Summary of Testimony of
Brian Theaker
on behalf of the
California Independent System Operator Corporation ("ISO")

Brian Theaker is Manager of Operations Engineering for the California Independent System Operator Corporation ("ISO"). The purpose of his testimony is to describe a computer model that he and others developed to estimate the net revenues of generating units from participation in the Energy and Ancillary Service markets in California, and to present the results of the model for the units at the facilities involved in this proceeding. As explained in testimony of Eric Hildebrandt on behalf of the ISO and testimony of others on behalf of the Responsible Utilities, the net market revenues earned by such facilities are relevant in determining the appropriate amount of the Monthly Availability Payments to be paid to by the ISO to the owners of those facilities under the Reliability Must-Run ("RMR") Agreements between the ISO and the owners.

After describing the Energy and Ancillary Service markets in California in which a generating unit could earn revenues, not all of which are accounted for in the model, Mr. Theaker turns to a description of (a) the sources of the inputs to the model to determine a unit's variable operating cost (which, when compared to Market Clearing Prices in the Day-Ahead Market for Energy run by the California Power Exchange Corporation, would determine when the model would predict a unit would run), (b) the Market Clearing Prices that he used (prices for the period August 1, 1998 through July 31, 1999, which were the most recent prices available), (c) the way the model determines whether a unit would be started up or shut down, (d) the way the model accounts for unit outages, and (e) the manner in which the model mimics the operation of a unit in the Energy markets given its variable operating costs, Market Clearing Prices, and the start-up and shut-down and outage assumptions. Mr. Theaker also explains the manner in which the model ascribes revenues for Ancillary Services to units. Next, Mr. Theaker explains certain simplifying assumptions used in the model, certain ways in which the model might tend to underestimate a unit's net market revenues (including its omission of certain sources of market revenue, as noted above), and certain ways in which it might tend to overestimate revenues. Mr. Theaker states his belief that "the model is relatively accurate in providing an estimate of net market revenues given an assumption of rational, non-gaming, profit-maximizing behavior."

Finally, Mr. Theaker states the results of the model for the units at the facilities that are at issue in this proceeding. For the units at the Contra Costa Facility, the model estimates annual net market revenues of $32,785,588; for units at the Pittsburgh Facility, annual net market revenues of $57,975,053; and for units at the Potrero Facility, annual net market revenues of $8,920,094.