174 FERC ¶ 61,138

UNITED STATES OF AMERICA

FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Richard Glick, Chairman;

 Neil Chatterjee, James P. Danly,

 Allison Clements, and Mark C. Christie.

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| San Diego Gas & Electric Company |  Docket No. | ER21-526-000 |

ORDER ON INFORMATIONAL FILING

(Issued February 23, 2021)

1. In this order, we accept San Diego Gas & Electric Company’s (SDG&E) third annual informational filing (Cycle 3)[[1]](#footnote-2) made under its Fifth Transmission Owner
Formula Rate (TO5 or TO5 Formula Rate), effective January 1, 2021, as requested.

# Filing

1. On December 1, 2020, SDG&E filed its TO5 Cycle 3 formula rate, which includes a revised base transmission revenue requirement reflecting the following components: (1) prior year revenue requirement for the 12-month period ending December 31, 2019; (2) forecast capital addition revenue requirement for a 24-month period covering 2020 and 2021; (3) true-up of actual costs from January 1, 2019 through December 31, 2019; and (4) interest true-up adjustment.[[2]](#footnote-3)
2. SDG&E states that under the TO5 Formula Rate, the Cycle 3 base transmission revenue requirement for wholesale customers of the California Independent System Operator Corporation (CAISO) is $1,032.7 million, which reflects a 19.3% increase from the Cycle 2 revenue requirement.[[3]](#footnote-4) The Cycle 3 base transmission revenue requirement for retail end-use customers is $1,035.8 million or a 19.3% increase for the rate effective period.[[4]](#footnote-5) SDG&E states that the changes in transmission rates are primarily attributable
to increase in Prior Year Revenue Requirement resulting from higher operation and maintenance expenses, depreciation expense, property and payroll taxes, and transmission rate base; an increase in the 24-month total Weighted Forecast Plant Additions and the related Forecast Period Capital Additions Revenue Requirement;
and an increase in the true-up adjustment between TO5 Cycle 3 and Cycle 2.[[5]](#footnote-6) The
Cycle 3 base transmission revenue requirement will remain in effect for the Rate Effective Period, which is January 1, 2021 through December 31, 2021.[[6]](#footnote-7)

# Notice and Responsive Pleadings

1. Notice of SDG&E’s TO5 Cycle 3 Filing was published in the *Federal Register*,
85 Fed. Reg. 78,843 (Dec. 7, 2020), with interventions or protests due on or before December 22, 2020. Southern California Edison Company, State Water Contractors, the City of Santa Clara, California, Transmission Agency of Northern California, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) filed timely motions to intervene. The California Public Utilities Commission filed a motion to intervene out of time. On December 22, 2020, Six Cities filed protest. On January 6, 2021, SDG&E filed an answer to Six Cities’ protest.

## Six Cities Protest

1. Six Cities protests SDG&E’s filing, asking the Commission to direct SDG&E to implement the changes recommended in an Audit Report issued by Commission staff
in Docket No. Docket No. FA19-3-000, and make SDG&E’s filing subject to refund.[[7]](#footnote-8) Six Cities explains that on July 30, 2020, the Commission’s Office of Enforcement, Division of Audits and Accounting (DAA) issued a report of its findings from an audit
of SDG&E for the period of January 1, 2016 through February 4, 2020 (Audit Report). Six Cities asserts that the audit evaluated SDG&E’s compliance with its Transmission Owner Tariff and the Commission’s accounting requirements under the Uniform System of Accounts, among other areas, and made certain findings and recommendations, along with the requirement for SDG&E to submit an implementation plan to comply with the recommendations within 30 days of the Audit Report. Six Cities contends that although the Commission directed SDG&E to implement the changes from the Audit Report within 30 days, SDG&E has not followed through on implementing those changes for ratemaking purposes.[[8]](#footnote-9)
2. Specifically, Six Cities alleges that SDG&E’s allocation of overhead costs to Account No. 107, Construction Work in Progress – Electric, may lead to overcharging transmission customers. Six Cities claims that this issue goes back several years, and thus prior charges were likewise premised on incorrect plant in service values.[[9]](#footnote-10) Similarly, Six Cities contends that SDG&E improperly accounted for electric vehicle charging stations in FERC Account No. 398, Miscellaneous Equipment, when such
costs should have been recorded in Account No. 370, Meters, or Account No. 371, Installations on Customers’ Premises. Six Cities states that the Commission should
direct SDG&E to move these costs to the proper accounts for purposes of calculating its wholesale base transmission revenue requirement.[[10]](#footnote-11) Six Cities asserts that there may be other recommendations from the Audit Report that have not been implemented, resulting in an unjust and unreasonable wholesale base transmission revenue requirement.[[11]](#footnote-12)

