

141 FERC ¶ 61,268  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Southern California Edison Company

Docket Nos. ER13-227-000  
ER13-246-000

ORDER CONDITIONALLY ACCEPTING TRANSMISSION OWNER TARIFF  
RELIABILITY SERVICES RATE REVISIONS AND EXISTING TRANSMISSION  
CONTRACT RELIABILITY SERVICE RATE CHANGES

(Issued December 31, 2012)

1. On October 31, 2012, in Docket No. ER13-227-000 Southern California Edison Company (SoCal Edison) filed revisions pursuant to section 35.13 of the Commission's Regulations<sup>1</sup> to its Transmission Owner (TO) Tariff to reflect an increase in its Reliability Services (RS) rate, to be effective January 1, 2013.<sup>2</sup> SoCal Edison also submitted, in a separate filing, changes to Existing Transmission Contracts (ETCs) to reflect the proposed changes in RS rates in Docket No. ER13-246-000.<sup>3</sup> This order conditionally accepts the revised RS rate and the proposed changes to the affected ETCs, effective January 1, 2013, as requested.

**I. Background and SoCal Edison's Filing**

2. The Reliability Services Balancing Account (RSBA) is designed to recover reliability services costs that SoCal Edison incurs from the California Independent System Operator Corporation (CAISO).<sup>4</sup> The RSBA tracks SoCal Edison's RS costs and RS revenues, and the overcollection or undercollection on a monthly basis. SoCal Edison explains that its proposed wholesale RS rates are developed using the same cost allocation methodology that SoCal Edison has utilized since 2006. That methodology changes wholesale RS rates by a percentage equal to the increase in SoCal Edison's

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<sup>1</sup> 18 C.F.R. § 35.13 (2012).

<sup>2</sup> SoCal Edison's October 31, 2012 Reliability Services Rate Revision Filing (SoCal Edison Rate Filing).

<sup>3</sup> SoCal Edison's October 31, 2012 ETC Filing (SoCal Edison ETC Filing).

<sup>4</sup> SoCal Edison states the only RS costs collected relate to Exceptional Dispatch Services.

average RS Revenue Requirement per kWh. SoCal Edison states that the 2013 RS Revenue Requirement is \$5.85 million, as compared to the currently-effective 2012 RS revenue requirement of \$2.23 million, an increase of \$3.62 million, or 162 percent. SoCal Edison explains that the increase includes the under-collected 2012 balance in the RSBA, which is \$2.46 million.<sup>5</sup>

3. SoCal Edison provides that the RS rates are assessed to retail and wholesale customers within its historical control area that are not Participating Transmission Owners (PTOs) in CAISO. SoCal Edison states that the City of Colton, California (Colton) is in the process of becoming a PTO in CAISO.<sup>6</sup> For this reason, SoCal Edison submits two sets of tariff revisions and statements reflecting RS rates corresponding to Colton's PTO status. Tariff Option A assumes Colton becomes a PTO, and Tariff Option B assumes Colton does not become a PTO. SoCal Edison requests that the Commission make effective the RS rates in Tariff Option A in anticipation that Colton will become a PTO.<sup>7</sup>

4. As noted above, SoCal Edison filed changes to ETCs to reflect the proposed changes in RS rates that SoCal Edison submitted in Docket No. ER13-227-000.<sup>8</sup>

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

5. Notice of SoCal Edison's filing in Docket No. ER13-227-000 was published in the *Federal Register*, 77 Fed. Reg. 67,356 (2012), with interventions and protests due on or before November 21, 2012. Timely motions to intervene were filed by the City of Colton, Trans Bay Cable LLC, and M-S-R Public Power Agency. A timely motion to intervene and limited protest was filed by the California Department of Water Resources State Water Project (SWP).

6. Notice of SoCal Edison's filing in Docket No. ER13-246-000 was published in the *Federal Register*, 77 Fed. Reg. 67,356 (2012), with interventions and protests due on or

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<sup>5</sup> Berton J. Henson Test. at 7:13-14.

<sup>6</sup> The CAISO Board has approved the application and submitted a revised Transmission Control Agreement (TCA), which was accepted by the Commission in Docket No. ER13-71-000. The Commission has also accepted Colton's Transmission Revenue Requirement and TO Tariff for filing and established hearing and settlement judge procedures. *City of Colton, Cal.*, 141 FERC ¶ 61,217, at P1 (2012).

