

134 FERC ¶ 61,043
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Southern California Edison Company

Docket No. ER11-2178-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS, AS MODIFIED

(Issued January 20, 2011)

1. On November 23, 2010, Southern California Edison Company (SoCal Edison) filed revisions to its Transmission Owner Tariff (TO Tariff) to reflect the addition of three new incentive projects in the Construction Work in Progress (CWIP) ratemaking mechanism. These projects include the Eldorado-Ivanpah Transmission Project, the Lugo-Pisgah Transmission Project and the Red Bluff Substation Project. In this order, the Commission accepts SoCal Edison's proposed tariff revisions, as modified, to be effective December 1, 2010 and January 1, 2011.¹

I. Background

2. On October 1, 2009, SoCal Edison filed a Petition for Declaratory Order requesting authorization, pursuant to Order No. 679² for incentive ratemaking treatment for the Eldorado-Ivanpah Transmission Project (EITP).³ In an order issued on December 17, 2009,⁴ the Commission conditionally granted certain incentives to SoCal

¹ Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 1.1.0 to SoCal Edison's TO Tariff, effective December 1, 2010, and Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 3.0.0 to SoCal Edison's TO Tariff, effective January 1, 2011.

² *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222, *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 (2006), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

³ Docket No. EL10-1-000.

⁴ *Southern California Edison Co.*, 129 FERC ¶ 61,246 (2009) (EITP Incentives Order).

Edison subject to the California Independent System Operator Corporation's (CAISO) approval of this project through its transmission planning process and a finding that that the EITP will ensure reliability or reduce the cost of delivered power by reducing congestion. On August 3, 2010, SoCal Edison submitted a compliance filing to satisfy the condition established in the EITP Incentives Order. On October 29, 2010, the Commission issued an order⁵ stating that SoCal Edison had not satisfied the requirements for transmission incentives pursuant to section 219 of the Federal Power Act (FPA)⁶ and Order No. 679.⁷ However, the Commission granted SoCal Edison certain rate incentives on policy grounds under section 205 of the FPA,⁸ including but not limited to authorizing SoCal Edison to recover in its transmission rate base 100 percent of CWIP for EITP.

3. Further, on August 9, 2010 SoCal Edison filed a Petition for Declaratory Order requesting authorization, pursuant to section 219 of the FPA and Order No. 679, for incentive ratemaking treatment for the Lugo-Pisgah Transmission Project (Lugo-Pisgah) and the Red Bluff Substation Project (Red Bluff). In an order issued October 29, 2010,⁹ the Commission found that SoCal Edison had not satisfied the requirements of FPA section 219 and Order No. 679. However, the Commission granted SoCal Edison certain rate incentives on policy grounds under section 205 of the FPA, including but not limited to authorizing SoCal Edison to recover in its transmission rate base 100 percent of CWIP for Lugo-Pisgah and Red Bluff.¹⁰

II. SoCal Edison's Filing

4. In the instant filing, SoCal Edison states that it is amending its TO Tariff to reflect the addition of these three new incentive projects in the CWIP ratemaking mechanism. SoCal Edison explains that it has included two sets of tariff revisions in this filing, Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 1.1.0 to be effective December 1, 2010 and Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 3.0.0 to be effective January 1, 2011 or such other date that the

⁵ *Southern California Edison Co.*, 133 FERC ¶ 61,108, *reh'g denied* 133 FERC ¶ 61,254 (2010) (EITP 2010 Order).

⁶ 16 U.S.C. § 825s (2006).

⁷ Order No. 679, FERC Stats. & Regs. ¶ 31,222.

⁸ 16 U.S.C. § 824d (2006).

⁹ *Southern California Edison Co.*, 133 FERC ¶ 61,107, *reh'g denied* 133 FERC ¶ 61,255 (2010) (Lugo-Pisgah/Red Bluff Incentives Order).

¹⁰ *Id.* P 3.

