

139 FERC ¶ 61,260
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

Southern California Edison Company

Docket No. ER11-3248-001

ORDER DENYING REHEARING

(Issued June 28, 2012)

1. In this order, we deny the request for rehearing by the M-S-R Public Power Agency (M-S-R) of a Commission order issued May 31, 2011,¹ which accepted revisions to Southern California Edison Company's (SoCal Edison) Transmission Owner Tariff (TO Tariff) updating the Transmission Access Charge Balancing Account Adjustment (TACBAA).

I. Background

2. At the end of 2000, SoCal Edison filed modifications to its TO Tariff in order to implement the California Independent System Operator Corporation's (CAISO) revised Transmission Access Charge (TAC) methodology. Among other things, the accepted filing implemented a new ratemaking mechanism, the TACBAA.² Section 5.6 of SoCal Edison's TO Tariff describes the items to be included in the Transmission Access Charge Balancing Account (TACBA) and sets forth the procedure for revising the TACBAA rate on an annual basis to be effective on April 1 each year.³

¹ See *Southern California Edison Company*, 135 FERC ¶ 61,201 (2011). (TACBAA Order).

² The TACBAA is a ratemaking mechanism designed to ensure that the cost-shift amounts billed by CAISO to SoCal Edison under CAISO's TAC rate design structure will be recovered from SoCal Edison's end-use customers.

³ The TACBAA rate is based on the balance in the TACBA as of December 31 of the prior year and a forecast of the net annual access charges to be billed by CAISO.

3. On March 31, 2011, SoCal Edison filed revisions to its TO Tariff,⁴ to update the TACBAA. SoCal Edison proposed to revise its TO Tariff, effective June 1, 2011, to reflect a revised TACBAA rate of negative \$0.00038 per kilowatt-hour. This revision represented a significant reduction from the current TACBAA rate of a positive \$.00036 per kilowatt-hour. According to SoCal Edison, the reduction in the TACBAA rate mainly was due to the amortization in 2011 of the overcollection in the TACBA as of February 28, 2011. SoCal Edison also stated that the reduction in the TACBAA rate did not affect any wholesale customers under SoCal Edison's TO Tariff.

4. In addition to the requested rate revision, SoCal Edison proposed changing the effective date of the annual TACBAA update from April 1st to June 1st. SoCal Edison states that this modification would allow the annual TACBAA rate change to occur concurrently with other regularly scheduled rate changes which take effect each year on June 1st, thus minimizing the number of retail rate changes occurring during the year.

5. M-S-R was the only intervenor who protested the SoCal Edison filing. M-S-R noted that the SoCal Edison filing provided no credits to benefit wholesale transmission customers. M-S-R maintained that crediting 100 percent of CAISO's revenue component against retail customer transmission costs denied wholesale transmission customers a credit for the revenues derived from a system that is in part funded by wholesale transmission customers' rates. M-S-R argued that applying all of CAISO's revenue credits to offset SoCal Edison's retail customer transmission costs was unjust and unreasonable, and unfairly provided benefits to one class of transmission customers at the expense of another class of customers. M-S-R requested that the Commission direct SoCal Edison to credit to all of its transmission customers the amounts CAISO distributes to SoCal Edison for others use of the transmission system.

6. In response, SoCal Edison argued that the TAC cost shift and TACBAA only apply to retail customers. According to SoCal Edison, the revenue that CAISO disburses to SoCal Edison in its capacity as the owner of the transmission facilities turned over to the operational control of CAISO is solely based on the load of SoCal Edison's retail customers; therefore the cost-shift amount billed to SoCal Edison by CAISO is based solely on the use of the grid by SoCal Edison's retail end-use customers. Thus, any allocation of the revenues to the wholesale customers was not warranted.

7. On May 31, 2011, the Commission accepted SoCal Edison's proposed revisions to its TACBAA rates. According to the Commission, review of the proposed revisions indicated that SoCal Edison's projected costs were consistent with the definitions of those costs that are included in its TO Tariff.⁵ With regard to the M-S-R protest, the

⁴ SoCal Edison FERC Electric Tariff, Volume 6.

⁵ TACBAA Order, 135 FERC ¶ 61,201 at P 17.

Commission found that the TACBAA was designed to apply only to retail customers. More specifically, the Commission noted that CAISO's Revenue Component represents revenues payable by CAISO to SoCal Edison based on the actual gross load of SoCal Edison's retail customers.⁶

8. On June 30, 2011, M-S-R filed a timely request for rehearing. On July 11, 2011, SoCal Edison filed a motion for leave to answer and an answer.

