

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

**California Independent System)
Operator Corporation)** **Docket No. ER01-____-000**

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

1. My name is Spence Erikson Gerber. My business address is 151 Blue Ravine Road, Folsom, California 95630. I am the Director of Settlements at the California Independent System Operator Corporation (the "ISO").
2. I have over 13 years of experience in the wholesale electric business in both merchant and reliability functions while employed at the Portland General Electric Company and during my tenure at the ISO. I have testified as an expert witness before the FERC in the Aturas proceeding, Docket No. ER99-28.
3. My duties at the ISO have included oversight of the Interchange Scheduling department, which has the responsibility to assure that all relevant sections of the NERC and WSCC MORC are met as they pertain to interchange scheduling and that the provisions of the ISO Tariff as they relate to open and non-discriminatory access to the ISO controlled grid are met. In my current position, I oversee the operation of the ISO financial settlement to assure that sellers and buyers in the ISO markets are paid and charged equitably under the settlement provisions of the ISO Tariff.

4. I provide this affidavit to substantiate the information included in the ISO's filing of Amendment No. 38.
5. In the course of my duties at the ISO over the last several months, I have observed that Market Participants have been unable to schedule 95 percent of their Load prior to real time. I have ascertained, by reviewing preliminary records, that more than 15 percent of Load has been scheduled during real time for the month of February. My review is preliminary in the sense that it does not use real time meter data that is required to determine billable amounts (*i.e.*, for settlements the amount of underscheduling requires a comparison of scheduled Loads to real time Loads based on meter data). Meter data is not yet available for most of the period from January 1, 2001 to March 14, 2001. My estimate of the amount of underscheduled Load is based upon comparing the amount of purchases or instructed energy in real time to the daily Load for the ISO Control Area. This comparison gives an accurate estimate of the aggregate amount of revenues associated with the underscheduling penalty. ISO records document that the majority of this shortfall will be attributable to Investor Owned Utilities ("IOUs"), especially Pacific Gas and Electric Company and Southern California Edison Company. These two IOU's represent the majority of the Load in the ISO control area and have the largest net short position that is not being met by forward schedules. Based on preliminary data, I estimate that the underscheduling penalty for the period of January 1 through March 14, 2001 will likely exceed \$400 million. For the first sixteen days in January the penalty, based on meter data, is over \$82 million. I note that these amounts were

calculated by applying the penalty to all Load unscheduled in real time once the threshold was reached. In other words, if 15 percent of a Scheduling Coordinator's Load were to appear unscheduled in real time, the penalty would apply to all 15 percent. If the penalty were not applied to the 5 percent threshold amount, the amount of penalty revenues would be lower but nonetheless would still be significant (*i.e.*, approximately \$55 million for the first 16 days the penalty has been in effect and over \$257 million for the period of January 1 through March 14, 2001).

6. I am also aware, based on preliminary data, that the amount scheduled in real time in the first 14 days of March continues to run about 13 percent (again this figure is based on a comparison of total Control Area Load to the amount of purchases in real time). This level continues despite the extraordinary efforts made by the state, the IOUs, and the ISO to assure that as much Load is scheduled in the forward markets as possible.