



August 14, 2002

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

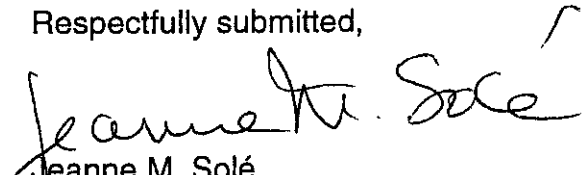
Re: California Independent System Operator
Docket Nos. ER02-1834-000 and ER02-1835-000

Dear Secretary Salas:

Enclosed for filing in the above-captioned proceeding are an original and fifteen exact copies of the Request for Rehearing of the California Independent System Operator Corporation. Please date stamp one copy and return it to the California Independent System Operator Corporation in the self-addressed stamped envelope enclosed.

Thank you for your attention to this matter.

Respectfully submitted,


Jeanne M. Solé
Counsel for the California Independent
System Operator Corporation

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

California Independent System Operator) Corporation)	Docket No. ER02-1834-000 Docket No. ER02-1835-000 (Not Consolidated)
--	---	--

**REQUEST FOR REHEARING AND CLARIFICATION OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation ("CA ISO") respectfully submits this Request for Rehearing of the Commission's Order Rejecting Participating Generator Agreement and Meter Service Agreement, 100 FERC ¶ 61,055 (July 16 Order), pursuant to section 313(a) of the Federal Power Act, 16 U.S.C. § 825l(a)(1994), and section 713 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713 (2001).

For the reasons presented below, the Commission should revoke the July 16 Order, and accept the unexecuted Participating Generator Agreement¹ ("PGA"), and Meter Service Agreement ("MSA") between with the CA ISO and the City of Riverside, California ("Riverside"). In the alternative, the CA ISO requests that the Commission require either 1) that Riverside sign a Metered Subsystem ("MSS") Agreement with the CA ISO or 2) that Riverside and the CA ISO develop an appropriate agreement setting forth the information and other responsibilities of both entities and to file it with the Commission.

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

I. INTRODUCTION AND SUMMARY OF POSITION

On May 17, 2002, the CA ISO filed with the Commission an unexecuted PGA and MSA between the CA ISO and Riverside applicable to Riverside's proposed Springs Generation Project (the "Springs Project"). On June 7, 2002, Riverside protested the filings arguing that a PGA and MSA are not required for the Springs Project because Riverside does not intend to use the Springs Project to participate in the CA ISO's markets or use the CA ISO Controlled Grid to deliver energy from the Springs Project to a purchaser outside the Riverside system. Riverside averred that reliability would be assured because it would provide the ISO with information regarding the operation of the Springs Project to enable the CA ISO to perform its Control Area operator and billing functions. Riverside also argued that requiring Riverside to enter into a PGA for the Springs Project would effectively deprive Riverside of its intended use for the project. On June 24, the CA ISO filed an answer to the Riverside protest.

On July 16, the Commission issued an order rejecting the unexecuted PGA on the grounds that the "Springs Project is not interconnected to the Cal ISO grid and Riverside has no intention of using this generation to participate in the Cal ISO grid." 100 FERC ¶ 61,055 at P 10. The Commission stated that "Riverside has agreed that it will provide full information on the operations of the Springs Project to enable the Cal ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the Cal ISO Tariff provides to be billed on a gross load basis." *Id.* at P 9. The Commission also rejected the MSA stating that

the Springs Project does not qualify as an ISO Metered Entity because it is not directly connected to the Cal ISO Controlled Grid. *Id.* at P 12. (The Commission also rejected the CA ISO's June 24 Answer.)

The CA ISO has not and does not challenge Riverside's representation that it does not intend to use the Springs Project to participate in the CA ISO markets. However, because the CA ISO Tariff requires gross metering of generation and load, for all Generating Units 1 MW and above, and hence gross scheduling, Riverside should schedule the output of the Springs Project with the CA ISO and sign a PGA as to the Project. Further, the fact that the Springs Project is connected indirectly to the CA ISO Controlled Grid is not dispositive. Where a CA ISO Tariff requirement is intended to apply only to entities connected directly to the CA ISO Controlled Grid, this specification is explicit. However, neither the CA ISO Tariff nor the PGA limit application of the PGA to generating units connected directly to the CA ISO Controlled Grid. In fact, the CA ISO Tariff defines a Generating Unit as one that is connected to the ISO Controlled Grid, either directly or via interconnected transmission, or distribution facilities. Master Definitions Supplement, Appendix A to the CA ISO Tariff. Moreover, interpreting connected to the CA ISO Controlled Grid to mean directly connected would be inconsistent with the physical characteristics of the interconnected system, which responds automatically to fluctuations in *generation and load including generation and load connected indirectly to the CA ISO Controlled Grid.* Finally, the CA ISO Tariff clearly provides that Participating

Generators are ISO Metered Entities regardless of whether or not they are directly connected to the CA ISO Controlled Grid.

