

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Pacific Gas and Electric Company

Docket No. ER06-836-002

ORDER GRANTING MOTION TO MODIFY EFFECTIVE DATE OF REVISIONS TO
TRANSMISSION OWNER TARIFF

(Issued October 17, 2006)

1. On September 12, 2006, Pacific Gas and Electric Company (PG&E) filed a motion to modify the effective date of revisions to its Transmission Owner Tariff (TO Tariff) reflecting a rate change in its Transmission Revenue Balancing Account Adjustment (TRBAA),¹ which was accepted by the Commission by order issued in this proceeding on August 31, 2006.² In this order, the Commission grants the motion to modify the effective date of the TRBAA rate change to January 1, 2007.

Background

2. In the August 31 Order, the Commission accepted PG&E's TO Tariff revisions,³ in which it proposed to recover, through its TRBAA, the difference between the costs it incurred as the Scheduling Coordinator for its Existing Transmission Contracts (ETCs) and the revenues it received from ETC customers (ETC Cost Differentials), effective September 1, 2006.

¹ The TRBAA is the mechanism by which transmission revenue credits associated with transmission service from the CAISO are flowed through to transmission customers under PG&E's TO Tariff.

² *Pacific Gas and Elec. Co.*, 116 FERC ¶ 61,202 (2006) (August 31 Order).

³ For a detailed summary of the history and mechanics of the TO tariff revisions *see id.* at P 2-14.

PG&E's Motion

3. In its motion, PG&E states that it was unable to implement the TRBAA rate change on September 1, 2006, and requests the Commission's permission to implement the rate change on January 1, 2007 instead. PG&E explains that it is modifying its computers to streamline and improve its billing and payment systems, and that, due to these modifications, its ability to make changes to its rates is limited. PG&E states that, before new rates can be implemented, it must perform a series of testing procedures, which take at least ten days. PG&E states that it was not able to initiate the testing procedures with enough advance notice to allow implementation of the changes effective September 1, 2006, as provided in the August 31 Order.
4. PG&E requests the Commission's permission to implement the changes on January 1, 2007 to avoid the effect of multiple rate adjustments on its customers and to coordinate the TRBAA rate adjustment with other adjustments, which occur annually on January 1. PG&E also states that it will provide revised TO Tariff sheets reflecting the new effective date when it files its regularly scheduled TRBAA rate update filing in mid-October 2006.
5. On September 25, 2006, the California Department of Water Resources State Water Project (SWP) filed an answer to PG&E's motion, stating that, although SWP does not oppose the motion, approval of PG&E's request should be conditioned on certain clarifications. First, SWP states that PG&E should specify the time period over which the ETC Cost Differentials will be recovered.⁴ Second, SWP questions whether the rates to be assessed will remain unchanged, and requests a quantification of any change in revenue to be collected as a result of a shorter recovery period. Finally, SWP states that the Commission should direct PG&E to explain whether the requested delay in the effective date will affect accrued interest, and if so, direct that PG&E not assess such additional interest on ratepayers.
6. On September 27, 2006, PG&E filed an answer stating that, if its motion is granted, it will recover the ETC Cost Differentials from January 1, 2007 through December 31, 2009, which reduces the recovery period from 40 to 36 months. PG&E also states that it is not seeking to change the TRBAA rate, and thus that it plans to collect only 90 percent (*i.e.*, 36/40) of the revenues approved in the August 31 Order over the 36-month recovery period. PG&E adds that, as originally proposed in its tariff revision, any ETC Cost Differential balance remaining on December 31, 2009 will be added to the overall TRBAA balance.

⁴ Under the tariff revision, as accepted in the August 31 Order, PG&E will recover the ETC Cost Differentials through the TRBAA over a 40-month period, from September 1, 2006 to December 31, 2009.

7. Regarding accrued interest, PG&E states that the revenue it does not collect during the four-month delay will be retained by its customers while it will continue to carry the burden of the uncollected costs. PG&E also states that it will not benefit from the requested deferral of the effective date, because the TRBAA adjustment simply passes through its costs (some incurred more than seven years ago), and that it earns no return from the implementation of the TRBAA adjustment rate. Therefore, PG&E states, the Commission should reject SWP's request that PG&E not be allowed to charge customers for any additional accrued interest resulting from the deferral in the effective date. However, PG&E states, if the Commission determines that additional interest should not be charged to customers, then the Commission should allow PG&E to withdraw its request for delay of the effective date of the wholesale TRBAA rate change to minimize the financial impact on PG&E.

Commission Determination

8. The Commission finds that good cause exists to grant PG&E's motion to modify the effective date of its TRBAA rate change to January 1, 2007, and that PG&E's answer reasonably clarifies the issues raised by SWP.

9. PG&E explains that it is in the process of modifying its billing and payment systems and that before new rates can be implemented, it must perform tests of its systems. PG&E also explains that these tests take at least ten days to implement and that it did not have sufficient time to conduct the appropriate tests and implement the rate changes by September 1, 2006.⁵ We find it reasonable to conduct testing when modifications are made to computer systems. Additionally, we find reasonable PG&E's explanation that it seeks deferral of the effective date to avoid the effect of multiple rate adjustments on its customers and to coordinate the TRBAA rate adjustment with other adjustments, which occur annually on January 1.

10. In addition, we find PG&E's answer responsive to SWP's request for clarifications. First, in response to SWP's request for PG&E to specify the time period over which the ETC Cost Differentials will be recovered, PG&E states that that period will be from January 1, 2007 through December 31, 2009. Second, regarding SWP's request for clarification about whether the rates will be changed and for a quantification of any change in the revenue to be collected, PG&E indicates that it is not seeking to change the TRBAA rate and that it plans to collect only 90 percent, 36/40ths, of the revenues approved in the August 31 Order, over the new recovery period. Finally with

⁵ It should be noted that the order accepting the tariff revisions was issued on August 31, 2006, with an effective date of September 1, 2006. It is not unreasonable, in view of the systems modifications needed, that PG&E would need time to implement the tariff revisions.

regards to SWP's questions about additional accrued interest as a result of the deferral, the revenues that PG&E does not collect during 2006 will be retained by its customers. Consistent with Commission policy regarding refunds, PG&E should be allowed to recover the accrued interest associated with those costs.⁶

11. For the reasons stated above, we grant PG&E's motion to defer the effective date of the change to its TRBAA rates, accepted in the August 31 Order, until January 1, 2007.

The Commission orders:

(A) PG&E's request to defer the effective date of the revisions to its TO Tariff, to January 1, 2007 is hereby granted, as discussed in the body of this order.

(B) PG&E is hereby directed to submit revised TO Tariff sheets reflecting the new effective date when it files its next regularly scheduled TRBAA rate update filing.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁶ This is consistent with Commission policy with respect to payment of interest by public utilities on refunds for overcollections, calculated pursuant to section 35.19a of the Commissions Regulations, 18 C.F.R. § 35.19a (2006); *see Wash. Urban League v. FERC*, 886 F.2d 1381, 1386 (3d Cir. 1989); *S. Ill. Power Coop., Inc. v. Midwest Indep. Trans. Sys. Operator, Inc.*, 116 FERC ¶ 61,117, at P 20 (2006); *Central Power and Light Co.*, 98 FERC ¶ 61,069, at 61, 185 (2002).