## SDG&E Answer

1. SDG&E states that Six Cities’ protest is based on a misunderstanding of the Audit Report’s implementation timing requirements. SDG&E asserts that the Audit Report
at no point requires SDG&E to implement the recommendations within 30 days, but instead, directs SDG&E to submit within 30 days its plan on how to implement the recommendations.[[12]](#footnote-13)
2. SDG&E explains that regarding Construction Work in Progress,[[13]](#footnote-14) the Audit Report requires SDG&E to retain within 180 days an independent third-party to conduct a labor time study and submit initial study results to DAA for review.[[14]](#footnote-15) SDG&E states that the Audit Report recommends SDG&E to subsequently file a refund report, which
is dependent upon first receiving DAA’s assessment of SDG&E’s refund analysis.[[15]](#footnote-16) With regard to Six Cities’ concern on SDG&E’s accounting of electric vehicle charging stations in general plant Account 398 instead of distribution Account 371, SDG&E states that the Audit Report directs SDG&E to submit proposed accounting entries and revise the Account 398 balance after DAA’s assessment of the proposed entries.[[16]](#footnote-17) SDG&E argues that for all of the Audit Report’s recommendations involving the filing of a
refund report, SDG&E must first conduct an analysis and/or provide proposed accounting entries, and DAA must then assess the analysis or proposed accounting entries before SDG&E implements the Audit Report’s recommendations.
3. SDG&E states that it contemplates filing the refund report associated with the Audit Report by July 15, 2021, aligning the submission of refund reports with the
draft posting of SDG&E’s next annual informational filing. SDG&E asserts that customers will receive any required refunds, including interest, once the Audit Report’s implementation is complete and the Commission has approved the refund reports, as explicitly provided for in the Audit Report. SDG&E notes that any party will have the right to participate in those proceedings.[[17]](#footnote-18)

# Procedural Matters

1. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure,
18 C.F.R. § 385.214 (2020), the timely, unopposed motions to intervene serve to
make the entities that filed them parties to the proceedings in which they were filed.
2. Pursuant to Rule 214(d) of the Commission’s Rules of Practice and Procedure,
18 C.F.R. § 385.214(d), the Commission will grant the California Public Utilities Commission’s motion to intervene out of time, given its interest in the proceeding,
the early stage of the proceeding, and the absence of undue prejudice or delay.
3. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R.
§ 385.213(a)(2) (2020), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We accept SDG&E’s answer because it has provided information that assisted us in our decision-making process.

# Discussion

1. We accept SDG&E’s TO5 Cycle 3 Filing, effective January 1, 2021, as requested. SDG&E’s informational filing shows the base transmission revenue requirement in effect for the next calendar year, which is subject to a true-up. Six Cities has not demonstrated that SDG&E’s proposed transmission revenue requirement is unjust and unreasonable. Specifically, we agree with SDG&E that the Audit Report does not require SDG&E to implement the recommendations within 30 days, but rather directs SDG&E to submit within 30 days its plan on how to implement the recommendations.[[18]](#footnote-19) SDG&E has followed through with this direction.
2. We note SDG&E’s statement that it contemplates filing the refund report associated with the Audit Report by July 15, 2021. When SDG&E files the refund
report with the Commission, any party, including Six Cities, will have the right to participate, and submit a protest or comments on the refund report at that time. Customers will receive any required refunds, including interest, once the Audit
Report’s implementation is complete.

The Commission orders:

 SDG&E’s TO5 Cycle 3 Filing is hereby accepted for filing, to become effective January 1, 2021, as requested.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,

Deputy Secretary.

1. The term “Cycle,” as used in SDG&E’s informational filing and this order,
refers to the number of annual filings made under the formula rate in effect. *See* SDG&E Transmittal at n.1. [↑](#footnote-ref-2)
2. SDG&E Transmittal at 2. [↑](#footnote-ref-3)
3. *Id*. [↑](#footnote-ref-4)
4. *Id*. [↑](#footnote-ref-5)
5. *Id*. at 3. [↑](#footnote-ref-6)
6. *Id*. at 1. [↑](#footnote-ref-7)
7. *Id*. at 2 (citing Delegated Letter Order, Docket No. FA19-3-000 (July 30, 2020)). [↑](#footnote-ref-8)
8. *Id*. [↑](#footnote-ref-9)
9. *Id*. at 3. [↑](#footnote-ref-10)
10. *Id*. at 3-4. [↑](#footnote-ref-11)
11. *Id*. at 5. [↑](#footnote-ref-12)
12. SDG&E Answer at 3 (citing Audit Report, App. I at 12). [↑](#footnote-ref-13)
13. *Id*. at 3-4 (citing Audit Report, App. I at 29-33). [↑](#footnote-ref-14)
14. *Id*. (citing Audit Report, App. I at 32, Recommendation 13). [↑](#footnote-ref-15)
15. *Id*. at 4 (citing Audit Report, App. I at 33, Recommendations 19, 20). [↑](#footnote-ref-16)
16. *Id*. [↑](#footnote-ref-17)
17. *Id*. at 5. [↑](#footnote-ref-18)
18. *See* SDG&E Answer at 3 (citing Audit Report at 1). [↑](#footnote-ref-19)