<sup>7</sup> SoCal Edison Rate Filing at 4.

before November 21, 2012. Timely motions to intervene were filed by Colton and M-S-R Public Power Agency.

7. On December 4, 2012, SoCal Edison filed an answer to SWP's protest. On December 19, 2012, SWP filed an Answer to SoCal Edison's Answer.

**A. SWP Protest**

8. SWP does not dispute SoCal Edison's proposed \$5.85 million Revenue Requirement; however, it argues that the rounding component of SoCal Edison's rate design yields a wholesale RS rate that is unjust and unreasonable.<sup>9</sup> SWP explains that SoCal Edison calculates its wholesale RS rate annually by applying the percentage change in its average RS cost per kWh compared to the previous year, to the applicable RS rate in effect in that previous year. Since the previous year's RS rate has been rounded to the fifth decimal point, SWP argues that the cumulative effect of the annual rounding distorts SoCal Edison's RS costs.<sup>10</sup>

9. SWP illustrates this issue by comparing the proposed 2013 rate increase with the rates used to calculate SoCal Edison's RS rates since 2011.<sup>11</sup> According to SWP, in SoCal Edison's 2012 rate filing, its RS costs decreased by 49 percent from the prior year, yielding a RS rate of \$0.0000051/kWh. However, since SoCal Edison rounds the RS rate to the fifth decimal place, SWP's RS rate remained the same as the prior year, at \$0.0001/kWh. In the instant filing, the percent change in SoCal Edison prior year RS cost was applied to the previous year's rate of \$0.0001/kWh, instead of 0.000051/kWh, yielding an RS rate of \$0.000026. After rounding this number to the fifth decimal space, the rate increases to \$0.00003/kWh, an amount that reflects a 200 percent increase in SWP's RS rate over the last two years even though SoCal Edison's actual RS costs decreased for 2012 and increased by only 160 percent for 2013.<sup>12</sup>

10. SWP does not dispute the amount of decimal points that SoCal Edison uses to state its RS rates, especially if doing so is driven by a software or accounting limitation.<sup>13</sup> Rather, SWP argues that SoCal Edison should use all significant figures to calculate the rate's underlying figures. SWP asserts that if the proposed 2013 percent change was

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<sup>9</sup> SWP Protest at 1-3.

<sup>10</sup> *Id.* at 3.

<sup>11</sup> *Id.* at 2.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 3.

applied to all significant figures, exclusive of rounding, for the past two years, its 2013 RS rate would be \$0.000013/kWh, rather than SoCal Edison's proposed rate of \$0.00003/kWh. Given the disparity between SWP's calculated RS rate and SoCal Edison's proposal, SWP argues that SoCal Edison's proposed RS rate is unjust and unreasonable.

**B. SoCal Edison's Answer**

11. In its answer, SoCal Edison agrees that the compound rounding component of its RS rate calculation should be revised.<sup>14</sup> SoCal Edison acknowledges that the rounding component of the RS rate calculation does affect the RS rate. SoCal Edison agrees that rounding compounded over a number of years compared to the impacts of changes without rounding would produce different results. Thus, SoCal Edison concludes, if applied over several years, the aggregate rounding effects may generate rates that differ from the actual change in its RS costs.

12. However, SoCal Edison contends that, unlike SWP's example, it is the initial 2005 RS revenue requirement per kWh, not its 2011 requirement that should be used to calculate new wholesale rates. SoCal Edison explains that the RS rate calculation methodology used in the instant filing is designed pursuant to the settlement of its 2005 RS rate filing in Docket No. ER06-259. Thus, to eliminate the cumulative rounding errors that may have occurred since the implementation of this methodology, SoCal Edison proposes that the year in which SoCal Edison initially implemented the RS rate design methodology should be the base rate that is used going forward.<sup>15</sup>

13. In applying its revised methodology, SoCal Edison asserts that SWP's rate will be \$0.00002/kWh rather than the proposed \$0.00003/kWh, and the Arizona Electric Power Cooperative's (AEPC) rate will be \$0.02231/kWh rather than the proposed \$0.02232/kWh.<sup>16</sup> SoCal Edison explains that the revised rates were calculated by dividing its currently proposed revenue requirement by its 2005 revenue requirement, and multiply the resulting percentage by the RS rate it charged the wholesaler in 2005. SoCal Edison states that calculating RS rates in this manner, based on the initial 2005 starting point, eliminates the compounded rounding issue that SWP raised. SoCal Edison states that if the Commission agrees that this revised rate calculation is appropriate, SoCal Edison will submit a compliance filing in these dockets to reflect the revised rates for SWP and AEPCO, to be effective January 1, 2013.