Further, Riverside has not yet agreed to provide to the CA ISO the full suite of information and commitments the CA ISO requires to fulfill its responsibilities as Control Area operator and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. The attached affidavits of Mr. Deane Lyon and Mr. Keoni Almeida set forth the information and commitments the CA ISO requires to fulfill its Control Area responsibilities and accurately calculate charges on a gross load basis, and the status of discussions regarding the provision of such information between the CA ISO and Riverside. These documents demonstrate that Riverside has not yet agreed to provide sufficient information.

Finally, the fundamental issues raised by Riverside, and echoed by many of the municipalities that filed comments in this docket, relate to how the CA ISO should interact with vertically integrated utilities. Since the unexecuted PGA and MSA were filed with the Commission, and on the same day that the Commission issued its July 16 Order, the CA ISO filed Amendment No. 46 to the CA ISO Tariff, which proposes tariff revisions to better accommodate vertically integrated utilities within the CA ISO. The CA ISO agrees that, if Riverside signs an MSS Agreement, there would be no need for a PGA or MSA for the Springs Project.

However, unless Riverside signs an MSS Agreement, there is as yet no assurance that, without acceptance by the Commission of the unexecuted PGA

and MSA, the CA ISO will be given the information and commitments it requires from Riverside to fulfill its Control Area responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. To assure this outcome, even if the Commission does not accept the PGA and MSA, the Commission should require either 1) that Riverside sign an MSS Agreement with the CA ISO or 2) that Riverside and the CA ISO develop an appropriate agreement setting forth the information and other responsibilities of both entities and file it with the Commission.

II. SPECIFICATIONS OF ERROR

1. The Commission erred in determining that the Springs Project is not connected to the CA ISO Controlled Grid and hence Riverside is not required to sign a PGA for the Springs Project.
2. The Commission erred in determining that only Generating Units directly connected to the CA ISO Controlled Grid are ISO Metered Entities.
3. The Commission erred in determining that Riverside will provide to the CA ISO full information on the operations of the Springs Project to enable the CA ISO to fulfill its responsibilities as Control Area operator and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis.

III. ARGUMENT

A. The Commission erred in determining that the Springs Project is not interconnected to the CA ISO Controlled Grid and that hence Riverside is not required to sign a PGA for the Springs Project.

In its July 16 Order, the Commission determined that Riverside is not required to sign a PGA for the Springs Project because the Springs Project is not interconnected to the CA ISO Controlled Grid and Riverside does not intend to use the Springs Project to participate in the CA ISO grid. 100 FERC ¶ 61,055 P 10. The Commission erred in determining that the Springs Project is not interconnected to the CA ISO Controlled Grid. Thus, the CA ISO respectfully requests the Commission on rehearing to accept the unexecuted PGA between the CA ISO and Riverside filed with the Commission on May 17.

Section 5 of the CA ISO Tariff provides that "[t]he ISO shall not be obligated to accept Schedules or Adjustment Bids or bids for Ancillary Services relating to Generation from any Generating Unit interconnected to the ISO Controlled Grid unless the relevant Generator undertakes in writing to the ISO to comply with all applicable provisions of this ISO Tariff as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 5 and Section 2.3.2." Further, as noted above, the CA ISO Tariff specifically defines a Generating Unit as one that is "connected to the ISO Controlled Grid, either directly or via interconnected transmission, or distribution facilities." Master Definitions Supplement, Appendix A to the CA ISO Tariff.

Sections 2.2.4.3 and 2.3.5 of the CA ISO Metering Protocol prohibit the netting of values for Generating Unit output and Load, irrespective of whether such Generating Units and Load are CA ISO Metered Entities or Scheduling Coordinator ("SC") Metered Entities. Thus, the prohibition applies to all CA ISO Control Area Generating Units and Loads, including those such as the Springs Project, that are connected at the distribution level.²

To assure appropriate settlements, scheduling should track metering. Otherwise, the SC for the Generating Units and Loads would be assessed Imbalance Energy charges for the differences between amounts scheduled and amounts metered. Thus, given the prohibition in the CA ISO Tariff against netting of Generating Unit output and Load (other than auxiliary load), even the output of a Generator located at the distribution level intended to serve Load at the distribution level should be scheduled by Riverside with the CA ISO and should be subject to a PGA.

The July 16 Order disregards this analysis and concludes that because the Springs Project is not interconnected to the CA ISO Controlled Grid (and will not be used to participate in the CA ISO's markets) it need not be subject to a PGA. The CA ISO accepts that Riverside does not intend to use the Springs Project to offer Energy or Ancillary Services to the CA ISO. Nonetheless, the

² Only Generating Units connected at the distribution level that are under 1 MW and meet certain additional requirements are exempt from the prohibition against net metering pursuant to CA ISO Tariff Section 5.1 4.1, and are hence exempt from signing a PGA. That exemption would be rendered meaningless under the interpretation of the CA ISO Tariff set forth in the July 16 Order.

Springs Project is interconnected to Riverside's system, which in turn is interconnected to the CA ISO Controlled Grid. Thus, the Springs Project is interconnected to the CA ISO Controlled Grid.

