

125 FERC ¶ 61,261  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 4, 2008

In Reply Refer To:  
Pacific Gas and Electric Company  
Docket No. ER09-34-000

Pacific Gas and Electric Company  
Law Department  
P.O. Box 7442  
San Francisco, CA 94120

Attention: Mark D. Patrizio  
Attorney for Pacific Gas & Electric Company

Reference: Transmission Owner Tariff Balancing Account Revisions

Dear Mr. Patrizio:

1. On October 6, 2008, Pacific Gas and Electric Company (PG&E) proposed rate changes to its Transmission Owner Tariff (TO Tariff). PG&E's proposed changes include annual updates for its Transmission Revenue Balancing Account Adjustment<sup>1</sup> and its Reliability Services<sup>2</sup> rates, and updated rates and adjustments for the End-Use Customer Refund Adjustment.<sup>3</sup>
2. PG&E seeks to broaden certain definitions related to its transmission revenue balancing account adjustment and reliability services balancing account (Reliability

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<sup>1</sup> PG&E explains that the effective Transmission Revenue Balancing Account Adjustment rate will rise from \$0.00008/kWh in 2008 to \$0.00021/kWh in 2009.

<sup>2</sup> PG&E explains that the 2009 Reliability Services rates will be based on a total revenue requirement of \$35,584,392, down from the 2008 revenue requirement of \$57,946,570.

<sup>3</sup> PG&E explains that it will refund a total amount of \$90,047,834 through the End-Use Customer Refund Adjustment.

Account) to allow future California Independent System Operator Corporation (CAISO) charges and credits associated with these accounts to be recoverable without the need to amend PG&E's TO Tariff.

3. PG&E requests an effective date of January 1, 2009, for the updated rate adjustments based on the TO-10 transmission revenue requirement. However, on March 1, 2009, PG&E's base transmission rates will change from its TO-10 rates to its TO-11 rates, which have a different revenue requirement.<sup>4</sup> PG&E requests a March 1, 2009 effective date for the adjustments based on the TO-11 revenue requirement. Thus, PG&E requests that the Commission waive section 35.3 of its regulations to permit this filing to be made more than 120 days in advance of the proposed March 1, 2009, effective date for the TO-11 rates.<sup>5</sup>

4. Notice of PG&E's filing was published in the *Federal Register* with comments due on or before October 27, 2008.<sup>6</sup> Timely motions to intervene were filed by the Northern California Power Agency and the California Department of Resources, State Water Project. Timely motions to intervene and protest were filed by the City of Santa Clara, California doing business as Silicon Valley Power and the M-S-R Public Power Agency (Santa Clara). The Modesto Irrigation District (MID) filed a separate motion to intervene and protest, and adopted and incorporated Santa Clara's protest as its own. PG&E filed an answer to the protests.

5. While Santa Clara and MID generally do not oppose PG&E's request for more efficient cost recovery, they protest PG&E's proposed changes to the definition of the Reliability Account. Santa Clara and MID state that PG&E's proposal to eliminate the list of specific costs and the capitalized, defined term "Reliability Services Costs," could allow PG&E to include costs in that account that are not "Reliability Services Costs" as that term is used and defined in CAISO's tariff. Santa Clara and MID claim that the listing of costs in the currently-effective definition protects ratepayers by limiting the universe of costs that can be classified as "Reliability Services Costs." In order to ensure the continuation of ratepayer protection as well as to give effect to PG&E's asserted efficiency goals, Santa Clara and MID propose the following modified language to tie

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<sup>4</sup> See *Pacific Gas and Electric Co.*, 124 FERC ¶ 61,305 (2008) (setting PG&E's TO-11 filing for hearing and settlement procedures); *Pacific Gas and Electric Co.*, 125 FERC ¶ 61,084 (2008) (approving settlement of the TO-10 filing).

<sup>5</sup> 18 C.F.R. § 35.3(a) (2008).

<sup>6</sup> 73 Fed. Reg. 65,597 (2008).

