697, ER18-169, ER19-1553), the California Independent System
3 Operator’s (“CAISO” or “ISO”) Transmission Access Charge proceeding
4 (Docket No. ER00-2019), the CAISO’s Amendment 60 proceeding (Docket
5 Nos. ER04-835 and EL04-103), and in SCE’s Existing Transmission Contract
6 Rate Case (Docket No. ER08-1353). In addition, I have submitted testimony
7 in several of SCE’s Reliability Services (“RS”) cases (Docket Nos. ER02-238,
8 ER03-142, ER04-122, ER04-890, ER04-1176, ER04-1209, ER05-410, ER05-
9 763, ER05-1154, ER06-259, ER07-75, ER08-82, ER09-95, ER10-105, ER11-
10 1934, ER12-201, ER13-227, ER14-222, ER16-174, ER23-232, and ER24-
11 223).

12 **I. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to describe proposed revisions to SCE’s
15 Formula Transmission Rate Spreadsheet (“Formula Rate,” Attachment 2 to
16 Appendix IX of SCE’s Transmission Owner Tariff) to implement the full
17 amortization, as of July 1, 2024, of the South Georgia Adjustment component
18 of SCE’s Retail Base Transmission Revenue Requirement (“Retail Base
19 TRR”). I also describe proposed revisions to SCE’s Formula Rate that will
20 reflect the full amortization in 2024 of several additional balances that differ
21 for the purpose of ratemaking for retail and wholesale Base TRRs (“Legacy
22 Retail/Wholesale Differences”). I fully explain the proposed revisions in my
23 testimony below. Finally, I describe minor, non-substantive revisions that are
24 also being proposed as part of this filing in order to correct certain
25 typographical errors.

1 **II. BACKGROUND**

2 **Q. Please explain the South Georgia Adjustment (“SGA”) and why SCE’s**
3 **Formula Rate currently includes an SGA component used in the**
4 **determination of the Retail Base TRR**

5 A. The SGA is a Commission-required ratemaking adjustment that results from
6 the Commission’s requirement that the income tax expense components of
7 revenue requirements be based on the “full normalization” method, and also to
8 include the associated Accumulated Deferred Income Taxes (“ADIT”).¹ On
9 occasion, changes in tax rates or other items affected the ADIT. It is
10 Commission policy that amortizations of tax rate impacts on deferred taxes are
11 based on remaining South Georgia Life. The Commission has explained that:

12 Under the *South Georgia* method, a calculation is taken of
13 the difference between the amount actually in the deferred
14 account and the amount that would have been in the account
15 had normalization continuously been followed. This
16 difference is collected from ratepayers over the remaining
17 depreciable life of the plant that caused the difference.
18 When the deferred account is fully funded at the end of this
19 transition period, the annual increment ceases.²

20 **Q. When did SCE include an SGA in its Commission-jurisdictional**
21 **transmission revenue requirement calculations?**

22 A. SCE has had an SGA included in Commission-jurisdictional rates since the
23 early 1980s. However, the current amounts of the SGA balances and annual
24 SGA amortization were not established until Electricity Market Restructuring
25 on April 1, 1998. A change in jurisdiction of retail customers from CPUC to
26 the Commission required a redetermination of the SGA for SCE and other

¹ See Order No. 144 (1981), *order on reh’g*, Order No. 144-A (1982).

² Dkt. No. ER19-5-000, *et al.*, Deficiency Letter (issued Jan. 28, 2019) at n.7 (citing *Memphis Light, Gas & Water Div. v. FERC*, 707 F.2d 565, 569 (D.C. Cir. 1983); *S. Georgia Natural Gas Co.*, Dkt No. RP77-32 (May 5, 1978) (delegated order).

1 California utilities, including a separate determination of the SGA for retail and
2 wholesale customers. SCE's SGA amounts were determined in SCE's first
3 calculation of the TRR and associated applicable transmission rates for all SCE
4 customers, both retail and wholesale.³

5 **Q. What were the initial balances and amortizations of the retail SGA?**

6 A. SCE's initial SGA balance in TO1 was \$69,063,000 as of January 1, 1998.⁴ It
7 was set to amortize over a 27.5 year period (but beginning on January 1, 1997,
8 leaving 26.5 years remaining on January 1, 1998, the planned initial date of
9 TO1).⁵ The annual amortization of the SGA amount was therefore
10 $\$69,063,000 / 26.5 = \$2,606,150$, which was rounded to \$2,606,000 for
11 ratemaking purposes.

