180 FERC ¶ 61,095

UNITED STATES OF AMERICA

FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Richard Glick, Chairman;

James P. Danly, Allison Clements,

Mark C. Christie, and Willie L. Phillips.

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| San Diego Gas & Electric Company | Docket No. | ER22-527-000 |

ORDER ON INFORMATIONAL FILING

(Issued August 15, 2022)

1. In this order, we accept San Diego Gas & Electric Company’s (SDG&E) fourth annual informational filing (Cycle 4)[[1]](#footnote-2) made under its Fifth Transmission Owner   
   Formula Rate (TO5 or TO5 Formula Rate), effective January 1, 2022, as requested. We also direct SDG&E to make certain corrections in its next informational filing, consistent with the terms of its TO5 Formula Rate Protocols (Protocols).

# Filing

1. On December 1, 2021, SDG&E filed its TO5 Cycle 4 informational filing, which, pursuant to the terms of the TO5 Formula Rate, revises SDG&E’s base transmission revenue requirement (BTRR), and transmission rates for retail end use customers and CAISO wholesale customers for the rate effective period beginning January 1, 2022 through December 31, 2022. SDG&E states that the revised rates are based on certain recorded and estimated cost information.[[2]](#footnote-3)
2. SDG&E states that its TO5 Cycle 4 BTRR for retail end use customers is approximately $1,074.3 million, representing a $38.5 million increase, or a 3.7% change, compared to the BTRR for retail end use customers in Cycle 3. SDG&E states that the BTRR for CAISO wholesale customers equals $1,071.2 million, representing a $38.5 million increase, or a 3.7% change, compared to the BTRR for CAISO wholesale customers in Cycle 3.[[3]](#footnote-4)
3. SDG&E states that the net increase in transmission rates is attributed primarily to four factors: (1) an increase in the prior year revenue requirement, resulting from higher operation and maintenance expenses, depreciation expenses, property and payroll taxes, and transmission rate base; (2) the 24-month total weighted forecast plant additions and the related forecast period capital additions revenue requirement; (3) a decrease in the True-Up Adjustment under-collection between TO5 Cycle 4 and Cycle 3; and (4) an adjustment to reduce total BTRR for the correction of errors in prior years’ annual informational filings.[[4]](#footnote-5) SDG&E also states that, in accordance with section D.3 of the Protocols, it updated certain references within its formula rate spreadsheet.[[5]](#footnote-6)

# Notice of Filing and Responsive Pleadings

1. Notice of SDG&E’s TO5 Cycle 4 Filing was published in the *Federal Register*, 86 Fed. Reg. 69,635 (Dec. 8, 2021), with interventions or protests due on or before December 22, 2021. Southern California Edison Company; Pacific Gas and Electric Company; State Water Contractors; the City of Santa Clara, California; Transmission Agency of Northern California; the California Public Utilities Commission; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); and California Department of Water Resources State Water Project filed timely motions to intervene. On December 22, 2021, Six Cities filed a protest. On January 6, 2022, SDG&E filed an answer to Six Cities’ protest. On January 21, 2022, Six Cities filed an answer to SDG&E’s answer. On February 1, 2022, SDG&E filed a supplemental answer to Six Cities’ January 21 answer.

# Procedural Matters

1. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure,  
   18 C.F.R. § 385.214 (2021), the timely, unopposed motions to intervene serve to   
   make the entities that filed them parties to this proceeding.
2. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R.   
   § 385.213(a)(2) (2021), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We accept SDG&E’s and Six Cities’ answers because they have provided information that assisted us in our decision-making process.

# Substantive Matters

## Deferred Income Taxes Related to Contributions in Aid of Construction

### Six Cities Protest

1. Six Cities argues that SDG&E inappropriately included accumulated deferred income taxes (ADIT) and excess/deficient deferred income taxes (EDIT) related to contributions in aid of construction (CIAC) in rate base. Six Cities states that Commission policy provides that CIAC-related ADIT and EDIT effects are only properly recoverable from the entity that makes the contribution in order to receive the service. According to Six Cities, the Commission has explained that it “believes that the contributor should bear the tax burden created as a result of its contribution,” noting that “[i]f a contributor is to make a CIAC in order to gain services by which he is to benefit, the contributor should pay the full cost of the contribution, including its tax effect.”[[6]](#footnote-7)
2. Six Cities notes that, while SDG&E asserts that ADIT balances in the BTRR are transmission-related, SDG&E indicated that it includes beginning-of-year and end-of-year balances of CIAC-related ADIT of $13.7 million and $16.4 million, respectively, and beginning-of-year and end-of-year balances of CIAC-related EDIT of $5.4 million and $4.7 million, respectively, as inputs to its BTRR calculation.[[7]](#footnote-8) Six Cities argues that the Commission should reject SDG&E’s inclusion of CIAC-related ADIT and EDIT in the formula because Commission policy provides that these inputs are not properly borne by a utility’s ratepayers. According to Six Cities, removing these amounts would reduce SDG&E’s BTRR by approximately $2 million.[[8]](#footnote-9)

