

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Pacific Gas and Electric Company) Docket No. ER08-1193-000

**MOTION OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION FOR LEAVE TO FILE ANSWER, AND ANSWER TO
REPLY OF GEYSERS POWER COMPANY, LLC AND
PACIFIC GAS AND ELECTRIC COMPANY**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.213, 385.212 (2008), the California Independent System Operator Corporation (“CAISO”)¹ hereby files this motion for leave to file its answer and answer to the Motion for Leave to Reply and Reply of Geysers Power Company, LLC (“Geysers”)² and Pacific Gas and Electric Company (“PG&E”) (hereinafter referred to collectively as “Geysers/PG&E”), filed on August 6, 2008 (“Geysers/PG&E Reply”). Although the Commission’s rules do not generally permit answers to answers, the Commission has accepted answers that are otherwise prohibited if such answers clarify the issues in dispute, *Southwest Power Pool, Inc.*, 89 FERC ¶¶61,284 at 61,888 (2000); *Eagan Hub Partners, L.P.*, 73 FERC ¶ 61,334 at 61,929 (1995), or assist the Commission, *El Paso Electric Co.*, 72 FERC ¶ 61,292 at 62,256 (1995). The CAISO requests leave to answer several specific arguments raised in the Geysers/PG&E Reply because the additional information contained herein will assist the Commission’s deliberations with respect to the issues raised in the Geysers/PG&E Reply.

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

² Geysers is a wholly owned subsidiary of Calpine Corporation (“Calpine”).

I. BACKGROUND

On June 30, 2008, PG&E filed with the Commission revisions to a Generator Special Facilities Agreement (“GFSA”) and a Generator Interconnection Agreement (“GIA”) between PG&E and Geysers, in order to add terms so that these agreements would govern the interconnection arrangements with respect to an additional four geothermal plants owned and operated by Geysers. These four plants, which are Qualifying Facilities (“QFs”), previously sold their entire output to PG&E pursuant to now-expired power purchase agreements (“PPAs”) under the jurisdiction of the California Public Utilities Commission (“CPUC”) pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), *and they were provided interconnection service in conjunction with those PURPA PPA sales pursuant to CPUC jurisdiction.*

On July 22, 2008, the CAISO filed a protest of the June 30 Filing (“CAISO Protest”), in which it explained that although it has no objection to the four plants commencing FERC-jurisdictional wholesale sales, it is not appropriate for these plants to take FERC-jurisdictional interconnection service over the CAISO Controlled Grid under the terms of the GFSA and GIA. Pursuant to the CAISO Tariff, which incorporates the Commission’s interconnection policies, QFs such as the four Geysers plants with an expired PURPA PPA that wish to make wholesale energy sales must take interconnection service pursuant to the terms of the applicable *pro forma* interconnection procedures and agreement, which in this case are the CAISO’s Standard Large Generator Interconnection Procedures (“LGIP”) and Standard Large Generator Interconnection Agreement (“LGIA”).

Accordingly, the CAISO requested that the Commission reject PG&E's filing and require Geysers to execute LGIAs for the four Geysers plants under the CAISO Tariff.³

On August 6, 2008, Geysers and PG&E filed a reply to the CAISO Protest, in which they make a number of assertions as to why it would be appropriate to allow PG&E to provide Commission-jurisdictional interconnection service to the four Geysers plants pursuant to the terms of the GFSA and GIA. Generally speaking, the Geysers/PG&E Reply fails to undermine the points raised by the CAISO Protest. However, the CAISO believes that the Commission's deliberations will benefit from additional input regarding specific several issues raised in the Geysers/PG&E Reply.

II. DISCUSSION

A. Geysers/PG&E Provide No Evidence of Increased Costs Resulting From Interconnecting under the CAISO's Standardized Interconnection Procedures and Agreement.

In their reply to the CAISO Protest, Geysers/PG&E contend that providing FERC-jurisdictional interconnection service for the four Geysers plants pursuant to the CAISO's standardized interconnection process and agreement, as opposed to the GFSA and GIA, would impose upon Geysers and PG&E "increased costs and operating burdens."⁴ However, nowhere in either the June 30 Filing or in the Geysers/PG&E Reply do Geysers/PG&E provide any support

³ On July 22, the CAISO also filed with the Commission unexecuted LGIAs covering each of the four Geysers plants. On August 12, PG&E and Geysers filed joint protests in each of the LGIA dockets (ER08-1289, ER08-1290, ER08-1291, and ER08-1292), incorporating, by reference, their Reply to the CAISO's Protest in the instant proceeding. The CAISO plans to file an answer to those protests incorporating therein the arguments raised in its Protest and this answer.

⁴ Geysers/PG&E Reply at 2.

for this allegation. This deficiency would, perhaps, be more understandable if such a cost increase was, as Geysers/PG&E contend, an “obvious and undisputed” consequence of requiring the four Geysers facilities to interconnect pursuant to the CAISO’s LGIP and LGIA.⁵ To the contrary, however, the circumstances at issue provide no support for the notion that PG&E and/or Geysers would suffer increased costs, either operational or administrative in nature, as a result of the four Geysers facilities taking interconnection service pursuant to the LGIP and LGIA.

