

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Pacific Gas and Electric Company

Docket Nos. ER03-300-000 and  
ER03-300-001

ORDER ACCEPTING TARIFF REVISIONS

(Issued April 10, 2003)

1. In this order, we accept annual updates and revisions to three balancing accounts under Pacific Gas and Electric Company's (PG&E) Transmission Owner Tariff (TO Tariff), effective January 1, 2003.<sup>1</sup>

**I. Background**

2. PG&E files annual updates to its Transmission Revenue Balancing Account Adjustment (TRBAA), Reliability Services Balancing Account (RSBA) and Transmission Access Charge Balancing Account Adjustment (TACBAA), pursuant to Section 5 of its TO Tariff. Generally, each account reflects the principal balance in the account as of September 30 of the year prior to the commencement of the January billing cycle, a forecast of annual billings from the California Independent System Operator Corporation (ISO) and the interest balance on the account. The resultant rate for each account is then determined by dividing these components by either the metered load or a forecast of deliveries.

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<sup>1</sup>Annual updates and rate revisions were made to the following balancing accounts: (1) the Transmission Revenue Balancing Account Adjustment (TRBAA) and the associated Transmission Revenue Requirement, (2) the Reliability Services Balancing Account (RSBA), and (3) the Transmission Access Charge Balancing Account Adjustment (TACBAA).

3. In this filing, in addition to making annual updates, PG&E seeks to adjust its three balancing accounts to implement the findings in Opinion Nos. 458 and 459, which were issued by the Commission on August 5, 2002. In Opinion No. 458,<sup>2</sup> the Commission denied Participating Transmission Owners (Participating TOs) the recovery of certain transmission and ancillary service-related costs through the TRBAA. In compliance with this Opinion, PG&E has removed all Scheduling Coordinator costs associated with existing transmission contracts from the TRBAA for ratemaking purposes. In Opinion No. 459,<sup>3</sup> the Commission denied PG&E the recovery of new Reliability Services charges from existing transmission contract and TO Tariff wholesale customers. Opinion No. 459 also approved a partial settlement which allowed PG&E to continue to recover charges for reliability services from PG&E's retail customers under its TO Tariff.<sup>4</sup>

4. On February 12, 2003, PG&E filed an errata to correct inadvertent errors to certain tariff sheets.

## **II. Notice of Filing and Pleadings**

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<sup>2</sup>See Pacific Gas and Electric Company, et al., 100 FERC ¶ 61,156 reh'g denied, 101 FERC ¶ 61,151 (2002).

<sup>3</sup>See Pacific Gas and Electric Company, 100 FERC ¶ 61,160 reh'g denied, 101 FERC ¶ 61,139 (2002) .

<sup>4</sup>Additionally, Opinion No. 459 did not rescind a pre-existing agreement between PG&E and the Public Utilities Commission of California that allows PG&E to recover from its retail transmission customers any Reliability Services costs that FERC determines may not be recovered from wholesale transmission customers.

5. Notice of PG&E's filing was published in the Federal Register, 68 Fed. Reg. 553 (2003), with comments, protests, and interventions due on or before January 10, 2003. Notice of PG&E's errata was published in the Federal Register, 68 Fed. Reg. 8289 (2003), with comments, protests, and interventions due on or before February 24, 2003.

6. The Metropolitan Water District of Southern California; the Sacramento Municipal Utility District; the Northern California Power Agency; Southern California Edison Company; Turlock Irrigation District; the California Electricity Oversight Board; the Transmission Agency of Northern California; the City and County of San Francisco (San Francisco) and the ISO filed timely motions to intervene. The Public Utilities Commission of the State of California filed a timely notice of intervention.

7. The Modesto Irrigation District, and the Cities of Redding and Santa Clara, California and the M-S-R Public Power Agency (collectively, Joint Movants) filed timely motions to intervene and comments. The California Department of Water Resources State Water Project (DWR) filed a timely motion to intervene and protest.