The July 16 Order is unclear as to the basis for the conclusion that the Springs Project is not interconnected to the CA ISO Controlled Grid. There is no evidence in the record to support this conclusion. Riverside itself states only that the Springs Project is not interconnected directly with CA ISO Controlled Grid. Affidavit of Daniel R. McCann at 2. The Springs Project is installed within the Riverside system. Affidavit of Daniel R. McCann at 2. The Riverside system is interconnected to the CA ISO Controlled Grid through Southern California Edison Company's ("SCE") Vista Substation. Affidavit of Daniel R. McCann at 3. Moreover, by Riverside's own admission, a sudden loss of all the Springs Project units could result in Riverside pulling as much as 40 MW from the CA ISO Controlled Grid, affidavit of Daniel R. McCann at 4-5, a result that clearly demonstrates that the Springs Project is interconnected to the CA ISO Controlled Grid. Thus, even the limited evidence in the record clearly and unambiguously supports a conclusion that the Springs Project is indeed interconnected to the CA ISO Controlled Grid, albeit not directly.

Thus, there is no evidence whatsoever that the Springs Project is not interconnected to the CA ISO Controlled Grid. The Commission's determination in this regard is clearly erroneous and should be corrected on rehearing, along with the Commission's conclusion, relying on this determination, that a PGA is

not required for the Springs Project. See *Sithe/Independence Power Partners v. Federal Energy Regulatory Commission*, 165 F3rd 944, 948-951 (D.C. Cir. 1999)(a Commission determination was remanded because the Circuit Court was unable on the record before it to satisfy itself that the Commission engaged in reasoned decision making and reached conclusions supported by the record).

Given the complete lack of evidence for a conclusion that the Springs Project is not interconnected to the CA ISO Controlled Grid, it is possible that the Commission intended to indicate that the Springs Project is not directly interconnected to the CA ISO Controlled Grid, rather than that it is not interconnected at all (although the Commission clearly made a distinction between direct and indirect interconnection in determining the propriety of the unexecuted MSA). But there is no support in the CA ISO Tariff, the PGA, or the physics of the interconnected grid, for limiting PGAs to Generating Units directly connected to the CA ISO Controlled Grid.

As cited earlier, Section 5 of the CA ISO Tariff provides that "[t]he ISO shall not be obligated to accept Schedules or Adjustment Bids or bids for Ancillary Services relating to Generation from any Generating Unit interconnected to the ISO Controlled Grid unless the relevant Generator undertakes in writing to the ISO to comply with all applicable provisions of this ISO Tariff as they may be amended from time to time, including, without limitation, the applicable provisions of this Section 5 and Section 2.3.2." Generating Units are defined as including those indirectly interconnected to the

ISO Controlled Grid and Section 5 does not limit its applicability to a subset of Generating Units directly interconnected to the CA ISO Controlled Grid; nor does such a limitation appear in the introductory language or section 2.2 of the PGA.

In fact, where a direct connection is required, for example in the first part of the definition of ISO Metered Entities, the CA ISO Tariff explicitly provides for direct connection. See Master Definitions Supplement, Appendix A to the CA ISO Tariff. Thus, if direct interconnection is meant in the CA ISO Tariff, direct interconnection is explicitly stated, and since there is not explicit requirement for direct interconnection in Section 5 and the PGA, direct interconnection should not be assumed to be required.

The one possible rationale for interpreting Section 5 (and the PGA) to apply only in the case of Generating Units directly connected to the CA ISO Controlled Grid is the difference in language between the first sentence of Section 5 and the second sentence. The first sentence states that "[t]he ISO shall not Schedule Energy or Ancillary Services generated by any Generating Unit interconnected to the ISO Controlled Grid, or to the Distribution System of a Participating To or of a UDC otherwise than through a Scheduling Coordinator". As quoted above, the second sentence states that " [t]he ISO shall not be obligated to accept Schedules or Adjustment Bids or bids for Ancillary Services relating to Generation from any Generating Unite interconnected to the ISO Controlled Grid unless the relevant Generator undertakes in writing to the ISO to comply with all applicable provisions of this ISO tariff as they may be amended

from time to time" It is possible that because the first sentence references Generating Units connected to Distribution Systems as well as Generating Units connected to the CA ISO Controlled Grid, whereas the second sentence does not, the Commission determined that the requirement to agree in writing to be bound by the CA ISO Tariff, applies only to Generating Units directly connected to the CA ISO Controlled Grid.

However, this interpretation ignores the specific definition of Generation Unit to include those indirectly interconnected, as well as the fact noted previously that where direct interconnection to the CA ISO Controlled Grid is required by the CA ISO Tariff, the word direct has preceded the word interconnection. As also noted above, it would also render the exemption provided in Section 5.1.4.1 of the CA ISO Tariff meaningless. Further this interpretation ignores the physical realities of interconnected system operations whereby effects at the Distribution System level impact the CA ISO Controlled Grid. Even Riverside readily acknowledged that a sudden loss of the Springs Project generation could result in Riverside pulling power from the CA ISO Controlled Grid. Affidavit of Daniel R. McCann at 4-5. In light of these effects, coordination between the CA ISO and Generating Units, including those connected at the Distribution System level, is critical to maintain reliability. In fact, the Commission has accepted for filing numerous PGAs between the CA ISO and operators of Generating Units connected at the Distribution System level.