First, the four Geysers plants are existing facilities, and in connection with their transition to FERC-jurisdictional interconnection service, Geysers has certified to the CAISO that their generating capability and electrical characteristics will remain substantially unchanged. Therefore, no new facilities will be required in order for them to participate in the CAISO markets, and as a result they will incur no additional facilities-related costs whatsoever under the CAISO’s interconnection process. The CAISO is not entirely clear as to what other types of costs and/or burdens Geysers/PG&E anticipate will result from having the Geysers plants take interconnection service under the CAISO’s LGIP and LGIA. Geysers/PG&E allude to the need to negotiate four new separate LGIAs.⁶ However, given the standardized nature of the CAISO’s LGIA, and the fact that the interconnection facilities for the four Geysers facilities have already been constructed and paid for, the CAISO believes that it can reach an agreement on the LGIAs for the plants without any delay. Indeed, one of the

⁵ *Id.*

⁶ *Id.*

reasons that the Commission required interconnection providers to adopt the LGIA was to avoid the need for protracted individual negotiations regarding interconnection terms. Moreover, the CAISO's LGIP and LGIA, which were the product of extensive stakeholder negotiations,⁷ have been in effect for several years now, and all three parties to this proceeding are familiar with the terms of these documents and have substantial experience operating under them. For these reasons, the Commission should disregard Geysers/PG&E's unsubstantiated allegations or claims regarding the costs and burdens of taking interconnection service under the CAISO's LGIP and LGIA.

B. The CAISO Should Not be Required to Provide Additional Justification for Adherence to Applicable Tariff Provisions

In the Geysers/PG&E Reply, Geysers/PG&E contend that the CAISO's objection to the Geysers plants taking interconnection service under the GFSA and GIA is predicated solely on "the proper form," because the CAISO has not articulated any specific reliability, operational, economic or safety issues that would result.⁸ This argument is unconvincing, and followed to its logical conclusion, patently absurd. In effect, Geysers/PG&E ask that the Commission find applicable provisions of the CAISO Tariff unenforceable unless the CAISO articulates a separate rationale for enforcing them. The Commission has never imposed such a requirement because doing so would, of course, eviscerate the entire purpose of the CAISO having a tariff in the first place. The provisions of the CAISO Tariff, including those relating to interconnection service, were

⁷ In fact, PG&E was one of three investor-owned utilities that participated jointly with the CAISO in the filing the LGIA.

⁸ Geysers/PG&E Reply at 7-8.

created in order to ensure the reliable and efficient operation of the grid on a nondiscriminatory basis, and on this basis were approved by the Commission. It would be manifestly unworkable for the CAISO to be required to articulate a separate rationale in order to justify each individual application of those provisions. In its protest, the CAISO explained clearly the provisions of the CAISO Tariff that apply without any ambiguity to the interconnection of the four Geysers facilities and what those provisions require, namely that the four plants take interconnection service pursuant to the CAISO's LGIP and LGIA. No more explanation is or should be required, and the Commission should reject Geysers/PG&E's arguments to the contrary.

C. Section 5.1.1.3 of the CAISO's LGIP Provides No Support for the Geysers/PG&E Position

Geysers/PG&E contend that the four Geysers plants are exempt from Section 25.1 of the CAISO Tariff due to Section 5.1.1.3 of the CAISO's LGIP, which provides that if an agreement to interconnect a generator has been submitted to the Commission "before the effective date of the LGIP," then the agreement would be grandfathered.⁹ This section provides for no such exemption for the four Geysers units, as the GIA and GSFA were not the agreements that governed the interconnection of those particular four units prior to the effective date of the LGIP. Geysers' statement that these plants are exempted is based on a misreading of LGIP Section 5.1.1.3. Section 5.1.1.3 applies to interconnection requests pending before the effective date of the LGIP. No such request was pending prior to the effective date of the LGIP and no such

⁹ Geysers/PG&E Reply at 12-13.

request is or was required by the CAISO Tariff in any event, due to the lack of any change in the Geysers facilities. Moreover, as Geysers/PG&E concede, Section 5.1.1.3 is derived from the grandfathering provisions adopted by the Commission in Order No. 2003. The critical question, as Geysers/PG&E recognize, is whether the addition of the four Geysers plants to the GFSA and GIA constitutes an “amendment” to those agreements. However, what Geysers/PG&E fail to grasp is that the answer to this question does not lie in how the parties themselves viewed the meaning of the term “amendment” in the context of the specific agreements, but rather, what the Commission meant when it discussed “amendments” in the context of its grandfathering policy. As the CAISO explained in its protest, the language of Order No. 2003, and subsequent Commission precedent, strongly suggests that the Commission intended that units seeking FERC-jurisdictional interconnection service for the first time subsequent to the effective date of Order No. 2003 would take such service pursuant to the terms of the applicable standardized LGIP and LGIA. The fact that PG&E and Geysers may have intended a different result when they negotiated the GFSA and GIA does not override the Commission’s articulated interconnection policy, which has always been aimed at promoting the broad application of its standardized interconnection regime,¹⁰ or the applicable provisions of the CAISO Tariff.

¹⁰ The fact that the Commission “approved” the GFSA and GIA in a letter order does not change this result. Delegated letter orders accepting contracts for filing, such as the one issued regarding the GFSA and GIA, specifically do not contain findings as to the justness and reasonableness of the terms of those contracts.

III. CONCLUSION

For the foregoing reasons, the CAISO respectfully urges the Commission to grant the relief requested by the CAISO in the CAISO Protest of the June 30 Filing, and reject the arguments raised in the Geysers/PG&E Reply thereto.

Respectfully submitted,

Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel
Michael D. Dozier
Senior Counsel
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7015

/s/ Michael Kunselman

Michael Kunselman
Alston & Bird LLP
The Atlantic Building
950 F Street, N.W.
Washington, DC 20004
Tel: (202) 756-3300

Dated: August 21, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 21st day of August, 2008.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas