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

Pacific Gas and Electric Company ) Docket No. ER01-839-000

**Prepared Answering Testimony of**

**Deborah A. Le Vine**

**On Behalf of the California Independent System Operator Corporation**

**Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

A. My name is Deborah A. Le Vine and I am the Director of Contracts for the California Independent System Operator Corporation ("ISO"). My business address is 151 Blue Ravine Road, Folsom, California 95630.

**Q. AS YOU TESTIFY, WILL YOU BE USING ANY SPECIALIZED TERMS?**

A. Yes. I will be using terms defined in the Master Definitions Supplement, Appendix A to the ISO Tariff.

**Q. PLEASE DESCRIBE YOUR PRESENT RESPONSIBILITIES AT THE ISO.**

A. As the Director of Contracts for the ISO, I am responsible for negotiation and administration of all *pro forma* agreements executed by Market Participants and reliability agreements executed by certain Generators or Load.

**Q. DO YOU HAVE ANY OTHER RESPONSIBILITIES AT THE ISO?**

A. Yes. Since December 1998, I have been the project leader for the ISO's development of a new transmission Access Charge methodology.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

A. I received a Bachelor of Science degree in Electrical Engineering from San Diego State University in San Diego, California in May 1981. In May 1987, I received a Master in Business Administration from Pepperdine University in Malibu, California. Additionally, I am a registered Professional Electrical Engineer in the State of California.

**Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS?**

A. Yes. I have previously submitted testimony on behalf of the ISO in Docket Nos. ER98-1057-000, *et al.*, concerning the ISO's Responsible Participating Transmission Owner Agreements; in Docket Nos. ER98-992-000, *et al.*, pertaining to the ISO's Participating Generator Agreements; in Docket Nos. ER98-1499-000, *et al.*, involving the ISO Meter Service Agreements for Scheduling Coordinators and ISO Metered Entities; in Docket Nos. ER00-2019-000, *et al.*, involving the ISO's transmission Access Charge filing as required by California State legislation; in Docket Nos. ER98-997-000, *et al.*, pertaining to the ISO's Qualifying Facility Participating Generator Agreement; and in Docket No. ER01-313-000, concerning the ISO's unbundled Grid Management Charge. I have also testified in Pacific Gas and Electric Company ("PG&E") Docket No. ER00-2360-000 concerning PG&E's proposal to recover its local reliability costs from customers under its TO Tariff and Docket No. ER01-66-000

concerning PG&E's TO Tariff ("TO 5 Filing"). Additionally, I have filed testimony with the Public Utilities Commission of the State the State of California in Docket No. R. 99-10-025, concerning an Order Instituting Rulemaking into Distributed Generation (Phase 2).

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to address certain issues concerning the filing by PG&E of proposed rate changes for wholesale and retail electric transmission rates in its Transmission Owner Tariff required to implement the ISO's new transmission Access Charge.

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A. My testimony addresses ISO concerns that PG&E's filing in this docket is inconsistent with the transmission Access Charge proposed by the ISO in Amendment No. 27 to the ISO Tariff, which was filed in Docket No. ER00-2019-000. Specifically, PG&E's filing utilizes a methodology for allocating high and low voltage Transmission Revenue Requirements that is inconsistent with the methodology proposed in Amendment No. 27.

**Q. WHAT IS THE ISO?**

A. 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 ("SDG&E"), and Southern California Edison Company ("SCE"), as well as for the coordination of the competitive electricity market in California.

**Q. PLEASE DESCRIBE THE ISO'S TRANSMISSION ACCESS CHARGE.**

A. On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff to propose 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, submitted in Docket No. ER00-2019-000, was required by state law and by the Commission's October 30, 1997 order, *Pacific Gas and Electric Company, et al.*, 81 FERC ¶ 61,122.

Prior to Amendment No. 27, the ISO's Access Charge methodology consisted of three separate rates based on the Transmission Revenue Requirements of the Participating Transmission Owners ("Participating TOs"). Each Participating TO determined 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 Tariff, and billed the Market Participants.

Under Amendment No. 27, this prior methodology continued in effect until a new Participating TO joined 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 is initially based on the Transmission Revenue Requirements ("TRRs") of all Participating TOs in each of the 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 is 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 continues to be Participating TO-specific.

**Q. HAS A NEW PARTICIPATING TRANSMISSION OWNER JOINED THE ISO?**

A. Yes. 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 TRR and TO Tariff. On October 25, 2000, the Commission issued an order, *City of Vernon, California*, 93 FERC ¶ 61,103, conditionally accepting Vernon's Transmission Revenue Requirement and directing "Vernon and the ISO to work together on the appropriate tariff necessary for Vernon to become a viable Participating TO as of January 1, 2001."

Vernon executed the Transmission Control Agreement ("TCA") and a Utility Distribution Company Operating Agreement ("UDC Agreement") which were filed with the Commission. By order dated February 21, 2001, the Commission accepted the Amendment to the TCA to include Vernon as a PTO effective January 1, 2001. By separate order that same day, the Commission also accepted the UDC Agreement with Vernon effective January 1, 2001.

