

November 20, 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 The TO2018 Formula Rate superseded SCE’s prior Formula Rate accepted in Docket No. ER11-3697 which terminated on December 31, 2017 (“Original Formula Rate”).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.<sup>1</sup> 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.<sup>2</sup> On September 16, 2019, an Offer of Settlement was filed with the Commission (“TO2018 Settlement”). On December 3, 2019, the Commission accepted the TO2018 Settlement.<sup>3</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”). 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

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

<sup>2</sup> *Id.*

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

procedures.<sup>4</sup> On September 27, 2019, SCE filed an Offer of Partial Settlement in Docket No. ER19-1553 to reduce the requested Return on Equity (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.<sup>5</sup> On July 1, 2020, SCE filed an Offer of Settlement (“TO2019A Settlement”) under ER19-1553. The TO2019A Settlement was approved on September 23, 2020.<sup>6</sup> SCE has incorporated the terms of the TO2019A 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.<sup>7</sup> 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

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<sup>4</sup> *Southern California Edison Company*, 167 FERC ¶ 61,214 (2019)

<sup>5</sup> *Southern California Edison Company*, 169 FERC ¶ 61,176.

<sup>6</sup> *Southern California Edison Company*, 172 FERC ¶ 61,270

<sup>7</sup> 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.

order accepting SCE's proposed changes and therefore SCE has incorporated the proposed changes into this TO2021 Annual Update.

On April 30, 2020, in Docket No. ER20-1720, SCE filed revisions to the TO2019A Formula Rate to comply with Order 864.<sup>8</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>9</sup> On October 9, 2020, SCE made a filing to correct an administrative error associated with the tariff record. As part of this filing, SCE also corrected an error made in the April 30, 2020 filing.<sup>10</sup> As of the date of this filing, the proposed revisions in ER20-1720 (including the error correction) are pending before the Commission. SCE has incorporated the proposed revisions under ER20-1720 into this TO2021 Annual Update.

On September 10, 2020, in Docket No. ER20-2861, SCE filed a Petition for Waiver to enable SCE to use an updated sales forecast in its this 2021 Annual Update filing to more accurately reflect expected gross load changes caused by COVID-19 impacts to economic and demographic outlooks. Specifically, SCE sought a waiver of the requirement established in Note 1 of Schedule 32 of SCE's Formula Rate Spreadsheet to use the SCE approved sales forecast as of April 15 of a calendar year, to permit SCE to utilize a sales forecast completed in May 2020. On November 5, 2020, the Commission issued an order granting SCE's proposed

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<sup>8</sup> *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, Order No. 864, 169 FERC ¶ 61,139 (2019) ("Order 864").

<sup>9</sup> As part of SCE's TO2019A Settlement in ER19-1553, SCE submitted as Exhibit B3 a version of Appendix IX, Attachment 2 of SCE's TO Tariff, with an effective date of January 27, 2020. Section 2.3 of the TO2019A Settlement provides that Exhibit B3 reflects SCE's pending April 30, 2020 filing in Docket No. ER20-1720 but that the settlement does not resolve the issues raised in the protest filed on behalf of the Six Cities on Docket No. ER20-1720.

<sup>10</sup> 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 ER20-1720 on June 5, 2020. Accession Number 20200605-5213.

waiver<sup>11</sup> and, therefore, SCE has incorporated changes reflecting such waiver into this TO2021 Annual Update.

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,<sup>12</sup> as well as prior period adjustments. Therefore, this TO2021 Annual Update revises the retail Base TRR from the TO2020 Annual Update amount of \$0.963 billion to \$1.087 billion, and the wholesale Base TRR from \$0.958 billion to \$1.082 billion.

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<sup>11</sup> 173 FERC ¶ 61,128.

<sup>12</sup> 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.

### **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 \$1.087 billion, an increase of \$124 million. The wholesale Base TRR also increases by \$124 million, from \$0.958 billion to \$1.082 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 -\$58.6 million. This compares to a -\$184.2 million True Up Adjustment in TO2020. Combined, these changes add up to a \$124 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 Settlement. The TO2021 Annual Update does not require a Cost Adjustment.

Pursuant to Section 6 of the Formula Rate 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, pursuant to Section 6 of the Formula Rate Protocols, 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 (-\$12.4 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 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 \$5.9 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 are two corrections reflected in the One-Time Prior Period Adjustment pursuant to the Formula Rate Protocols section 3.d.8. SCE is increasing the Account 923 exclusions for calendar years 2017 and 2018, thereby decreasing the 2017 and 2018 True Up TRRs. SCE is also correcting the 2017 and 2018 CWIP balances related to the Mesa incentive project, as well as the 2018 CWIP balances related to the Alberhill and ELM incentive projects. These corrections are reflected on Schedule 3 of the Formula Rate spreadsheet as a single One-Time Prior Period Adjustment of \$56,661.

#### **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;
- 6) Attachment 4: Workpapers supporting the inputs to Attachment 1, including information required pursuant to the Formula Rate Protocols and the TO2019A Settlement; and

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

**Service**

Copies of this filing have been served on all parties to Docket No. ER19-1553, including the CPUC, as well as the California Independent System Operator Corporation (“CAISO”), and all Participating Transmission Owners in the CAISO.

**V. Communications**

SCE requests that all correspondence, pleadings and other communications concerning this filing be served upon:

Matthew Dwyer  
Senior Attorney  
Southern California Edison Company  
P.O. Box 800  
Rosemead, CA 91770  
Tel. (626) 302-6521

Jeffrey L. Nelson  
FERC Rates & Market Integration  
Southern California Edison Company  
P.O. Box 800  
Rosemead, CA 91770  
Tel. (626) 302-4834

Very truly yours,

/s/ Jeffrey L. Nelson

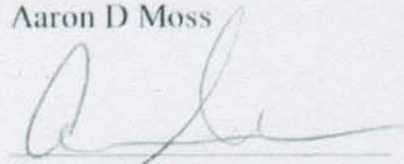
Jeffrey L. Nelson



## ATTESTATION

Aaron D Moss attests that he is Vice President 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

A handwritten signature in blue ink, appearing to read 'A. D. Moss', written over a horizontal line.

Vice President

Dated: November 16, 2020

**CERTIFICATE OF SERVICE**

I hereby certify that, pursuant to Rule 2010 of the Commission's Regulations, 18 C.F.R. § 385.2010, I have this day served a true copy of the foregoing **ANNUAL FORMULA TRANSMISSION RATE UPDATE FOR RATE YEAR 2021 (TO2021) OF SOUTHERN CALIFORNIA EDISON COMPANY ("SCE")** upon each person designated on the official service list in Docket No. ER19-1553-000.

Dated at Rosemead, California this **20<sup>th</sup>** day of **November, 2020**.

*/s/Vicki Carr-Donerson* \_\_\_\_\_

Vicki Carr-Donerson

Legal Support - Sr. Specialist for

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