

150 FERC ¶ 61,146
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
Norman C. Bay, and Colette D. Honorable.

Valley Electric Association, Inc.

Docket No. ER15-761-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS

(Issued February 27, 2015)

1. On December 30, 2014, Valley Electric Association, Inc. (Valley Electric) submitted its Transmission Revenue Balancing Account Adjustment (TRBAA), which is recalculated annually and made effective on January 1 of each year, pursuant to the California Independent System Operator Corporation (CAISO) tariff and the Valley Electric Transmission Owner Tariff (Valley Electric TO tariff). In this order, we accept Valley Electric's TRBAA update, effective January 1, 2015, as discussed below.

I. Background and Valley Electric's TRBAA Filing

2. A Transmission Revenue Balancing Account is included in the tariffs of all transmission owners that participate in the CAISO markets, including Valley Electric. The TRBAA is a ratemaking mechanism for ensuring that transmission revenue credits in the Transmission Revenue Balancing Account flow through to transmission service customers. Specifically, the TRBAA amount is used as an offset to the Transmission Revenue Requirement of a Participating Transmission Owner (Participating TO) in determining the amount to be recovered by the transmission access charge under CAISO's tariff. CAISO tariff provisions require the Transmission Revenue Balancing Account to be updated annually and made effective January 1 of each calendar year. Each year, Valley Electric is obligated to adjust the Transmission Revenue Balancing Account based on its principal balance as of September 30 of the prior year and provide a forecast of Transmission Revenue Credits the next year. Transmission access charges are established by using the TRBAA to increase or decrease the Participating TO's base Transmission Revenue Requirement.

3. Valley Electric's overall Transmission Revenue Requirement is comprised of High Voltage and Low Voltage Transmission Revenue Requirements. The High Voltage Transmission Revenue Requirement is the sum of a base Transmission Revenue Requirement for High Voltage facilities and a High Voltage TRBAA. The Low Voltage

Transmission Revenue Requirement is the sum of a base Transmission Revenue Requirement for Low Voltage facilities and a Low Voltage TRBAA.¹

4. Valley Electric is generally not regulated by the Commission because it is a rural electric cooperative that sells fewer than 4 million megawatt hours of electricity per year. However, as a Participating TO in CAISO, Valley Electric's High Voltage Transmission Revenue Requirement is recovered through the CAISO Transmission Access Charge, which is a Commission-jurisdictional rate. Thus, Valley Electric submits its High Voltage TRBAA for Commission review because it is a component of a Commission-jurisdictional rate charged by CAISO.

5. In the instant filing, Valley Electric has submitted its proposed 2015 TRBAA, pursuant to the CAISO tariff and its own Tariff. Valley Electric's 2015 revised TRBAA amount is a positive \$2,290,634, which reflects the sum of the principal balance of \$2,472,038 in the Transmission Revenue Balancing Account as of September 30, 2014, and the 2015 projection for negative \$181,404 in Transmission Revenue Credits.²

6. Valley Electric states that the proposed principal balance of \$2,472,038 in this filing corrects an error contained in its initial, December 2013, TRBAA filing (Initial TRBAA Filing). Specifically, Valley Electric states that when it submitted its Initial TRBAA Filing, it failed to include a true-up of the difference between the payments it received from CAISO and its filed Transmission Revenue Requirement, as required by section 5.5 of the Valley Electric TO tariff, which sets forth a formula for calculating the TRBAA. Valley Electric states that it has included the proper calculation of the Transmission Revenue Balancing Account for its initial balancing period, and that the current TRBAA corrects Valley Electric's Transmission Revenue Requirement to ensure that Valley Electric's collections from transmission customers conform to Valley Electric's filed rate.³ Valley Electric requests acceptance of the TRBAA update to become effective January 1, 2015.

¹ In this filing, Valley Electric is not proposing any changes to either the Low Voltage Transmission Revenue Requirement or Low Voltage TRBAA.

² Valley Electric December 30, 2014 Filing (Valley Electric Filing), Exhibit VEA-1, Eckert Testimony at 7.

³ Valley Electric's initial balancing period covers the period from January 3, 2013, when it joined CAISO, through September 30, 2013, when Valley Electric's first TRBAA was calculated.

II. Notice of Filing and Responsive Pleadings

7. Notice of Valley Electric's filing was published in the *Federal Register*, 80 Fed. Reg. 502 (2015), with interventions, comments, and protests due on or before January 20, 2015. Timely motions to intervene were filed by California Department of Water Resources State Water Project and Pacific Gas and Electric Company. Southern California Edison Company (SoCal Edison) filed a timely motion to intervene and protest. On February 4, 2015, Valley Electric filed a motion for leave to answer and answer to SoCal Edison's protest. On February 10, 2015, SoCal Edison filed a motion for leave to answer and answer to Valley Electric's answer.

III. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Valley Electric's and SoCal Edison's answers because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

1. SoCal Edison Protest

10. SoCal Edison argues that Valley Electric has made an improper correction by calculating a true-up of any over- or-under recoveries of its Transmission Revenue Requirement and the Transmission Revenue Balancing Account. Specifically, SoCal Edison states while the CAISO tariff authorizes the over-or-under recovery of annual Transmission Revenue Requirements in a Transmission Revenue Balancing Account, it does so only for "Non-Load-Serving Participating TOs."⁴ SoCal Edison argues that because Valley Electric is a Load-Serving Participating TO, this provision of the CAISO tariff does not apply. Thus, SoCal Edison states that the Commission should exclude Valley Electric's proposed correction to its base Transmission Revenue Requirement.

⁴ SoCal Edison January 20, 2015 Protest (SoCal Edison Protest) at 3-4 (citing CAISO Tariff, Appendix F, Schedule 3, Section 6.1(b)).

11. Further, SoCal Edison argues that if Valley Electric's proposed correction and allowance of a true-up of its base Transmission Revenue Requirement is granted, then - unlike all other load-serving Participating TOs in CAISO - Valley Electric's proposed recovery would allow it to avoid paying any Transmission Access Charges to CAISO for its end-use customers' use of the High Voltage CAISO grid.⁵ SoCal Edison states that this proposal artificially increases Valley Electric's Transmission Revenue Requirement and CAISO's Transmission Access Charge. SoCal Edison concludes that Valley Electric's proposal to true-up its base Transmission Revenue Requirement is unjust and unreasonable, as it transfers Valley Electric's cost responsibility for using the CAISO grid to all other CAISO users.

2. Valley Electric's Answer

12. Valley Electric's answer argues that SoCal Edison's protest ignores the operative language of Valley Electric's TO tariff. Specifically, Valley Electric notes that under section 5.5 of its tariff, one component in calculating its Transmission Revenue Balancing Account includes "the difference in the amount of revenues or expenditures from Transmission Revenue Credits and **any over-or-under-recovery of its Transmission Revenue Requirement** and the amount of such revenues or expenditures that has been refunded to or collected from customers under the TRBAA."⁶ Valley Electric argues that eliminating the amount by which it over- or-under-recovers its Transmission Revenue Requirement would be a violation of Valley Electric's TO tariff.

13. Valley Electric states that SoCal Edison was a party to, and actively engaged in, the proceeding establishing its Transmission Revenue Balancing Account mechanism⁷ and notes that SoCal Edison supported or did not oppose the uncontested settlement in that docket.⁸

14. Valley Electric further argues that SoCal Edison is incorrect in asserting that the CAISO tariff forbids Valley Electric including the over-or-under-recovery of its

⁵ SoCal Edison Protest at 4.

⁶ Valley Electric's February 4, 2015 motion for leave to answer and answer (Valley Electric Answer) at 3-4, citing Valley Electric's TO tariff § 5.5 (emphasis added in Valley Electric Answer).

⁷ Valley Electric's Transmission Revenue Balancing Account was established in Docket No. ER13-49-000.

⁸ Valley Electric Answer at 2.

Transmission Revenue Requirement in the calculation of the TRBAA. Valley Electric states that CAISO's tariff does not include any such explicit prohibition and that SoCal Edison is relying on the fact that CAISO's tariff is silent as to whether a load serving entity should include the element in its Transmission Revenue Balancing Account.

15. According to Valley Electric, adopting SoCal Edison's proposed revision to its TRBAA would cause Valley Electric's owner-members to be responsible for an under-collection of approximately \$2.3 million, despite the fact that Valley Electric's TO tariff directs that the amount be included in its TRBAA. Valley Electric states that the owners of other privately-owned, non-municipal Participating TOs are protected from being responsible for similar costs, because those entities either have a Transmission Revenue Balancing Account like that of Valley Electric, or, in the case of the three investor-owned utilities in CAISO,⁹ a transmission access charge balancing account. Valley Electric argues that, because it is a cooperative, and its members are both the customers and owners of the utility, it cannot hold its owners harmless by passing the cost of Transmission Revenue Requirement under-recovery through to its retail customers.¹⁰

16. Finally, Valley Electric argues that, because SoCal Edison does not challenge any of the inputs or calculations presented in its filing, SoCal Edison is really challenging Valley Electric's TO tariff. According to Valley Electric, if SoCal Edison believes that Valley Electric's Transmission Recovery Balancing Account mechanism is inappropriate, SoCal Edison should have raised the issue during the proceedings to establish the mechanism, in Docket No. ER13-49-000.

