

152 FERC ¶ 61,223
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.

Valley Electric Association, Inc.

Docket No. ER15-761-001

ORDER DENYING REHEARING

(Issued September 21, 2015)

1. On March 30, 2015, Southern California Edison Company (SoCal Edison)¹ filed a request for rehearing of the Commission's February 27, 2015 order in this proceeding accepting tariff revisions proposed by Valley Electric Association, Inc. (Valley Electric).² In the February 2015 Order, the Commission accepted Valley Electric's Transmission Revenue Balancing Account Adjustment (TRBAA) update. In this order, we deny SoCal Edison's request for rehearing.

I. Background

2. A Transmission Revenue Balancing Account is included in the Transmission Owner Tariffs of all transmission owners that participate in the California Independent System Operator Corporation's (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

¹ SoCal Edison stated that it was authorized to represent that Pacific Gas and Electric Company joins in the request for rehearing. SoCal Edison March 30, 2015 request for rehearing (SoCal Edison Rehearing Request) at 1.

² *Valley Electric Association, Inc.*, 150 FERC ¶ 61,146 (2015) (February 2015 Order).

CAISO's tariff.³ 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.⁴

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 submitted its High Voltage TRBAA, as reflected in section 5 of Valley Electric's TO Tariff, for Commission review because it is a component of a Commission-jurisdictional rate charged by CAISO.⁵

5. The February 2015 Order accepted Valley Electric's proposed 2015 TRBAA update and found Valley Electric's proposed correction to the Transmission Revenue Balancing Account representing an under-collection of its Transmission Revenue Requirement to be appropriate under Valley Electric's TO Tariff. The February 2015 Order agreed with Valley Electric that the formula for calculating adjustments to its

³ Under CAISO's tariff, a transmission access charge is assessed on behalf of Participating TOs, including Valley Electric. The transmission access charge includes: (1) the transmission revenue requirement from each Participating TO, and (2) the amounts derived from each Participating TO's transmission revenue balancing accounts, such as the one in Valley Electric's TO Tariff. *See* CAISO tariff, §26.1, Valley Electric §5.

⁴ In its original filing, Valley Electric did not propose any changes to either the Low Voltage Transmission Revenue Requirement or Low Voltage TRBAA.

⁵ *See* Valley Electric's Filing in Docket No. ER15-761-000, Exhibit VEA-1 at 2-3 (Dec. 30, 2014).

Transmission Revenue Balancing Account specifically includes the element of adjusting for any over-or-under-recovery of Valley Electric's Transmission Revenue Requirement.

6. The February 2015 Order further found that, while CAISO's tariff specifically provides that a non-load-serving Participating TO shall include any over-or-under-recovery of its annual regional revenue requirement in its Transmission Revenue Balancing Account, that provision did not foreclose Valley Electric, as a load-serving Participating TO, from including any over-or-under-recovery adjustments to its Transmission Revenue Requirement. The February 2015 Order read the CAISO tariff and the Valley Electric TO Tariff together in such a manner as to give both tariff provisions effect. As a result, the February 2015 Order found that Valley Electric's TO Tariff provisions permit the adjustment to include over-or-under-recovery of its annual regional revenue requirement in its Transmission Revenue Balancing Account and accepted Valley Electric's TRBAA update.

II. SoCal Edison's Request for Rehearing

7. SoCal Edison raises three issues in its request for rehearing. First, SoCal Edison argues that the February 2015 Order renders null and void the provision in Valley Electric's TO Tariff that indicates that Valley Electric's TO Tariff allows "Transmission Revenue Credits and adjustments for any over-or-under-recovery of its annual Transmission Revenue Credits and adjustments for any over-or-under-recovery of its annual Transmission Revenue Requirement, if any, *specified* in Sections 6 and 8 of Appendix F, Schedule 3 of the CAISO Tariff" (emphasis supplied by SoCal Edison). According to SoCal Edison, because section 6.1 of Appendix F, Schedule 3 of CAISO's tariff indicates that a non-load-serving Participating TO shall include over-or-under-recovery of transmission revenue requirements within its Transmission Revenue Balancing Account, but does not provide the same reference for a load-serving Participating TO, inclusion of over-or-under-recovery of Valley Electric's annual transmission revenue requirement is not specified in the CAISO tariff. SoCal Edison concludes that by allowing the adjustment, the February 2015 Order rendered the word "specified" null and void.

