164 FERC ¶ 61,048

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, DC 20426

July 24, 2018

 In Reply Refer To:

Citizens Sunrise Transmission LLC

San Diego Gas & Electric Company

Docket Nos. ER18-1687-000

 ER18-1690-000

 (not consolidated)

Duncan & Allen

1730 Rhode Island Avenue, NW, Ste. 700

Washington, DC 20036

San Diego Gas & Electric Company

8330 Century Park Court, CP32D

San Diego, CA 92123

Attention: Donald R. Allen and Christopher M. Lyons

Dear Mr. Allen and Mr. Lyons:

1. On May 25, 2018, Citizens Sunrise Transmission LLC (Citizens Sunrise) filed, pursuant to section 205 of the Federal Power Act (FPA),[[1]](#footnote-2) revisions to Appendix III of its California Independent System Operator Corporation (CAISO) Transmission Owner Tariff (TO Tariff) to reflect the annual true-up of the operating cost associated with its entitlement to 50 percent of the transfer capability of the Border East Line.[[2]](#footnote-3) Also on May 25, 2018, San Diego Gas & Electric Company (SDG&E) filed its Appendix X Seventh Informational Filing (Cycle 7 Filing)[[3]](#footnote-4) containing its annual update to the Border East Line Rate under Appendix X of its TO Tariff. As discussed below, we accept Citizens Sunrise’s revised TO Tariff and acknowledge receipt of SDG&E’s Cycle 7 Filing, effective June 1, 2018.
2. Citizens Sunrise leases 50 percent of the transfer capability of the Border East Line from SDG&E. SDG&E operates and maintains the Border East Line for Citizens Sunrise for a charge, i.e., the Border East Line Rate. On February 21, 2012, the Commission conditionally accepted Citizens Sunrise’s TO Tariff and transmission revenue requirement formula and estimated rates for the Border East Line.[[4]](#footnote-5) Under Appendix III of the Citizens Sunrise TO Tariff, Citizens Sunrise is required to file an annual operating cost true-up to update its transmission revenue requirement and reflect the actual operating costs of the prior calendar year.[[5]](#footnote-6) Citizens Sunrise is also required to submit an informational filing, on or before May 30 of each year, showing the transmission operating cost revenue requirement to be in effect for the period beginning on June 1 of that year through May 31 of the subsequent year.[[6]](#footnote-7) A portion of the operating costs incorporated into the true-up are those operating costs incurred by SDG&E and billed to Citizens Sunrise for its share of the costs for operation and maintenance of the Border East Line.[[7]](#footnote-8) Appendix X of the SDG&E TO Tariff sets forth the formula rate to calculate Citizens Sunrise’s share of the operating costs.[[8]](#footnote-9)
3. Citizens Sunrise proposes to revise Appendix III of the TO Tariff to reflect an increase in its transmission revenue requirement of $2,267,424, or 20 percent, in accordance with the true-up mechanism.[[9]](#footnote-10) Citizens Sunrise explains that the increase is the result of increases in the costs billed by SDG&E, which are flowed through pursuant to the terms of Appendix III.[[10]](#footnote-11)
4. Citizens Sunrise notes that, with respect to those operating costs billed by SDG&E, certain credits are required to be flowed through to Citizens Sunrise under the terms of the SDG&E TO Tariff Appendix X formula, and that, for the operating cost rate effective June 1, 2017, these credits more than offset Citizens Sunrise’s share of direct maintenance expenses and non-direct expenses, resulting in a negative amount of $961,000 for net operating costs. However, rather than refund the net negative amount, Citizens Sunrise states that, in accordance with the terms of SDG&E’s tariff, the amount was carried forward and used as a credit in the operating cost adjustment in this case. Citizens Sunrise explains that, after the credit, the net amount for the SDG&E operating costs attributable to Citizens Sunrise to be effective on June 1, 2018 is $2,571,816.[[11]](#footnote-12)
5. In its informational filing, SDG&E states that the Cycle 7 Filing reflects an under-collection of $3.5 million. SDG&E explains that, consistent with Appendix X of its TO Tariff, the Cycle 5 and Cycle 6 over-collections of $441,000 and $521,000, respectively, are reflected as a credit in the Cycle 7 Filing resulting in a total under-collection of approximately $2.6 million. SDG&E explains that the primary reasons for the annual rate increases are: (1) a decrease in year-end deferred tax liability balances, and (2) 2017 expenses exceeding 2017 recorded revenues. SDG&E notes that after conducting a review of its accumulated deferred income tax (ADIT) balances, it discovered an error in transmission-related ADIT figures reported in its FERC Form 1 for the years 2012 through 2016. SDG&E states that it has submitted revised FERC Form 1 reports and plans to correct the error through an upcoming TO Tariff filing.[[12]](#footnote-13) According to SDG&E, correct transmission-related ADIT figures were included in this Cycle 7 Filing resulting in a decrease in year-end deferred tax liability balances.[[13]](#footnote-14)
6. Citizens Sunrise requests an effective date for the revised Appendix III of June 1, 2018, in accordance with the specifications of the true-up procedure, and any necessary waivers.[[14]](#footnote-15) SDG&E requests an effective date of June 1, 2018.
7. Notice of Citizens Sunrise’s filing in Docket No. ER18-1687-000 and SDG&E’s filing in Docket No. ER18-1690-000 was published in the *Federal Register*, 83 Fed. Reg. 25,663 (2018), with interventions or protests due on or before June 15, 2018. Timely motions to intervene in ER18-1687-000 and ER18-1690-000 were filed by Southern California Edison Company, the City of Santa Clara, California and M-S-R Public Power Agency, and the Modesto Irrigation District. SDG&E filed a timely motion to intervene in ER18-1687-000. Citizens Sunrise filed a timely motion to intervene in ER18-1690-000. The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) filed a timely motion to intervene and comments in ER18-1687-000 and ER18-1690-000. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to these proceedings.
8. Six Cities state that they identified issues with SDG&E’s explanation of the ADIT error and that SDG&E needs to provide more information in its upcoming TO Tariff filing in order for Six Cities to validate SDG&E’s explanation. Six Cities state that because the upcoming TO Tariff filing will involve a more comprehensive review of SDG&E’s formula rate, it is a more appropriate forum for addressing whether SDG&E has correctly adjusted for its error and whether additional modifications are needed. Six Cities note that any corrections to SDG&E’s operating costs resulting from SDG&E’s correction in its upcoming filing must then be flowed through to transmission customers in a future Citizens Sunrise annual true-up filing.[[15]](#footnote-16)
9. We accept Citizens Sunrise’s filing, effective June 1, 2018, as requested.[[16]](#footnote-17) We find that Citizens Sunrise properly followed the annual true-up procedures required under Appendix III of its TO Tariff in updating its transmission revenue requirement to reflect the actual operating costs of the prior year. We also acknowledge receipt of SDG&E’s informational filing, effective June 1, 2018, as requested. SDG&E’s upcoming TO Tariff filing is the appropriate forum to address whether SDG&E will need to make additional modifications to adjust for the ADIT error, as suggested by Six Cities. We note that should that proceeding result in a change to the ADIT figures, pursuant to the terms of the SDG&E TO Tariff Appendix X formula rate, any changes will be reflected in the subsequent true-up process related to the Border East Line Rate or as otherwise provided for by the Commission.[[17]](#footnote-18)