3. SoCal Edison's Answer to Valley Electric's Answer

17. SoCal Edison's answer argues that Valley Electric's TO tariff does not permit a true up of its Transmission Revenue Requirement. In support of this argument, SoCal Edison cites section 5.5 of Valley Electric's TO tariff, which indicates that Valley Electric shall include in its TRBAA calculation, "over-or-under-recovery of its annual Transmission Requirement, if any, specified in Sections 6 and 8 of Appendix F, Schedule 3, of the CAISO Tariff." According to SoCal Edison, the fact that CAISO's tariff does not specifically authorize a load-serving entity to include over- or-under-recovery of its Transmission Revenue Requirement acts to prevent Valley Electric from including a true up of the Transmission Revenue Requirement in calculating its TRBAA.

⁹ SoCal Edison, Pacific Gas & Electric Company, and San Diego Gas and Electric Company.

¹⁰ Valley Electric Answer at 5-6.

4. Commission Determination

18. The Commission has reviewed Valley Electric's proposed 2015 TRBAA update and finds Valley Electric's proposed correction to the Transmission Revenue Balancing Account representing an under-collection of its Transmission Revenue Requirement during 2013 to be appropriate under Valley Electric's TO tariff. As Valley Electric noted in its answer, the formula for calculating adjustments to its Transmission Revenue Balancing Account specifically includes the element of adjusting for any under- or over-recovery of Valley Electric's Transmission Revenue Requirement.¹¹

19. SoCal Edison argues that the CAISO tariff provisions referenced in section 5.5 of Valley Electric's TO tariff serves as a prohibition on Valley Electric's attempt to reflect the under-collection of its 2013 Transmission Revenue Requirement. The CAISO tariff specifically states that "revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the Transmission Revenue Balancing Account as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year."¹² The CAISO tariff further states "a Non-Load-Serving Participating TO shall include any over- or under-recovery of its annual Regional Transmission Revenue Requirement in its regional T[ransmission] R[evenue] B[alancing] A[ccount]."¹³ Thus, while it is true that CAISO's tariff provides that a non-load-serving entity can adjust its Transmission Revenue Requirement to account for any over- or under-recoveries, nothing in that provision prohibits Valley Electric, as a load serving Participating TO, from including any over- or under recovery adjustments to its transmission revenue requirement. In this instance, the Commission reads the CAISO tariff and the Valley Electric TO Tariff together in such a manner as to give both tariff provisions effect. To do otherwise would render the specific provisions of Valley Electric's TO Tariff null and without effect. As a result, we find that Valley Electric's tariff provisions permit the adjustment at issue in this proceeding.¹⁴

¹¹ See Valley Electric's TO Tariff, § 5.5 and Valley Electric's answer at 3-4.

¹² CAISO Tariff, Appendix F, Schedule 3, Section 8.1.

¹³ CAISO Tariff, Appendix F, Schedule 3, Section 6.1(b).

¹⁴ As Valley Electric notes in its answer (at 2), SoCal Edison was among the parties that either supported or did not oppose the offer of settlement filed by Valley Electric in Docket No. ER13-49-000, the proceeding that established Valley Electric's Transmission Revenue Balancing Account. See Offer of Settlement, Explanatory Statement at 1, Docket No. ER13-49-000 (July 16, 2013). The Commission subsequently approved the settlement. *Valley Elec. Ass'n, Inc.*, 144 FERC ¶ 61,186 (2013).

20. We also find Valley Electric's projected Transmission Revenue Credits of negative \$181,404 for 2015 to be reasonable.

21. Finally, we grant Valley Electric's request for waiver of the 60-day notice period.¹⁵ We therefore accept Valley Electric's TRBAA update, effective January 1, 2015, as requested.

The Commission orders:

Valley Electric's TRBAA update is hereby accepted, effective January 1, 2015, as discussed in the body of this order.¹⁶

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹⁵ 18 C.F.R. § 35.11 (2014). See *Central Hudson Gas and Elec. Corp.*, 60 FERC ¶ 61,106, order on reh'g, 61 FERC ¶ 61,089 (1993).

¹⁶ Valley Electric Association, Inc., FERC FPA Electric Tariff, Transmission Owner Tariff, [Appendix I, Transmission Revenue Requirement and TRBAA, 2.0.0.](#)