II. Request for Rehearing

9. M-S-R requests rehearing of the Commission's determination that wholesale customers are not entitled to receive credits associated with CAISO revenues that are used in the calculation of the TACBAA.⁷ According to M-S-R, the method of calculating the amount of the credit is irrelevant to the question regarding what class of customers should receive the benefit of the credit.⁸ M-S-R argues that transmission customers fund the transmission assets that generated the credit revenue and that, therefore, the Commission erred in finding that all of the credits SoCal Edison receives should be credited solely to retail transmission customers.⁹

10. M-S-R notes that because the TACBA is part of CAISO's TAC rate design and that the TAC is "devised to charge *transmission* customers a rate for *transmission* service in order that the *transmission* owners recover their *transmission* revenue requirements."¹⁰ M-S-R contends that SoCal Edison's transmission revenue requirement forms the basis for SoCal Edison's transmission owner tariff rates and that, therefore, any revenue SoCal Edison receives from the TAC must be credited against the transmission revenue requirements for all customers.¹¹ M-S-R claims that SoCal Edison's failure to credit the revenues to all transmission customers unlawfully discriminates against wholesale transmission customers.¹²

⁶ *Id.*

⁷ M-S-R Request for Rehearing at 4.

⁸ *Id.* at 6.

⁹ *Id.*

¹⁰ *Id.* at 7. (emphasis in original).

¹¹ *Id.*

¹² *Id.* at 8.

III. Discussion

A. Procedural Matters

11. Rule 713(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(d) (2011), prohibits answers to rehearing requests. We will therefore reject the answer of SoCal Edison to M-S-R's rehearing request.

B. Substantive Matters

12. We deny M-S-R's request for rehearing. M-S-R claims that wholesale customers are being discriminated against because they do not receive a share of the revenue component of the TAC calculation. M-S-R appears to misunderstand the operation of CAISO's TAC and SoCal Edison's TACBAA. For those Participating TOs such as SoCal Edison, that both receive revenues from the CAISO through the operation of the TAC rate and are billed by the CAISO based on the Participating TOs gross load, the difference is the cost-shift amount the Participating TO incurs as a result of the TAC rate design. SoCal Edison recovers or credits this cost-shift amount from its retail customers through the operation of the TACBAA.

13. The TAC formula rate determines the net TAC cost-shift to be paid either by CAISO to the transmission owner or to be paid by the transmission owner to CAISO. The TAC's "payment" element is based on the statewide high-voltage TAC rate and the transmission owner's actual retail load each month. The "revenue" element is based on the transmission owner's high-voltage average rate and the actual retail load. However, CAISO does not separately bill the transmission owner for each element. CAISO nets the two calculations and this final netted amount is either billed or credited to the transmission owner as the net TAC cost-shift. Pursuant to the transmission owner's tariff, the net TAC cost-shift amount billed by CAISO is recovered solely from the transmission owner's retail customers through its TACBAA. Additionally, as noted in our May 31, 2011 TACBAA Order, revenues which are credited against the Transmission Revenue Requirement of each Participating TO are part of a separate Transmission Revenue Balancing Account Adjustment (TRBAA). The adjustments in the TRBAA are filed annually by each Participating Transmission Owner.

14. For the past ten years, SoCal Edison was billed a net TAC cost-shift by CAISO and SoCal Edison recovered these amounts solely from retail customers through the TACBAA. Wholesale customers were never billed by SoCal Edison for the amounts owed to CAISO. However, M-S-R is now alleging that wholesale customers are entitled to receive a share of the revenue portion of the cost-shift calculation when those customers were never held responsible for the cost side of that equation. Only SoCal

Edison's retail customer load is included in the TAC formula and, thus, only this load is impacted by the calculation of the TAC.¹³

15. We therefore reject M-S-R's discrimination claim as unfounded, and deny rehearing. Insofar as only retail customers, not wholesale customers, pay the net TAC cost-shift, wholesale customers are not similarly situated to retail customers, and it is reasonable that only retail customers receive any TAC net credits.

The Commission orders:

M-S-R's request for rehearing of the May 31, 2011 TACBAA Order is denied.

By the Commission. Commissioner Clark is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹³ Rather than pay the net TAC cost-shift, wholesale customers pay either the TAC wheeling rate or a fixed demand charge under an existing transmission contract.