### SDG&E Answer

1. In response to Six Cities’ objections on CIAC-related ADIT and EDIT, SDG&E states that it is evaluating the inclusion of these components in its TO5 Cycle 4 Filing, and that if the inclusion was in error, SDG&E will correct that error in the next TO5 cycle filing.[[9]](#footnote-10)

### Six Cities Answer

1. Six Cities argues that it is up to the Commission, not SDG&E, to make a finding of the propriety of SDG&E’s decision to include CIAC-related ADIT and EDIT. Six Cities reiterates that the Commission has previously decided this matter.[[10]](#footnote-11) Six Cities argues that, should SDG&E make the decision that it is appropriate to include CIAC-related ADIT in its next TO5 cycle, it will simply prolong a Commission resolution and require parties to address this issue in response to next year’s annual update filing, when it could be resolved now.[[11]](#footnote-12)

### SDG&E Supplemental Answer

1. SDG&E states that Six Cities mistakenly conflates the CIAC received from the customer, including the tax gross-up, with the deferred tax asset that results from the taxes paid on the CIAC. According to SDG&E, the Commission has previously found that it is proper for a utility to include in rate base deferred tax assets that result from taxes paid on a CIAC to be recovered in future periods through tax depreciation deductions. SDG&E explains that, while it does collect both the CIAC and the tax gross-up from the customer, that CIAC contribution (including tax gross-up) is separate and apart from the ADIT and EDIT included in SDG&E’s rate base. SDG&E states that it must pay income taxes on CIAC in the year it receives the CIAC, and that these income taxes are recovered as a deferred tax asset. SDG&E explains that this asset is recovered in future periods through tax depreciation deductions, and therefore, that deferred tax asset related to transmission CIAC is properly recorded to Account No. 190, Accumulated Deferred Income Taxes, and Account No. 282, Accumulated Deferred Income Taxes - Other Property, which are inputs to SDG&E’s formula rate spreadsheet.[[12]](#footnote-13)
2. SDG&E further explains that there are three “buckets” related to CIAC: (1) the CIAC contribution (including tax gross up); (2) the taxes paid on the contribution; and (3) the ADIT and EDIT resulting from those taxes. SDG&E argues that the case cited by Six Cities addresses buckets one and two,[[13]](#footnote-14) while the third bucket was previously addressed by the Commission when the Commission approved PPL Electric Utilities Corporation’s (PPL) inclusion of CIAC-related ADIT in rate base to address the resulting depreciation.[[14]](#footnote-15) SDG&E further explains that, in that case, a protester challenged PPL’s inclusion of ADIT related to CIAC in its rate base, arguing that “PPL receive[d] CIAC from those specific customers for whom PPL installs certain facilities, and there is no reason for any other customers to pay any costs associated with CIAC.”[[15]](#footnote-16) SDG&E states that the Commission ultimately concluded:

[W]e find that PPL’s inclusion of ADIT in the amount of $21,519,517 to be appropriate. The proper rate base treatment of deferred income taxes includes Account [Nos.] 282 and 283[[16]](#footnote-17) in addition to Account [No.] 190. Thus, we find that PPL has properly applied the formula rate, and we accordingly reject this challenge.[[17]](#footnote-18)

1. SDG&E argues that the same principles that applied in the *PPL* case apply here: SDG&E must pay income taxes on CIAC in the same year that it receives a CIAC, and payment of these taxes generates a deferred tax asset. SDG&E states that the deferred tax asset represents the cumulative net amount of tax paid by SDG&E on transmission-related CIAC received, less the cumulative tax benefit resulting from tax depreciation on CIAC related to plant. SDG&E further explains that, because SDG&E is taxed on CIAC resulting from CIAC-paying customers, the resulting deferred tax asset must be included as an offsetting regulatory asset to the total ADIT recorded to give proper effect to the treatment of deferred tax assets for ratemaking purposes.[[18]](#footnote-19)