12 **Q. Have there been any changes to the initial SGA balance or annual
13 amortization since the TO1 transmission rate case?**

14 A. No.

15 **Q. When will the SGA amount be fully amortized?**

16 A. The SGA amount will be fully amortized on July 1, 2024 (27.5 years from
17 January 1, 1997).

18 **Q. Where in SCE's Formula Rate does the retail SGA amount appear?**

19 A. The retail SGA amount is a stated value⁶ in SCE's Formula Rate in the amount

³ SCE's "TO1" Commission jurisdictional Rate Case, Docket No. ER97-2355.

⁴ See Docket No. ER97-2355, Exhibit SCE-50 (admitted Sept. 15, 1998), Page 6, Line 6 "Change from CPUC to FERC" and Line 7 "Adjusted January 1, 1998 adjusted balance." The \$69,063 (thousands) amount is the sum of ISO Transmission \$67,448 (thousands) and ISO Distribution \$1,615 (thousands).

⁵ The amortization period of 27.5 years was based on "remaining South Georgia Life." See *id.* at Exhibit B, Page 6, footnote B.

⁶ A "stated value" is a numerical value that is set in the Formula Rate and cannot be changed without making a Section 205 tariff filing. It differs from an input which can take on a different value each Annual Update (represented in the SCE Formula Rate by a yellow-shaded cell).

1 of \$2,606,000, shown on Line 62 of Schedule 1 - Base TRR. This amount
2 represents the Annual Amortization of the initial 1998 SGA balance.

3 **Q. How does the retail SGA amount affect the calculation and amount of the**
4 **Retail Base TRR and the associated Prior Year TRR and True Up TRR?**

5 A. The SGA amount is included in the “Credits and Other” term (abbreviated as
6 “CO”, shown on Line 63) of the Formula Rate Income Tax equation set forth
7 on Line 65, and calculated on Line 64. The Income Tax Equation, which is
8 based on full tax normalization in accordance with Commission policy,
9 includes the CO term in a separable component of the Income Tax equation
10 “CO / (1- CTR)”, where the CTR is the “Composite Tax Rate” (Line 59),
11 currently 27.9836% in the TO2024 Annual Update.⁷ As a separable
12 component of the income Tax equation, the direct Retail Base TRR impact of
13 the SGA amount of \$2,606,000 is equal to $\$2,606,000 / (1 - 0.279836) =$
14 $\$3,618,620$.⁸

15 III. SCE’S WHOLESALE BASE TRR

16 **Q. Are there differences in ratemaking applicable to retail transmission**
17 **customers as compared to wholesale transmission customers?**

⁷ “Separable” meaning that the Income Tax Equation in the SCE Formula Rate can be separated into two parts that together add up to the total Income Tax Expenses: the “CO / (1 – CTR)” part and the remaining part. Therefore, one only needs to consider the CO / (1 – CTR) term to determine how Income Tax Expense changes if the CO term changes due to a change in the SGA amount.

⁸ Uncollectibles and Franchise expense percentages currently totaling 1.79% of the TRR also impact the SGA impact on the Formula Rate. The total impact on both the Prior Year TRR and the True Up TRR is currently \$3,683,394. Since the Prior Year TRR is a component of the Retail Base TRR (see Line 81 of Schedule 21), the SGA directly affects the Retail Base TRR, upon which SCE retail transmission rates are based. The True Up TRR, representing SCE’s actual TRR costs and calculated on Schedule 4, Line 46, is affected by exactly the same \$3,683,394 amount.

1 A. Yes. Commission policy requires that certain cost items be treated differently
2 for determining transmission revenue requirements used in retail rate setting
3 (paid by end-use customers of a utility) as compared to wholesale rates (paid
4 by wholesale customers of a utility or ISO/RTO, such as other utilities or
5 wheeling entities).

