

102 FERC ¶ 61, 187
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Southern California Edison Company

Docket No. ER03-338-000

ORDER ACCEPTING REVISIONS TO
TRANSMISSION OWNER TARIFF

(Issued February 21, 2003)

1. This order addresses a filing in which Southern California Edison Company (Edison) proposes to revise its Transmission Owner Tariff (TO Tariff) rates for 2003 to reflect: (A) revised rates that represent annual updates to the Transmission Revenue Balancing Account Adjustment (TRBAA) and the Transmission Access Charge Balancing Account Adjustment (TACBAA); (B) the inclusion of rates for transmission service for certain municipal customers under Existing Transmission Contracts (ETCs); (C) revised tariff sheets that comply with the Commission's findings in Opinion Nos. 458 and 458-A; and (D) the incorporation of Edison's current interconnection procedures. We accept these revisions to Edison's TO Tariff and grant the requested waiver to permit these revisions to become effective January 1, 2003. This order is in the public interest because it permits Edison's TO Tariff rates to reflect updated costs and conforms these terms and conditions consistent with the Commission findings.

Notice of Filings and Responses

2. Notice of Edison's filing was published in the Federal Register on November 25, 2002, 68 Fed. Reg. 771 (2003), with comments, protests, and motions to intervene due on or before January 13, 2003.

3. Timely motions to intervene raising no substantive issues were filed by Modesto Irrigation District; the City of Redding, California, the City of Santa Clara, California, and the M-S-R Public Power Agency (collectively, Cities/M-S-R); Transmission Agency of Northern California; the CAISO; and the Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California (collectively, Cities). The California Electricity Oversight Board (EOB) filed a motion to intervene out of time.

4. Timely motions to intervene and protest or comment were filed by the State Water Project of the California Department of Water Resources (DWR); Metropolitan Water District of Southern California (Metropolitan); and the City of Vernon, California (Vernon). The Public Utilities Commission of the State of California (CPUC) filed a notice of intervention and protest. Edison filed an answer to these protests.

Discussion

A. Procedural Matters

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,¹ the CPUC's notice of intervention and the timely, unopposed motions to intervene of the parties listed above serve to make them parties to this proceeding. We find good cause to grant the late, unopposed motion to intervene of the EOB, given the early stage of the proceeding, its interest in the proceeding, and the absence of any undue prejudice or delay. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure² prohibits answers to protests unless otherwise permitted by the decisional authority. We find that good cause exists to allow Edison's answer, because it assists us in our decision-making process in this proceeding by clarifying various issues before us.

B. Edison's Proposed TRBAA and TACBAA Revisions

6. Pursuant to the TRBAA (Section 5.5 of Edison's TO Tariff), Edison must maintain a Transmission Revenue Balancing Account (TRBA) that ensures that all Transmission Revenue Credits³ and the refunds⁴ associated with transmission service over its high voltage facilities are flowed through to transmission customers taking

¹See 18 C.F.R. § 385.214 (2002)

²See 18 C.F.R. § 213(a)(2) (2002).

³Section 3.104 of Edison's TO Tariff states that Transmission Revenue Credits are: "The sum of: (1) the revenues received by the Participating TO from the ISO for Wheeling service, Usage Charges . . . and from the sale of an FTR; and (2) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols."

⁴See CAISO Tariff, Sections 6 and 8 of Appendix F, Schedule 3 (specifying refunds).

service from the CAISO. The TRBAA must be updated annually, effective January 1, and is based on the balance in the TRBA, as of September 30 of a calendar year, and a forecast of the Transmission Revenue Credits, as expected to be received by Edison in the following year.

7. The TACBAA (Section 5.6 of Edison's TO Tariff) ensures that the cost-shift amounts billed by the CAISO to Edison under the TAC rate design will be recovered from Edison's end-use customers. The TACBAA is also updated annually and is based on the balance in the Transmission Access Charge Balancing Account (TACBA),⁵ as of September 30 of a calendar year, and a forecast of the net Annual Charge billings (*i.e.*, net TAC cost-shift billings) by the CAISO to Edison for service provided in the following year.

1. Edison's Proposed Revisions

8. According to Edison, the revised TRBAA for retail service for 2003 is negative \$42,060,251, and the revised retail TRBAA rate is a negative \$0.00053 per kilowatt-hour for retail transmission service rendered on or after January 1, 2003. This revision represents an increase from the negative \$0.00011 per kilowatt-hour TRBAA rate that is currently in effect. Edison states that the increase is primarily due to a change in the TRBA amortization component of the TRBAA, from an over-collection balance of \$59 million on September 30, 2001 to an over-collection balance of \$20 million on September 30, 2002.