### Commission Determination

1. We find that SDG&E’s inclusion of CIAC-related ADIT and EDIT in rate base is not just and reasonable. We agree with Six Cities that SDG&E should remove CIAC-related ADIT and EDIT amounts from rate base in the TO5 Cycle 4 informational filing and in future informational filings. As Six Cities notes, Commission precedent holds that “the contributor [of a CIAC] should bear the tax burden created as a result of its contribution,” and that “[i]f a contributor is to make a CIAC in order to gain services by which he is to benefit, the contributor should pay the full cost of its contribution, including its tax effect.”[[19]](#footnote-20) In recent proceedings, the Commission has found it appropriate to exclude from formula rates the CIAC-related ADIT and EDIT amounts.[[20]](#footnote-21) In *MISO,* the Commission found that an entity’s proposal to “exclude the tax effects of the CIAC from the annual transmission revenue requirements is just and reasonable and consistent with cost causation principles and Commission precedent.”[[21]](#footnote-22) In *Ameren I*, the Commission found that “[n]either the ratepayer nor the shareholder should be affected by the taxes related to the collection of CIAC or related [CIAC] tax gross-up.”[[22]](#footnote-23)
2. SDG&E claims that it is appropriate for a utility to include in rate base deferred tax assets that result from taxes paid on a CIAC to be recovered in future periods through tax depreciation deductions. SDG&E cites to an earlier finding in *PPL* in which the Commission found it appropriate to include ADIT in the formula rate, stating that “[t]he proper rate base treatment of deferred income taxes includes Account [Nos.] 282 and 283 in addition to Account [No.] 190,” and that “PPL has properly applied the formula rate.” However, the Commission found in *PPL II* that “PPL’s [f]ormula [r]ate should exclude ADIT subaccounts that do not relate to the cost of providing network transmission service,” and that “PPL’s populated ADIT [w]orksheet indicates that PPL has attributed certain CIAC-related ADIT to its transmission function, despite the fact that ‘the contributor [of a CIAC] should bear the tax burden created as a result of its contribution.’”[[23]](#footnote-24) Furthermore, in *Ameren II*, the Commission held that “neither the tax gross-up of CIAC nor the ADIT related to the tax gross-up of CIAC are allowed to be included in the [annual transmission revenue requirement],” and that “[b]oth of these items arise from non-operating contributions by individual transmission customers, and should have no bearing on the [annual transmission revenue requirement].”[[24]](#footnote-25) Therefore, the Commission’s recent findings indicate that CIAC-related ADIT costs are most appropriately borne by the party making the CIAC payment because the contributor benefits from the services being provided and this treatment aligns cost recovery with cost causation.
3. Accordingly, we direct SDG&E to correct this error and remove CIAC-related ADIT and EDIT amounts from the TO5 Cycle 4 BTRR in its next informational filing, consistent with the terms of its Protocols.[[25]](#footnote-26) We also direct SDG&E to remove any CIAC-related ADIT and EDIT amounts from its BTRR in its future informational filings.

## Prepaid Property Taxes

### Six Cities Protest

1. Six Cities contends that SDG&E inappropriately included prepaid property taxes in its Ad Valorem Tax Electric prepayments balances. According to Six Cities, including these amounts resulted in a large increase in these taxes in this prepayment balance in April and May 2020, which then decreased sharply in the following months, distorting SDG&E’s 13-month balances and causing an inappropriate increase in its transmission revenue requirement. While Six Cities states that it does not dispute SDG&E recording the payment made in advance of the final two months as a prepayment in Account No. 165, Prepayments, Six Cities argues that inclusion of this prepaid property tax amount is not reasonable from a ratemaking perspective.[[26]](#footnote-27) Six Cities states that SDG&E includes the two months in which the property tax expense is actually prepaid, but that in doing so, SDG&E’s rate base fails to reflect the three months for which SDG&E is actually paying in arrears and receiving cost-free financing.[[27]](#footnote-28)
2. Six Cities argues that this treatment allows SDG&E to recover the property tax expense *in advance of payment* for three out of the six months that the payment covers, but SDG&E’s rate base only recognizes two months of advanced payment. Therefore, Six Cities argues that ratepayers are providing one month of cost-free capital to the utility, and that this results in a distorted measurement of SDG&E’s real cost to finance this payment. According to Six Cities, removing this item from the prepayment input would decrease SDG&E’s transmission revenue requirement by approximately $253,600.[[28]](#footnote-29)