6 **Q. How does the SCE Formula Rate determine the Wholesale Base TRR?**

7 A. The SCE Formula Rate first calculates a Retail Base TRR reflecting
8 Commission ratemaking policy applicable to retail customers.² Second, the
9 Formula Rate calculates the collective total impact of all Commission
10 ratemaking policy differences between retail and wholesale customers on
11 Schedule 25 “Wholesale Difference” of the Formula Rate. The total difference
12 is termed “Wholesale Difference to the Base TRR” (current Line 45 of
13 Schedule 25). Third, the Wholesale Difference to the Base TRR is added to
14 the Retail Base TRR (Lines 87 through 88 of Schedule 1) to determine the
15 Wholesale Base TRR (Line 89 of Schedule 1).

16 **Q. Are there any other cost items or balances that will also be expiring in
17 2024 that are currently a part of the calculations performed in
18 determining the Wholesale Difference to the Base TRR on Schedule 25?**

19 A. Yes. There are four tax-related cost items that have different costs and
20 amortizations for wholesale ratemaking purposes than for retail ratemaking,
21 that will also expire in 2024 (referred to as the “Legacy Retail/Wholesale
22 Differences,” which are presented at Lines 1-4 of Schedule 25 of SCE’s
23 Formula Rate):

24 1) Accumulated Depreciation

² See Line 86 of Schedule 1 “Base Transmission Revenue Requirement (Retail).”

1 2) Taxes Deferred – Make Up Adjustment (South Georgia)¹⁰

2 3) Excess Deferred Taxes

3 4) Taxes Deferred – Acct 282 ACRS/MACRS

4 **Q. How does the Formula Rate quantify the ratemaking impact of the Legacy**
5 **Retail/Wholesale Differences as it affects the Wholesale Difference to the**
6 **Base TRR?**

7 **A.** The Formula Rate separately determines the Base TRR impact of the Legacy
8 Retail/Wholesale Differences through expenses (amortizations) impacts and
9 Rate Base impacts in Schedule 25. For example, the impact of these Legacy
10 Retail/Wholesale Differences in the TO2024 Annual Update is negative
11 \$1,957,013 (Line 39 + Line 40), reducing the Wholesale Base TRR relative to
12 the Retail Base TRR).

13
14 SCE’s first formula rate filed under ER11-3697 (“Original Formula Rate”)
15 “reset the clock” from the initial values in the TO1 Rate Case, so that the initial
16 Legacy Retail/Wholesale Differences corresponded to 2010, the first Prior
17 Year of the Original Formula Rate.¹¹ The initial balances and amortization
18 values were set forth on Lines 7-10 of Schedule 25, and a calculation that
19 applied an additional year of amortization to each balance was built into the
20 Formula Rate determination of the Wholesale Difference to the Base TRR.¹²
21 Each year since then, the Formula Rate has automatically recalculated the

¹⁰ The wholesale counterpart to the retail South Georgia Adjustment discussed above. It expired January 1, 2024, and the other three expire July 1, 2024.

¹¹ See current Lines 7-10 of Schedule 25, presenting incremental balance amounts in 2010 on a “Beginning of Year / End of Year average basis (Wholesale less Retail), as well as annual amortizations.

¹² See Schedule 25, Section 1b “Quantification of the Wholesale Rate Base Adjustment”, Lines 12-15. This logic remained unchanged in SCE’s subsequent formula rate filings (ER18-169 and ER19-1553).

1 balances for these four items to be used in the calculation of the “Wholesale
2 Rate Base Adjustment” by subtracting one year of amortization from the
3 balances (Lines 13-15 of Schedule 25).¹³ Now, in mid-2024, the balances will
4 be fully amortized. There should therefore be no further expense or Rate Base
5 impacts of the Legacy Retail/Wholesale Differences on the Wholesale
6 Difference to the Base TRR.

7 **Q. How should the full amortization of these four items in 2024 be**
8 **incorporated in the Formula Rate?**

9 A. All calculations in Schedule 25 related to these four items should be deleted.
10 Further in my testimony I describe how the mid-year 2024 expiration of SGA
11 will be addressed.

12 **Q. Will there be any remaining Commission policy retail / wholesale**
13 **differences that will create a difference between the retail and wholesale**
14 **TRRs after these four items are removed from Schedule 25?**

15 A. Yes. Schedule 25 will still calculate the impacts of Uncollectibles expenses
16 and EPRI Dues (current Lines 27 and 28), as well as provide for any
17 “Additional Expenses Differences” (current Line 37).

