

**DRAFT**

November 22, 2024

Ms. Debbie-Anne Reese, Acting 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. ER25-XXXX (TO2025)

Dear Ms. Reese:

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 ("TO2025 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 (2024)), 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 TO2025 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697, which terminated on December 31, 2017 (“Original Formula Rate”).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.<sup>1</sup> On September 16, 2019, an Offer of Settlement was filed with the Commission. On December 3, 2019, the Commission accepted the Offer of Settlement.<sup>2</sup>

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.<sup>3</sup> On June 30, 2020, SCE filed an Offer of Settlement under ER19-1553. The Offer of Settlement was approved on September 23, 2020.<sup>4</sup>

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

<sup>2</sup> *Southern California Edison Company*, 169 FERC ¶ 61,177 (2019).

<sup>3</sup> *Southern California Edison Company*, 167 FERC ¶ 61,214 (2019).

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

On April 30, 2020, in Docket No. ER20-1720-000, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.<sup>5</sup> 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”).<sup>6</sup> 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, which the Commission accepted on March 21, 2022.<sup>7</sup>

On October 21, 2021, in Docket No. ER22-166-000, SCE filed discrete revisions to the TO2019A Formula Rate to ensure that, following the December 31, 2021 expiration of the accounting waiver authorized by the 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”). On December 16, 2021, the Commission issued a Letter Order accepting SCE’s proposed revisions effective January 1, 2022.

Pursuant to the process outlined in SCE’s Formula Rate Protocols, on November 18, 2022, in Docket No. ER19-1553, SCE filed its TO2023 Annual Update. The California Public Utilities Commission (“CPUC”) protested the accrual of Allowance for Funds Used During Construction (“AFUDC”) for six

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

<sup>6</sup> Federal Public Law 115-97, enacted on December 22, 2017.

<sup>7</sup> 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 refile did not modify the previously accepted revisions.

discrete capital projects included in SCE's TO2023 Annual Update, and the California Department of State Water Resources State Water Project ("SWP") and the Transmission Agency of Northern California ("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; after which, the parties each filed additional answers. As of the date of this filing, the Commission has not issued an order on SCE's TO2023 Annual Update.

On November 17, 2023, in Docket No. ER24-439, SCE filed its TO2024 Annual Update.<sup>8</sup> On December 8, 2023, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities") filed a protest to certain discrete cost items included in SCE's TO2024 Annual Update. On December 22, 2023, SCE filed a Motion for Leave to Answer Protest and Answer to Protest. As of the date of this filing, the Commission has not issued an order on SCE's TO2024 Annual Update.

On March 27, 2024, in Docket No. ER24-1627-000, pursuant to Section 8b of the Formula Rate Protocols, SCE filed its annual 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 10, 2024, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2025 Annual Update.<sup>9</sup>

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<sup>8</sup> SCE has filed previous Annual Updates under the original docket authorizing the applicable Formula Rate. SCE filed the TO2024 Annual Update, and subsequent Annual Updates, under a separate docket consistent with Commission guidance. *See, e.g., Idaho Power Co.*, 179 FERC ¶ 61,054 (2022) at P 27 n.45; *Black Hills Power, Inc.*, 150 FERC ¶ 61,198 (2015) at P 32.

<sup>9</sup> As explained in SCE's March 27, 2024 filing in Docket No. ER24-1627-000, the Authorized PBOPS expense amount of \$0 reflects no change relative to the previously authorized amount.

On April 12, 2024, in Docket No. ER24-1740, SCE filed a revision to the Formula Rate to eliminate the South Georgia Adjustment (“SGA”) component of the income tax calculation, as well as additional legacy retail/wholesale cost differences. These tariff revisions were necessary because the balances of the SGA and the legacy items fully amortized on July 1, 2024 and accordingly should no longer be included in the Formula Rate calculations. On XX, 2024, the Commission issued a Letter Order accepting SCE’s proposed revisions.

SCE is now submitting its TO2025 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 TO2025 Annual Update is January 1 through December 31, 2025. 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 2023. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case, calendar years 2024 and 2025) 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, 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. 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. This TO2025 Annual Update increases the retail Base TRR from the TO2024 Annual Update amount of \$1.125 billion to \$1.345 billion, a year-over-year change of \$221 million. The wholesale Base TRR increases from \$1.111 billion to \$1.333 billion, a year-over-year change of \$222 million.