In sum, the Commission erred in concluding that the Springs Project is not interconnected to the CA ISO Controlled Grid. The evidence in the record clearly supports a conclusion that the Springs Project is interconnected to the CA ISO Controlled Grid, albeit indirectly. Further, to the extent the Commission meant to state that only Generating Units directly interconnected to the CA ISO Controlled Grid (or actively participating in the CA ISO markets) must sign a PGA, this conclusion is inconsistent with the CA ISO Tariff and the PGA, and the physical realities of the operation of interconnected systems.

B. The Commission erred in determining that only Generating Units directly connected to the CA ISO Controlled Grid are CA ISO Metered Entities.

In its July 16 Order, the Commission determined that Riverside is not required to sign an MSA for the Springs Project because the Springs Project is not directly interconnected to the CA ISO Controlled Grid. The Commission erred in determining that only entities directly connected to the CA ISO Controlled Grid are ISO Metered Entities. Thus, the CA ISO respectfully requests the Commission on rehearing to accept the unexecuted MSA between the CA ISO and Riverside filed with the Commission on May 17.

The definition of ISO Metered Entity in the CA ISO Tariff includes two general categories of entities: those directly connected to the CA ISO Controlled Grid, and other entities regardless of whether or not they are directly connected to the CA ISO Controlled Grid. In particular, the definition of ISO Metered Entity is as follows:

a) any one of the following entities that is directly connected to the ISO Controlled Grid:

- i. a Generator other than a Generator that sells all of its Energy (excluding any Energy consumed by auxiliary load equipment electrically connected to that Generator at the same point) and Ancillary Services to the UDC in whose Service Area it is located;
- ii. an Eligible Customer; or
- iii. an End-User other than the End-User that purchases all of its Energy from the UDC in whose Service Area it is located; and

(b) any one of the following entities:

- i. a Participating Generator;
- ii. a Participating TO in relation to its Tie Point Meters with other TOs or Control Areas, or
- iii. a Participating Load.

Master Definitions Supplement, Appendix A to the CA ISO Tariff. Thus, for entities listed in subpart (a), direction connection to the CA ISO Controlled Grid is clearly a requirement. However, subpart (b) includes no requirement that an entity be connected directly to the CA ISO Controlled Grid. The CA ISO agrees that the Springs Project is not directly connected to the CA ISO Controlled Grid and would not be an ISO Metered Entity under subsection a). However, since as described in the prior section of this request, the Springs Project is a Participating Generator that should sign a PGA, the Springs Project would fall within subsection (b) of the definition of an ISO Metered Entity for which there is no requirement to be directly connected to the CA ISO Controlled Grid.

In sum, because the Springs Project is a Participating Generator, it falls within the definition of an ISO Metered Entity even though it is not directly connected to the CA ISO Controlled Grid.

C. The Commission erred in determining that Riverside will provide to the CA ISO full information on the operations of the Springs Project to enable the CA ISO to fulfill its responsibilities as Control Area operator and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis.

In rejecting the unexecuted PGA and MSA between the CA ISO and Riverside as to the Springs Project, the Commission stated that "Riverside has agreed that it will provide full information on the operations of the Spring Project to enable the Cal ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the Cal ISO Tariff provides to be billed on a gross load basis." 100 FERC ¶ 61,055, P 9. This statement could only have been based on the affidavit of Mr. Daniel R. McCann, which was attached to Riverside's protest of the unexecuted PGA and MSA. However, the McCann affidavit is very general and does not detail the information that Riverside will provide to the CA ISO. In fact, Riverside has currently only agreed to provide a subset of the information/commitments required by the CA ISO. (The attached affidavits of Mr. Deane Lyon and Mr. Keoni Almeida describe the information that is required by the CA ISO and the status of discussions regarding provision of information between Riverside and the CA ISO.) Thus, the Commission's determination in

this regard is based on inadequate evidence, and is not supported by subsequent discussions between the CA ISO and Riverside.

Particularly if the Commission does not on rehearing accept the unexecuted PGA and MSA, it is very important that Riverside provide to the CA ISO the information and commitments the CA ISO requires to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. This is because, as explained in the affidavit of Mr. Deane Lyon, Riverside is located within the CA ISO's Control Area, and the CA ISO is accountable to the Western Electricity Coordinating Council ("WECC") and other Control Areas for reliable operations of the entire Control Area. Further, the CA ISO is responsible for accurate billing of its services. In fact, both Riverside and the Commission appear to accept that the CA ISO must be furnished adequate information, since Riverside addressed the issue in its protests, and the Commission cited Riverside's representations in its determination to reject the unexecuted PGA and MSA.

The CA ISO is still hopeful that it can develop with Riverside an agreement for the provision of an adequate level of information. In the meantime, however, the Commission's determination is unsupported by the record, and the Commission should, if it does not reverse its rejection of the unexecuted PGA and MSA, require on rehearing either 1) that Riverside enter into an MSS Agreement with the CA ISO or 2) that the CA ISO and Riverside

continue to negotiate and file with the Commission a final agreement for the exchange of information.