18 **Q. Could you provide a high-level description of the changes to Schedule 25**
19 **necessary to eliminate the four Legacy Retail/Wholesale Differences from**
20 **the calculation of the Wholesale Difference to the Base TRR?**

21 A. Yes. At a high level, all lines, notes, and descriptions relating to the Legacy
22 Retail/Wholesale Differences are proposed to be deleted. The remaining items,
23 having to do with the other retail/wholesale ratemaking differences pursuant to

¹³ See current lines 13 and 14 of Schedule 25, which each Annual Update subtracts an amortization of (Current Prior Year – 2010) * Annual Amortization from the initial 2010 Rate Base Difference to yield the current aggregate Rate Base Difference (Wholesale less Retail) used in the Schedule 25 determination of the Wholesale Rate Base Adjustment on Line 15.

1 Commission policy, will remain. The redline tariff revisions included in this
2 filing present the details of the changes.

3 **IV. PROPOSED REVISIONS TO THE FORMULA RATE**

4 **Q. Please describe in detail the proposed revisions to the SCE Formula Rate**
5 **to implement the removal of cost items expiring in 2024.**

6 A. SCE's proposed revisions to the Formula Rate are as follows:

7 A) Schedule 1

- 8 1) Line 61: Revise description from "Investment Tax Credit Flowed
9 Through" to "Other Income Tax Adjustments" and reference
10 Workpaper Schedule 1
- 11 2) Line 62: Revise description from "South Georgia Income Tax
12 Adjustment" to "Not Used", delete the reference to "Note 3", and delete
13 the stated value of \$2,606,000
- 14 3) Line 63: Revise the calculation to not include Line 62
- 15 4) Line 88: Revise the reference to Schedule 25 to be Line 14 instead of
16 Line 45
- 17 5) Note 3: Delete current Note 3 and revise to "Other Income Tax
18 Adjustments may be included as a component of "Credits and Other" in
19 the Prior Year Income Tax calculation if appropriate."

20 B) Schedule 4

- 21 1) Revise the calculation of Credits and Other to also include Line 25a
- 22 2) Insert new Line 25a "Adjustments to CO term for the True Up TRR",
23 referencing Workpaper Schedule 4.
- 24 3) Add new Note 2 with a reference: "Include any amount appropriate for
25 the True Up TRR calculation for the Prior Year not already included in
26 Line 63 of Schedule 1. Such amounts will specifically include an

1 amount of the South Georgia Adjustment applicable to the 2023 Prior
2 Year of \$2,606,000 in SCE's Annual Update setting transmission rates
3 for 2025 and, for the 2024 Prior Year, an amount of \$1,303,000 in
4 SCE's Annual Update setting transmission rates for 2026. No further
5 amounts relating to the current SGA amount shall be included in SCE's
6 Formula Rate, as the SGA will be fully amortized after 2024."

7 C) Schedule 25

- 8 1) Revise description of the Wholesale Difference to the Base TRR before
9 Line 1 to eliminate the verbage relating to the Legacy Retail/Wholesale
10 Differences, leaving the following description: "The Wholesale
11 Difference to the Base TRR represents the amount by which the
12 Wholesale Base TRR differs as compared to the Retail Base TRR"
13 2) Delete all lines from 1 to 24 (all relating to the Legacy Retail/Wholesale
14 Differences)
15 3) The two modules beginning on current Line 25 (calculating the total
16 retail/wholesale differences) are revised to only include: 1) differences
17 in the retail/wholesale treatment of EEI and EPRI dues; 2) exclusion of
18 Uncollectibles expenses; and 3) The portion of Franchise Fees
19 attributable to the retail/wholesale expense differences calculated in
20 Schedule 25.
21 4) The "Notes/Instructions" section at the bottom of Schedule 25 is revised
22 to delete Notes 1-3 relating to the Legacy Retail/Wholesale Differences,
23 and to renumber and reorder current Notes 4-6 as Notes 1-3.