9. The revised TACBAA rate applicable to end-use customers in 2003 is \$0.00027 per kilowatt-hour. This revision represents an increase from the \$0.00006 per kilowatt-hour rate that is currently in effect. According to Edison, this increase is due to an increase in Edison's cost-shift amount from the CAISO, resulting from the Cities of Anaheim, Azusa, Banning, and Riverside, California (Southern Cities) becoming Participating TOs under the CAISO's Tariff.

⁵The TACBA tracks the difference (including interest) between the net cost-shift billings from the CAISO and the revenues received by Edison from end-use customers through the assessment of the TACBAA rate.

2. Comments

10. Vernon notes that Edison's proposed revisions to its TRBAA and TACBAA include an adjustment for franchise fees⁶ and, if applicable, uncollectible accounts expense (FF&U). Vernon states that it assumes that Edison has not double-counted any franchise fee costs by including any franchise fees already in its underlying Transmission Revenue Requirement (TRR) in the proposed TRBAA tracking mechanism and also assumes that Edison intends the words "if applicable" (in relation to uncollectible accounts expense) to exclude this expense from wholesale service. Vernon requests that the Commission either confirm that this is the effect of this language or order that the concept be made more explicit in Edison's TO Tariff.

11. Metropolitan states that Edison's modification to its TACBAA in anticipation of the Southern Cities joining the CAISO might be premature, because the Commission has not yet approved all the filings that are necessary for the Southern Cities to become Participating TOs in the CAISO.

3. Edison's Answer

12. Edison states that it neither includes nor intends to include uncollectible account expenses in rates for wholesale service. Edison also explains that it does not double-count its franchise fees and maintains that the inclusion of a component for franchises in the Base TRR actually reduces transmission rates for customers. Therefore, Edison states that its proposal to apply the franchise fees to the TRBAA eliminates a potential over recovery by Edison of franchise fees. With respect to Metropolitan's concern regarding the modification to the TACBAA being premature, Edison states that the Southern Cities are now Participating TOs in the CAISO (i.e., Southern Cities' Transmission Control Agreement has been accepted and their facilities have been turned over to the CAISO's Operational Control).

4. Commission's Determination

13. We accept Edison's proposed revisions to its TRBAA and TACBAA rates. Our review of them indicates that Edison's projected costs are reasonable and consistent with the definitions of those costs that are included in its TO Tariff. With respect to Vernon's concerns regarding the inclusion of FF&U in the calculation of the TRBAA and

⁶Franchise fees represent the costs that Edison pays to cities for the right to install and maintain transmission and distribution facilities within them.

TACBAA rates, we are satisfied by Edison's answer that it does not double-count its franchise fee costs in the calculation of its TRR and does not include uncollectible accounts expense in its rates for wholesale service.⁷

14. With regard to Metropolitan's argument that Edison's modification to its TACBAA is premature because the Commission has not authorized the Southern Cities to become Participating TOs in the CAISO, the Commission, on January 24, 2003, issued an order that authorized the transfer of operational control of the facilities and entitlements being turned over by the Southern Cities to the CAISO⁸ and, in a separate order, conditionally accepted the proposed amendments to the CAISO's TCA and Tariff that allowed for such a transfer.⁹ In addition, the Commission issued an order on rehearing that clarified the effective date for the Southern Cities to become Participating TOs under the CAISO's Tariff.¹⁰ Accordingly, Metropolitan's argument is moot.

C. Transmission Service Rate for Certain Specified Existing Contracts

1. Edison's Proposed Revisions

15. Edison and the Cities¹¹ have previously agreed that Edison will establish two new rates in its TO Tariff, the High Voltage Existing Contracts Access Charge and the Low Voltage Existing Contracts Access Charge,¹² for applicability to the Cities' ETCs. These

⁷See Edison's Filing, Statement BK at 1.

⁸See California Independent System Operator Corporation, 102 FERC ¶ 61,058 (2003) (authorizing acquisition of facilities, granting waiver, and rescinding prior order).

⁹See California Independent System Operator Corporation, 102 FERC ¶ 61,061 (2003) (accepting the CAISO's amendments to its TCA and Tariff, which allow the CAISO to assume operational control of the facilities and entitlements being turned over to it by the Southern Cities, subject to certain conditions).

¹⁰See Docket No. EL03-14-001, et al. (February 6, 2003).

