

61,102
98 FERC ¶ 61,102

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
and Nora Mead Brownell.

California Independent System Operator Corporation

Docket No. ER01-3047-001

ORDER DENYING REHEARING

(Issued February 1, 2002)

In this order, we deny rehearing of an order issued November 7, 2001 (November 7 Order)¹ related to the California Independent System Operator Corporation's (ISO) Summer 2001 Demand Relief Program. However, as explained below, our findings concerning the Demand Relief Program do not guarantee our acceptance of any similar demand reduction program that the ISO may propose for a later period. This order benefits customers because it resolves issues raised concerning a program that was intended to help minimize rolling blackouts during periods in which the ISO's resources were insufficient to ensure reliability.

Background

In the November 7 Order, we accepted for filing the ISO's Summer 2001 Program, without suspension, effective June 1, 2001. The ISO proposed to implement a Summer 2001 Demand Relief Program that allowed the ISO to enlist individuals or groups willing to provide a net demand reduction for a specified time upon request. The ISO proposed to compensate such participants through a fixed monthly payment for each month in which they commit to curtail demand, and to allocate the resulting costs to ISO Scheduling Coordinators in proportion to their metered demand during the hour in which the costs were incurred.

¹California Independent System Operator Corporation, 97 FERC ¶ 61,149 (2001).

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Discussion

The M-S-R Public Power Agency and the Cities of Redding and Santa Clara, California jointly request clarification, or in the alternative, rehearing of this order. Specifically, these parties request that the Commission clarify that its cost allocation determinations in the November 7 Order are not precedential, due to the temporary nature of the 2001 demand relief program. The parties contend that spreading the costs of the 2001 program to all metered demand is not just, reasonable or fair.

As an initial matter, we affirm our finding in the November 7 Order that the costs of the Summer 2001 Program are properly allocated on a system-wide basis to all Scheduling Coordinators because the Demand Relief Program benefits all parties by providing a means to maintain grid reliability. However, as we previously explained in California Independent System Operator Corp., 95 FERC ¶ 61,037 (2001), our findings concerning the Demand Relief Program do not guarantee our acceptance of any similar demand reduction program that the ISO may propose for a later period. Although we find that the 2001 Demand Relief Program's cost allocation methodology was just and reasonable, it is not necessarily the only acceptable methodology for recovering such costs.² As we stated in the November 7 Order, the parties have not yet offered any new allocation proposal that the Commission has not already considered.

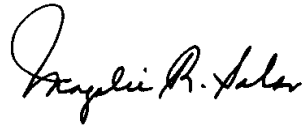
²See, e.g., California Power Exchange Corporation, 92 FERC ¶ 61,093 at 61,372, n.10 (2000) (stating in our acceptance of a cost allocation methodology proposed by the California Power Exchange Corporation (CalPX) that "we do not necessarily consider this aspect of CalPX's proposal to be the only acceptable methodology"); see also Cities of Bethany, et al. v. FERC, 727 F.2d 1131, 1136 (D.C. Cir.), cert. denied, 469 U.S. 917 (1984) (affirming the Commission's finding that the utility only bore the burden to demonstrate that its proposed method of allocating costs was reasonable, not that it was more reasonable than an alternative method).

The Commission orders:

The M-S-R Public Power Agency and the Cities of Redding and Santa Clara, California request for rehearing is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

A handwritten signature in black ink, appearing to read "Magalie R. Salas". The signature is written in a cursive, flowing style.

Magalie R. Salas,
Secretary.