

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

**Pacific Gas and Electric Company**     )  
  )  
  )     **Docket No. ER01-66-000**

**MOTION TO INTERVENE AND LIMITED PROTEST OF  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214, and the Commission’s October 12, 2000, Notice, the California Independent System Operator Corporation (“ISO”) hereby moves to intervene in the above-identified proceeding.

**I. BACKGROUND**

On October 6, 2000, Pacific Gas and Electric Company (“PG&E”), pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, submitted for Commission approval proposed rate changes for wholesale and retail electric transmission rates as set forth in Appendices II and III of PG&E’s Transmission Owner Tariff (“TO 5 Filing”). In that filing, PG&E proposes rates based on a \$409.3 million revenue requirement for 2001. PG&E explains that these rate increases are necessary to recover costs associated with network transmission plant additions to be built in order to serve increased demand.

**II. MOTION TO INTERVENE**

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of a grid comprising the transmission systems of PG&E, San Diego Gas & Electric Company, and Southern California Edison Company (“ISO Controlled Grid”). This proceeding concerns a TO Tariff filed by PG&E that includes wholesale and

retail rates for the transmission service that the ISO provides on the ISO Controlled Grid. Under the ISO Tariff, the ISO is responsible for the settlement of certain of those charges. The ISO therefore has a unique interest in any FERC proceedings that concern rates for service on the ISO Controlled Grid.

The ISO should therefore be permitted to intervene in this proceeding.

### **III. LIMITED PROTEST**

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff proposing a new methodology for determining transmission Access Charges through which the embedded costs of the transmission facilities comprising the ISO Controlled Grid are recovered. The filing, Docket No. ER00-2019-000, was required by state law and Commission order.<sup>1</sup>

The ISO's current Access Charge methodology consists of three separate zone rates based on the revenue requirements of the Participating TO. Each Participating TO determines the Access Charge applicable to Market Participants withdrawing Energy from the ISO Controlled Grid in its Service Area, based on the costs of its transmission facilities and Entitlements, in accordance with its Transmission Owner's Tariff, and bills the Market Participants.

Under Amendment No. 27, this methodology will continue in effect until a new Participating TO joins the ISO. At that point, the Access Charge for the recovery of costs associated with and allocable to High Voltage Transmission Facilities included in the ISO Controlled Grid would initially be based on the Transmission Revenue Requirements of all Participating TOs in each of three

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<sup>1</sup> See Section 9600(a)(2)(A) of California's A.B. 1890 (requiring the ISO to recommend a successor rate methodology within two years after the commencement of operations); *Pacific Gas & Electric Company, et al.*, 77 FERC ¶ 61,204 at 61,827 (1996).

TAC Areas, corresponding to each of the former Control Areas that were combined to form the ISO Control Area. Over ten years, the High Voltage Access Charges for these TAC Areas would be combined to form a single ISO Grid-wide High Voltage Access Charge. The Access Charge for the recovery of costs of Low Voltage Transmission Facilities would continue to be Participating TO-specific.

As defined in Amendment No. 27, a “High Voltage Transmission Facility” is,

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

The term High Voltage TRR is defined as “[t]he portion of a Participating TO’s TRR associated with and allocable to the Participating TO’s High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities.”

By order dated May 31, 2000, the Commission conditionally accepted Amendment No. 27. The Commission set for hearing the proposed Access Charge methodology and related tariff changes, but held the hearing in abeyance pending efforts to reach a consensual resolution of the issues under the auspices of the Chief Judge acting as a settlement judge. *California Independent System Operator Corporation*, 91, FERC ¶ 61,205 (2000).

On August 1, 2000, the City of Vernon, California, (“Vernon”) submitted an application to join the ISO and become a Participating TO. On August 30, 2000, Vernon submitted a petition for a declaratory order with the Commission concerning Vernon’s proffered Transmission Revenue Requirements and TO Tariff. On Wednesday, October 25<sup>th</sup>, the Commission issued a draft order

conditionally accepting the Vernon's submission and directing "Vernon and the ISO to work together on the appropriate [TO] tariff necessary for Vernon to become a viable Participating TO as of January 1, 2000." *City of Vernon Draft Order*, Docket No. EL00-105-000 (October 25, 2000) at 7-8. Thus, the ISO's new Access Charge methodology may be in effect as soon as the beginning of next year.

In its TO 5 Filing, PG&E states that it,

intends to make a TAC compliance filing, in conjunction with other California utilities who are Participating Transmission Owners (PTO's) in time for implementing the T[ransmission] A[ccess] C[harge] when a new Participating TO joins the ISO.

