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2
3 IN THE UNITED STATES OF AMERICA
4 BEFORE THE
5 FEDERAL ENERGY REGULATORY COMMISSION
6
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8 Southern California Edison Company) Docket No. ER97-2355-000
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12 **Prepared Cross-Answering Testimony of**
13 **Stephen T. Greenleaf**
14 **On Behalf of the California Independent System Operator Corporation**
15

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.
20

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

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

1 A. I received my Bachelor of Arts in Economics from the State University of
2 New York at Buffalo in May 1985. In May of 1997, I received a Master of
3 Science in Environmental Sciences from the John Hopkins University in
4 Baltimore, Maryland.

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

13
14 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**
15 **PROCEEDINGS?**

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

25

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

2 A. The purpose of my testimony is to describe the relevant Commission
3 precedent regarding credits for customer-owned transmission facilities.
4 Specifically, I will describe the test that must be satisfied in order for a
5 transmission customer to receive a credit for its investment in transmission
6 facilities. ISO witness Armando Perez will then apply that test to
7 determine whether the City of Vernon's transmission facilities and the
8 transmission facilities of the Cities of Anaheim, Riverside, Colton,
9 Banning, and Azusa (collectively with Vernon, Municipal Customers)
10 warrant a credit under Southern California Edison Company's
11 Transmission Owner Tariff. In addition, I will generally describe the
12 formation of the ISO and how new transmission-owning entities may join
13 the ISO and the benefits of doing so.

14
15 **Q. HOW HAVE YOU PREPARED YOURSELF TO GIVE TESTIMONY IN**
16 **THIS PROCEEDING?**

17 A. I have reviewed the testimony filed by the Municipal Customers with
18 regard to their request for customer credits, the direct testimony of the
19 Commission Staff, certain of the pleadings filed in this proceeding, and
20 certain of the data responses of the parties to this proceeding. In addition,
21 I have reviewed the sections of the Commission's Order Nos. 888, 888-A,
22 888-B, and 888-C that pertain to credits for customer-owned transmission
23 facilities and the Commission's order in Florida Municipal Power Agency
24 vs. Florida Power & Light Company, 74 FERC ¶ 61,006 (1996), (FMPA),
25 which addressed the issue of customer credits.

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Q. WILL YOU BE USING ANY SPECIALIZED TERMS IN YOUR TESTIMONY?

A. Yes. For purposes of consistency, all capitalized terms in my testimony are as defined in the Master Definitions Supplement to the ISO Tariff (See Appendix A to the ISO Tariff).

Q. PLEASE DESCRIBE BRIEFLY THE ORIGIN, FORMATION AND FUNCTION OF THE ISO.

A. During 1994, the California Public Utilities Commission (CPUC) initiated a rulemaking and investigation regarding the restructuring of California's electric power industry. The CPUC ultimately determined that the interests of California ratepayers would be best served by moving from a structure that features vertically integrated utilities serving customers in defined service territories to a framework that would provide competition in the supply of electric power and where customers would have the ability to choose their electric power supplier. The CPUC determined that competition in electric generation would encourage efficiency and innovation in the market. As part of this restructuring effort, the CPUC, as ultimately approved by the California legislature in Assembly Bill 1890 (AB 1890), directed the creation of two state chartered, non-profit market institutions, the California Power Exchange and the ISO. The ISO was charged with centralized control of the statewide transmission system and ensuring the efficient use and reliable operation of the transmission

1 system. The ISO would ensure non-discriminatory, open-access to the
2 statewide transmission system under tariffs of general applicability.

3
4 **Q. PLEASE CONTINUE.**

5 A. As part of this restructuring effort, the three investor-owned public utilities
6 in California (Southern California Edison Company (Edison), Pacific Gas &
7 Electric Company, and San Diego Gas & Electric Company, collectively,
8 Companies) filed at the Commission to transfer operational control of their
9 transmission facilities to the ISO (See, Docket No. EC96-19-000). The
10 ISO currently operates and controls the combined transmission systems of
11 the Companies as an integrated statewide transmission system.

12
13 **Q. YOU STATED THAT THE COMPANIES TRANSFERRED**
14 **OPERATIONAL CONTROL OF THEIR TRANSMISSION FACILITIES TO**
15 **THE ISO. HOW WAS THAT TRANSFER EFFECTUATED?**

16 A. The transfer was effectuated by the Companies becoming signatories,
17 along with the ISO, to the Transmission Control Agreement (TCA), and the
18 Commission's authorization of the transfer of control. A copy of the TCA
19 is provided as Exhibit No. ____ (STG-2).