24 **Q. Is SCE proposing any other tariff revisions?**

25 A. Yes. SCE is proposing four minor, non-substantive tariff revisions to correct
26 certain typographical errors. The four proposed revisions are as follows:

- 1) Schedule 1, Note 6: Correct eight line references in the “Reference” Column that were inadvertently transposed due to an Excel error
- 2) Schedule 9-ADIT-2: Revise Note 3 to reflect the issuance of an IRS private letter ruling issued in July of 2021 (no longer pending)
- 3) Schedule 19, Note 2: correct the spelling of “transferred” (from incorrect “transfered”)
- 4) Schedule 20: Move Workpaper references in Note 1 and 2 to top of Schedule in conformance with other Schedules.

V. ADJUSTMENTS TO TO2025 AND TO2026 ANNUAL UPDATES TO REFLECT THE MID-YEAR 2024 EXPIRATION OF THE SGA AMOUNT AND LEGACY RETAIL/WHOLESALE DIFFERENCES

Q. For the 2023 and 2024 recorded cost years, what should be the impacts of the SGA on the Formula Rate True Up TRR?

A. The SGA should impact the 2023 True Up TRR¹⁴, by a positive amount of \$3,618,620, as explained in Section II above. The SGA should impact the 2024 True Up TRR by half that amount, or \$1,809,310¹⁵ for the 2024 year (because it will be fully amortized halfway through 2024 on July 1).¹⁶

Q. If the Commission approves SCE’s proposed tariff revisions to remove the SGA from the Formula Rate, will any further adjustments to inputs in the

¹⁴ The Formula Rate True Up TRR for a year is the measure of SCE’s actual TRR costs for the Prior Year in each Annual Update, which operates on a two-year lag. For example, for the upcoming TO2025 Annual Update setting rates for 2025, the True Up TRR is calculated for 2023 on Schedule 4.

¹⁵ Both of these impacts do not include Uncollectibles or Franchise Fees expenses.

¹⁶ The SGA impact on the TRR depends on the Federal and State Income Tax Rates in 2023 and 2024, but these are highly unlikely to change from their current rates of 21.0% and 8.84%, which are set forth in the Formula Rate (Lines 1 and 8 of Schedule 26 “Tax Rates”). If in fact there were to be a change to the 2024 Income Tax rates, SCE will recalculate any amounts affected.

1 **Formula Rate be required to ensure that the upcoming 2023 and 2024**
2 **True Up TRRs for 2023 and 2024 include the correct SGA costs?**

3 A. Yes, since the proposed SGA amount directly included in the Credits and
4 Other “CO” term on Schedule 1 would be \$0 for the TO2025 and TO2026
5 Annual Updates, the SGA-related amounts included in the associated True Up
6 TRRs for 2023 and 2024 would be \$0. Therefore, an adjustment must be made
7 to include a full year of amortization of the SGA in the TO2025 Annual
8 Update (calculating the 2023 True Up TRR) and a half year of amortization
9 (i.e., the full remaining SGA balance amount) the TO2026 Annual Update
10 (calculating the 2024 True UP TRR).

11 **Q. How will SCE incorporate these amounts in the TO2025 and TO2026**
12 **Annual Updates?**

13 A. SCE proposes to include a new line 25a on Schedule 4 “TUTRR” labeled
14 “Adjustments to Credits and Other for the True Up TRR.” This line will
15 enable an amount to be included in the True Up TRR calculation for a given
16 Prior Year, but that will not impact the Prior Year TRR calculation performed
17 on Schedule 1.

18 **Q. What amount will be entered on Line 25a in the TO2025 Annual Update**
19 **to be filed by December 1, 2024, which will calculate the True Up TRR for**
20 **2023?**

21 A. \$2,606,000, the full amortization value of the SGA for the recorded 2023 year.

22 **Q. What amount will be entered on Line 25a in the TO2026 Annual Update**
23 **to be filed by December 1, 2025?**

24 A. \$1,303,000, the half-amortization of the SGA for the recorded 2024 year
25 related to the SGA expiration halfway through 2024.

1 **Q. Will these entries on the new Line 25a of Schedule 4 “TUTRR” provide**
2 **for the correct amount of Income Tax Expense related to the SGA to be**
3 **calculated for the 2023 and 2024 years?**

4 A. Yes, because they will reflect the actual amortization of the SGA in 2023 to be
5 applied to the True Up TRR for those respective years.