8. Second, SoCal Edison argues that the February 2015 Order is contrary to prior Commission precedent in finding that CAISO's tariff does not prohibit a load-serving Participating TO from including over-or-under-recoveries of their annual transmission revenue requirements within the calculation of their Transmission Revenue Balancing Account. SoCal Edison argues that the Commission's decision in *Cal. Indep. Sys. Operator Corp.*, 105 FERC ¶ 61,071 (2003) (CAISO 2003 Order) held that Attachment F, Schedule 3 of the CAISO tariff was specifically designed to apply only to Participating TOs without gross load and that the City of Vernon, California was not eligible to include over-or-under-recoveries in calculating its Transmission Revenue Balancing Account

because it was a load-serving entity. SoCal Edison states that the Commission has failed to explain the departure from precedent in this matter.⁶

9. Third, SoCal Edison argues that by allowing Valley Electric to include over-or-under-recoveries of its annual revenue requirement in calculating its Transmission Revenue Balancing Account, the February 2015 Order authorized an unjust and unreasonable rate. SoCal Edison argues that the Commission should consider two sides of Valley Electric's relationship with CAISO, involving: (1) the charges that Valley Electric pays CAISO through the Transmission Access Charge, and (2) the revenues paid to Valley Electric by CAISO through the Transmission Access Charge as a result of Valley Electric's adjusting for the over-or-under-recovery of Valley Electric's transmission revenue requirement. According to SoCal Edison, allowing Valley Electric to adjust its Transmission Revenue Balancing Account to reflect over-or-under-recoveries of Valley Electric's transmission revenue requirement results in an unjust and unreasonable rate unless Valley Electric is required to pay a commensurately higher amount to CAISO in Transmission Access Charges. SoCal Edison contends that the result is to place an unfair and unreasonable burden on CAISO's other customers by requiring them to pay Transmission Access Charges sufficient to recover the over-or-under-recovery of Valley Electric's transmission revenue requirement.

III. Commission Determination

A. Procedural Matters

10. On April 14, 2015, Valley Electric submitted a motion to reject, or for leave to answer SoCal Edison's request for rehearing. Rule 713 (d)(1) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713 (d)(1)(2015), prohibits an answer to a request for rehearing. Accordingly, we reject Valley Electric's answer.

B. Substantive Matters

11. We deny rehearing. We find that the February 2015 Order's interpretation of the Valley Electric TO Tariff reasonably gives effect to the TO Tariff and is not inconsistent with the CAISO tariff. As the February 2015 Order explained, nothing in the CAISO tariff expressly prohibits Valley Electric, as a load-serving Participating TO, from including any over-or-under recovery of its annual transmission revenue requirement.⁷ At the same time, Valley Electric's TO Tariff expressly requires Valley Electric to make

⁶ SoCal Edison Rehearing Request at 7-8 (citing *United Mun. Distrib. Group v. FERC*, 732 F.2d 202, 210 (D.C. Cir. 1984)).

⁷ February 2015 Order, 150 FERC ¶ 61,146 at P 19.

this adjustment in calculating its TRBAA. Thus, because CAISO's tariff does not preclude such recovery and Valley Electric's TO Tariff expressly requires such an adjustment, the Commission continues to find that it is reasonable to read both tariffs together as allowing Valley Electric to make the over-or-under-recovery adjustment in calculating the TRBAA.⁸ SoCal Edison's interpretation, by contrast, would read out of the Valley Electric TO Tariff the direction to include the over-or-under-recovery adjustment in calculating the TRBAA.

12. While SoCal Edison asserts that the February 2015 Order departs from Commission precedent, we find SoCal Edison's reliance on the CAISO 2003 Order to be misplaced. The CAISO 2003 Order addressed a specific request made by the City of Vernon that all Participating TOs should be treated identically. However, this case involves the interpretation of two separate tariffs that must be read in conjunction with each other, circumstances that are distinguishable from those at issue in the CAISO 2003 Order.⁹ We therefore reject SoCal Edison's assertion that the February 2015 Order departed from the CAISO 2003 Order.

13. Finally, we reject the notion that allowing Valley Electric to include over-or-under-recovery of its transmission revenue requirement in the calculation of Valley Electric's TRBAA results in an unjust or unreasonable rate. The transmission access charge rate is determined by CAISO in accordance with the CAISO tariff. That rate appropriately includes the impact of Valley Electric's Transmission Revenue Balancing Account and Valley Electric's TRBAA calculations, as well as the transmission access charge and TRBAA of other CAISO Participating TOs. Further, as we found in the February 2015 Order, Valley Electric appropriately calculated its TRBAA in accordance with the process set forth in its TO Tariff.¹⁰ We continue to find, as in the February 2015 Order, that Valley Electric's projected Transmission Revenue Credits of negative \$181,404 for 2015 is reasonable.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* P 18.

The Commission orders:

SoCal Edison's request for rehearing is denied, as discussed in the body of the order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.