

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeem G. Kelly.

Pacific Gas and Electric Company

Docket No. ER04-869-000

ORDER ACCEPTING FOR FILING AND SUSPENDING  
PROPOSED TARIFF REVISIONS

(Issued July 20, 2004)

1. In this order, we accept for filing and suspend for a nominal period, Pacific Gas and Electric Company's (PG&E) revisions to its Transmission Owner's Tariff (TO Tariff). PG&E states that it seeks in this filing to create a tariff mechanism to recover from TO Tariff customers the minimum load costs billed to PG&E by the California Independent System Operator Corporation (CAISO). This order benefits customers because it allows PG&E to operate its system while effectively managing costs.

**Background**

2. On May 11, 2004, the CAISO filed, in Docket No. ER04-835-000, Amendment 60 to its open access transmission tariff (OATT) to modify provisions related to implementation of the temporary must-offer obligation. The CAISO's filing included, *inter alia*, a proposal to change the allocation of minimum load costs by segmenting them into three categories based on system, zonal, or local reliability needs. Minimum load costs used to meet local reliability needs, referred to as "reliability service costs," would be billed to the participating transmission owner (Participating TO) in whose service territory the generator is located.

3. On July 8, 2004, the Commission accepted for filing, subject to modification, CAISO's OATT provisions relating to the must-offer obligation.<sup>1</sup> The order accepted for filing the CAISO's proposed tariff provisions relating to the allocation of minimum load

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<sup>1</sup> California Independent System Operator Corporation, 108 FERC ¶ 61,022 (2004).

costs, suspended them for a nominal period, made them effective ten days after CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be deployed, subject to refund, and established hearing procedures. Further, with regard to the CAISO's proposed definition of "reliability service costs," the Commission found "it reasonable for the CAISO to define costs incurred in order to maintain the reliability of the grid as reliability costs" but noted that "because we have set for hearing the reasonableness of the CAISO's proposed cost allocation methodology, this definition will be subject to the outcome of that hearing."<sup>2</sup>

### **PG&E's Filing, Docket No. ER04-869-000**

4. On May 24, 2004, PG&E filed revisions to its TO Tariff seeking to create a tariff mechanism to recover the minimum load costs allocated by the CAISO to PG&E as a Participating TO. PG&E seeks to recover these minimum load costs through its Reliability Service Balancing Account (RSBA), which is the mechanism that PG&E has used to flow through to both retail and wholesale customers other reliability service charges it is billed by the CAISO. Currently, these other reliability charges that PG&E recovers through the RSBA include reliability must-run contract costs and locational out-of-market charges.

5. PG&E seeks an effective date of July 11, 2004, to ensure that a mechanism is in place for recovery of any minimum load costs billed to it as a Participating TO.

### **Notice and Interventions**

6. Notice of PG&E's filing was published in the *Federal Register*, 69 Fed. Reg. 32,339 (2004), with motions to intervene and protests due on or before June 14, 2004. The following parties filed timely motions to intervene: The California Electricity Oversight Board, Sacramento Municipal Utility District, Southern California Edison Company, Northern California Power Agency, Modesto Irrigation District, Turlock Irrigation District, Transmission Agency of Northern California, and the California Independent System Operator Corporation. Also, the City of Santa Clara and the M-S-R Public Power Agency filed a joint motion to intervene out-of-time.

7. The California Department of Water Resources State Water Project (SWP) and the Metropolitan Water District of Southern California (Metropolitan) filed timely interventions and protests.

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<sup>2</sup> *Id.*, at P 69.

8. On June 14, 2004, SWP filed a motion to consolidate in this and three other dockets: Docket Nos. ER04-835-000 (CAISO Amendment 60), EL04-103-000 (PG&E's section 206 complaint against the CAISO relating to the current allocation of must-offer obligation costs), and ER04-890-000 (Southern California Edison Company's similar filing to recover reliability service costs associated with Amendment 60).

## **Discussion**

### **A. Procedural Matters**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely, unopposed motions to intervene referenced above serve to make those submitting them parties to this proceeding. In addition, we will grant the late motions to intervene given the entities' interest in this proceeding, the early stage of the proceeding, and the absence of any undue prejudice or delay.

10. In an order issued on July 8, 2004, the Commission denied SWP's motion to consolidate Docket No. ER04-869-000 (the docket at issue here) with the other dockets, identified above, as requested.<sup>3</sup> Since the Commission has already ruled on the request for consolidation, the issue is now moot.

### **B. Protests**

11. Metropolitan and SWP (jointly, "Protestors") filed a joint protest in this docket and in Docket Nos. ER04-835-000, EL04-103-000, and ER04-890-000. They request that the Commission either reject PG&E's filing altogether or suspend it for the maximum period and set it for hearing.

12. Protestors argue that PG&E's proposal to recover the minimum load costs through the RSBA would allocate these costs to PG&E's retail and wholesale customers without regard to cost causation. They contend that minimum load costs should not be automatically allocated to wholesale customers that do not contribute to the need to incur such costs. Rather, such costs should be allocated to on-peak users because the CAISO's determination of the need for resources is driven by its estimate of peak demand.

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<sup>3</sup> Pacific Gas and Electric Co. v. California Independent System Operator Corp., 108 FERC ¶ 61,017 at 16 (2004). The Commission granted the request to consolidate, in part, as to Docket Nos. EL04-103-000 (the PG&E complaint) and ER04-835-000 (Amendment 60). *Id.*

Protestors add that, to comport with cost causation principles, reliability service costs incurred to meet peak needs should be allocated to peak users and reliability costs incurred to meet localized need should be allocated to customers in those locations.

**C. Commission Determination**

13. As discussed above, in its order on Amendment 60, the Commission accepted for filing CAISO's proposed OATT provisions relating to the allocation of minimum load costs, suspended them for a nominal period, made them effective ten days after CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be deployed, subject to refund, and established hearing procedures.

14. Until the Commission makes its final determination on the CAISO's proposal relating to the allocation of minimum load costs, it is premature for the Commission to render a decision on PG&E's associated pass through of its minimum load costs. Therefore, we will accept PG&E's proposed tariff revisions relating to the pass through of minimum load costs in the RSBA account, suspend them for a nominal period, make them effective ten days after the CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be deployed, subject to refund and subject to the outcome of the hearing established in Docket No. ER04-835-000.

The Commission orders:

(A) PG&E's proposed tariff revisions are hereby accepted for filing, suspended for a nominal period, made effective ten days after the CAISO's notice to the market and the Commission that Phase 1B MD02 software is ready to be deployed, subject to refund and subject to the outcome of the hearing established in Docket No. ER04-835-000.

(B) PG&E's tariff designations are hereby accepted as filed.

By the Commission.

( S E A L )

Linda Mitry,  
Acting Secretary.