20
21 **Q. PLEASE DESCRIBE THE TCA?**

22 A. As described in the Commission's October 30, 1997, order in Docket Nos.
23 EC96-19-001, et al., (81 FERC ¶ 61,122 at 61,558) the TCA establishes
24 the terms and conditions under which transmission owners will become
25 Participating Transmission Owners (Participating TOs), and the respective

1 duties and responsibilities of each Participating TO and the ISO.

2 Specifically, the TCA provides that, upon becoming a Participating TO, as

3 described in Section 2.2 of the TCA, each Participating TO will:

4 Transfer to the ISO Operational Control of certain
5 transmission lines and associated facilities which are
6 to be incorporated by the ISO into the ISO Controlled
7 Grid for the purpose of allowing them to be controlled
8 as part of an integrated Control Area.
9

10 See Exhibit No.____(STG-2) at page 2.
11

12 **Q. WHAT ARE THE ELIGIBILITY CRITERIA FOR BECOMING A**
13 **PARTICIPATING TO?**

14 A. As described in Section 2.2.3 of the TCA (See Exhibit No.____(STG-2)),
15 the ISO will permit a party to become a Participating TO if the ISO
16 determines, among other things, that the applicant's transmission lines
17 and associated facilities can be incorporated into the ISO Controlled Grid
18 without any material adverse impact on reliability, will not put the ISO in
19 breach of Applicable Reliability Criteria, and the applicant has received all
20 regulatory approvals of its TO Tariff.
21

22 **Q. IS PARTICIPATING TO STATUS LIMITED TO INVESTOR-OWNED**
23 **UTILITIES?**

24 A. No, any transmission-owning entity may become a Participating TO.
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26 **Q. HAVE ANY OF THE MUNICIPAL CUSTOMERS EXECUTED THE TCA?**

27 A. No. At this time, none of the Municipal Customers have decided to join
28 the ISO and therefore have not executed the TCA.

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Q. WHAT ARE THE BENEFITS OF BECOMING A PARTICIPATING TO AND JOINING THE ISO?

A. Simply stated, any entity that joins the ISO would have access to the entire ISO Controlled Grid and the ability to integrate its resources and loads on a region-wide basis. Essentially, by virtue of its membership, an entity would have access to a diverse, presumably expanded, and hopefully less expensive set of resources from which to serve its load.

Q. HOW DOES A PARTICIPATING TO RECOVER ITS TRANSMISSION FACILITY INVESTMENTS UNDER THE ISO TARIFF?

A. As described in Section 7 of the ISO Tariff, all Market Participants withdrawing Energy from the ISO Controlled Grid pay an Access Charge. The Access Charge is designed to recover each Participating TOs investment in its transmission facilities. The ISO's Access Charge is a load-based access charge whereby all end-use customers located within the ISO Controlled Grid pay the Access Charge of the entity in whose service territory they reside. To the extent an entity qualifies as a Self-Sufficient Participating TO, as defined in Section 7.1.2 of the ISO Tariff, that entity would bear no responsibility for the Access Charge of any other Participating TO. If a Participating TO was determined to be a Dependent Participating TO pursuant to Section 7.1.3 of the ISO Tariff, that entity would pay to the Participating TO to which it is physically interconnected an Access Charge which includes a share of the costs associated with that Participating TO's transmission system.

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**Q. DOES THE ISO TARIFF PROVIDE FOR ANY CHANGES TO THIS
ACCESS CHARGE METHODOLOGY?**

A. Yes. Section 7.1.6 of the ISO Tariff provides that no later than two years after the ISO Operations Date, the ISO Governing Board shall recommend to the Commission a rate methodology for Access Charges. The ISO began operations on March 31, 1998.

**Q. HAVE YOU CALCULATED THE ACCESS CHARGE THAT WOULD BE
APPLICABLE TO LOAD SERVED BY MUNICIPAL CUSTOMERS?**

A. No, I have not.

**Q. IN THE EVENT THAT THE MUNICIPAL CUSTOMER WERE TO JOIN
THE ISO, WOULD THE ACCESS CHARGE PROVIDE FOR THE
COMPLETE COST RECOVERY OF ITS TRANSMISSION INVESTMENT,
EQUIVALENT TO THE COMPENSATION THAT IS SOUGHT IN THIS
PROCEEDING?**

A. Presumably, the Municipal Customer that is not a FERC-jurisdictional entity, would propose to its Local Regulatory Authority that its Access Charge be set at a level that provides for full cost recovery. To the extent users of the ISO Controlled Grid scheduled transactions across the Municipal Customer's transmission facilities, or entitlements, those users would pay the appropriate Access Charge and thereby help defray some of the costs associated with those facilities that would otherwise be born by the native load customers of the Municipal Customer.

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Q. WOULD THE ISO BENEFIT FROM THE MUNICIPAL CUSTOMERS JOINING THE ISO?