By direction of the Commission.

Nathaniel J. Davis, Sr.,

Deputy Secretary.

1. 16 U.S.C. § 824d (2012). [↑](#footnote-ref-2)
2. The Border East Line is a 30-mile segment of the Sunrise Powerlink Transmission Project. [↑](#footnote-ref-3)
3. The term “Cycle” refers to the number of annual filings made under the formula rate in Appendix X of the SDG&E TO Tariff. *See* SDG&E Transmittal at n.2. [↑](#footnote-ref-4)
4. *Citizens Sunrise Transmission LLC*, 138 FERC ¶ 61,129 (2012). The Commission subsequently accepted a compliance filing which provided for an effective date of July 3, 2012.  *Citizens Sunrise Transmission LLC*, Docket No. ER12-686-001 (Oct. 26, 2012) (delegated order). [↑](#footnote-ref-5)
5. *See* Citizens Sunrise TO Tariff Appendix III P 8. The operating cost true-up procedure is discussed in paragraphs four through eight of Appendix III. [↑](#footnote-ref-6)
6. Citizens Sunrise Transmittal at 2-3. [↑](#footnote-ref-7)
7. Citizens Sunrise Transmittal at 3. [↑](#footnote-ref-8)
8. SDG&E Transmittal at 2. The Commission approved the original Appendix X formula in *San Diego Gas & Electric Co.*, 139 FERC ¶ 61,188 (2012) and *San Diego Gas & Electric Co.*, 141 FERC ¶ 61,054 (2012). The updated Appendix X formula was approved in *San Diego Gas & Electric Co.,* 151 FERC ¶ 61,177 (2015) and *San Diego Gas & Electric Co.*, Docket No. ER15-1410-002 (July 8, 2015) (delegated order). [↑](#footnote-ref-9)
9. Citizens Sunrise Transmittal at 4. [↑](#footnote-ref-10)
10. *Id*. [↑](#footnote-ref-11)
11. *Id*. [↑](#footnote-ref-12)
12. SDG&E is required to submit annual informational filings to the Commission showing the base transmission revenue requirements in effect for the succeeding calendar year. *See*, *e*.*g.*, *San Diego Gas & Elec. Co.*, Docket No. ER18-358-000 (Jan. 26, 2018) (delegated order acknowledging receipt of SDG&E’s informational filing). [↑](#footnote-ref-13)
13. SDG&E Cycle 7 Informational Filing Report at 6. [↑](#footnote-ref-14)
14. Citizens Sunrise Transmittal at 4-5. [↑](#footnote-ref-15)
15. Six Cities Comments at 3-4. [↑](#footnote-ref-16)
16. 18 C.F.R. § 35.11 (2017); *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,338, *order on reh’g*, 61 FERC ¶ 61,089 (1992). [↑](#footnote-ref-17)
17. SDG&E Appendix X, Section I. [↑](#footnote-ref-18)