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<sup>14</sup> SoCal Edison Answer at 3.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

**C. SWP's Answer**

14. In its answer, SWP agrees that SoCal Edison's revised methodology will address the problem of rounding errors that compound from year to year, and agrees that SoCal Edison properly applied its revised methodology to correct SWP's RS rate.<sup>17</sup>

**III. Discussion****A. Procedural Matters**

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties in the proceedings in which the motions to intervene were filed.

16. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) 2012, prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept SoCal Edison's answer and SWP's answer because they provided information that assisted us in our decision-making process.

**B. Commission Determination**

17. We find that SoCal Edison's RS Revenue Requirement of \$5.85 million is calculated consistent with SoCal Edison's Tariff.<sup>18</sup> We note that the cost for SoCal Edison's Exceptional Dispatch service costs, the only cost being incurred as RS costs, in 2013, is projected to be \$3.39 million, which is the same amount that was actually incurred for Exceptional Dispatch for the prior 12-month period,<sup>19</sup> and that the under-collected 2012 RS costs in SoCal Edison's RSBA account as of September 30, 2012, is \$2,458,222 for a total of \$5.85 million. We find that SoCal Edison's RS Revenue Requirement is just and reasonable and not unduly discriminatory.

18. SoCal Edison's wholesale RS rates are designed pursuant to the cost allocation methodology developed through SoCal Edison's 2005 RS rate filing, which provides SoCal Edison will annually revise wholesale RS rates to reflect the increase or decrease

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<sup>17</sup> SWP Answer at 1-2.

<sup>18</sup> SoCal Edison Rate Filing at 2-3(SoCal Edison's RS Revenue Requirement is comprised of the forecast of the RS costs to be incurred by PTOs during the applicable year, plus the balance of the RSBA the year preceding the forecast of reliability service costs. The RSBA tracks SoCal Edison's RS costs and RS revenues on a monthly basis).

<sup>19</sup> Henson Test. at 5:3-17.

in SoCal Edison's annual RS Revenue Requirement.<sup>20</sup> However, as argued by SWP, and conceded by SoCal Edison, the methodology can lead to a compounded rounding error.

19. We find that SoCal Edison's revised approach computes a revised RS rate by utilizing the percentage change from the base year to the current year, eliminating any compounding effects from previous years. This change addresses the error identified by SWP, who is also in agreement with SoCal Edison's approach.<sup>21</sup> Thus, we conditionally accept SoCal Edison's proposal, as modified in its answer, as it eliminates the compounded rounding error that may have accumulated since the RS rate design methodology was implemented. We direct SoCal Edison to make a compliance filing within 30 days of the date of this order reflecting the modified RS rate described herein. Because Colton has become a PTO, SoCal Edison shall use the Option A transmission owner tariff rates.

20. We conditionally accept the changes to SoCal Edison's ETC contracts proposed in Docket No. ER13-246-000, as modified in its answer;<sup>22</sup> as they incorporate the revised RS rates that are accepted in Docket No. ER13-227-000, which shall be the effective RS rates for the affected ETC contracts. We direct SoCal Edison to make a compliance filing within 30 days of the date of this order reflecting the modified RS rate in the ETC contracts described herein.

The Commission orders:

(A) SoCal Edison's Option A transmission owner tariff rates are hereby conditionally accepted for filing effective January 1, 2013, as discussed in the body of this order.

(B) SoCal Edison's ETC contracts are hereby conditionally accepted for filing effective January 1, 2013, as discussed in the body of this order.

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<sup>20</sup> SoCal Edison Rate Filing at 4; Henson Test. 7:20-8:3.

<sup>21</sup> SWP Answer at 2.

<sup>22</sup> SoCal Edison Answer at 4.

(C) SoCal Edison is hereby directed to submit a compliance filing as discussed in the body of this order within 30 days of the date of this order.

By the Commission.

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Nathaniel J. Davis, Sr.,  
Deputy Secretary.