

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

San Diego Gas & Electric Company

Docket No. ER06-119-000

ORDER ON PROPOSED TARIFF REVISIONS

(Issued December 20 , 2005)

1. In this order, we conditionally accept a proposed tariff revision to San Diego Gas & Electric Company's (SDG&E) Transmission Owner Tariff (TO Tariff),¹ to become effective January 1, 2006.

Background

2. On November 1, 2005, SDG&E filed revisions to its TO Tariff to include its forecasted revenue requirement and proposed rates for the service year 2006 Reliability Service (RS) costs. SDG&E is the responsible utility for RS costs, *i.e.*, Reliability Must-Run (RMR), Out of Market (OOM), and Minimum Load (ML) costs that the California Independent System Operator Corporation (CAISO) pays to the owners of applicable generating facilities, as well as Incremental Procurement (IP) costs for generation/procurement services that SDG&E incurs in support of transmission reliability, as approved by the Commission in Docket ER05-853-000 in *San Diego Gas & Electric Company*.²

¹ FERC Electric Tariff, Second Revised Volume No. 11.

² 111 FERC ¶ 61,426 (2005). Paragraph 2(d) of the pending offer of settlement in Docket No. ER05-853-000 permits SDG&E to file for modification of the amount of IP costs included in its RS Revenue Requirement reflected in its RS rates.

3. Pursuant to SDG&E's TO Tariff, SDG&E records all RS costs in its Reliability Service Balancing Account (RSBA). The RSBA is a ratemaking mechanism that ensures that SDG&E neither over-collects nor under-collects from customers RS costs that CAISO assesses SDG&E. Each year, SDG&E will determine an RS Revenue Requirement and develop rates to collect that amount. Based on the forecasted RS Revenue Requirement, SDG&E will bill all of its end use customers and wholesale customers serving load in SDG&E's service territory.

4. The RS costs consist of RMR, OOM, and ML costs, as well as SDG&E's IP costs for generation/procurement services in support of transmission reliability. For RMR costs, CAISO conducts studies annually to identify generating units whose availability and operation is required to ensure the reliability of the grid. CAISO contracts with generation owners or operators of these generating units, which are designated as RMR units, to ensure that CAISO can dispatch the units to meet minimum requirements for local grid reliability. CAISO bills SDG&E the costs of the RMR units located within SDG&E's service territory.

5. OOM costs occur when CAISO faces market intervention or a system emergency and uses a resource that has not bid into the market. SDG&E is charged the costs at an above-market clearing price if the CAISO OOM action is attributable to transmission reliability needed in SDG&E's service territory. ML costs are calculated as the sum for all eligible hours in which a unit generated in response to CAISO Dispatch Instruction in conjunction with the Must Offer Waiver Denial Process. ML costs are the result of a generator needing to operate at its minimum operating level. The RS costs for OOM and ML costs are expected to be much less than one percent of RMR costs because all major generation sources in SDG&E's service area are under RMR contracts for 2006, and there is little opportunity for OOM and ML calls from CAISO.

Notice of Filing and Responsive Pleadings

6. Notice of SDG&E's filing was published in the *Federal Register*, 70 Fed. Reg. 69,334 (2005), with protests and interventions due on or before November 22, 2005. The Northern California Power Agency (NCPA) and Southern California Edison Company (SoCal Edison) filed timely interventions. The Transmission Agency of Northern California (TANC), as well as the Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency (Cities/MSR), filed timely motions to intervene and requests for conditional action.

7. TANC and the Cities/MSR state that a pending offer of settlement in Docket No. ER05-853-000 preserves SDG&E's ability to file for modification of RS costs in order to recover IP costs. According to TANC and the Cities/MSR, the pending offer of settlement also preserves the other settling parties' full rights to oppose any such filing

and to take any position regarding the justness and reasonableness of SDG&E's RS Revenue Requirement pertaining to IP costs. Furthermore, as noted in paragraph 3 of the offer of settlement, TANC states that the parties to the settlement, including SDG&E, specifically acknowledge that the recovery of IP costs through SDG&E's RS Rate Schedule is not an acknowledgement that such costs are reliability costs and that inclusion of such costs in that particular rate schedule for the specified period is for convenience purposes only.

8. TANC and the Cities/MSR further state that SDG&E's filing appears to be in compliance with the terms of the offer of settlement in Docket No. ER05-853-000. Therefore, TANC and the Cities/MSR ask that, rather than relitigate the issues pertaining to SDG&E's proposed IP costs that have already been vetted through the Docket No. ER05-853-000 proceeding, and which have been memorialized in the pending offer of settlement in that docket, the Commission condition the outcome of this proceeding upon the resolution of the pending offer of settlement in Docket No. ER05-853-000.

Discussion

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

10. We agree with TANC and the Cities/MSR that SDG&E's proposed tariff revision to its TO Tariff appears to be in compliance with the terms of the pending offer of settlement in Docket No. ER05-853-000. We also agree that it would not be appropriate to relitigate issues pertaining to SDG&E's proposed recovery of IP costs that have already been vetted through the Docket No. ER05-853-000 proceeding. Therefore, we conditionally accept the proposed revisions, subject to the resolution of the proceeding in Docket No. ER05-853-000, to become effective January 1, 2006, as requested.

The Commission orders:

SDG&E's proposed revenue requirement and rates are hereby conditionally accepted, subject to the resolution of the proceeding in Docket No. ER05-853-000, as discussed in the body of this order, to become effective January 1, 2006.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.