PG&E's definition to the CAISO Tariff's "Reliability Services Costs." To the extent it is inclined to grant PG&E's conceptual request, Santa Clara and MID request the Commission require PG&E to make the following change to its TO Tariff revision:

**3.83 Reliability Services Balancing Account ("RSBA")**. A mechanism to ensure that all transmission related Reliability Services Costs, as that term is defined in the Master Definitions Supplement, Appendix A to the currently effective ISO Tariff, which are deemed by the ISO as necessary to maintain reliable electric service in the ISO Control Area and whose costs are billed to the Participating TO by the ISO pursuant to the ISO Tariff, [text deleted] are allocated to and received from End-Use Customers, TO Tariff Wholesale Customers, and Existing Contract customers to which PG&E's Reliability Services Tariff (or reliability services-related contract amendments apply), withdrawing Energy from the ISO Controlled Grid, on the Participating TO's transmission system. [text deleted]<sup>7</sup>

6. In addition, Santa Clara and MID believe that similar changes are necessary regarding PG&E's proposed revisions to TO Tariff section 15. Santa Clara and MID state that modifications to the proposed language would similarly ensure that PG&E's efficiency goal is satisfied, but limit the pass-through of costs to those costs approved by the Commission as "Reliability Services Costs," defined in CAISO's Tariff. To the extent it is inclined to grant PG&E's conceptual request, Santa Clara and MID request the Commission require PG&E to make the following change:

**15. Recovery of Reliability Service Costs.** All Reliability Services Costs payable by a Participating TO shall be recovered from End-Use Customers, TO Tariff Wholesale Customers, and Existing Contract customers who take service under the Reliability Services Tariff or a Reliability Services Rate Schedule in their Existing Contracts, whichever is applicable, withdrawing Energy from the ISO Controlled Grid on the Participating TO's transmission system. Reliability services billed to the Participating TO by the ISO include costs which are deemed by the ISO as necessary to maintain reliable electric service in the ISO Control Area pursuant to the ISO Tariff and are defined as "Reliability Services Costs" in the Master Definitions Supplement, Appendix A to the currently effective ISO Tariff. [text deleted]<sup>8</sup>

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<sup>7</sup> Santa Clara, October 27, 2008, Motion to Intervene and Protest at 6.

<sup>8</sup> *Id.* at 7.

7. In its answer, PG&E states that it does not oppose Santa Clara and MID's revisions to sections 3.83 and 15 because the revisions accomplish PG&E's goal of allowing PG&E to pass through costs defined in the CAISO Tariff as Reliability Services Costs, as the CAISO Tariff is amended from time to time. PG&E states that if Santa Clara and MID's proposed tariff language is accepted by the Commission, PG&E will make a compliance filing to revise TO Tariff Fourth Revised Sheet No. 19 and Second Revised Sheet No. 52 included in PG&E's October 6, 2008, filing.

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>9</sup> the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,<sup>10</sup> prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept PG&E's answer because it has provided information that assisted us in our decision-making process.

9. The Commission will conditionally accept PG&E's filing subject to PG&E's filing revised tariff sheets to incorporate the changes to sections 3.83 and 15 proffered by Santa Clara and MID. As pointed out by Santa Clara and MID, and not disputed by PG&E, the definitions should be tailored to allow PG&E to recover only those costs that may properly be classified in CAISO's tariff as Reliability Services Costs.

10. The Commission grants PG&E's request for waiver of section 35.3 of the Commission's regulations to file certain of its rate schedules early.<sup>11</sup> As PG&E explains, the Commission's issuance of an order on the rate adjustments by December 5, 2008, will allow PG&E time to comply with certain California Public Utilities Commission regulations,<sup>12</sup> and allow PG&E to perform installation and testing of the new rates in PG&E's retail billing system. Accordingly, PG&E's filing is hereby accepted, effective

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<sup>9</sup> 18 C.F.R. § 385.214 (2008).

<sup>10</sup> 18 C.F.R. § 385.213(a)(2) (2008).

<sup>11</sup> 18 C.F.R. § 35.3(a) (2008).

<sup>12</sup> CPUC Resolution E-3930, which requires PG&E to submit its revised bundled retail rate design incorporating the new Commission-jurisdictional transmission rates and any other proposed CPUC-jurisdictional retail rate changes for approval by the CPUC concurrently or as soon as possible after a Commission ruling on the proposed Commission-jurisdictional rates.

January 1, 2009, for the TO-10 rate update adjustments, and March 1, 2009 for the TO-11 rate update adjustments, subject to PG&E's submitting revised tariff sheets reflecting Santa Clara and MID's proposed changes within 30 days of the issuance of this order.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.