¹¹On December 20, 2002, Edison made a filing with the Commission to implement the rate for transmission service provided to the Los Angeles Department of Water and Power under the ETC with Edison. See Docket No. ER03-308-000.

¹²See Appendix to Edison's Filing, Prepared Testimony at 4-5 (explaining these
(continued...))

charges establish a comparable contract demand rate that will be applicable to the Cities' ETCs. Edison states that the High/Low Voltage Existing Contracts Access Charge is equal to its High/Low Voltage TRR divided by the sum of Edison's twelve monthly retail system peak demands.

16. Furthermore, Edison maintains that stating these rates in its TO Tariff, rather than in rate schedules, will be more administratively efficient, because future rate changes under these ETCs will occur automatically whenever changes to Edison's High/Low Voltage TRRs occur and, therefore, all issues relating to the TRRs and the level of the rates will be addressed in one docket.

2. Comments

17. According to Metropolitan and DWR, even if the proposed institution of a new High/Low Voltage Existing Contracts Access Charge in Edison's TO Tariff currently applies only to the five entities with ETCs, they are concerned that Edison's incorporation of these specific contract amendments into Edison's TO Tariff and depiction of these charges as "Existing Contracts Access Charges" will allow Edison to apply these charges to other ETCs in the future, including Metropolitan and DWR. Furthermore, Metropolitan argues that Edison is proposing contract charges in its TO Tariff that belong in the specific contracts (i.e., rate schedules) to which they apply. If Edison's goal is the reduction of a regulatory filing burden, Metropolitan argues that there are other methods that would better limit the entities to which such charges would apply and ensure that these charges are not applied to Edison's other ETCs.

18. Additionally, DWR and Metropolitan state that if Edison applies the High Voltage Existing Contracts Access Charge to its ETC with DWR an unjust and unreasonable rate would result, because this rate is not based on an individual wholesale customer's contribution to system peak.¹³ Accordingly, DWR states that the Commission should suspend this aspect of Edison's proposal and set it for hearing.

¹²(...continued)

charges). Edison's TO Tariff defines "existing contracts" as: "The contracts which grant transmission service rights in existence on the ISO Operations Date. . . ."

¹³That is, it fails to reflect the load ratio share based upon the individual wholesale customer's usage during the hours of system peak by assuming that all ETC customers' monthly usage profiles match that of Edison's retail system.

3. Edison's Answer

19. Edison states that the issues raised by DWR and Metropolitan are irrelevant, because the TO Tariff lists the five ETC customers that are subject to the revised rates and neither DWR nor Metropolitan are included in that list.¹⁴ Moreover, Edison states that the rate methodology used to develop the rates in question is not applicable to DWR or Metropolitan without Edison making a filing under section 205 of the Federal Power Act to apply these rates to an ETC-customer, with the exception of the five entities specified in Edison's TO Tariff. Edison states that assuming that it attempts to make such a filing, DWR and Metropolitan, at that time, will have an opportunity to comment on the reasonableness of the application of these rates to them and/or other such customers.

4. Commission's Determination

20. We find that Edison's TO Tariff provision that implements its High/Low Voltage Existing Contracts Access Charge applies only to those five entities listed in its TO Tariff (i.e., the Cities). Furthermore, as Edison acknowledges, it would have to make a section 205 filing with the Commission in order to apply this charge to any other customer (other than the Cities), including DWR and/or Metropolitan. If and when that filing occurs, DWR and Metropolitan may raise any objections they may have regarding such a proposal, including whether this charge fails to reflect the load ratio share based upon the individual wholesale customer's usage during the hours of system peak.

21. With regard to Edison's application of its rate methodology to the five ETC customers, we find that this methodology is reasonable. We note that none of these customers have objected to the proposed rates. Finally, we will permit Edison's proposal to include these rates in its TO Tariff, since the customers have concurred with Edison that this approach results in administrative efficiencies (rather than including them in the ETC individual rate schedules). Edison states that these efficiencies will occur, because when it files for rate changes to its High/Low Voltage TRRs, the changes to the ETC will occur automatically. Accordingly, Edison's proposal to include these rates in its TO Tariff is acceptable in these circumstances.

D. Compliance with Opinion Nos. 458 and 458-A

¹⁴See Edison's Filing, TO Tariff Sheet No. 68.