Exhibit No. PG&E-1 at 11. PG&E, however, has informed the ISO that it does not intend to make a separate filing with respect to the division of its Transmission Revenue Requirements between high voltage and low voltage facilities. Rather, PG&E proposes that the ISO use the revenue split from the TO 5 Filing, if this filing has been accepted by the Commission by the end of the year. Accordingly, PG&E's TO 5 Filing may serve as the support for PG&E's High Voltage Transmission Revenue Requirement under the ISO's new Access Charge.

One of the issues that has been raised in the Amendment No. 27 settlement proceedings concerns the methodology Participating TOs should use to allocate their Transmission Revenue Requirements between the high voltage and low voltage components. This allocation methodology is particularly important with respect to mixed use facilities such as transmission towers or substations that may contain certain equipment rated above 200 kV and other equipment rated below 200 kV.

PG&E's TO 5 Filing utilizes a methodology for allocating high and low voltage revenue requirements based on settlements of its prior TO Tariff rate cases.<sup>2</sup> PG&E considers the following facilities to be high voltage:

- (1) All network transmission lines rated above 200 kV;
- (2) System interconnections between PG&E's former Control Area and other Control Areas (regardless of their voltage rating);<sup>3</sup> and
- ( 3) All substation facilities with high-side voltages of 500 kV.

See, Exhibit PGE-2 at 17-18. In addition, PG&E adds a Local Facilities Adjustment Factor ("LFAF") to apply to customers who take service at voltages above 200 Kv. *Id.* at 17 The LFAF is equal to 10 percent of the low voltage Transmission Revenue Requirement. *Id.* at 19

The ISO did not contest PG&E's use of this allocation methodology for purposes of the prior settlements of PG&E's utility-specific rates, and consistent with those settlements, does not oppose PG&E's use of this allocation methodology to determine its revenue requirements until such time as the ISO's successor transmission Access Charge is implemented. Under the successor transmission Access Charge, however, it is important that the costs of transmission facilities be allocated on as consistent a basis as possible, taking into account variations in prior cost accounting systems. The failure to do so would unjustly shift costs from persons using one TO's low voltage facilities to paying the TAC Area-wide or grid-wide high voltage charge while not doing so for users of another TO's low voltage facilities. The ISO notes that Amendment No. 27 adopted a "bright line split" at 200 kV. Therefore, PG&E's proposed

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<sup>2</sup> See settlements in Docket Nos. ER97-2358-00 and ER98-2351-000.

<sup>3</sup> For example, PG&E's interconnections with Sierra Pacific and PacifiCorp, while rated at 115 kV are considered to be high voltage facilities. Exhibit PGE-2 at 17-18.

inclusion of the 115 kV interconnections with Sierra Pacific and PacifiCorp as high voltage facilities is not consistent with the ISO Tariff definition. The ISO is also concerned that the use of a LFAF may not result in an accurate division of the High and Low Voltage Transmission Revenue Requirements. The ISO's proposed methodology for allocating Transmission Revenue Requirements between the high and low voltages is summarized in Attachment 1.

The ISO, therefore, requests that any approval of PG&E's allocation of its revenue requirement between regional and local customers be conditioned upon PG&E's filing of a new allocation of its revenue requirement consistent with Amendment No. 27 to be effective upon implementation of the successor transmission Access Charge.

#### **IV. COMMUNICATIONS**

Please address communications concerning this filing to the following persons:

Charles F. Robinson  
Vice President and General Counsel  
Roger E. Smith  
Senior Regulatory Counsel

California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-2334  
Fax: (916) 351-2350

Edward Berlin  
Kenneth G. Jaffe  
Michael E. Ward  
Swidler Berlin Shereff Friedman,  
LLP  
3000 K Street, N.W., #300  
Washington, D.C. 20007  
Tel: (202) 424-7500  
Fax: (202) 424-7643

## V. CONCLUSION

Based on the foregoing, the ISO respectfully requests that the Commission permit it to intervene, according it full party status in this proceeding and that the Commission require PG&E to modify its allocation of costs between High Voltage Transmission Revenue Requirements and Low Voltage Transmission Revenue Requirements consistent with Amendment No. 27 to the ISO Tariff.

Respectfully submitted,

Charles F. Robinson  
Vice President and General Counsel  
Roger E. Smith  
Senior Regulatory Counsel  
LLP  
Beth Ann Burns, Regulatory Counsel  
California Independent  
System Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Tel: (916) 351-2334  
Fax: (916) 351-2350

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Edward Berlin  
Kenneth G. Jaffe  
Michael E. Ward  
Swidler Berlin Shereff Friedman,  
3000 K Street, N.W., #300  
Washington, D.C. 20007  
Tel: (202) 424-7500  
Fax: (202) 424-7643

Attorneys for the California Independent System Operator Corporation

Date: October 27, 200

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this Docket No. ER01-66-000, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (1998).

