

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

Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California)	
)	
v.)	Docket No. EL00-111-____
)	
California Independent System Operator Corporation)	

**DECLARATION OF
SPENCE GERBER
ON BEHALF OF
THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

1. I am the Director of Billing and Settlements at the California Independent System Operator Corporation ("ISO"). I have held this position since February 15, 2000. In my position, I am in overall charge of the preparation of billing statements to Scheduling Coordinators and the general billing and settlement process.
2. I am personally familiar with the substance of the Complaint in Docket No. EL00-111 and with the ISO's filings and the orders of the Federal Energy Regulatory Commission ("FERC") in that docket. I am also personally familiar with the billing statements sent to all Scheduling Coordinators for the period covered by the Complaint (June 1 through September 15, 2000) ("the relevant period"), as well as the basis for all charges contained on those statements.
3. The billing Settlement Statements and invoices for the relevant period contain a line item entitled "neutrality adjustment charge/refund." The number in this line

item reflects the total for charges and payments for most items listed in Section 11.2.9 of the ISO Tariff (“neutrality adjustments”), but it also reflects the total for charges authorized by several other sections of the ISO Tariff, including without limitation Section 11.2.4.2.1 (charges for costs incurred when Generating Units in the ISO Control Area are dispatched out-of-market to avert or manage System Emergencies), Section 11.2.10 (charge for costs incurred under negotiated arrangements to secure Energy or Ancillary Services needed to ensure compliance with Applicable Reliability Criteria), and Section 11.2.4.1.1 (charges for Instructed Imbalance Energy, including Imbalance Energy procured to address real-time Zonal requirements). The line item reflects both charges and payments listed in Section 11.2.9 and certain charges authorized by other sections of the ISO Tariff because the charges levied under Section 11.2.9 and the charges authorized by the other sections are allocated to Scheduling Coordinators on the same basis, i.e., metered Demand. The ISO has reflected in this line item both Section 11.2.9 charges and payments, and charges authorized by other ISO Tariff sections, as a matter of administrative convenience and in an effort to simplify the ISO’s billing statements, which are quite complex.

4. Because the line item entitled “neutrality adjustment charge/refund” contains both charges and payments, it sometimes totals to a positive number, i.e., an amount due from the Scheduling Coordinator, and other times totals to a negative number, i.e., an amount due to a Scheduling Coordinator. For a given hour of market operations, the total, either positive or negative, can be a quite significant number. For example, during the relevant period, the positive number (charge)

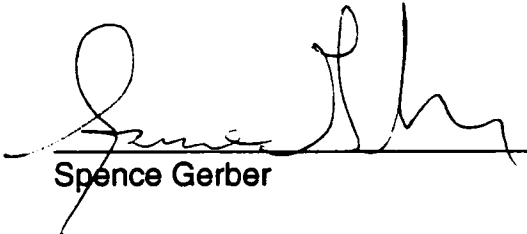
for a given day was as high as \$8.17/MWh, and the negative number (refund) was as high as \$-15.17/MWh. Over any significant period of weeks or months, however, the positive and negative numbers offset each other, so that the charge or credit to the Scheduling Coordinator is likely to be relatively low. For example, for the relevant period, if one sums the \$/MWh numbers, both positive and negative, the resulting rate for this line item for the period as a whole was -\$0.17/MWh. It was because the positive and negative numbers in the line item tends to even out over time that the ISO made the limitation in Section 11.2.9.1 apply on an annual basis and that the ISO always has considered it in that way.

5. It is possible to re-run the billing statements for the relevant period to identify separately charges authorized by sections of the ISO Tariff other than Section 11.2.9. Doing so will be a labor and time-intensive process. Any re-run of billing statements for prior settlement periods would also be equally burdensome to all Scheduling Coordinators, as they are likely to feel compelled to reconcile and validate the ISO re-statements.
6. Once charges authorized by other sections of the ISO Tariff have been “stripped out,” the remaining amounts of actual “neutrality adjustments” within the meaning of Section 11.2.9 of the ISO Tariff can be determined and compared to the capped rate of \$0.095/MWh over any period one chooses, e.g., hourly or daily or monthly or annually. If one chooses to cap the neutrality adjustment *charge* at that rate for each hour (one should note that under Section 11.2.9.1 there is no cap on the rate for the neutrality adjustment *credit*), it is also possible to “carry over” for each Scheduling Coordinator any amount of the charge for a given hour

that exceeds the amount that would be given by applying that rate to the Scheduling Coordinator's Demand for that hour, and to bill that amount in the next hour or hours whenever the calculated rate does not equal \$0.095/MWh. In a simplified example, if in hour *x* the rate calculates to \$0. 10/MWh and the Scheduling Coordinator's Demand is 1000 MWh, the billed "neutrality adjustment charge" for that hour would be \$95.00 (1000 x \$0.095) and the "carry over" would be \$5.00 (1000 x \$0.005). If, in the next hour, the calculated rate is (-) \$0.010 and the Demand is again 1000 MWh, the calculated neutrality adjustment *payment* to the Scheduling Coordinator for that hour, without the carry-over charge, would be \$10 (1000 x (-)\$0.010). Applying the carry-over charge of \$5, the neutrality adjustment payment for this hour would be reduced to \$5.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on June 13, 2001.



Spence Gerber