

151 FERC ¶ 61,177
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

San Diego Gas & Electric Company

Docket No. ER15-1410-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued May 29, 2015)

1. On March 31, 2015, San Diego Gas & Electric Company (SDG&E) submitted proposed revisions¹ to the currently-effective Appendix X² of its Transmission Owner (TO) Tariff (Formula Modification Filing) to reflect the changes necessary to conform Appendix X to SDG&E's Fourth TO Formula (TO4 Formula) rate mechanism.³ In this order, the Commission conditionally accepts SDG&E's filing, effective June 1, 2015, as requested, subject to a compliance filing to be submitted within 15 days of the date of this order.⁴

¹ The Commission notes that, although SDG&E submitted cover pages for both a red-line and clean version of Appendix X, it failed to include the required tariff pages.

² The Commission approved Appendix X in *San Diego Gas & Elec. Co.*, 139 FERC ¶ 61,188 and *San Diego Gas & Elec. Co.*, 141 FERC ¶ 61,054 (2012) (approving SDG&E's compliance filing).

³ The Commission approved the TO4 Formula Offer of Settlement by Letter Order, dated May 27, 2014, in *San Diego Gas & Elec. Co.*, 147 FERC ¶ 61,150 (2014).

⁴ SDG&E has requested that the changes become effective on June 1, 2015, concurrent with the effective date of the fourth annual Informational Filing under Appendix X. SDG&E Filing at 1.

I. Background

2. SDG&E states that Citizens Sunrise Transmission, LLC (Citizens) has leased 50 percent of the transfer capability of the Border East Line⁵ of the Sunrise-Powerlink Transmission Project. SDG&E explains that it operates and maintains the Border East Line for Citizens for a charge (Border East Line Rate), and that the Appendix X Formula rate mechanism sets forth the methodology for calculating that rate.⁶ SDG&E states that the Border East Line Rate consists of: (1) Direct Maintenance Expense Cost Component; (2) Non-Direct Expenses Cost Component; (3) Cost Component Containing Other Specific Costs; (4) True-Up Adjustment; and (5) Interest True-Up Adjustment. SDG&E further explains that the cost components are determined based on the previous calendar year's cost data filed in its FERC Form 1, a True-Up Adjustment and an Interest True-Up Adjustment.⁷

II. Filing

3. SDG&E has proposed the following modifications to the definitions, terms, and calculations to conform Appendix X to the TO4 Formula. In section I, Introduction, SDG&E proposes to add a provision to correct errors, so that “should any party identify an error in the recorded numbers of [its] FERC Form 1, or any other errors that might affect the calculation of the True-Up Adjustment, SDG&E will quantify the effects of such error and include the revenue effect in the subsequent Informational Filing.”⁸

4. SDG&E proposes to amend section II.A.5, Transmission Wages and Salaries Allocation Factor, by adding specific language that would correct the calculation of the Citizens wages and salaries allocation factor.⁹ SDG&E proposes a number of changes to section II.C. For example, SDG&E has proposed a new term to be section II.C. 28: Non-Deductibility of Depreciation on Equity Allowance for Funds Used During

⁵ The Border East Line segment leased to Citizens is located between SDG&E's Imperial Valley substation and the San Diego County line.

⁶ SDG&E Filing at 2. SDG&E explains that “the applicable rate for each rate effective period is specified annually on the basis of certain recorded costs reflected in an ‘Appendix X Informational Filing’ that SDG&E is required to file just prior to June 1, the first day of the rate effective period.” *Id.*

⁷ *Id.*

⁸ SDG&E Filing, Ex. SDG-1, Sanchez Testimony at 6.

⁹ *Id.*

Construction (AFUDC) Revenue Component. SDG&E explains that the addition is necessary because the Commission requires¹⁰ it to record the depreciation expense for the Citizens-leased portion of the Border East Line, which includes depreciation for AFUDC equity. SDG&E states that this depreciation is not deductible on either state or federal income taxes, and thus it has a higher taxable net income than book net income.¹¹ The balance of the section II.C. changes, SDG&E states, are necessary to conform the current terms to the TO4 Formula calculations and definitions.