The McCann Affidavit states that "Riverside has made clear to the ISO that it will provide full information on the operations of the Springs Project to enable the ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the ISO Tariff provides are to be billed on a gross load basis." Affidavit of Mr. Daniel R. McCann at 4. However, in making this commitment, Riverside already included a number of caveats. For example, it stated that it will only provide information on Riverside's gross load and real-time operating information on the Springs Project so long as any output of the Springs Project is credited as serving a portion of Riverside's native load. Affidavit of Daniel R. McCann at 4-5. Further, Riverside explicitly states that it will not comply with certain of the CA ISO requirements including the Commission-imposed "Must-Offer" obligation (which applies to Generating Units beyond Participating Generators) and proper scheduling of Generating Unit outages. *Id.* at 5-6. Moreover, the affidavit includes no details about the information that Riverside will in fact supply to the CA ISO.

The CA ISO has been in discussions with Riverside as to the information that should be exchanged. The attached affidavit of Mr. Deane Lyon sets forth the information/commitments that the CA ISO requires to undertake its Control Area operator responsibilities and maintain reliability. The attached affidavit of Mr. Keoni Almeida documents some of the information that the CA ISO

requires to undertake Control Area operator functions and to undertake accurate billing, as well as the status of discussions on the exchange of information between Riverside and the CA ISO. As these documents demonstrate, Riverside has not yet agreed to provide to the CA ISO, the full complement of information/commitments that the CA ISO requires to meet its Control Area operator responsibilities and to undertake accurate billing in accordance with the CA ISO Tariff.

Since the McCann affidavit does not set forth in any detail the information that Riverside agrees it will provide to the CA ISO, and Riverside has not yet at this time agreed to provide an adequate complement of information to the CA ISO, the Commission had and has an insufficient record on which to conclude that Riverside has agreed to provide to the CA ISO the information it requires to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis. Thus, this finding by the Commission is in error and cannot support the Commission's decision to reject the unexecuted PGA and MSA. See *Sithe/Independence Power Partners v. Federal Energy Regulatory Commission*, 165 F3rd 944, 948-951 (D.C. Cir. 1999).

In fact, a significant stumbling block in the discussions between the CA ISO and Riverside as to the provision of information has been the treatment of the Springs Project in meeting Riverside's load responsibility. This issue, like many of the issues raised by Riverside in its protest to the unexecuted PGA and

MSA, relates to the relationship between the CA ISO and vertically integrated utilities.

On the date that the Commission issued its July 16 Order, the CA ISO filed Amendment No. 46 to the CA ISO Tariff with the Commission, which proposes tariff revisions to better accommodate vertically integrated utilities within the CA ISO. The CA ISO agrees that, if Riverside signs an MSS Agreement, all the requirements would be in place to allow the CA ISO to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis; thus there would be no need for a PGA or MSA for the Springs Project. Moreover, the MSS Agreement and associated tariff amendments address the concerns raised by Riverside regarding allowing vertically integrated utilities to fully benefit from their embedded generation. Thus, Riverside's concerns are easily addressed if it agrees to sign the MSS with the CA ISO. Without an MSS Agreement, however, there is as yet no assurance that the CA ISO will be given the information and commitments it requires from Riverside to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO Tariff provides to be billed on a gross load basis.

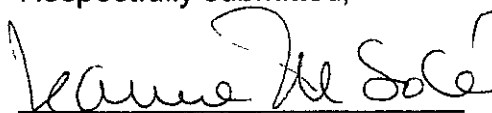
In sum, the Commission erred in determining, without adequate support in the record, that Riverside has agreed to provide to the CA ISO the full complement of information/commitments necessary to allow the CA ISO to fulfill its Control Area operator responsibilities and to collect charges that the CA ISO

Tariff provides to be billed on a gross load basis. The CA ISO has been and will continue to negotiate with Riverside on the exchange of commitments and information. To assure an acceptable outcome, however, the Commission cannot rely on the existing record and should require either 1) that Riverside sign an MSS Agreement with the ISO or 2) that Riverside and the CA ISO develop an appropriate agreement setting forth the information and other responsibilities of both entities and to file it with the Commission.

IV. CONCLUSION

The CA ISO respectfully requests the Commission on rehearing to accept the unexecuted PGA and MSA for the Springs Project. In the alternative, the CA ISO respectfully urges the Commission on rehearing to require either 1) that Riverside sign an MSS Agreement with the ISO or 2) that Riverside and the CA ISO develop an appropriate agreement setting forth the information and other responsibilities of both entities and to file it with the Commission.