A. Very much so. All Market Participants could potentially benefit from having greater access through the Municipal Customers' facilities to resources located outside the state. The ISO itself would also benefit from the reduced administrative burden by not having to administer contracts and entitlements with scheduling provisions different than those provided for under the ISO Tariff. Absent Municipal Customers membership in the ISO, the ISO would not be able to schedule transactions over their facilities and would have to continue to administer contracts with terms and conditions different than those under the ISO Tariff. Mr. Perez also discusses certain benefits.

Q. PLEASE DESCRIBE THE STANDARD THE COMMISSION USES TO DETERMINE WHETHER A CREDIT FOR CUSTOMER-OWNED TRANSMISSION FACILITIES IS WARRANTED.

A. As clearly described in the testimony of Commission Staff witness Mr. Sammon (Exhibit No. ____ (S-20), in Order No. 888, the Commission stated that:
We stress that while certain facilities may warrant some form of cost credit, the mere fact that transmission customers may own transmission facilities is not a guaranteed entitlement to such credit. The presumption of many comments that a customer's subscription to transmission service somehow transforms the provider's and customer's system into an expanded integrated whole to the mutual benefit of both is not a valid one. As we ruled in Florida Municipal Power Agency v. Florida Power &

1 Light Company (FMPA), it must be demonstrated that
2 a transmission customer's transmission facilities are
3 integrated with the transmission system of the
4 transmission provider. Specifically, we stated that:

5
6 The integration of facilities into the plans
7 or operations of a transmitting utility is
8 the proper test for cost recognition in
9 such cases. The mere fact that a
10 section 211 requestor has previously
11 constructed facilities is not sufficient to
12 establish a right to credit.

13 The mere fact that a transmission customer's facilities
14 may be interconnected with a transmission provider's
15 system does not prove that the two system(s)
16 comprise an integrated whole such that the
17 transmission provider is able to provide transmission
18 service to itself or other transmission customers over
19 those facilities – a key requirement of integration.
20

21 Order No. 888 at 31,741-743 (emphasis added).
22

23 The Commission expanded upon this discussion in Order No. 888-A,
24 where it stated that a network customer's facilities, "must not only be
25 integrated with the transmission provider's system, but must also provide
26 additional capability benefits to the transmission grid in terms of capability
27 and reliability, and be relied upon for the coordinated operation of the
28 grid." Order No. 888-A at 30,271.
29

30 **Q. WHAT OTHER STATEMENTS HAS THE COMMISSION MADE ON THIS**
31 **MATTER?**

32 A. In FMPA, the Commission explained that the fact that a transmission
33 facility constitutes a parallel path and is subject to loop flow does not

1 dictate a conclusion that the line operates as part of the integrated
2 network.

3

4 **Q. PLEASE DESCRIBE YOUR INTERPRETATION OF WHAT THE**
5 **COMMISSION MEANS BY “INTEGRATION.”**

6 A. In my opinion, the Commission’s use of the word “integration” is intended
7 to apply to situations where both the transmission provider and the
8 transmission customer are able to effectively use the transmission
9 facilities of the other in order to deliver power from their resources to their
10 loads.

11

12 **Q. PLEASE SUMMARIZE THE COMMISSION’S TEST FOR DETERMINING**
13 **WHETHER CREDITS FOR CUSTOMER-OWNED TRANSMISSION**
14 **FACILITIES ARE APPROPRIATE.**

15 A. In order to satisfy the Commission’s test for determining whether or not it
16 deserves a credit for its transmission facilities, a Transmission Customer
17 must demonstrate that its transmission facilities are:

- 18 (1) Integrated with the facilities of the transmission provider; and
19 (2) Provide additional capability benefits to the transmission grid in
20 terms of capability and reliability, and can be relied upon for the
21 coordinated operation of the grid.

22

23 **Q. WHAT IS THE ISO’S POSITION WITH REGARD TO**
24 **APPROPRIATENESS OF PROVIDING A CREDIT TO THE MUNICIPAL**
25 **CUSTOMERS?**

1 A. As described in greater detail in the testimony of ISO witness
2 Mr. Armando Perez, it is the position of the ISO that Municipal Customers
3 have failed to demonstrate the necessary factual basis for establishing
4 their right to a transmission credit. As described by Mr. Perez, while their
5 facilities are “interconnected” to the ISO Controlled Grid, that is true of
6 most utility systems in California, if not in the entire country. As clearly
7 stated by the Commission, it is whether a facility is “integrated”, not
8 interconnected, with the system of a transmission provider that is relevant
9 to the determination of whether that transmission facility warrants a credit
10 against the service provided by the transmission provider.

11
12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes.
14
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