

DRAFT

November XX, 2019

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-___ (TO2020)

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 ("TO2020 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 TO2020 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”).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 be 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 is just and reasonable, and consolidated the TO2018 Formula Rate proceedings for purposes of hearing and settlement judge procedures.² Settlement discussions are ongoing in the TO2018 Formula Rate docket.

On September 17, 2018, in Docket No. ER18-2440-000, SCE filed a modification to the TO2018 Formula Rate proposing tariff changes necessary to implement the 2017 Tax Cuts and Jobs Act (“TCJA”) seeking an effective date of November 16, 2018. On March 19, 2019, the Commission issued a letter order accepting SCE’s proposed changes and therefore SCE has incorporated the proposed changes into this TO2020 Annual Update.

On November 20, 2018, in Docket No. ER19-374-000, SCE filed a modification to Schedule 33 of TO2018 Formula Rate proposing tariff changes necessary to implement three new Electric Vehicle (EV) retail rate schedules. On

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

² *Id.*

January 10, 2019, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2020 Annual Update.

On March 8, 2019, in Docket No. ER19-1226, SCE filed a modification to Schedule 20 of TO2018 Formula Rate proposing tariff changes necessary to change to 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 April 18, 2019, the Commission issued a letter order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2020 Annual Update.

On April 11, 2019, in Docket No. ER19-1553-000, SCE filed to amend the Second Formula Rate ("TO2019A Formula Rate") proposing tariff changes necessary to reflect dramatic regulatory and financial conditions that have changed since the submission of the Second Formula Rate. On June 11, 2019, the Commission accepted SCE's TO2019A Formula Rate and related revised 2019 Base TRR, suspended it for a nominal period, to be effective November 12, 2019, subject to refund, and established hearing and settlement judge procedures.³

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 TO2020 Annual Update is January 1, 2020 through December 31, 2020. 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"),

³ *Southern California Edison Company*, 167 FERC ¶ 61,214 (2019)

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 2018. The IFPTRR represents the incremental transmission costs that SCE expects to incur during the forecast period (in this case 2019 and 2020) 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 Year⁴, as well as prior period adjustments. Additionally, in this Annual Update, SCE is including a Cost Adjustment to reduce the Base TRR as a result of wild fire related expenses recorded in 2018 that are not anticipated to reoccur in 2020. Therefore, this TO2020 Annual Update revises the retail Base TRR from the currently-effective amount of \$1.038 billion to \$1.326 billion, and the wholesale Base TRR from \$1.033 billion to \$1.320 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 currently-effective amount of \$1.038 billion to \$1.326 billion, an increase of \$288 million. The wholesale Base TRR increases by \$287 million, from \$1.033 billion to \$1.320 billion.

The Prior Year TRR for TO2020 is \$1.421 billion, compared with \$1.001 billion in TO2019. The IFPTRR in TO2020 is \$167.1 million compared to \$99.7 million in TO2019. The TO2020 Base TRR reflects a True Up Adjustment of -\$104.5 million. This compares to a -\$62.5 million True Up Adjustment in TO2019. Finally, as discussed above, SCE is reflecting a Cost of Adjustment of -\$157.6 million. Combined, these changes add up to a \$288 million increase in Base TRR from TO2019 to TO2020. The principal factor contributing to the increase in Base TRR is the reflection of higher cost of capital in TO2020 and rate base growth from TO2019 to TO2020.

⁴ The True Up TRR for calendar year 2018 was determined using SCE Second Formula Rate (i.e. TO2018 Formula Rate) pursuant to Section 4(e) of the Formula Protocols.

Pursuant to Section 4(e) of the Formula Protocols, the True Up TRR for calendar year 2018 is calculated using TO2018 Formula Rate. Therefore, the TO2020 True Up Adjustment includes a Previous Annual Update True Up Adjustment that reflects the difference in the calculation of the True Up TRR using the TO2018 Formula methodology and the TO2019A Formula Rate methodology. This adjustment is reflected on Schedule 3 as a \$4.7 million adjustment on line 23. Additionally, as part of the TO2020 True Up Adjustment included in this update, SCE is correcting its True Up TRRs for calendar years 2016 and 2017. There are two corrections reflected in the One-Time Prior Period Adjustment. First, SCE is increasing the Account 923 exclusions for calendar years 2016 and 2017, thereby decreasing the 2016 and 2017 True Up TRRs. Second, SCE is decreasing the 2017 CWIP balances for the Mesa incentive project. These corrections are reflected on Schedule 3 of the Formula Rate spreadsheet as a single One-Time Adjustment of -\$7,552.

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, in both pdf and Excel formats, showing the calculation of the TO2020 Base TRR and associated rates;
- 4) Attachment 2: Retail and Wholesale Transmission rates to be effective on January 1, 2020;
- 5) Attachment 3: Revisions to formula rate inputs from the TO2020 Draft Annual Update; and
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Formula Rate Protocols.

- 7) Attachment 5: The populated TO2018 Formula Rate, in both pdf and Excel formats, showing the calculation of the 2018 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, 2019