6 **Q. Will the Wholesale Difference to the Base TRR calculation performed on**
7 **Schedule 25 require a similar adjustment for the True Up years of 2023**
8 **and 2024 if the proposed revisions are accepted?**

9 A. Yes, because there will still be both a “Wholesale Rate Base Difference for the
10 Prior Year” (current Line 14), that should affect both 2023 and 2024, and an
11 amortization of the Legacy Retail/Wholesale Differences (Lines 7-10, Column
12 2) that also should contribute to the “Total Expense Difference” on current
13 Line 38 for both 2023 and 2024.

14 **Q. What adjustments should be included in the TO2025 and TO2026 Annual**
15 **Updates on Schedule 25 to reflect the Amortization of the Legacy**
16 **Retail/Wholesale Differences?**

17 A. The sum of the expense and Rate Base Impacts for both 2023 and 2024 should
18 be calculated based on the full amounts of the four Legacy Retail/Wholesale
19 Differences for 2023 and half of the amounts for 2024.

20 **Q. Is it possible to exactly calculate these amounts now?**

21 A. No, not with exact precision because they are a function of the cost of capital.
22 However, SCE expects the 2023 impact of the Legacy Retail/Wholesale
23 Differences to be about negative \$1,870,370 for the Expense difference (sum
24 of Lines 32-35 of Schedule 25), and negative \$6,275 for the Wholesale Rate
25 Base Adjustment (current Line 39 of Schedule 25), totaling negative
26 \$1,876,645. SCE expects the 2024 impact to be about negative \$935,185 for

1 the Expense difference, and positive \$72,000 for the Wholesale Rate Base
2 Adjustment, totaling about negative \$863,185.

3 **Q. When finalized, where will these amounts be input to the Formula Rate**
4 **when their amount is finalized in the Annual Update process?**

5 A. On Line 7, titled “Additional Expense Difference,” of the proposed Schedule
6 25.

7 **Q. Will any further adjustments be needed in the TO2027 and future Annual**
8 **Updates to address the expiration of the SGA and the Legacy**
9 **Retail/Wholesale Differences?**

10 A. No, beginning with the TO2027 Annual Update, the SGA amounts and other
11 fully amortized amounts as of July 2024 will not be included in the Annual
12 Updates, since the Prior Year for that TO2027 Annual Update will be 2025,
13 which will not include any SGA or other Legacy Retail/Wholesale Differences
14 amounts discussed above.

15 **Q. If the Commission accepts SCE’s proposed tariff revisions described**
16 **above, will SCE file an “intra-year” update to its TO2024 Annual Update**
17 **filed in November of 2023 reflecting the proposed tariff revisions**
18 **described above, including a recalculation of the Transmission Revenue**
19 **Requirements (“TRRs”) and transmission rates?**

20 A. No, SCE will not file an intra-year update to its currently effective TO2024
21 Annual Update filed in November of 2023 setting the TRRs and rates currently
22 in effect for 2024. The tax items explained herein had not yet expired at the
23 time SCE filed its TO2024 Annual Update, and thus, these tax items were
24 properly included in SCE’s TO2024 Annual Update and no revision thereto is
25 necessary. Further, the True-Up Adjustment mechanism in SCE’s Formula
26 Rate will return any overcollection of TO2024 costs, thus ensuring that all
27 costs are collected properly. SCE proposes to include amounts of \$2,606,000

1 and \$1,303,000 on Line 25a of Schedule 4 for the TO2025 and TO2026
2 Annual Updates, respectively, which will ensure that transmission costs
3 relating to the SGA are correctly calculated over the course of the transition
4 years from 2023 through 2024, thereby negating the need for any intra-year
5 Annual Update. SCE's Formula Rate Protocols (Attachment 1 to Appendix IX
6 of SCE's TO Tariff) also do not provide for intra-year updates.

7 **Q. Does this complete your testimony?**

8 A. Yes.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern California Edison Company

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Dkt. No. ER24-_____-000

DECLARATION

I, Berton J. Hansen, identified in the foregoing prepared direct testimony, do hereby declare under penalty of perjury, that I prepared or caused such testimony to be prepared; that the answers appearing therein are true to the best of my knowledge and belief; and that if asked the questions appearing therein, my answers would, under oath, be the same.

Executed on April 12, 2024 in Rosemead, California

/s/ Berton J. Hansen

Berton J. Hansen