As described below, this change is primarily driven by an increase 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 TO2025 is \$1.268 billion, compared to \$1.276 billion in TO2024. The IFPTRR in TO2025 is \$75 million compared to \$66 million in TO2024. The TO2025 Base TRR reflects a True Up Adjustment undercollection of \$14 million. This compares to a \$133 million True Up Adjustment overcollection in TO2024. The O&M Services Formula Revenue was -\$11 million in TO2025, compared to -12 million in TO2024. The TO2025 Base TRR also reflects no Cost Adjustment, compared to a -\$71 million Cost Adjustment in TO2024. Combined, these changes add up to a \$221 million increase in the Base TRR from TO2024 to TO2025. The principal factors contributing to the year-over-year change in the Base TRR are summarized below:

- True-Up Adjustment (approximately \$147M): The True-Up Adjustment is intended to reflect any over/undercollections in prior years. As discussed above, the TO2024 True-Up Adjustment was \$133 million (*i.e.*, a credit due to previous overcollections). This year's value of \$14 million (a charge due to previous undercollections) is shown on Schedule 3, Line 30. This value reflects a required adjustment of -\$133 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 \$71M): 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 TO2024 Cost Adjustment was -\$71M. For TO2025 SCE has made no Cost Adjustment as there were no discrete cost items that met the inclusion threshold.

As part of the TO2025 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 -\$634,862 on Schedule 3, Line 12, Col 4.<sup>10</sup>

- SCE has identified an adjustment relating to capital costs affecting the True Up TRR for calendar years 2013 through 2022. The adjustment relates to costs for the DESI project, which were recorded to General Plant instead of Distribution Plant. The net TO2025 one-time adjustment is -\$619,175, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”

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<sup>10</sup> See SCE’s TO2024 Annual Update Filing Letter under Docket No. ER24-439 for additional information regarding the DESI and non-utility expense one-time adjustments described herein.

- SCE has identified an adjustment relating to Revenue Credits affecting the True Up TRR for calendar years 2020 through 2022. The adjustment relates to entries associated with Edison Material Supply (EMS). In these three years the revenue credit was inadvertently entered using the wrong sign (+/-). The net TO2025 one-time adjustment is -\$14,056, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
- SCE has identified an adjustment relating to A&G expenses affecting the True Up TRR for calendar year 2022. The adjustment relates to non-operating expenses inadvertently included as operating expenses. The net TO2025 one-time adjustment is -\$3,477, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”
- In addition to the corrections above affecting calendar years 2020 through 2022, SCE has made additional adjustments related to uncollectible expense affecting those same years. These adjustments were necessary to hold the FERC uncollectible expenses constant for the impacted years. The net TO2025 one-time adjustment is \$1,847, as described in more detail in the workpaper titled “WP Schedule 3 One Time Adj-Prior Period.”

In addition to the one-time adjustments described above, SCE is making two adjustments applicable only to the Wholesale Base TRR. The first adjustment is related to a prior period and relates to 2022 Electric Power Research Institute (“EPRI”) expenses in the amount of \$246,620 that, for the reasons described in SCE’s Motion for Leave to Answer Protest and Answer to Protest filed on December 22, 2023 in Docket Nos. ER19-1553 and ER24-439, SCE believes should have been excluded from the calculation of wholesale rates. SCE is making this adjustment, totaling \$15,204 with interest, as a component of the Additional Expense Difference on line 7 of Schedule 25. The second adjustment relates to the previously referenced April 12, 2024 filing in Docket No. ER24-



1740 to eliminate the SGA and several legacy retail/wholesale cost differences. An Additional Expense Difference amount of \$1.9 million, further reducing the Wholesale Base TRR relative to the Retail Base TRR, is also included in Schedule 25, Line 7. The purpose of this adjustment is to include the proper amount of legacy retail/wholesale cost differences for the Prior Year of 2023.<sup>11</sup> See WP-Schedule 25 Wholesale Difference for details on the two adjustments totaling \$1.9 million.

#### **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 TO2025 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2025;
- 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 Nos. ER19-1553 and ER24-439, including the California Public Utilities Commission, as well

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<sup>11</sup> This adjustment is fully explained in the Testimony of Berton J. Hansen, Exhibit No. SCE-1 of the referenced SGA filing submitted in Docket No. ER24-1740.

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

Kara G. Ryan attests that she 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 her knowledge and belief.

Kara G. Ryan

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Vice President

Dated: November \_\_, 2024