CWIP rates filed by SoCal Edison in Docket No. ER11-1952-000¹¹ are made effective by the Commission. SoCal Edison clarifies that it is not proposing to change the proposed 2011 CWIP rate filed in Docket No. ER11-1952-000,¹² but is only adding these projects to the CWIP mechanism so that SoCal Edison can begin recording the eligible capital expenditures for these projects in the CWIP Balancing Account on December 1, 2010.

5. SoCal Edison proposes to utilize the currently effective CWIP base ROE and other cost of capital components accepted, subject to refund, in Docket No. ER10-160-000¹³ for the period beginning December 1, 2010. Beginning on January 1, 2011, or such other date the Commission makes the CWIP rates in Docket No. ER11-1952-000 effective, SoCal Edison proposes using the base ROE and other cost of capital components it proposed in that docket. SoCal Edison states that consistent with the adopted CWIP ratemaking mechanism, the base ROEs will be adjusted to reflect the ROE ultimately adopted for the respective periods and the balancing account entries will be trued up at that time.

III. Notice of Filings and Responsive Pleadings

6. Notice of SoCal Edison's filing was published in the *Federal Register*, 75 Fed. Reg. 76,710 (2010), with interventions and comments due on or before December 14, 2010.

7. Timely motions to intervene were filed by the California Department of Water Resources State Water Project, Sacramento Municipal Utility District, and Northern California Power Agency. Timely motions to intervene and comments were filed by the Transmission Agency of Northern California (TANC), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, Six Cities), the Cities of Redding and Santa Clara, California and the M-S-R Public Power Agency

¹¹ On December 29, 2010, the Commission issued an order in this docket accepting and suspending proposed rates, establishing a base return on equity (ROE) and setting all other CWIP-related issues for hearing and settlement judge proceedings. The order established an effective date of January 1, 2011 for these rates. *Southern California Edison Co.*, 133 FERC ¶ 61,269 (2010) (2011 CWIP Update Order).

¹² SoCal Edison proposed a base ROE of 11.5 percent for its CWIP ratemaking mechanism.

¹³ SoCal Edison's proposed base ROE for the 2010 CWIP Update in Docket No. ER10-160-000 is the subject of a pending paper hearing. *Southern California Edison Co.*, 129 FERC ¶ 61,304 (2009).

(collectively Cities/M-S-R), and Modesto Irrigation District (Modesto). SoCal Edison filed an answer on December 20, 2010.

8. Six Cities request that the Commission find that the base ROE reflected in the proposed tariff sections for EITP, Lugo-Pisgah, and Red Bluff be subject to future modifications according to the Commission's rulings regarding the base ROE component of SoCal Edison's CWIP Transmission Revenue Requirement (TRR) in Docket Nos. ER10-160-000 and ER11-1952-000.¹⁴ Additionally, Six Cities request that the Commission direct SoCal Edison to provide, in its next CWIP update filing for calendar year 2012, workpapers reflecting, in detail, the calculation of any true-up amount attributable to modifications to SoCal Edison's base ROE that are ordered by the Commission.¹⁵

9. Cities/M-S-R assert that it is important for continued transparency in SoCal Edison's CWIP ratemaking mechanism, and that the addition of three more projects to the CWIP ratemaking mechanism increases the need for transparency.¹⁶ Specifically, Cities/M-S-R argue that the CWIP ratemaking mechanism needs additional clarity so that customers can determine if the CWIP TRR is properly applying the various different ROEs and assigning the costs to the appropriate projects.¹⁷

10. Cities/M-S-R propose a specific tariff revision that they believe would provide greater clarity and transparency in how SoCal Edison calculates its annual CWIP TRR in the context of numerous projects. Cities/M-S-R argue that details should be added to explain how each individual project contributes to the overall CWIP TRR. Cities/M-S-R assert that currently the rate base for each project is forecasted separately and then multiplied by the rate of return associated with that project. The products of these two components for each project are then summed before being added to the amount included in the CWIP Balancing Account.¹⁸ Cities/M-S-R assert that SoCal Edison's tariff should segregate out by project the values for each project. Cities/M-S-R argue that the derivations of project-specific components of the overall CWIP TRR are not clearly provided in either SoCal Edison's annual CWIP Update filings or in the tariff itself. Cities/M-S-R assert that including these calculations within the tariff would not represent

¹⁴ Six Cities December 14, 2010 Comments at 1-2.