Respectfully submitted,



Jeanne M. Solé
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7144
Fax: (916) 608-7222

Counsel for the California Independent
System Operator Corporation

Dated: August 14, 2002

Attachments

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation))	Docket No. ER02-1834-000 Docket No. ER02-1835-000 (Not Consolidated)
---	--------	---

**AFFIDAVIT OF
C. KEONI ALMEIDA
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

1. My name is C. Keoni Almeida, and I am an Account Manager for the California Independent System Operator Corporation ("CA ISO"). My business address is 151 Blue Ravine Road, Folsom, California 95630.
2. As an CA ISO Account Manager, I am responsible for representing the CA ISO in its dealings with numerous entities participating in the CA ISO's markets and with which the CA ISO otherwise transacts business, including representation of the CA ISO in its dealings with the City of Riverside ("Riverside").
3. I have a Bachelors of Science degree in Geology, with an emphasis in Hydrogeology from University of Nevada, Reno. Prior to joining the CA ISO, I served as an Account Manager / Hydrogeologist for Delta Environmental Consultants, Inc. for nine years, with Exxon Company, USA, as my account. I subsequently attended University of Nevada, Reno. I joined the CA ISO in February 1998 in my current position.

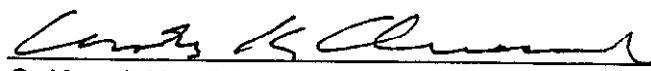
4. I provide this affidavit to address certain matters raised in the Commission's Order Rejecting Participating Generator Agreement and Meter Service Agreement, dated July 16, 2002 ("Order"), 100 FERC ¶ 61,055. This affidavit describes some of the information required by the CA ISO, and the status of the CA ISO's discussions with Riverside as to the provision of operational and meter data regarding the operations of Riverside and its Springs Generation Project ("Springs Project").
5. Paragraph 9 of the Order states: "Riverside also has agreed that it will provide full information on the operations of the Springs Project to enable the Cal ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the Cal ISO Tariff provides to be billed on a gross load basis." The CA ISO disagrees that Riverside has to date agreed to provide all the information necessary for the CA ISO to fulfill its responsibilities as operator of the CA ISO Control Area and to make appropriate settlements under the terms of the CA ISO Tariff.
6. With regards to data needed for the CA ISO to fulfill its responsibilities as Control Area Operator, Riverside has installed "Data Processing Gateway" ("DPG") equipment on the Springs Project. The DPG equipment gives Riverside the ability to provide the CA ISO the real-time telemetry data that the CA ISO, as operator of the CA ISO Control Area, needs to calculate Control Area Load on a real-time basis, for purposes of the CA ISO's accurate procurement of Operating Reserves and other real-time system operation functions, and to have visibility of local conditions in the Riverside area that could have an adverse impact on the

operation of the Control Area and the CA ISO Controlled Grid. However, to date Riverside has not agreed to configure that DPG equipment to provide the CA ISO the necessary telemetry data for the CA ISO to exercise those critical Control Area operator functions. For Generating Units in the CA ISO Control Area, the CA ISO's Technical Standards specify that all of the following data points are necessary for the CA ISO to exercise its responsibilities as Control Area operator effectively: Breaker Status, Automatic Voltage Regulator status, Unit Net Megawatts and Megavars, Unit Point of Delivery Megawatts and Megavars, and Unit Gross Megawatts and Megavars. Riverside has configured its DPG equipment only to provide the CA ISO with the following data points: Unit Net Megawatts and Breaker Status. Thus, there is operational data required by the CA ISO that Riverside has not yet agreed to provide.

7. The CA ISO also requires scheduling of resources within the Control Area with the CA ISO in order to fulfill its Control Area operator responsibilities. In order to meet its Control Area operator responsibilities, the CA ISO considers that all Control Area Load and Generation must be scheduled on a "gross" basis to assure that all Control Area Load is accounted for and that proper reserves are procured to meet WECC/NERC criteria. To date Riverside has not agreed to undertake gross scheduling.
8. With regards to data needed for the CA ISO to collect charges that the CA ISO Tariff provides to be billed on a gross load basis, Riverside has installed CA ISO-certified revenue metering on the Springs Project. That revenue metering gives Riverside the ability to provide the CA ISO the revenue meter data that the CA

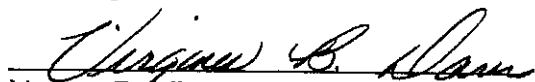
ISO needs to assess and collect charges on a gross load basis. However, to date, Riverside has not yet agreed to install communication equipment necessary for the CA ISO to poll those meters remotely or to provide the CA ISO with revenue meter data in a form suitable for processing in the CA ISO's revenue meter data acquisition and settlement systems. Alternative arrangements for the provision of meter data to the CA ISO may be possible but have not yet been agreed between Riverside and the CA ISO. Moreover, Riverside's unwillingness to Schedule on a gross basis, in addition to creating the operating problems described above, create settlement problems that have not been satisfactorily resolved. If Riverside Schedules on a net basis but reports meter data on a gross basis, under the CA ISO Tariff, Riverside would be subject to Imbalance Energy charges that may not fully offset each other, and which Riverside has not agreed to pay.

I hereby certify that the foregoing statements are true and correct to the best of my knowledge.

