

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 16, 2007

In Reply Refer To:
San Diego Gas & Electric Company
Docket No. ER07-336-000

San Diego Gas & Electric Company
101 Ash Street
San Diego, CA 92101

Attention: James F. Walsh
Attorney for San Diego Gas & Electric Company

Reference: Tariff Revisions to 2007 Reliability Services Costs

Dear Mr. Walsh:

1. In this order, we accept San Diego Gas & Electric Company's (SDG&E) proposed tariff revisions to its Transmission Owner (TO) Tariff, effective January 1, 2007, as requested, subject to SDG&E making a compliance filing.
2. On December 20, 2006, SDG&E submitted revisions to its TO Tariff to include its forecasted revenue requirement and proposed rates for the service year 2007 Reliability Service (RS) costs. With respect to the tariff revisions, SDG&E's filing proposes to revise its tariff to state that the purpose of the RS Rate Schedule is to "set forth rates to be charged by the Participating TO for the recovery of Reliability Services costs billed to the Participating TO by the ISO or costs directly incurred by SDG&E that enhance reliable grid operations and local area reliability."¹ SDG&E is the responsible utility for RS costs, *e.g.*, Reliability Must-Run, Out of Market, and Must Offer costs, which the California Independent System Operator Corporation (CAISO) pays to the owners of applicable generating facilities, as well as Incremental Procurement costs for generation

¹ SDG&E Jan. 19, 2007 Answer, Docket No. ER07-336-000, at 2-3.

procurement services that SDG&E incurs in support of transmission reliability.² In addition, SDG&E requests waiver of the 60-day notice requirement because its TO Tariff requires SDG&E to file its annual RS rates in December, one month prior to the month the proposed effective date for RS rates. SDG&E filed an errata to its filing on December 21, 2006.

3. SDG&E's filing was noticed on December 26, 2006, 72 Fed. Reg. 339 (2006), with comments, protests or interventions due on or before January 10, 2007. The California Public Utilities Commission (CPUC) filed a notice of intervention; and the California Electricity Oversight Board and the Northern California Power Agency filed timely motions to intervene. The M-S-R Public Power Agency and the City of Santa Clara, California, doing business as Silicon Valley Power (MSR/SVP), Transmission Agency of Northern California (TANC), and the Modesto Irrigation District (Modesto) filed timely motions to intervene and protest. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

4. On January 19, 2007, SDG&E filed an answer to the protests. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept SDG&E's answer because it has provided information that assisted us in our decision-making process.

5. MSR/SVP, TANC and Modesto (Protestors) argue that SDG&E's proposed revision to its definition of RS in its RS Rate Schedule is vague and could be interpreted to allow SDG&E to determine its own RS costs. The Protestors state that SDG&E's tariff language should be limited to billing RS costs actually billed to it by the CAISO

² *San Diego Gas & Elec. Co.*, Order Approving Uncontested Settlement, 114 FERC ¶ 61,158, *reh'g denied*, 115 FERC ¶ 61,078 (2006). SDG&E recovers its Incremental Procurement costs through a balancing account mechanism included in the RS Rate Schedule to its TO Tariff. *See* SDG&E Nov. 8 Offer of Settlement, Docket No. ER05-853-000, at 2; SDG&E TO Tariff § 15 and Appendix V. The Settlement allows SDG&E and other parties to file for modification of Incremental Procurement costs. *See* SDG&E Offer of Settlement § 2(d). In addition, SDG&E is required to make an annual filing to recover incurred and forecasted Incremental Procurement costs. SDG&E TO Tariff, Appendix VI, § 4; SDG&E Offer of Settlement § 2(d). SDG&E bears the burden of supporting its annual filing, and customers retain full rights to dispute the charges. SDG&E Offer of Settlement § 2(d).

and those costs incurred by SDG&E pursuant to CPUC Decision 04-07-028³ that enhance reliable grid operations and local area reliability. The Protestors request that the Commission reject SDG&E's proposed tariff language and order SDG&E to submit revisions to limit the scope of the RS definition.

6. In its answer, SDG&E states that it intended to allow recovery of only those costs invoiced by the CAISO for services that enhance reliable grid operations and local area reliability, as well as costs it incurs pursuant to the CPUC Decision. SDG&E states that it is willing to submit a compliance filing to clarify its original proposed tariff language. Also, SDG&E represents that the Protestors have authorized it to state that they support the modified tariff language SDG&E proposes in its answer.

7. The Commission finds that SDG&E's proposed tariff modification clarifying the RS costs it intends to recover eliminates the potential ambiguity raised by Protesters. Therefore, the Commission conditionally accepts SDG&E's proposed tariff revisions to its TO Tariff, effective January 1, 2007, subject to SDG&E making a compliance filing within fifteen (15) days from the date of this order to modify its tariff in accordance with the clarification proposed in its answer. In addition, the Commission finds good cause to grant the waiver of the Commission's 60-day prior notice requirement to permit the effective date requested by the CAISO.⁴

By direction of the Commission.

Magalie R. Salas,
Secretary.

³ CPUC Decision 04-07-028 allows SDG&E to recover costs that are incurred as a means of minimizing CAISO intra-zonal congestion costs in support of transmission reliability. *See Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning*, Docket No. R.04-04-003, D.04-07-028 (July 8, 2004), *on reh'g*, D.05-09-022 (September 8, 2005) (CPUC Decisions).

⁴ *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106 at 61,338, *reh'g denied*, 61 FERC ¶ 61,089 (1992) (finding waiver of notice generally appropriate when it is consistent with a tariff on file with the Commission).