8. On February 12, 2002, PG&E filed an answer.

### **III. Discussion**

#### **A. Procedural Matters**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2002), the notice of intervention and the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

10. Under Rule 213 (a)(2) of the Commission's Rules of Practice and Procedure,<sup>5</sup> an answer may not be made to a protest unless otherwise permitted by the decisional authority. We will permit PG&E's answer because it aids in clarifying certain issues as discussed below.

#### **B. Transmission Revenue Balancing Account Adjustment**

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<sup>5</sup>See 18 C.F.R. § 385.213 (a)(2)(2002).

1. The TRBAA is the mechanism by which Transmission Revenue Credits associated with transmission service from the ISO are flowed through to transmission customers, through a negative rate. PG&E states that the proposed revisions to the TRBAA are intended to reflect: (1) its annual revision of the TRBAA rate for retail service rendered on and after January 1, 2003; and (2) the revised High Voltage and Low Voltage transmission revenue requirements for use by the ISO to calculate the ISO Transmission Access Charge rates, specifically the 2003 High Voltage Access Charges and Transition Charges under the ISO Tariff.
2. The new TRBAA rate consists of the TRBA balance as of September 30, 2002 (\$145.5 million credit), the interest on the TRBA balance (\$9.5 million credit), and the forecasted 2003 TRBA amount (\$22.9 million credit). PG&E states that the proposed TRBAA revenue requirement is approximately \$34 million higher than the previous year's net debit due primarily to the removal of Scheduling Coordinator costs from the TRBA. This results in a proposed TRBA rate of negative \$0.00230 per kWh as compared to the present rate of negative \$0.00145 per kWh.
3. PG&E has revised its TRBAA consistent with the requirements of the TO and ISO Tariffs, and with Opinion No. 458. Therefore, we will accept PG&E's proposed tariff sheets reflecting the proposed revisions to the TRBAA.

### **C. Reliability Services Balancing Account Charge**

4. According to Section 5.6 of the TO Tariff, RSBA rates consist of three components: the principal balance in the RSBA as of September 30 of the prior year, a forecast of reliability services costs in the coming year by the ISO, and the interest amount associated with the balance. In addition, consistent with the Commission's findings in Opinion No. 459 and the terms of the partial settlement, PG&E proposes to also include two other components to calculate RSBA rates: the Reliability Services refunds to existing transmission contract customers and the interest on Reliability Services refunds.
5. PG&E's proposed Reliability Services rates are consistent with the TO Tariff and Opinion No. 459. Specifically, PG&E has included an amount of approximately \$37 million to the RSBA which reflects the amounts to be refunded to wholesale customers and collected through the Retail TRBA. Accordingly, we will accept PG&E's proposed tariff sheets reflecting the proposed revisions to the RSBA.

### **D. Transmission Access Charge Balancing Account Adjustment**

6. The TACBAA is designed to ensure that the costs shifted from new PTOs to existing PTOs will be recovered from PG&E's end-use customers. PG&E states that the 2003 TACBAA rate was developed by combining the TACBA balance as of September 30, 2002 (\$5.3 million), the forecast of net Transmission Access Charge cost-shift amounts for 2003 (\$18.2 million) and the interest on the balance (\$0.172 million), and dividing the sum by PG&E's gross load. The result is a 2003 TACBAA rate of \$0.00031/kWh. PG&E explains, however, that, under California law, rates to its retail customers remain frozen at this time. Therefore, PG&E is not requesting that the TACBAA rate be made effective at this time, but states that the TACBAA rate has been filed for illustrative purposes.

#### E. Clarification Regarding PG&E's Obligation to Make TRBAA Refunds

11. The Joint Movants request a clarification of the following passage, as found on page 3 of PG&E's Transmittal Letter (emphasis added):

In anticipation of bankruptcy court approval, PG&E has constructed the Retail TRBAA rate to refund the estimate of over-collected amounts associated with Existing Transmission Contract Scheduling Coordinator (SC) costs through the operation of the 2003 TRBAA rate. Any true-up of this estimated refund will be made in subsequent TRBAA update filings. For the Wholesale refund PG&E has, in compliance with the ISO Tariff, removed from both the existing transmission contract and SC costs and the corresponding over-collected revenues from the 2003 TRBAA used in the calculation of High Voltage Access Charge and Transitions Charge as well as in the calculation of Wheeling Access Charges and PG&E's Low Voltage Access Charge. The ISO has indicated that it prefers to make cash refunds to Wheeling customers and other PTOs rather than through the operation of the TRBAA.