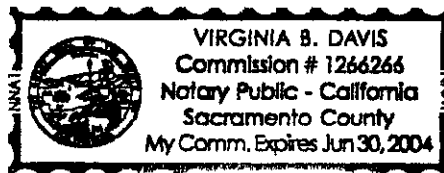

C. Keoni Almeida

State of California)
County of Sacramento)

Subscribed and sworn to before me this 14th day of August, 2002


Notary Public

My Commission expires: 6-30-04



UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System)	Docket No. ER02-1834-000
Operator Corporation)	Docket No. ER02-1835-000
		(Not Consolidated)

AFFIDAVIT OF
DEANE LYON
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

1. My name is Deane Lyon. I am the Director of Operations Support and Training ("OSAT") for the California Independent System Operator Corporation ("CA ISO"). My business address is 151 Blue Ravine Road, Folsom, CA 95630.
2. I began my professional career with Pacific Gas and Electric Company ("PG&E") in 1976 as a System Operator. During the course of my PG&E career, I worked as a System Operator at both the distribution and transmission switching center levels, and supervised or managed distribution and transmission switching centers, regional transmission organizations and a regional operator training program. I was an instructor at the PG&E System Operator Training Center and Power System simulator. The last seven years of my career with PG&E were spent in their Energy Control Center as a Transmission Dispatcher, Interchange Scheduler, Generation Dispatcher and Senior Operations Supervisor, in that order. As Senior Operations Supervisor, or Shift Supervisor, I was responsible for the safe and reliable operation of the PG&E Control Area grid, which spanned

from Bakersfield in the south to the California-Oregon border in the north, and from the west coast to the California-Nevada border in the east.

3. I joined the CA ISO in October 1997 as a Shift Manager, assuming the same responsibilities as I had at PG&E, however with a considerably larger Control Area that includes most of the state of California, and with the added market component. I moved from Grid Operations to the Operations Support and Training department in late 1999 as an Operations Trainer. I became manager of Operations Support in June 2000, and accepted the position of Director, Operations Support and Training in October 2001.

3. I am currently the Director of the Operations Support and Training Department at the CA ISO. Personnel that report directly to me include managers for the following groups: Operations Support, Operations Training, Operations Applications Support and Operations Coordination. The primary role of OSAT is to provide support to all departments within the Operations Division, including the development of training programs, dispatch support and development of tools for operations. OSAT provides training and support to all groups within the Operations Division, to other departments within the CA ISO, and to Market Participants, to ensure and enhance system reliability as well as to facilitate and expand workably competitive markets.

As the Director of OSAT, I am responsible for overseeing preparation and administration of training across all operations groups, other groups in the CA ISO, and Market Participants; providing support for CA ISO efforts to interface with and incorporate markets and deregulation from an operations perspective as

they develop inside and outside the CA ISO; updating, creating and maintaining all ISO Operating Procedures; implementing emergency response programs and procedures within the CA ISO and in coordination with state and federal agencies; providing presentation development and support for the Operations organization, and reviewing CA ISO Tariff changes, legislation, and regional and national operating organization policies from an operations feasibility point-of-view.

4. I provide this affidavit to address certain matters raised in the Commission's Order Rejecting Participating Generator Agreement and Meter Service Agreement, dated July 16, 2002 ("Order"), 100 FERC ¶ 61,055. This affidavit describes the reliability needs of the CA ISO with respect to the City of Riverside's ("Riverside") Springs Generation Project ("Springs Project").
5. Paragraph 9 of the Order states: "Riverside also has agreed that it will provide full information on the operations of the Springs Project to enable the Cal ISO to fulfill its responsibilities as Control Area Operator and to collect charges that the Cal ISO Tariff provides to be billed on a gross load basis." The CA ISO disagrees that Riverside has to date agreed to provide all the information/commitments necessary for the CA ISO to fulfill its responsibilities as operator of the CA ISO Control Area.
6. Riverside is within the Control Area operated by the CA ISO. Accordingly, to fulfill its Control Area operator responsibilities, the CA ISO requires with respect to Generating Units located within Riverside, telemetry, outage coordination

authority and the ability to issue dispatch instructions during emergencies or circumstances threatening system reliability.

7. Telemetry (real-time metering) of Generating Units within the CA ISO's Control Area boundaries is the means by which a portion of the CA ISO Control Area Load and Load responsibility calculations are derived. The CA ISO must have direct telemetry on the Springs Project to accurately calculate Control Area Load and Load responsibility such that the required amount of operating reserve can be calculated and procured to meet Western Electricity Coordinating Council ("WECC") Minimum Operating Reliability Criteria ("MORC"). To fulfill its reliability obligations to WECC and the entire Western Interconnection, the CA ISO, as the Control Area Operator, must have real-time data *from all generating facilities of any reasonable size*. Specifically for this reason, the currently recognized breakpoint for telemetering requirements is 10 MW. Having such direct telemetry further enhances system reliability in that it allows the CA ISO to perceive the source of online generation. The knowledge that a Generating Unit has synchronized to the grid or experienced a sudden onset failure, the source of changes in system generation (including the electrical location thereof) and the prompting to check security and reliability of the surrounding area of the grid affected by the change in MW output of the subject Generating Unit or plant are all necessary elements of maintaining real-time electric system reliability. Without direct telemetry, when the Springs Project is synchronized to the grid or experiences a sudden failure, the transmission system energy flows in and around the area of SCE's Vista Substation, as well as the energy flows on Vista

Substation's 230 kV bus and 230/69 kV transformers supplying Riverside would be affected and the CA ISO may be placed in a position of having to mitigate the resulting conditions without knowing the cause.