### SDG&E Answer

1. SDG&E states that it properly includes prepaid property taxes in its cash working capital allowance. SDG&E argues that inclusion of prepaid property taxes in its Ad Valorem Tax Electric prepayment balances is consistent with the Commission’s accounting regulations[[29]](#footnote-30) and the Commission’s general rule in favor of following accounting practices for ratemaking. SDG&E contends that Six Cities fails to consider that SDG&E recovers its property tax expenses two years after payment. SDG&E explains that it applies accrual method accounting to ensure that all expenditures—including property taxes—are recorded in the proper reporting period, consistent with 18 C.F.R., Part 101, General Instruction 11. SDG&E notes that this provision states “when payments are made in advance for items such as insurance, rents, taxes or interest the amount applicable to future periods shall be charged to Account No. 165 and spread over the periods to which applicable by credits to Account No. 165, and charges to the accounts appropriate for the expenditure.”[[30]](#footnote-31) SDG&E further notes that “Account No. 165 shall include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.”[[31]](#footnote-32)
2. SDG&E explains that the California property tax bill is received in October for the period beginning July 1 of the current year and ending on June 30th of the following year (*e.g.*, October 2019 bill for July 1, 2019 to June 30, 2020). SDG&E further explains that the tax assessment is due in two installments—the first on December 10th and the second on April 10th of the following year. SDG&E states that property tax expense and the related liability is accrued monthly for the amount attributable to the given month, but that the second installment (the April 10 payment) includes amounts paid for the following two months (May and June). SDG&E notes that, as a result, it records the prepaid taxes to Account No. 165 and credits the account in May and June for the attributable monthly expense.
3. SDG&E objects to Six Cities’ statements that it is incorrect to include these prepaid expenses in rate base, arguing that Six Cities has not offered a sufficient basis to deviate or make an exception to General Instruction 11’s standard accounting treatment. SDG&E argues that the Commission has found that “in general, rate and accounting treatment should be consistent, and a departure from established accounting rules for rate purposes must be based on a showing that application of such rules produces unreasonable results,” and that “any deviation between accounting and ratemaking should be the exception, rather than the rule.”[[32]](#footnote-33)
4. According to SDG&E, Six Cities errs in its contention that inclusion of prepaid property taxes for April and May results in a distorted measurement of the cost to finance because Six Cities fails to consider that SDG&E has a two-year lag in the recovery of transmission-related property taxes. SDG&E notes that its 2022 revenue requirement is based on actual costs incurred during calendar year 2020, and therefore, SDG&E does not receive any recovery in advance of paying taxes. SDG&E further states that it must pay the annual increase in property tax assessments two years before the increase is reflected in rates, and that prepayments simply reflect the two-month period where SDG&E finances the cost of property taxes before the expenditure is incurred in order to meet SDG&E’s tax obligation.[[33]](#footnote-34)
5. SDG&E ultimately contends that its treatment of prepayments is consistent with its formula rate and the relevant language within its transmission owner tariff. Therefore, SDG&E concludes that its prepayments do not result in an unreasonable result, are consistent with the general rule of following accounting treatment, and do not represent recovery in advance of payment.[[34]](#footnote-35)

### Six Cities Answer

1. Six Cities argues that SDG&E’s statements about its recovery of property tax expenses are incorrect and reflect a misunderstanding of Commission ratemaking and cost recovery policies. Six Cities explains that SDG&E recovers its costs concurrently with when it incurs those costs because the rate in effect during the rate period is a proxy for its expected costs that year. Six Cities argues that, the fact that 2022 projected rates are based on 2020 actual costs does not mean that SDG&E does not actually recover its expenses until two years later—it means that SDG&E recovered an estimate of those expenses, and any disparity between the estimate and actuals are subsequently mitigated by way of the true-up process.[[35]](#footnote-36)
2. Six Cities reiterates that, while SDG&E’s accounting treatment was appropriate, the ratemaking treatment is inappropriate, because SDG&E included the two months of prepaid property tax expense as a rate base debit while ignoring the three months that property tax expenses are paid in arrears. Six Cities states that SDG&E’s argument is flawed because it suggests that the Commission could not order adjustments to SDG&E’s prepayments in rate base because the formula rate does not provide for adjustments to accrual-based accounting. Six Cities argues, however, that the Commission has repeatedly held that when it approves a formula rate template, it approves the template itself, rather than the inputs to the template, which themselves must be reasonable.[[36]](#footnote-37)