Joint Movants question whether or not the method for making TRBA refunds, as specified in the last sentence of the above passage, will also be utilized in making Reliability Services refunds to existing transmission contract customers. Joint Movants argue that PG&E intends

that the ISO is going to make Reliability Services refunds to transmission customers, instead of PG&E. Accordingly, Joint Movants request the Commission to clarify that it is PG&E's obligation to make Reliability Services refunds to transmission customers, as ordered by the Commission in Opinion No. 459, and not the ISO's.

7. In its answer, PG&E clarifies that the passage referenced by the Joint Movants pertains to TRBA refunds, and not Reliability Services refunds. PG&E further states that, on November 25, 2002, it filed a motion for extension of time to file a Reliability Services refund report in order to obtain the requisite approval from the bankruptcy court for refunds that pre-date PG&E's initial bankruptcy filings. On February 6, 2003, PG&E asserts that the bankruptcy court granted PG&E approval to make Reliability Services refunds to existing transmission contract customers, consistent with Opinion No. 459.

12. We accept PG&E's clarification and find that the Joint Movants misinterpreted PG&E's intentions with respect to Reliability Services refunds. Therefore, consistent with our prior finding, PG&E is directed to make all necessary refunds.

#### F. PG&E's Reliability Services Costs

13. The DWR protests PG&E's filing to the extent it attempts to impose Reliability Services costs on TO Tariff wholesale customers. In support of its concern regarding the possible allocation of Reliability Services costs to TO Tariff wholesale customers, DWR notes that several revised tariff sheets filed by PG&E each reference a Reliability Services Charge that, according to Sheet No. 58, is part of "Access Charges for Wholesale Transmission and Reliability Services."

14. The DWR also raises a second concern: in the initial PG&E Reliability Services case in Docket No. ER00-2360-000, both PG&E and the ISO conceded that double billing by the ISO occurred under the previous Reliability Services rate. Furthermore, DWR states that the ISO has not yet offered any record evidence to show that any Reliability Must-Run unit has ever voluntarily credited back billings to mitigate this acknowledged double billing. Accordingly, DWR requests that the Commission summarily reject PG&E's proposal or set disputed matters for hearing.

15. In its answer, PG&E acknowledges that it inadvertently erred in labeling the revised tariff sheets referenced by DWR. Therefore, on February 12, 2002, PG&E filed an errata

and included replacement tariff sheets to delete unintended references to Reliability Services payment obligations for wholesale transmission customers.<sup>6</sup>

16. Our review indicates that PG&E's replacement tariff sheets do not include any provision for the recovery of Reliability Services costs from TO Tariff wholesale customers. Therefore, DWR's concerns over the allocation of Reliability Services costs to TO Tariff wholesale customers will be dismissed.

17. With respect to the DWR's concern relating to the possible double billing of Reliability Services costs, we note that PG&E's refund obligation to wholesale customers for Reliability Services costs should moot any past potential double recovery. Therefore, DWR's concerns over double billing are dismissed.

#### G. Waiver

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<sup>6</sup>PG&E also filed a replacement tariff sheet for Fourth Revised Sheet No. 57 to reflect that the cost allocations contained therein are in regard to 2003 costs and not 2002 costs.

18. PG&E requests waiver of the Commission's 60-day prior notice requirement to permit the proposed tariff sheets to become effective January 1, 2003. In support of this request, PG&E states that, because this filing seeks an effective date that is prescribed by a pre-existing agreement on file with and accepted by the Commission, waiver of notice is appropriate in this instance. We will grant PG&E's request for waiver, and allow the proposed tariff sheets to become effective January 1, 2003.<sup>7</sup>

The Commission orders:

PG&E's proposed TRBAA and RSBA updates to its TO Tariff, as amended, are hereby accepted for filing, effective January 1, 2003.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

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<sup>7</sup>See Central Hudson Gas & Electric Corporation, et al., 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992).