5. For section III.C., SDG&E has added Calculation of the Cost Component Containing Other Specific Expenses. SDG&E explains that, consistent with the TO4 Formula, it proposes to include and allocate to Citizens its share of the income tax cost associated with the non-deductibility of the AFUDC equity as a new cost component.¹²

6. SDG&E has proposed Derivation of a One-Time Four Month True-Up Adjustment (September 1 through December 31, 2013) as an addition to section III.D. SDG&E states that the True-Up Adjustment is necessary because the Base Period and True-Up Period for Appendix X are calendar year 2014, but the TO4 Formula went into effect in September 2013. Therefore, the months of September through December 2013 are not accounted for in the calculations. The Adjustment would allow SDG&E to develop a True-Up Cost of Service based on the recorded revenues of that four month period.¹³

7. SDG&E states that the rate effect of reconciling Appendix X with the TO4 Formula will not be known until SDG&E files the Appendix X Cycle 4 Informational Filing on or before May 29, to become effective on June 1, 2015.¹⁴

III. Notice and Responsive Pleadings

8. Notice of Applicants' filing was published in the *Federal Register*, 80 Fed. Reg. 18,612 (2015), with comments, protests, and interventions due on or before April 21, 2015.

¹⁰ *San Diego Gas & Elec. Co.* 129 FERC ¶ 61,233 (2009).

¹¹ SDG&E Filing, Ex. SDG-1, Sanchez Testimony at 9.

¹² *Id.*

¹³ *Id.* at 10.

¹⁴ SDG&E Filing at 3.

9. The California Public Utilities Commission filed a notice of intervention. Timely motions to intervene were filed by: Citizens, the City of Santa Clara, California and the M-S-R Public Power Agency, California Department of Water Resources State Water Project, and the Modesto Irrigation District. Six Cities¹⁵ filed a motion to intervene and comments. SDG&E filed a motion for leave to answer and answer on April 29, 2015.

IV. Discussion

A. Procedural Matters

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

11. 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 and/or answer 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.

B. Substantive Matters

1. Comments

12. Six Cities comments that it is unclear whether the proposed additional one-time, Four Month True-Up Adjustment is intended only for the changes made in Appendix X to conform it to SDG&E's TO4 Formula. Six Cities states that Appendix X already includes a true-up provision for January 1, 2013 through December 31, 2013, and therefore, it would be unnecessary to conduct an additional Four-Month True-Up Adjustment for any purpose other than to reflect the changes submitted as part of SDG&E's Formula Modification Filing.¹⁶

¹⁵ The Six Cities are Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California.

¹⁶ Six Cities Comments at 2. Six Cities also notes that it contacted SDG&E regarding the issue of the True-Up Adjustment, and desires that SDG&E submits its response formally in this docket. *Id.*

2. Answer

13. SDG&E answers that the Four Month True-Up Adjustment, for the months of September through December 2013, is intended solely to conform the Appendix X Formula to the SDG&E TO4 Formula rate mechanism which became effective September 1, 2013, and no other changes, modifications or adjustments will be included in the True-Up Adjustment. Additionally, SDG&E states that the Four Month True-Up will not result in any double recoveries or address any new issues beyond those associated with conforming the Appendix X Formula to SDG&E's TO4 Formula rate mechanism.¹⁷

3. Commission Determination

14. SDG&E must adjust its Border Line East Rate in Appendix X on a yearly basis, using cost data from the previous calendar year. SDG&E's currently-effective Appendix X is based on the TO3 Formula rate mechanism, which has been superseded by the TO4 Formula rate mechanism. Accordingly, the Commission finds that the proposed revisions to Appendix X, including the Four Month True-Up Adjustment, are an essential step to reflect the changes necessary to conform Appendix X to SDG&E's TO4 Formula rate mechanism.¹⁸ Therefore, the Commission finds SDG&E's proposed tariff revisions to be just and reasonable, and conditionally accepts them for filing, effective June 1, 2015, as requested. However, we note that SDG&E failed to submit its clean and red-lined versions of Appendix X. Therefore, the Commission directs SDG&E to submit, within 15 days of the date of this order, a compliance filing that includes the clean and red-lined versions of Appendix X, in accordance with Commission policy.

The Commission orders:

(A) SDG&E's filing is hereby conditionally accepted, effective June 1, 2015, as requested, as discussed in the body of this order.

¹⁷ SDG&E Answer at 2-3.

¹⁸ Though SDG&E and Six Cities seem to have come to an understanding regarding Six Cities' comments, the Commission notes that it agrees that the Four-Month True-Up Adjustment is intended solely for the purpose of conforming Appendix X to the TO4 Formula rate mechanism.

(B) SDG&E is hereby directed to submit a compliance filing within 15 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.