22. On March 31, 1997, Edison filed its original TO Tariff, which specified, among other things, a Participating TO's rates and charges for transmission access over the CAISO's Controlled Grid.¹⁵ An Initial Decision on the litigated issues related to the non-rate terms and conditions of that filing was issued on September 1, 1999.¹⁶ The Commission affirmed, on August 5, 2002, the Initial Decision in Opinion No. 458¹⁷ and, on November 1, 2002, denied the requests for rehearing of that order in Opinion 458-A.¹⁸

23. Among other things, Opinion Nos. 458 and 458-A involved the treatment of costs imposed on Edison and other Participating TOs by the CAISO's Tariff for transmission loss and ancillary service costs. Although these costs arise in connection with service under the ETCs, the Participating PTOs did not seek to recover them from their existing contract customers; rather, they filed to recover these costs from customers who take service under the TO Tariffs, by means of the TRBAA mechanism contained in the TO Tariffs. In those orders, the Commission affirmed the presiding judge's decision that these various cost differentials (*i.e.*, ETC-related costs) between a Participating TO's ETCs and the CAISO's Tariff cannot be collected from TO Tariff customers.

1. Edison's Proposed Revisions

24. Although the Commission denied Edison's proposal to include ETC-related costs to recover certain transmission losses and ancillary service costs from its transmission customers under its TO Tariff,¹⁹ Edison states it has raised this issue on appeal (which is pending). Therefore, Edison explains that it has left unchanged its definition of Transmission Revenue Credits in its TO Tariff and that these costs are included in Edison's recorded TRBA balance. However, Edison states consistent with the Commission's determinations, it has not included such costs in the TRBAA proposed in this proceeding.

¹⁵See Docket No. ER97-2355-000.

¹⁶See *Pacific Gas and Electric Company*, 88 FERC ¶ 63,007 (1999).

¹⁷See *Pacific Gas and Electric Company, et al.*, 100 FERC ¶ 61, 156 (2002) (Opinion No. 458).

¹⁸See *Pacific Gas and Electric Company, et al.*, 101 FERC ¶ 61, 151 (2002) (Opinion No. 458-A)

¹⁹See *id.*

2. Comments

25. The CPUC maintains that in Opinion Nos. 458 and 458-A, the Commission held that Edison is not entitled to recover from retail customers certain costs associated with servicing ETC customers. However, the CPUC argues that Edison has included in its definition of Transmission Revenue Credit costs incurred for ETC customers (specifically, in subsection 2 of section 3.104 (Transmission Revenue Credit) of Edison's TO Tariff) and has failed to credit Edison's TO Tariff for ETC-related costs for the past five years, which should not have been deducted from the TRBA. The CPUC argues that just because Edison has appealed the Commission's rulings in Opinion Nos. 458 and 458-A does not excuse Edison from complying with those findings. Accordingly, the CPUC requests that the Commission direct Edison to: (1) comply with Opinion Nos. 458 and 458-A by striking subsection 2 from section 3.104 of its TO Tariff; and (2) refund to customers amounts that should not have been withheld (*i.e.*, credit the TRBA amounts previously deducted to cover ETC costs), as it was required to do so pursuant to ordering paragraph (B) of Opinion No. 458.²⁰

3. Edison's Answer

26. Edison states that although it reflects the cost differentials in ancillary services and losses associated with ETC customers in the TRBA balance recorded in its financial records, ETC-related costs have been explicitly excluded from the TRBA balance used to develop the TRBAA and associated rates that are proposed for 2003.²¹ In addition, Edison states that it has not included in its forecast Transmission Revenue Credits for 2003 any ETC-related cost differentials and that this forecast is based solely on the Wheeling revenues, Usage Charges, and firm transmission right auction revenues Edison expects to receive. Thus, Edison argues that because it has excluded ETC-related costs from the TRBA balance, it has not, consistent with Opinion Nos. 458 and 458-A, cross-subsidized its ETC customers and these rates are at a level that is consistent with those orders. Furthermore, Edison maintains that even despite the fact that the Commission determined in Opinion No. 458 that cost differentials relating to ancillary services and losses under the ETC are not appropriately recovered through the TRBAA, we did not require it to amend its TO Tariff definition of "Transmission Revenue Credits" by deleting reference to such cost differentials.

²⁰Ordering paragraph (B) of Opinion No. 458 required that a refund report be filed within 30 days of disposition of any request for rehearing. See 100 FERC at 61,574 (2002).

²¹See Edison's Filing, Workpapers at 14.