**Q. YOU STATED THAT AMENDMENT NO. 27 SEPARATES RECOVERY OF TRANSMISSION EXPENSES BETWEEN HIGH VOLTAGE AND LOW VOLTAGE FACILITIES. HOW ARE HIGH VOLTAGE**

**TRANSMISSION FACILITIES AND HIGH VOLTAGE TRANSMISSION REVENUE REQUIREMENT DEFINED?**

A. 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 Transmission Revenue Requirement 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."

**Q. HAS THE COMMISSION ACTED ON AMENDMENT NO. 27?**

A. By order dated May 31, 2000, *California Independent System Operator Corporation*, 91 FERC ¶61,205, the Commission conditionally accepted Amendment No. 27 and made it effective June 1, 2000, subject to refund. 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.

**Q. WHAT ASPECTS OF PG&E'S PROPOSAL ARE OF CONCERN TO THE ISO?**

A. 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 TRRs 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 filing utilizes a methodology for allocating high and low voltage Transmission Revenue Requirements based on a settlement of its prior TO 4 Tariff rate case. As filed in its TO 4 case and as filed in its TO 5 rate case, however, PG&E considered 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 (for example, PG&E's interconnections with Sierra Pacific and PacifiCorp, while rated at 115 kV, are considered to be high voltage facilities); and

(3) All substation facilities with high-side voltages of 500 kV.

In addition, PG&E added a Local Facilities Adjustment Factor ("LFAF") to apply to customers who take service at voltages above 200 kV. The LFAF is equal to 10 percent of the low voltage Transmission Revenue Requirement. PG&E has filed an Offer of Settlement in the TO 5 case.

The ISO is concerned that PG&E's methodology for dividing its high voltage and low voltage TRRs could shift costs from persons using PG&E's low voltage facilities to those customers paying the High Voltage Access Charge while not doing so for users of other Participating TOs' low voltage facilities. This occurs because PG&E inappropriately adds a Local

Facilities Adjustment Factor to the High Voltage Transmission Revenue Requirement which the ISO applies to customers who take service at voltages above 200 kV. Consequently, this allocation may not result in an accurate division of the High and Low Voltage Transmission Revenue Requirements. Additionally, there should be consistency among the TO Tariffs of the Participating TOs whose transmission systems constitute the ISO Controlled Grid, but the proposed revisions to the TO Tariffs of SCE and SDG&E do not contain a split such as the one PG&E has proposed. Thus, the ISO has some reservations about PG&E's proposal.

Nevertheless, for the following reasons, the ISO would not object if the split as proposed by PG&E were to be approved in the instant proceeding without prejudice to the outcome of the similar issue in future proceedings. First, the ISO recognizes that the split proposed in this proceeding would only be in effect until July 1, 2001, when the rates described in the TO 5 Filing will go into effect, subject to refund, and be incorporated into the ISO's High Voltage Access Charge. Second, under the new Access Charge methodology, in the year 2001 only 10 percent of PG&E's High Voltage Transmission Revenue Requirement will be shifted to an ISO grid-wide component, and thus 90 percent of PG&E's High Voltage Transmission Revenue Requirement will remain utility-specific. Third, the ISO understands from discovery conducted in the TO 5 case that the difference between PG&E's and the ISO's methodologies might not result in a significant cost difference; and fourth, the ISO recognizes that the TRRs in this case are derived from the non-precedential TO 4 settlement.

**Q. DOES THE ISO PROPOSE AN ALTERNATIVE ALLOCATION METHODOLOGY?**

A. Yes. The ISO's proposed methodology for allocating Transmission Revenue Requirements between the high and low voltages is summarized in Exhibit No. ISO-2.

The ISO believes that its proposed methodology can be applied in a consistent manner among the existing Participating TOs and if additional entities join the ISO. The consistency in approach should mitigate against improper cost shifting.

**Q. HAS THE ISO'S PROPOSED ALLOCATION METHODOLOGY BEEN UTILIZED BY THE OTHER PARTICIPATING TRANSMISSION OWNERS?**

A. Yes. The ISO believes that both SDG&E and SCE used the ISO's proposed allocation methodology in their TO Tariff filings for the Access Charge methodologies in Docket Nos. ER01-831-000 and ER01-832-000, respectively.

**Q. THANK YOU. THERE ARE NO FURTHER QUESTIONS.**

**UNITED STATES OF AMERICA**
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| City of Folsom | ) |
| County of Sacramento | ) |
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## AFFIDAVIT OF WITNESS

I, Deborah A. Le Vine, being duly sworn, depose and say that the statements contained in the Answering Testimony on behalf of the California Independent System Operator Corporation in this proceeding are true and correct to the best of my knowledge, information, and belief.

Executed on this ___ day of June, 2001.

_____
Deborah A. Le Vine

Subscribed and sworn to before
me this ____ day of June, 2001.

_____
Notary Public
State of California

EXHIBIT NO. ISO-2

**California Independent System Operator Corporation**

**Proposed Guidance for Participating Transmission Owners That Must Divide Their Transmission Revenue Requirements 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[1];

**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.

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

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[1] 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.

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.