

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 9, 2003

In Reply Refer To:
City of Vernon, California
Docket No. EL03-31-000

McCarthy, Sweeney & Harkaway, P.C.
Attn: Channing D. Strother, Jr., Esq.
Attorney for the City of Vernon, California
2175 K Street
Suite 600
Washington, D.C. 20037

Dear Mr. Strother:

1. On December 9, 2002, you submitted for filing, on behalf of the City of Vernon, California (Vernon), a revision to Vernon's Transmission Revenue Balancing Account Adjustment (TRBA Adjustment) under its Transmission Owner Tariff (TO Tariff), to be used in calculating Vernon's Transmission Revenue Requirement (TRR) for calendar year 2003. Specifically, the TRBA Adjustment reflects credits against the TRR of a Participating Transmission Owner, such as Vernon, for wheeling and Firm Transmission Rights (FTR) revenues received for the transmission facilities and Entitlements turned over to the California Independent System Operator Corporation's (Cal ISO) operational control. The TRBA Adjustment is designed to be a balancing/tracking account whereby amounts not collected in previous periods are collected in the next period and/or amounts over-collected in one period are applied against the next period.
2. Vernon's proposed TRBA Adjustment for calendar year 2003 is a negative \$40,203, which represents a rate increase from Vernon's previous TRBA Adjustment of a negative \$528,587. Vernon requests an effective date of January 1, 2003 for its TRBA Adjustment.
3. Vernon's filing was noticed in the Federal Register,¹ with comments, protests, or motions to intervene due on or before January 8, 2003. Motions to intervene raising no substantive issues were filed by the Modesto Irrigation District, the Northern California Power Agency, the Transmission Agency of Northern California, the California

¹ 67 Fed. Reg. 77,765 (2003).

Independent System Operator Corporation, and the Cities of Redding and Santa Clara, California and the M-S-R Public Power Agency. Southern California Edison Company, Pacific Gas and Electric Company and San Diego Gas & Electric Company (collectively, Original PTOs) filed a joint motion to intervene and conditional protest. The Original PTOs request that the Commission not rule on this case until it acts on a pending settlement in Docket No. EL02-103-000, the prior TRBA Adjustment proceeding. Additionally these parties state that, if the Commission approves the settlement, the most administratively efficient course of action would be to have Vernon reflect the modification of the TRBA calculation agreed to in the settlement in its next TRBA Adjustment filing that is required in December 2003 (for calendar year 2004).

4. The unopposed, timely motions to intervene serve to make the entities filing them parties to this proceeding. See 18 C.F.R. § 385.214 (2003).

5. We will accept Vernon's proposed TRBA Adjustment of a negative \$40,203 for use in calculating Vernon's TRR for calendar year 2003, effective January 1, 2003, as requested. In support of this acceptance, the Commission notes that this amount is consistent with the revenue credit amount used by the Cal ISO in calculating its current Transmission Access Charge (TAC) rates as set forth in its informational filing in Docket No. ER03-310-000 which reflects the TRRs of all Participating Transmission Owners, effective January 1, 2003.²

6. The settlement reached in Docket No. EL02-103-000, which modified the treatment of FTR revenues, effective July 1, 2002, was approved after Vernon's submission of the instant proposed TRBA Adjustment.³ Accordingly, the instant proposed negative \$40,203 TRBA Adjustment does not reflect the modification agreed to in the settlement but rather utilizes the same methodology as originally filed in Docket No. EL02-103-000. Rather than make a change for 2003, we will allow this change to be reflected for 2004. As previously noted, the TRBA Adjustment is adjusted annually, with interest, to reflect prior period over or under-collections and thus ultimately no excess revenues will result from the use of the originally-proposed TRBA number for calendar year 2003 as opposed to a revised number reflecting the settlement. That is, the use of the originally-proposed negative \$40,203 by Vernon for calendar year 2003 (rather than a revised number) will simply result in additional refund amounts that Vernon must reflect in its next TRBA

²See California Independent System Operator Corporation, 102 FERC ¶ 61,177 (2003).

³The Commission approved the Offer of Settlement by letter order dated February 5, 2003. City of Vernon, California, 102 FERC ¶ 61,141 (2003).

Adjustment for calendar year 2004. Finally, we add that this approach is consistent with that proposed by the Original PTOs in their conditional protest to this filing.

By direction of the Commission.

Linda Mity,
Acting Secretary.