4. Commission's Determination

27. We disagree with Edison that because it has left unchanged (pending its appeal of the Commission's ruling in Opinion Nos. 458 and 458-A) its definition of Transmission Revenue Credits and costs associated (i.e., ETC-related costs) with the second component of that definition in the recorded balance in the TRBA,²² it has acted consistent with Opinions No. 458 and 458-A by not including such costs in the proposed TRBAA. Leaving such a reference in the TRBA is inconsistent with Opinion Nos. 458 and 458-A, which state that Edison (as well as other Participating TOs) must not collect from TO Tariff customers certain cost differentials between a Participating TO's ETCs and the CAISO's Tariff.²³ Accordingly, to be consistent with those orders, Edison's TO Tariff must also reflect that such costs cannot be shifted from the existing contract customers to TO Tariff customers.²⁴ To ensure that result, we direct Edison to strike subsection 2 from section 3.104 (Transmission Revenue Credit) of its TO Tariff.

28. Furthermore, the fact that Edison has appealed Opinion Nos. 458 and 458-A does not excuse it from complying with those decisions. Edison has neither requested a stay of Opinion Nos. 458 and 458-A pending appeal nor was one granted by the Commission; consequently, Edison must comply with the directives of those orders.

29. With regard to the CPUC's request that the TRBA balance be increased by a refund to customers of amounts improperly withheld in the past by Edison, we believe that this proceeding (which concerns revisions and updates to Edison's TO Tariff) is not the proper forum to address that matter. Opinion Nos. 458 and 458-A involve the issue of previously recovered ETC-related costs by Edison; therefore, that proceeding is the

²²See supra note 6 (quoting subsection 2 of section 3.104 (Transmission Revenue Credit) of Edison's TO Tariff).

²³See Opinion No. 458, 100 FERC at PP23 & 28 ("The fact is that the costs associated with service provided under the existing contracts, not the TO Tariffs, and should not be shifted to the TO Tariff customers [i.e., the costs should be recovered from existing contract customers].")

²⁴See id. As we stated in Opinion No. 485, if Edison wants to reform their existing contracts by means of FPA sections 205 and 206, if not Edison must shoulder this cost burden. See 100 FERC at P30.

proper forum for the CPUC to pursue its argument that such ETC-related costs should be refunded to customers of Edison's TO Tariff.²⁵

E. Interconnection Procedures

30. Edison states that the Commission has already accepted its interconnection procedures²⁶ and Edison has implemented those procedures (since their effective date of June 1, 2002), but they have not been reflected in Edison's currently-effective TO Tariff. Accordingly, Edison proposes to add those interconnection procedures to its TO Tariff in this proceeding.

31. None of the parties to this proceeding raised any substantive objections to Edison's proposed revisions to its interconnection procedures. The Commission accepts these revisions to Edison's TO Tariff.

F. Request for Waiver

32. Edison requests waiver of the notice requirements of section 35.3 of the Commission's regulations²⁷ to permit the proposed changes to its TO Tariff to become effective on January 1, 2003. According to Edison, the Commission will grant waiver of the 60-day prior notice requirement when a rate change and its effective date are prescribed by an agreement to become effective on a date specified in the agreement. Edison states that Sections 5.5 and 5.6 of the TO Tariff specify that Edison will update its TRBAA and TACBAA in January of each year.

²⁵Opinion No. 458 required that Edison submit a refund report within 30 days of disposition of any request for rehearing, and Opinion No. 458-A was issued on November 1, 2002. However, the Commission granted an extension of time (to and including March 3, 2003) for Edison to comply with the Commission's directive to submit a refund report. See Notice of Extension of Time, Pacific Gas and Electric Company, et al., Docket Nos. ER97-2358-002, et al. (December 19, 2002).

²⁶See San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator Corporation and the California Power Exchange, 99 FERC ¶ 61,275 (2002) (accepting, subject to further Commission action, Edison's (among others) proposed amendments to its Tariff that prescribe procedures for the interconnection of new generators).

²⁷See 18 C.F.R. § 35.3 (2002).

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33. We find that Edison has shown good cause²⁸ for us to grant waiver of the 60-day prior notice requirement. Accordingly, Edison's revisions to its TO Tariff are accepted for filing effective as of January 1, 2003, as requested.

The Commission orders:

(A) We hereby accept Edison's revisions to its TO Tariff, effective January 1, 2003, as discussed in the body of this order.

(B) We direct Edison to delete Subsection 2 from Section 3.104 of its TO Tariff within thirty (30) days of the issuance of this order, as discussed in the body of this order.

(C) Edison's TO Tariff is designated as follows: FERC Electric Tariff, Second Revised Volume No. 6, Sheets 1- 95 (Supersedes First Revised Volume No. 6).

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

²⁸See Central Hudson Gas & Electric Corporation, 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992).