8. The WECC MORC requires that "All generation, transmission and load operating within the Western Interconnection shall be included *within the metered boundaries* of a WECC control area. Control areas are ultimately responsible for ensuring that the total generation is properly matched to total load in the Interconnection." For example, if Generation that is telemetered to the CA ISO fails, the CA ISO's Energy Management System ("EMS") will detect the failure. The Generating Units on Automatic Generation Control ("AGC") will respond immediately to provide Energy from Regulation provided by those Generating Units. If the loss of Generation is not detected, *i.e.*, if the Generation is not telemetered to the CA ISO EMS, the failure of that generator will nevertheless be detected as a deviation from the scheduled value of the Control Area net interchange, and Generating Units on AGC will likewise respond to return the Control Area net interchange to the scheduled value. However, *the cause of the deviation will be unknown*, or perhaps presumed to be a change in demand (*i.e.*, load) and the prompting to check the surrounding area will be nonexistent.
9. In summary, telemetry of the Springs Project output to the CA ISO is essential. Changes in energy output of the Project affect transmission flows in and around SCE's Vista Substation and the surrounding transmission system and the CA ISO's net interchange. Further, Project output impacts the CA ISO's Load and Load Responsibility calculations. Thus, the CA ISO needs direct telemetry to

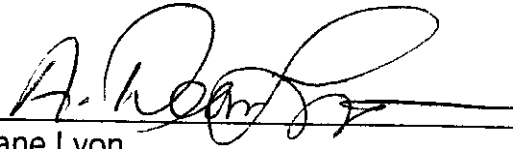
comply with WECC MORC and to meet the responsibility and obligation to the Western Interconnection as a Control Area operator.

9. Coordination of Generating Unit and transmission line and equipment outages is a complex and, at times, delicate and intense process that can include operations engineering studies, extensive inter-utility and inter-Control Area preparation and coordination among both operations and engineering personnel, and well-timed and coordinated execution of the plan. Advanced knowledge of planned outages, the authorization to coordinate such outages, and real-time knowledge of planned, unplanned and sudden onset outages of the Springs Project is an essential ingredient in the formula of responsible and reliable management of Control Area operations. By way of extreme example, if the CA ISO is not authorized to coordinate a planned outage on the 40 MW Springs Project, during a period where the CA ISO and the State of California are experiencing peak Load conditions – for example, hot weather with resulting high system Loads – and Riverside were to commence such an outage, the result could be rotating outages where there would have been none, or more rotating outages where fewer may have been necessary had the Project remained available to produce energy. As a less extreme but no less significant example, if an outage of the Springs Project coincided with outages on other surrounding area (not Riverside) Generating Units, the lack of authority of the CA ISO to coordinate such outages could compromise local area reliability on a “good” day (good weather, low Loads), or impact Control Area reliability on a “bad” day (hot weather, high Loads). It is fundamental to prudent, reliable operations that

outages of the Springs Project be coordinated with other facilities affecting the operation of the CA ISO Control Area.

10. Having the authority to dispatch generation as needed to address emergencies or other circumstances affecting system reliability is central to safe and reliable Control Area operations. That being said, any number of restrictions on a Generating Unit's operation, whether mechanical, environmental or otherwise, can limit the Control Area operator's ability to dispatch the energy from that Unit in particular circumstances. The CA ISO manages a number of limitations on the operation of many Generating Units on a daily basis, and respects those limitations. Ordinarily, Schedule 1 of the Participating Generator Agreement ("PGA") provides the means by which Generating Unit limitations are documented, made known to and respected by the CA ISO when considering the dispatch of Generating Units. While the CA ISO requires the ability to dispatch Generating Units within the Control Area to address emergencies and to manage reliability, the CA ISO respects all Generating Unit limitations.

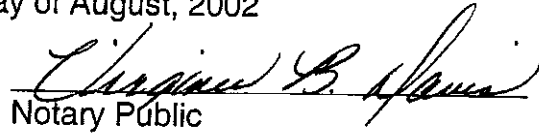
I hereby certify that the foregoing statements are true and correct to the best of my knowledge.



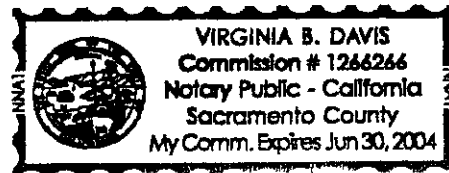
Deane Lyon

State of California)
County of Sacramento)

Subscribed and sworn to before me this 14th day of August, 2002


Notary Public

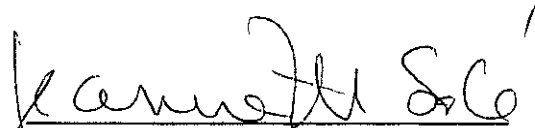
My Commission expires: 6-30-04



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 proceeding.

Dated at Folsom, California this 14th day of August, 2002.

A handwritten signature in black ink, appearing to read "Jeanne M. Solé", written over a horizontal line.

Jeanne M. Solé
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630