### SDG&E Supplemental Answer

1. SDG&E states that, while Six Cities argues that an adjustment for Account No. 165 is needed for ratemaking purposes, Six Cities fails to acknowledge the Commission’s precedent that “in general, rate and accounting treatment should be consistent,” and that a “departure from established accounting rules for rate purposes must be based on a showing that application of such rules produces unreasonable results.”[[37]](#footnote-38) According to SDG&E, the Commission has underscored that “any deviation between accounting and ratemaking should be the exception rather than the rule.”[[38]](#footnote-39) Therefore, SDG&E argues that its accounting of prepaid property taxes—as provided for in the C.F.R.—is consistent with its ratemaking treatment of this issue (as provided for in its formula rate). SDG&E contends that Six Cities has not shown that such treatment results in such an unreasonable result that it requires a deviation from the standard rule that ratemaking should follow the applicable accounting standard.[[39]](#footnote-40)
2. According to SDG&E, Six Cities’ premise that SDG&E recovers an expense from ratepayers in the month the expense is recorded is not an accurate rendition of what occurs. SDG&E explains that, because the BTRR is derived using total expenses for the base period, the monthly timing of expenses alone does not result in accelerated cost recovery. SDG&E further explains that the property tax expense included in the BTRR is the total expense for the period, and therefore, Six Cities’ argument that SDG&E is receiving cost-free financing from ratepayers for three months while payment has not been made for property taxes is thus not an accurate statement.[[40]](#footnote-41)
3. SDG&E explains that the inclusion of prepayments in rate base represents SDG&E’s cost of financing attributable to a cash payment made in advance of the related expenditure. SDG&E further states that prepayments reflect the two-month period where SDG&E finances the cost of property taxes before the expenditure is incurred to meet SDG&E’s tax obligation. SDG&E contends that, whether it relates to property taxes or other accrued expenses, the number of months prior to submission of a payment is irrelevant in determining rate base. SDG&E notes that it did not receive funds from ratepayers for the three months of property tax expense incurred prior to payment, but that SDG&E applied accrual method accounting to record expenses in the proper reporting periods.[[41]](#footnote-42)
4. Finally, SDG&E argues that Six Cities’ example of adjusting SDG&E’s formula rate inputs does not apply to prepayments that reflect the correct balances for the base period. SDG&E contends that its accounting treatment here does not result in an unreasonable result for ratemaking, and as such, renders a departure from accounting rules and the formula rate as outlined in SDG&E’s tariff unnecessary.[[42]](#footnote-43)

### Commission Determination

1. We find that SDG&E has appropriately recorded prepaid property taxes in Account No. 165. As SDG&E notes, it has a consistent practice of recording prepaid property expenses for May and June of a given tax year to Account No. 165, and this prepayment reflects the two-month period where SDG&E finances the cost of property taxes before the expenditure is incurred in order to meet SDG&E’s tax obligation. While we agree with SDG&E that this treatment follows the Commission’s general accounting practices,[[43]](#footnote-44) this finding is not dispositive as to the question of whether SDG&E’s treatment of prepaid property taxes is just and reasonable from a ratemaking perspective.
2. Six Cities acknowledges that it agrees with SDG&E’s accounting treatment here, but Six Cities takes issue with SDG&E’s rate treatment for certain prepaid property taxes.[[44]](#footnote-45) The Commission has stated that “[a]ccounting practices are not controlling for ratemaking purposes and deviations from normal accounting practices must be made where necessary to insure that rates established by the Commission are just and reasonable.”[[45]](#footnote-46) However, we do not find that a deviation between SDG&E’s accounting and ratemaking practices is necessary here to ensure a just and reasonable rate. For example, Six Cities’ argument that SDG&E receives cost-free financing from ratepayers for three months while payment has not been made for property taxes is not persuasive. We agree with SDG&E that because the BTRR is derived using total expenses for the base period, the monthly timing of expenses alone does not accelerate cost recovery. As SDG&E notes, it does not receive funds from ratepayers for the three months of property tax expenses incurred prior to payment, but SDG&E applies accrual method accounting to record expenses in the proper reporting periods. We also note that the property tax assessment in California follows a standard process, and that SDG&E consistently applies this rate and accounting treatment each year.[[46]](#footnote-47) Six Cities has not offered a sufficient basis to deviate from these standard practices, nor has Six Cities proposed an alternative method for measuring SDG&E’s property tax expenses.
3. Finally, we find that SDG&E’s treatment of prepaid property taxes is consistent with the formula rate in its transmission owner tariff. SDG&E’s transmission owner tariff indicates that “Prepayments shall equal SDG&E’s prepayment balance recorded in FERC Account No. 165” and that “Transmission Related Prepayments shall equal SDG&E’s electric balance of prepayments recorded in FERC Account No. 165 multiplied by the Transmission Plant Allocation Factor.”[[47]](#footnote-48) We do not find a sufficient basis for SDG&E to deviate from its filed rate, and therefore we reject Six Cities’ challenge here.

