

167 FERC ¶ 61,133  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Cheryl A. LaFleur, Richard Glick,  
and Bernard L. McNamee.

TransCanyon DCR, LLC

Docket Nos. EL18-165-000  
ER15-1682-006

ORDER ACCEPTING IN PART AND REJECTING IN PART COMPLIANCE FILING  
AND TERMINATING SECTION 206 PROCEEDING

(Issued May 16, 2019)

1. On January 22, 2019, TransCanyon DCR, LLC (TransCanyon) submitted a compliance filing in Docket No. ER15-1682-006, to eliminate from TransCanyon's transmission formula rate the two-step averaging methodology it had used to calculate the Accumulated Deferred Income Tax (ADIT) component of rate base,<sup>1</sup> in accordance with the Commission's order issued on December 20, 2018 in Docket No. EL18-165-000.<sup>2</sup> TransCanyon also proposes to revise its annual true-up calculations. In this order, we accept in part and reject in part the compliance filing, effective June 27, 2018, and terminate the proceeding in Docket No. EL18-165-000 that was initiated pursuant to section 206 of the Federal Power Act (FPA).<sup>3</sup>

**I. December 2018 Order**

2. In the December 2018 Order, the Commission found that the two-step averaging methodology used in TransCanyon's transmission formula rate to calculate the ADIT component of rate base was unjust and unreasonable and unduly discriminatory or

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<sup>1</sup> ADIT arises from timing differences between the method of computing taxable income for reporting to the Internal Revenue Service and the method of computing income for regulatory accounting and ratemaking purposes.

<sup>2</sup> *TransCanyon DCR, LLC*, 165 FERC ¶ 61,238 (2018) (December 2018 Order).

<sup>3</sup> 16 U.S.C. § 824e (2012).

(continued ...)

preferential.<sup>4</sup> The Commission found that TransCanyon's proposal in its initial brief in Docket No. EL18-165-000 to revise its transmission formula rate to eliminate the use of the two-step averaging methodology in its formula, adequately addresses the Commission's concerns that use of a two-step averaging methodology understates ADIT balances relative to the value of other rate base items, increases rate base and results in unreasonably higher rates. Accordingly, the Commission directed TransCanyon to submit a compliance filing revising its transmission formula rate to eliminate the use of the two-step averaging methodology, with such changes to be effective June 27, 2018, the refund effective date established by the order instituting this proceeding.<sup>5</sup>

## **II. Compliance Filing**

3. On January 22, 2019, TransCanyon submitted its compliance filing in Docket No. ER15-1682-006.<sup>6</sup> TransCanyon states that, to comply with the December 2018 Order, TransCanyon is proposing to revise its transmission formula rate template to eliminate the use of the two-step averaging methodology, effective June 27, 2018, as directed by the Commission. Specifically, TransCanyon's compliance filing makes revisions to Attachment 6 of its transmission formula rate template to eliminate the averaging of the prorated end-of-year ADIT balances with the beginning-of-year balances.

4. In addition to these revisions, TransCanyon proposes to modify the calculation of average ADIT balances in its annual true-up calculations so as to preserve the effect of the application of the proration methodology that it uses in its projected test year calculations. Specifically, TransCanyon proposes to add a worksheet to Attachment 6 to calculate actual prorated end-of-year ADIT balances, and to use those prorated balances in its true-up calculations rather than an average of beginning-of-year and end-of-year balances.

## **III. Notice and Responsive Pleadings**

5. Notice of the filing in Docket No. ER15-1682-006 was published in the *Federal Register*, 84 Fed. Reg. 708 (2019), with interventions and protests due on or before February 12, 2019. None was filed.

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<sup>4</sup> December 2018 Order, 165 FERC ¶ 61,238 at P 22.

<sup>5</sup> *Ameren Illinois Co.*, 163 FERC ¶ 61,200 (2018) (June 2018 Order).

<sup>6</sup> Docket No. ER15-1682 is the root docket number of TransCanyon's original Transmission Owner Tariff filing.

(continued ...)

#### IV. Discussion

6. As discussed below, we accept TransCanyon's compliance filing in part and reject it in part. Specifically, we find that TransCanyon's filing complies with the December 2018 Order and addresses the concerns identified in the June 2018 Order by eliminating the use of the two-step averaging methodology in the calculation of ADIT balances for TransCanyon's projected test year.<sup>7</sup>

7. However, we reject TransCanyon's proposed revisions to its annual true-up calculations. We find that TransCanyon's proposal to revise its transmission formula rates to apply the proration methodology to its annual true-up calculations is beyond the scope of this compliance proceeding. TransCanyon's proposal to prorate its annual true-up calculations is not necessary to comply with the remedy required by the December 2018 Order pursuant to section 206 of the FPA, and is thus outside the scope of this compliance proceeding.<sup>8</sup> Therefore, we direct TransCanyon, within 30 days of the date of this order, to submit a further compliance filing to refile the accepted tariff revisions with respect to the calculation of ADIT balances for its projected test year calculations, without any other modifications or revisions. To the extent TransCanyon wants to revise its transmission formula rate to apply the proration methodology in its true-up calculations, it may make a separate filing with the Commission pursuant to section 205 of the FPA.<sup>9</sup> The Commission will review the proposal at that time.

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<sup>7</sup> June 2018 Order, 163 FERC ¶ 61,200 at PP 13-14.

<sup>8</sup> See, e.g., *Ameren Servs. Co. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 132 FERC ¶ 61,186, at P 28 (2010) (finding that "portions of [Midwest Independent Transmission System Operator, Inc.'s] filing exceed the scope of compliance and include material that should have been filed under section 205 of the FPA"); *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,156, at P 57 n.51 (2008) (citations omitted) ("The Commission has previously held that compliance filings must be limited to the specific directives ordered by the Commission. The purpose of a compliance filing is to make the directed changes and the Commission's focus in reviewing them is whether or not they comply with the Commission's previously-stated directives").

<sup>9</sup> Any such section 205 filing should apply the proration methodology to the annual true-up prospectively—i.e., for true-up periods subsequent to the date of that filing. See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 165 FERC ¶ 61,235, at PP 31-32 (2018).

The Commission orders:

(A) TransCanyon's compliance filing in Docket No. ER15-1682-006 is hereby accepted in part and rejected in part, effective June 27, 2018, as discussed in the body of this order.

(B) The section 206 proceeding in Docket No. EL18-165-000 is hereby terminated, as discussed in the body of this order.

(C) TransCanyon is hereby directed to submit a further compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.