Dated at Washington, D.C. on this 27<sup>th</sup> day of October, 2000.

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Michael E. Ward



October 27, 2000

David P. Boergers  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Pacific Gas and Electric Company  
Docket No. ER01-66-000

Dear Secretary Boergers:

Enclosed for filing are one original and 14 copies of the Motion to Intervene and Limited Protest of the California Independent System Operator Corporation in the above-cited proceeding. An additional copy of the filing is also enclosed. Please stamp the additional copy with the date and time filed and return it to the messenger.

Thank you for your assistance in this matter.

Respectfully submitted,

Michael E. Ward  
Counsel for the California  
Independent System Operator Corporation

## ATTACHMENT 1

California Independent System Operator Corporation

Proposed Guidance for Participating Transmission Owners  
That Must Divide Their Transmission Revenue Requirement  
Between High Voltage and Low Voltage components

**A. SUBSTATIONS** - Costs for substations and substation equipment, except transformers:

1. If the Participating TO has substation Transmission Revenue Requirements (“TRR”) information by facility and voltage, then the TRR for facilities and equipment at or above 200 kV should be allocated to the High Voltage Transmission Revenue Requirement (“HVTRR”) and the TRR for facilities and equipment below 200 kV should be allocated to the Low Voltage Transmission Revenue Requirement (“LVTRR”);
2. If the Participating TO has substation TRR information by facility but not by voltage, then the TRR for facilities and equipment should be allocated to the HVTRR and to the LVTRR based on the ratio of gross substation investment allocated to HVTRR to gross substation investment allocated to LVTRR pursuant to Step 1;
3. If the Participating TO does not have substation TRR information by facility or voltage, then the TRR for facilities and equipment should be allocated to the HVTRR and to the LVTRR based on the Participating TO's transmission system-wide gross plant ratio<sup>1</sup>;

**B. TRANSFORMERS**

With regard to the costs of transformers that step down from a high voltage (200 kV or above) to low voltage, to the extent the Participating TO does not have the revenue requirement information available on a voltage basis, the ISO believes that the revenue requirements should be allocated based on 50% to the HVTRR and 50% the LVTRR.

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<sup>1</sup> The system-wide gross plant ratio would be determined once the costs that can be split between High Voltage and Low Voltage for all facilities has been developed. The resulting cost ratio between High Voltage and Low Voltage shall be used as the system-wide gross plant ratio.

### **C. TRANSMISSION TOWERS AND LAND WITH CIRCUITS ON MULTIPLE VOLTAGES**

For transmission towers that have both High Voltage and Low Voltage facilities on the same tower, the ISO proposes that the cost of these assets should be allocated two-thirds to the HVTRR and one-third to the LVTRR. If the transmission tower has only High Voltage facilities, then the costs of these assets should be allocated entirely to the HVTRR. If the transmission tower has only Low Voltage facilities, then the TRR of these assets should be allocated entirely to the LVTRR.

Provided the Participating TO does not have land cost information available on a voltage basis, in which case the costs should be allocated based on the bright-line of the voltage levels, the costs for land used for transmission right-of-ways for towers that have both High Voltage and Low Voltage wires should be allocated two-thirds to the HVTRR component and one-third to the LVTRR.

### **D. O&M, TRANSMISSION WAGES & SALARIES, TAXES, DEPRECIATION AND AMORTIZATION, AND CAPITAL COSTS**

If the Participating TO can delineate costs for transmission O&M, transmission wages and salaries, taxes, depreciation and amortization, or capital costs on a voltage basis, the costs shall be applied on a bright-line voltage basis. If the costs for O&M, transmission wages and salaries, taxes, depreciation and amortization, or capital costs, are not available on voltage levels, the allocation to the HVTRR and the LVTRR should be based on the Participating TO's system-wide gross plant ratio defined in Section A.

### **E. EXISTING TRANSMISSION CONTRACTS**

If the take-out point for the Existing Contract is a High Voltage Transmission Facility, the ISO proposes that the Existing Contract revenue should be credited to the HVTRR of the Participating TO receiving such revenue. Similarly, the Participating TO that is paying charges under such an Existing Contract could include the costs in its HVTRR.

If the take-out point for the Existing Contract is a Low Voltage Transmission Facility, the Existing Contract revenue should be credited to the HVTRR and the LVTRR of the receiving Participating TO based on the ratio of the Participating TO's HVTRR to its LVTRR, prior to any adjustments for such revenues. The Participating TO that is paying the charges under the Existing Contract should include the costs in its HVTRR and LVTRR in the same ration as the revenues are recognized by the Participating TO receiving the payments.