## Affiliate Expenses

### Six Cities Protest

1. Six Cities states that SDG&E recorded $37,073,722 of affiliate depreciation expense to Account No. 923, Outside Services Employed, which resulted in these amounts being inappropriately included in SDG&E’s cash working capital allowance. Six Cities states that it does not oppose SDG&E’s recovery of service company depreciation expense, but that Account No. 923 impacts the calculation of cash working capital allowance in rate base, and as such, depreciation expense is not properly includable in the cash working capital allowance because it is a non-cash expense.[[48]](#footnote-49) Therefore, Six Cities contends that affiliate depreciation expense should be recorded to Account No. 403, Depreciation Expense, rather than Account No. 923, consistent with General Instruction No. 14.[[49]](#footnote-50) Six Cities states that, to the extent the Commission does not require SDG&E to record affiliate depreciation expense to Account No. 403, SDG&E should be required to adjust the amount of affiliate depreciation expense it includes in its formula rate to resolve the inappropriate impacts to the cash working capital allowance.[[50]](#footnote-51)
2. Six Cities states that, while removing affiliate depreciation expense from Account No. 923 would reduce SDG&E’s transmission revenue requirement by only $87,000, this issue will continue to arise through SDG&E’s subsequent annual updates, resulting in larger impacts to ratepayers over time.[[51]](#footnote-52)

### SDG&E Answer

1. SDG&E states that Six Cities is incorrect in contending that the affiliate depreciation expenses recorded to Account No. 923 result in those amounts being inappropriately included in SDG&E’s cash working capital allowance. SDG&E argues that amounts billed from affiliates for SDG&E’s use of the affiliate’s assets—assets that are recorded on the affiliate’s balance sheet—is not a depreciation expense for SDG&E but instead represents a payment to that affiliate. SDG&E asserts that the plant-in-service in question is not SDG&E’s property but is the property of its affiliate, and therefore, it is recorded to that entity’s balance sheet. SDG&E explains that the amounts it pays to the affiliate company are a cash outflow that must be accounted for in SDG&E’s cash working capital allowance because the amounts in question are “paid for utilization of affiliate assets [and] are not depreciation expenses to SDG&E.”[[52]](#footnote-53)
2. SDG&E further argues that it appropriately records amounts billed by affiliates to Account No. 923. SDG&E states that Six Cities’ desire for SDG&E to record this expense to Account No. 403 is not appropriate because there is no corresponding plant-in-service recorded on SDG&E’s balance sheet—as the plant in-service is not SDG&E’s property.[[53]](#footnote-54)

### Commission Determination

1. We agree with SDG&E that amounts billed from its affiliates for SDG&E’s use of an affiliate’s assets do not classify as a depreciation expense for SDG&E, but instead represent a payment (cash outflow) SDG&E makes to that affiliate as part of its operations.  Thus, we find that SDG&E correctly proposes to record affiliate depreciation expense in Account No. 923 consistent with General Instruction No. 14 of the Uniform System of Accounts, which requires that a public utility must record all transactions with associated companies in the appropriate account based on the nature and function (e.g., general expenses, transmission expenses, etc.) of the cost incurred.  In this case, since a specific function (e.g., transmission) of the affiliate’s underlying asset and related activities cannot be identified, SDG&E’s use of a general expense account, Account No. 923, is appropriate for general services that are not applicable to a particular operating function or other account.

## Electric Power Research Institute Dues

### Six Cities Protest

1. Six Cities argues that SDG&E should not record costs associated with Electric Power Research Institute (EPRI) dues in the formula rate. Six Cities notes that the Commission has consistently held that EPRI dues are not properly recoverable from wholesale customers because wholesale customers are able to make such payments themselves and should not be required to pay twice.[[54]](#footnote-55) Six Cities argues that SDG&E should have made an adjustment to remove the EPRI dues from Account No. 930.2, Miscellaneous General Expenses, formula rate input on Schedule AH-2 of the formula rate. Six Cities states that removing EPRI dues results in a reduction to SDG&E’s transmission revenue requirement of approximately $24,816.[[55]](#footnote-56)

### SDG&E Answer

1. SDG&E states that it will remove expenses paid for EPRI dues from TO5 Cycle 4 and going forward. SDG&E states that, based upon Appendix VII, sections 5.a and 5.b of SDG&E’s transmission owner tariff, SDG&E will correct this issue in its next informational filing.[[56]](#footnote-57)

### Commission Determination

1. We agree with Six Cities that the Commission has consistently held that EPRI dues are not properly recoverable from wholesale customers.[[57]](#footnote-58) We acknowledge SDG&E’s commitment to correct this issue in its next informational filing, consistent with the terms of its Protocols.[[58]](#footnote-59)

The Commission orders:

(A) SDG&E’s TO5 Cycle 4 Filing is hereby accepted for filing, to become effective January 1, 2022, as requested, as discussed in the body of this order.

(B) SDG&E is hereby directed to make certain corrections in its next informational filing, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,

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* Filing at n.1. [↑](#footnote-ref-2)
2. *Id.* at 1-2. [↑](#footnote-ref-3)
3. *Id*. at 2. [↑](#footnote-ref-4)
4. *Id*. at 3. [↑](#footnote-ref-5)
5. *Id*. at 3-4. [↑](#footnote-ref-6)
6. Six Cities Protest at 2 (citing *Trailblazer Pipeline Co.*, 55 FERC ¶ 61,050, at 61,150 (1991)). [↑](#footnote-ref-7)
7. *Id*. at 3, attach. A at 1, & attach. B at 1. [↑](#footnote-ref-8)
8. *Id*. at 2-3. [↑](#footnote-ref-9)
9. SDG&E Answer at 7-8. [↑](#footnote-ref-10)
10. Six Cities Answer at 4-5 (citing *Trailblazer Pipeline Co.*, 55 FERC at 61,150). [↑](#footnote-ref-11)
11. *Id*. [↑](#footnote-ref-12)
12. SDG&E Supplemental Answer at 6-7. [↑](#footnote-ref-13)
13. *See* Six Cities Answer at 4-5 (citing *Trailblazer Pipeline Co.*, 55 FERC at 61,150). [↑](#footnote-ref-14)
14. SDG&E Supplemental Answer at 7 (citing *PPL Elec. Utils. Corp.*,136 FERC ¶ 61,101 (2011) (*PPL*)). [↑](#footnote-ref-15)
15. *Id*.(citing *PPL*, 136 FERC ¶⁋ 61,101 at P 31). [↑](#footnote-ref-16)
16. Account No. 283, Accumulated Deferred Income Taxes - Other. [↑](#footnote-ref-17)
17. SDG&E Supplemental Answer at 8 (quoting *PPL*, 136 FERC ¶ 61,101 at P 33). [↑](#footnote-ref-18)
18. *Id*. [↑](#footnote-ref-19)
19. *Trailblazer Pipeline Co.*, 55 FERC at 61,150. [↑](#footnote-ref-20)
20. *Midcontinent Indep. Sys. Op. Corp.,* 168 FERC ¶ 61,093 (2019) (*MISO*); *Ameren Ill. Co.*, 156 FERC ¶ 61,209 (2016) (*Ameren I*), *order on reh’g*, 162 FERC 61,025 (2018) (*Ameren II*); *PPL Elec. Utils. Corp.*, 177 FERC ¶ 61,085 (2021) (*PPL II*). [↑](#footnote-ref-21)
21. *MISO*, 168 FERC ¶ 61,093 at P 21. [↑](#footnote-ref-22)
22. *Ameren I*, 156 FERC ¶ 61,209 at P 63. [↑](#footnote-ref-23)
23. *PPL II*, 177 FERC ¶ 61,085 at P 101 (citing *MISO*, 168 FERC ¶ 61,093 at P 20 and *Trailblazer Pipeline Co.*, 55 FERC at 61,150). [↑](#footnote-ref-24)
24. *Ameren II*, 162 FERC 61,025 at P 38. [↑](#footnote-ref-25)
25. San Diego Gas & Electric Company, SDG&E TO Tariff Filing, app. VIII, TO app. VIII (13.0.0); *see id.* attach. 1 - Protocols (1.0.0), § 5. Section 5 provides that

    [i]n the event SDG&E or any Interested Party identifies an error in the TO5 Formula or the FERC Form No. 1 data or data based on SDG&E’s books and records that is used as an input to the formula, or SDG&E is required by applicable law, a court, or regulatory body to correct an error, and such error affects the True-Up TRR calculated in an Informational Filing, SDG&E shall include in its next subsequent Informational Filing a brief description of the errors included in its prior Informational Filing that must be corrected. . . .

    SDG&E’s subsequent Informational Filing shall: (i) Recalculate the True-Up TRR for all affected Prior Years; (ii) Compare, on a monthly basis, the difference between the initial incorrect True-Up TRR and the revised correct True Up; and (iii) Determine the cumulative amount of the difference . . . including interest calculated pursuant to the interest rate in 18 C.F.R. §35.19a, through the date of implementation of the correction. [↑](#footnote-ref-26)
26. Six Cities Protest at 4 (citing *Consolidated Gas Supply Corp.*, 14 FERC ¶ 61,029, at 61,053-54 (1981) (*Consolidated Gas*)). [↑](#footnote-ref-27)
27. *Id*. at 3-4. [↑](#footnote-ref-28)
28. *Id*. at 4-5. [↑](#footnote-ref-29)
29. SDG&E Answer at 3 (citing 18 C.F.R. pt. 101 (2021), General Instruction 11). [↑](#footnote-ref-30)
30. *Id*. [↑](#footnote-ref-31)
31. *Id*. at 3-4 (citing 18 C.F.R. pt. 101, General Instruction 11). [↑](#footnote-ref-32)
32. *Id*. at 4 (citing *Consolidated Gas*, 14 FERC at 61,053). [↑](#footnote-ref-33)
33. *Id*. at 5. [↑](#footnote-ref-34)
34. *Id*. [↑](#footnote-ref-35)
35. Six Cities Answer at 2-3. [↑](#footnote-ref-36)
36. *Id*. at 4 (citing *Kan. Elec. Power Coop., Inc. v. Evergy Kan. Central, Inc.*, 175 FERC ¶ 61,044, at P 44 (2021)). [↑](#footnote-ref-37)
37. SDG&E Supplemental Answer at 4 (citing *Consolidated Gas*, 14 FERC at 61,053). [↑](#footnote-ref-38)
38. *Id*. (citing *Consolidated Gas*, 14 FERC at 61,053). [↑](#footnote-ref-39)
39. *Id*. at 4-5. [↑](#footnote-ref-40)
40. *Id*. at 5. [↑](#footnote-ref-41)
41. *Id*. [↑](#footnote-ref-42)
42. *Id*. at 6. [↑](#footnote-ref-43)
43. *See* 18 C.F.R. pt. 101, General Instruction 11. [↑](#footnote-ref-44)
44. *See* Six Cities Protest at 4; Six Cities Answer at 3. [↑](#footnote-ref-45)
45. *Consolidated Gas*, 14 FERC at 61,053-54; *see* [Entergy Servs*.,* Inc., Opinion No. 506, 130 FERC ¶ 61,026, at P 89 (2010)](https://1.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=2021080451&pubNum=0000920&originatingDoc=I1b0f968fc2bb11eaaf3cedf8c55e6c34&refType=CA&originationContext=document&transitionType=DocumentItem&ppcid=c2edd59d78a8465ba72cfa1d37fdb6a2&contextData=(sc.Search)) (“As the Commission has explained on a number of occasions, accounting does not control ratemaking.” (citing [S. Co. Servs., 116 FERC ¶ 61,247, at P 23 (2006)](https://1.next.westlaw.com/Link/Document/FullText?findType=Y&serNum=2010301154&pubNum=0000920&originatingDoc=I1b0f968fc2bb11eaaf3cedf8c55e6c34&refType=CA&originationContext=document&transitionType=DocumentItem&ppcid=c2edd59d78a8465ba72cfa1d37fdb6a2&contextData=(sc.Search)))); *Midwest Indep. Transmission Sys. Operator, Inc.*, Opinion No. 534, 148 FERC ¶ 61,206, at PP 249-250 (2014). [↑](#footnote-ref-46)
46. SDG&E Answer at 4; Six Cities Protest, attach. C at 1-2 (SDG&E stating in response to a Six Cities’ data request that “[i]n May and June the amount posted to the prepaid account is reclassed to expense, so by June (the end of the fiscal year), the liability and prepaid accounts have been zeroed out.”). [↑](#footnote-ref-47)
47. SDG&E TO Tariff, app. VIII, TO app. VIII (13.0.0), § I, Definitions, § B. [↑](#footnote-ref-48)
48. Six Cities Protest at 5 (citing *In the Matter of Interstate Power Co. & Albany Lighting Co.*, 2 FPC 71, at 85 (1939)). [↑](#footnote-ref-49)
49. *Id*. (citing 18 C.F.R. pt. 101, General Instruction No. 14). [↑](#footnote-ref-50)
50. *Id*. [↑](#footnote-ref-51)
51. *Id*. at 6. [↑](#footnote-ref-52)
52. SDG&E Answer at 6 (citing Six Cities Protest, attach. E, Response 4.2.2(b)). [↑](#footnote-ref-53)
53. *Id*. at 6-7 (citing 18 C.F.R. § 367.1080 (2021)). [↑](#footnote-ref-54)
54. Six Cities Protest at 6 (citing *S.C. Elec. & Gas Co.*, 63 FERC ¶ 61,218, at 62,600 (1993); *Mont. Power Co.*, 55 FERC ¶ 61,491, at 62,699 (1991); and *Duke Power Co.*, 37 FERC ¶ 61,057, at 61,142 (1986)). [↑](#footnote-ref-55)
55. *Id*. at 6-7. [↑](#footnote-ref-56)
56. SDG&E Answer at 8. [↑](#footnote-ref-57)
57. *See* Six Cities Protest at 6 & n.15. [↑](#footnote-ref-58)
58. *See supra* note 25. [↑](#footnote-ref-59)