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October 10, 2003

ORIGINAL

VIA COURIER

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *California Independent System Operator Corporation*
Docket Nos. ER00-2019-006, ER01-819-002, and ER03-608-000

Dear Secretary Salas:

Please find enclosed for filing an original and seven copies of the Summary of the Prepared Direct Testimony of Deborah A. Le Vine prepared on behalf of the California Independent System Operator Corporation in the above-referenced docket.

Respectfully submitted,



Jeffrey W. Mayes

Enclosures

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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REGULATORY COMMISSION

California Independent System)
Operator Corporation)

Docket No. ER00-2019-006
and ER01-819-002

SUMMARY OF THE
PREPARED DIRECT TESTIMONY OF
DEBORAH A. LE VINE
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

- 1 In her testimony, Ms. Le Vine explains the nature of the transmission
2 Access Charge—the rate charged by the ISO to load-serving entities and exports
3 in order to recover the Transmission Revenue Requirements of Participating
4 Transmission Owners—and outlines its key features, which include:
- 5 • The initial calculation of rates for Existing High Voltage Transmission
6 Facilities located in three TAC Areas generally corresponding to the
7 previous Control Areas of Pacific Gas and Electric Company, Southern
8 California Edison Company and San Diego Gas & Electric Company;
 - 9 • The gradual roll-in to a single Grid-wide rate of the Existing High
10 Voltage Transmission Facilities costs at ten percent per year;
 - 11 • The immediate roll-in of the costs of New High Voltage Transmission
12 Facilities into the Grid-wide rate;
 - 13 • A \$72 million limit on cost shifts permitted from the customers of New
14 Participating Transmission Owners to the Original Participating
15 Transmission Owners; and
 - 16 • The continued use of license plate rates to recover the costs of low
17 voltage transmission facilities for transmission at voltage levels less
18 than 200 kV.

1 Ms. Le Vine explains in detail that the proposed methodology is best understood
2 as a balance among competing interests, an effort to ensure a smooth transition
3 for ratepayers and stakeholders, and a means to attract new Transmission
4 Owners to the ISO; all necessary for the ultimate purpose of creating a more
5 efficient transmission system in California.

6 Ms. Le Vine describes the original transmission Access Charge which the
7 current proposal replaces and explains how it created barriers to the participation
8 of additional Transmission Owners in the ISO. Ms. Le Vine then relates how the
9 revised Access Charge methodology was developed through a process involving
10 extensive consultation with all affected stakeholders. She explains that the ISO
11 began by soliciting proposals from Market Participants in 1998, and that the ISO
12 Management then formed both an internal project team and a large working
13 group of stakeholders to evaluate the proposals known as the Transmission
14 Access Charge Work Group ("TACWG"). She relates that the ISO collected and
15 shared with the TACWG extensive amounts of data. Ms. Le Vine explains that
16 when the TACWG failed to achieve a consensus, the ISO Management
17 developed a compromise proposal for consideration by the TACWG and
18 subsequently by the ISO Board of Governors. She observes that during a series
19 of meetings of the ISO Board of Governors, some with both the TACWG and
20 stakeholders, the End-User representatives developed a further refined
21 compromise proposal. She recounts that with the recommendation from the ISO
22 Management, the ISO Board of Governors approved the End-User compromise
23 proposal on March 22, 2000.

1 Ms. Le Vine then explains the key elements of this proposal, filed with the
2 Commission as Amendment No. 27 to the ISO Tariff on March 31, 2000,
3 consistent with Commission orders and California legislation A.B. 1890, and
4 subsequently accepted subject to refund:

- 5 • The structure and operation of the transmission Access Charge;
- 6 • Certain transitional elements, including a hold harmless provision and
7 a cost shift cap;
- 8 • The method for Participating Transmission Owners to determine their
9 Transmission Revenue Requirements;
- 10 • The potential for mitigation of the problem of phantom Congestion;
- 11 • The process and incentives for New Participating Transmission
12 Owners to join and convert their rights in Existing Contracts;
- 13 • The further development of the "Metered Subsystems" concept in order
14 to provide vertically integrated utilities greater certainty with respect to
15 certain operational responsibilities and ISO-related costs; and
- 16 • The mechanisms to deal with the billing aspects of the transmission
17 Access Charge.

18 Ms. Le Vine then turns to a discussion of the developments since the filing
19 of Amendment No. 27. She outlines the matters that the Commission resolved or
20 clarified in its order issued May 31, 2000. She discusses Amendments No. 34
21 (the addition of the City of Vernon as a Participating Transmission Owner), No.
22 45 (revoking of the rate stabilization plan) and No. 47 (the addition of certain
23 southern California cities as Participating Transmission Owners) to the ISO Tariff.

24 Finally, Ms. Le Vine discusses several modifications to the transmission
25 Access Charge that the ISO recommends based on the ISO's three years of
26 experience administering it and on the ISO's discussions with stakeholders in
27 settlement negotiations:

- 1 • Changing the requirement that a federal power marketing agency who
2 is a New Participating TO turn over all of its transmission to ISO
3 Operational Control in the limited circumstances of a high value project
4 having overriding regional significance;
- 5 • Defining the methodology for allocating the costs of joint use facilities
6 between the High Voltage Transmission Revenue Requirement versus
7 the Low Voltage Transmission Revenue Requirement of each
8 Participating TO;
- 9 • Revising the inclusion of New High Voltage Facilities on the Transition
10 Charge;
- 11 • Deleting the impact of GMC on the "hold harmless" provision of the
12 Access Charge;
- 13 • Deleting the Revenue Review Panel;
- 14 • Clarifying tariff language on transmission upgrades;
- 15 • Revising the definition of Transmission Revenue Credit regarding
16 crediting of Usage Charges;
- 17 • Defining the Application Due Date;
- 18 • Revising the market notification process;
- 19 • Deleting the TCA execution deadline;
- 20 • Modifying the temporary simplification; and
- 21 • Providing tariff language that provides the ISO flexibility to negotiate
22 the conversion of Existing Rights.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document on the parties on the electronic service list for this proceeding.

Dated at Washington, DC, this 10th day of October, 2003.



Jeffrey W. Mayes