¹⁵ Six Cities December 14, 2010 Comments at 4.

¹⁶ Cities/M-S-R December 14, 2010 Comments at 12-13.

¹⁷ *Id.* at 14.

¹⁸ *Id.* at 16.

a particular burden to SoCal Edison because it must file updated tariff revisions every year in order to report a new CWIP TRR in Appendix I of its tariff.¹⁹

11. TANC states that it supports the comments submitted by Cities/M-S-R that highlight the importance of transparency of SoCal Edison's CWIP ratemaking mechanism. Additionally, Modesto states that it supports the arguments made by Six Cities and Cities/M-S-R.

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept SoCal Edison's answer and will, therefore, reject it.

B. Substantive Matters

14. On October 29, 2010, the Commission issued orders authorizing SoCal Edison to recover 100 percent of CWIP in rate base for EITP, Lugo-Pisgah, and Red Bluff and directed SoCal Edison to include CWIP for these projects in the stand-alone balance account mechanism previously approved by the Commission.²⁰ In compliance with the Commission direction, SoCal Edison is adding these three newly approved incentive projects to its CWIP ratemaking mechanism in the instant filing. SoCal Edison explains that it is not seeking to change rate levels but is only proposing tariff revisions in order to begin recording the capital expenditures for the three new incentives projects. SoCal Edison also explains that it did not include any estimates for the costs associated with these new incentives projects in its CWIP rates for 2011, which were filed in Docket No. ER11-1952-000. Therefore, we find that protestors' concerns regarding the methodology SoCal Edison uses to determine its CWIP TRR calculations are outside of the scope of this proceeding and should, instead, be pursued in the proceeding established by the Commission in the 2011 CWIP Update Order issued in Docket No. ER11-1952-000.

¹⁹ *Id.* at 17.

²⁰ Lugo-Pisgah/Red Bluff Incentives Order, 133 FERC ¶ 61,107 at P 79; EITP 2010 Order, 133 FERC ¶ 61,108 at P 90.

15. Further, we accept SoCal Edison's proposed tariff provisions with a December 1, 2010 effective date, with the base ROE subject to refund and subject to the outcome of the pending proceedings²¹ in Docket No. ER10-160-000 (SoCal Edison's 2010 CWIP Update Filing). In addition, because the 2011 CWIP Update Order established a base ROE of 10.3 percent, we accept SoCal Edison's proposed tariff provisions with an effective date of January 1, 2011, subject to SoCal Edison modifying the ROE to reflect the 10.3 percent. Accordingly, consistent with the directives in the 2011 CWIP Update Order, we direct SoCal Edison to submit, within 30 days of the issuance of this order, revised tariff provisions to reflect the Commission's establishment of a base ROE of 10.3 percent, effective January 1, 2011.

The Commission orders:

(A) SoCal Edison's proposed Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 1.1.0 to its TO Tariff is hereby accepted, effective December 1, 2010, subject to refund and subject to the outcome of the pending proceedings in Docket No. ER10-160-000.

(B) SoCal Edison's proposed Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 3.0.0 to its TO Tariff is hereby accepted, as modified, effective January 1, 2011.

(C) SoCal Edison is directed to submit a compliance filing within 30 days from the issuance of this order revising Appendix VIII – Construction Work In Progress Ratemaking Mechanism, 3.0.0 to reflect the use of a base ROE of 10.3 percent, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

²¹ In Docket No. ER10-2053-000, *et al.*, the Commission approved an Offer of Settlement that resolved all issues in Docket No. ER10-160-000 except for the base ROE issues. *See Southern California Edison Company*, 132 FERC ¶ 61,213 (2010).