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3                   IN THE UNITED STATES OF AMERICA  
4                   BEFORE THE  
5                   FEDERAL ENERGY REGULATORY COMMISSION  
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8           Pacific Gas & Electric Company   )           Docket No. ER97-2358-000  
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11                                   **Prepared Direct Testimony of**  
12                                   **Stephen T. Greenleaf**  
13                                   **On Behalf of the California Independent System Operator Corporation**  
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16           **Q.     PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

17           A.     My name is Stephen T. Greenleaf and I am the Director of Policy for the  
18                   California Independent System Operator Corporation (ISO). My business  
19                   address is 151 Blue Ravine Road, Folsom, California 95630.  
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21           **Q.     PLEASE DESCRIBE YOUR PRESENT RESPONSIBILITIES AT THE**  
22                   **ISO.**

23           A.     As Director of Policy, my responsibilities include the development and  
24                   implementation of the ISO's regulatory policies and positions. My  
25                   responsibilities also include the preparation of testimony and exhibits  
26                   before regulatory agencies and state and federal legislatures on issues of  
27                   importance to the ISO.

28           **Q.     PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
29                   **BACKGROUND.**

30           A.     I received my Bachelor of Arts in Economics from the State University of  
31                   New York at Buffalo in May 1985. In May of 1997, I received a Master of

1 Science in Environmental Sciences from the John Hopkins University in  
2 Baltimore, Maryland.

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4 Between January, 1989 and February, 1990, I worked in the Division of  
5 Applications in the Office of Electric Power Regulation at the Federal  
6 Energy Regulatory Commission (FERC). From 1990 to 1996, I was  
7 employed in the Division of Litigation in the Office of Electric Power  
8 Regulation at FERC. Between April 1996 and February 1998, I was  
9 employed in the Division of Opinions and Systems Analysis at FERC. In  
10 February 1998, I accepted my current position at the ISO.

11  
12 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**  
13 **PROCEEDINGS?**

14 A. I filed testimony in the following FERC proceedings:  
15 Appalachian Power Company, Docket No. EL89-53-000 et al.;  
16 Canal Electric Company, Docket No. ER90-245-000;  
17 Jersey Central Power & Light Company, Docket No. ER91-480-000;  
18 Florida Power & Light Company, Docket No. ER93-465 et al.;  
19 Northeast Utilities Service Company, Docket Nos. ER95-1686-000 &  
20 ER96-496-000;  
21 San Diego Gas & Electric Company, Docket No. ER98-496-000 and  
22 ER98-2160-000; and  
23 Southern California Edison Company, Docket No. ER98-2355-000.

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25 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to support the inclusion by Pacific Gas &  
2 Electric Company ("PG&E") in its Transmission Revenue Balancing  
3 Account Adjustment ("TRBAA") of \$2 million for costs associated with the  
4 ISO's use of certain PG&E facilities.

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6 I. PLEASE DESCRIBE THOSE FACILITIES.

7 **II. As stated in the testimony of PG&E's witness Hitson (see Exh. No.**  
8 **\_\_\_\_ (BJH-1) at 24), these facilities include computers, terminals and**  
9 **communications equipment, system monitoring equipment and**  
10 **building space. These facilities are part of PG&E's Energy**  
11 **Management System (EMS).**

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13 III. WHAT USE DOES THE ISO MAKE OF PG&E'S FACILITIES?

14 A. The ISO uses these facilities to monitor the real-time performance of  
15 various elements of PG&E's electric system and to control generation and  
16 transmission facilities.

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18 **Q. IN HIS PREPARED DIRECT TESTIMONY, MR. HITSON STATES THAT**  
19 **THE ISO WILL NOT PAY DIRECTLY FOR THESE FACILITIES OR**  
20 **THEIR USE. IS THIS CORRECT?**

21 A. Yes. The ISO declined to compensate PG&E directly, through lease  
22 payments, for the use of these facilities. The ISO determined that it was

1 more appropriate for PG&E to collect the costs associated with its EMS  
2 facilities through its access charge.

3

4 **Q. WHAT IS THE REASON FOR THE ISO'S DETERMINATION THAT IT IS**  
5 **MORE APPROPRIATE FOR PG&E TO COLLECT THE COSTS**  
6 **ASSOCIATED WITH ITS EMS FACILITIES THROUGH ITS ACCESS**  
7 **CHARGE?**

8 A. If the ISO were to compensate PG&E for the use of its EMS facilities, the  
9 ISO would recover these costs by including them as part of its annual  
10 operating costs collected through its Grid Management Charge ("GMC").  
11 Consequently, all customers who pay the GMC would pay a portion of the  
12 costs of PG&E's EMS facilities. Because the costs are associated with  
13 the management of PG&E's facilities, the costs should be assigned to  
14 those who are benefitting from those facilities, i.e., those who pay the  
15 PG&E transmission access charge.

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17 **Q. IS THIS TREATMENT CONSISTENT WITH THE APPROACH TAKEN**  
18 **BY SAN DIEGO GAS AND ELECTRIC COMPANY ("SDG&E") AND**  
19 **SOUTHERN CALIFORNIA EDISON COMPANY ("EDISON")?**

20 A. Yes. It is my understanding that both SDG&E and Edison propose to  
21 recover the costs of their EMS facilities through their access charges, not  
22 through lease payments from the ISO, which the ISO would then recover  
23 through its GMC.

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**Q. DOES THE ISO SUPPORT THE INCLUSION OF THE COSTS OF THESE FACILITIES IN PG&E'S TRBAA?**

A. Yes. In fact, the ISO's Finance Committee on September 10, 1997, approved inclusion of these costs in PG&E's transmission access charge. (See Exh. No.\_\_\_\_ (STG-2)). In this way, PG&E's customers will continue to pay the costs of PG&E's EMS facilities, consistent with the treatment of similar costs proposed by SDG&E and Edison.

**Q. THANK YOU. THERE ARE NO FURTHER QUESTIONS.**