

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION
103 FERC ¶ 61,240

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

Pacific Gas and Electric Company

Docket Nos. ER03-666-000
and ER03-409-000

ORDER ACCEPTING FOR FILING AND SUSPENDING REVISED
TRANSMISSION AGREEMENTS, ESTABLISHING HEARING PROCEDURES,
AND CONSOLIDATING PROCEEDINGS

(Issued May 27, 2003)

1. In this order, we accept for filing eleven proposed revised transmission agreements for certain existing transmission customers,¹ suspend them for five months, to be effective October 28, 2003, subject to refund, and consolidate them with the ongoing proceeding involving Pacific Gas and Electric Company's (PG&E's) Transmission Owner (TO6) Tariff in Docket No. ER03-409-000.² This order benefits customers because it will ensure that PG&E's transmission rates are just and reasonable.

Background

2. In the instant filing, PG&E proposes to convert the "subfunctionalized" rate methodology under certain existing transmission agreements to a high/low voltage methodology used by the California Independent System Operator Corporation (CAISO) Tariff and by PG&E under its TO Tariff. PG&E also proposes to increase the cost-based

¹The affected customers are: San Francisco Bay Area Rapid Transit District (BART); California Department of Water Resources (CDWR); City and County of San Francisco (San Francisco); Minnesota Methane, LLC; Modesto Irrigation District (Modesto); Sacramento Municipal Utility District (SMUD); Transmission Agency of Northern California (TANC); Turlock Irrigation District (Turlock); and Western Area Power Administration/Sonoma County Water Agency.

²See Pacific Gas and Electric Company, 102 FERC ¶ 61,270 (2003).

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rates for these same customers to reflect its current costs of providing wholesale transmission service. PG&E states that the proposed rate changes represent an approximate rate increase of \$17 million to these customers. The cost support provided by PG&E is identical to the cost-of-service data filed in its TO6 Tariff proceeding. Accordingly, PG&E requests that the Commission consolidate issues related to its proposed cost-of-service study with the TO6 Tariff proceeding and establish a separate hearing for issues associated with its proposed rate design.

Notice and Intervention

3. Notice of PG&E's filing was published in the Federal Register, 68 Fed. Reg. 17,037 (2003), with comments, protests, and interventions due on or before April 18, 2003.
4. Timely unopposed motions to intervene raising no substantive issues were filed by: Northern California Power Agency (NCPA); Southern California Edison Company; SMUD; and the Cities of Redding and Santa Clara, California, together with the M-S-R Public Power Agency. The Public Utilities Commission for the State of California filed a notice of intervention raising no substantive issues.
5. The following parties filed timely motions to intervene and protests: Turlock; CDWR; TANC; State Water Contractors and the Metropolitan Water District of Southern California; Modesto; San Francisco; and BART.
6. On May 5, 2003, PG&E filed an answer to the protests.

Discussion

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2003), the timely, unopposed motions to intervene and the notice of intervention referenced above serve to make the entities filing them parties to this proceeding.
8. We will reject PG&E's answer as an impermissible answer to a protest.³

³See 18 C.F.R. § 385.213(a)(2) (2003).

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Positions of the Parties

9. Several parties argue that PG&E's proposal to change the rate design of Existing Transmission Contract (ETC) customers to conform with the high/low voltage methodology used under the CAISO and TO Tariffs is unjust and unreasonable. They contend that PG&E fails to demonstrate any comparability between ETC services and PG&E's high voltage services. For example, TANC argues that its service under the South of Tesla Principles (SOTP) agreement is a customer-specific contract concerning "subfunctionalized" costs⁴ associated with a small portion of PG&E's transmission grid. TANC contends that, under PG&E's proposed rate design, it would be assessed costs for facilities that it does not need or use. TANC argues that PG&E has offered no explanation for why charging it for additional costs is warranted or reasonable.

10. CDWR argues that the Commission should reject PG&E's filing because PG&E fails to provide adequate data to support the \$12 million rate increase. CDWR further contends that PG&E fails to recognize the benefit of the in-kind grid support that CDWR provides for approximately one-third of the capacity rating on Path 15. CDWR asserts that the Commission should require PG&E to provide a cost/benefit analysis to permit a determination of whether the proposed increase to transmission service is just and reasonable.

11. Intervenors also argue that PG&E failed to include detailed work papers showing how it projected Coincident Peak (CP) demands in Period II. In this regard, TANC alleges that PG&E over-allocated high voltage revenue requirements to TANC and other ETCs.

12. Several intervenors object to PG&E's proposed cost-of-service study. Among other things, they object to PG&E's proposed forecasted capital additions; shorter depreciation periods for recently constructed facilities; return on equity; and forecasted increases to transmission O&M and A&G expenses.⁵

⁴Currently, PG&E allocates costs to ETC customers based on their contribution to PG&E's five subfunctions: backbone transmission (generally, facilities rated above 200 kV); area transmission (facilities below 200 kV); generation tie; interconnection; and directly assignable facilities.

⁵The arguments raised by the various parties mirror the cost-of service concerns raised in PG&E's TO6 Tariff proceeding, currently being litigated in Docket No. ER03-

(continued...)

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13. BART argues that PG&E failed to meet the West Texas⁶ guidelines for a one-day suspension. San Francisco objects to PG&E's proposed effective date, and requests that the Commission postpone the effective date of the rate changes in the instant proceeding until the Commission issues an order adopting just and reasonable rates in Docket No. ER03-409-000, or, if that fails, to alternatively suspend these rates to become effective after the effective date of PG&E's TO6 rates.

Commission Findings

14. Our preliminary review of PG&E's filing indicates that the proposed rate changes have not been shown to be just and reasonable, and may result in rates that are unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. In addition, we find that PG&E's proposed rate changes in this proceeding may yield substantially excessive revenues. Accordingly, we will accept PG&E's proposed rate changes for filing, suspend them for five months, to become effective October 28, 2003, subject to refund, and set them for hearing.

15. We also find that there are common issues of law and fact in this proceeding and in PG&E's TO6 Tariff proceeding. Therefore, we will consolidate Docket No. ER03-666-000 with the ongoing proceeding in Docket No. ER03-409-000.

16. Regarding PG&E's proposed changes to the rate design to ETCs, we find that the presiding judge will be best positioned to determine whether a separate hearing is appropriate to resolve issues pertaining to PG&E's proposed rate design to the ETCs.

The Commission orders:

(A) PG&E's proposed revised transmission agreements are hereby accepted for filing and suspended for a five-month period, to become effective October 28, 2003, subject to refund.

⁵(...continued)
409-000.

⁶See West Texas Utilities Company, 18 FERC ¶ 61,189 at 61,374 (1982) (West Texas), where we explained that when our preliminary examination indicates that proposed rates may be unjust and unreasonable, and may be substantially excessive, we would generally impose a five-month suspension.

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(B) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by Section 402(a) of the Department of Energy Organization Act and by the Federal Power Act, particularly Sections 205 and 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the Federal Power Act (18 C.F.R. Chapter I), a public hearing shall be held in Docket No. ER03-666-000 concerning the justness and reasonableness of PG&E's proposed rates, as discussed in the body of this order;

(C) This proceeding is hereby consolidated with the ongoing proceeding in Docket No. ER03-409-000 for purposes of hearing and decision.

(D) The presiding judge designated to preside in Docket No. ER03-409-000 should determine the procedures best suited to accommodate the consolidation of this docket and Docket No. ER03-409-000.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.