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April 11, 2003

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

**Re: California Independent System Operator Corporation,
Docket No. ER03-407-___**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's March 12, 2003 "Order Conditionally Accepting Tariff Amendment For Filing, as Modified, Granting Waiver of Notice, and Directing Compliance Filing," 102 FERC ¶ 61,268 (2003) ("March 12 Order"), issued in the above-referenced docket.

I. BACKGROUND

On January 13, 2003, the ISO submitted proposed Amendment No. 48 to the ISO Tariff ("Amendment No. 48"). Amendment No. 48 was intended to provide certain revenues to an entity that was not a Participating TO and that paid for an upgrade to an Inter-Zonal interface of the ISO Controlled Grid and did not recover the costs of the upgrade through a FERC-approved transmission rate or through reimbursement from the Participating TO. Specifically, Amendment No. 48 proposed to:

- 1) Direct the Participating TO and Project Sponsors to agree on the shares of Firm Transmission Rights (FTR) auction, Wheeling,

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

and Congestion revenues within 90 days of the later of the in-service date of the upgrade or the effective date of the proposed amendment or submit to ISO arbitration for the shares to be determined;

- 2) Provide the agreed upon share of revenues from the FTR auction to the Project Sponsor;
- 3) Escrow all Wheeling, Congestion, and FTR auction revenues for the ISO Controlled Grid facility that has been upgraded until the revenue shares are finally determined;
- 4) Disburse the agreed upon share of Wheeling revenues to the Project Sponsor;
- 5) Provide the agreed upon share of Congestion revenues prior to the FTR auction; and
- 6) Provide the agreed upon share of Congestion revenues not conveyed through FTRs.

In the March 12 Order, the Commission rejected the ISO's proposal to require the Participating TO and Project Sponsor to agree on the shares of Congestion, Wheeling and FTR auction revenues. Instead, the Commission directed that the Project Sponsor should "receive FTRs associated with the full amount of capacity added to the system, as determined through the regional reliability council process noted above." March 12 Order at P 21. The ISO notes that it did not propose to allocate FTRs² in Amendment No. 48, but proposed instead to allocate FTR Auction, Wheeling and Congestion revenues. The ISO's instant compliance filing allocates those revenues based on the principle articulated in the March 12 Order.

II. PROPOSED TARIFF CHANGES

As described below, the ISO proposes changes to the ISO Tariff to comply with the March 12 Order.

The ISO proposes to add a formula, contained in Section 3.2.7.3 (d) of the ISO Tariff, for determining the Project Sponsor's share of revenues associated with the upgraded transmission capacity. The Project Sponsor's share is determined by dividing the total capacity of the upgraded line by the incremental amount of new capacity realized through the upgrade. The Participating TO's

² New Participating TOs are the only entities that receive a direct allocation of FTRs from the ISO. Participating TOs are required to auction the FTRs established on the transmission facilities they own and receive the auction revenues.

share is determined by subtracting the Project Sponsor's share from one hundred percent (100%). The Participating TO's share could also be determined by dividing the total capacity of the upgraded line by the rating of the facility prior to the upgrade. As an example:

Rating prior to the upgrade: 400 MW

Rating after the upgrade: 500 MW

Project Sponsor's share: $(500-400)/500 = 20\%$

Participating TO's share: $100\% - 20\% = 80\%$, or $(400/500) = 80\%$.

No other changes are required to comply with the March 12 Order.³

III. COMMUNICATIONS

Communications regarding this filing should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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IV. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

Attachment A Revised Tariff Sheets

Attachment B Black-lined Tariff Sheets showing proposed
modifications

³ The ISO notes that Amendment No. 49 to the ISO Tariff, submitted on March 11, 2003 in Docket No. ER03-608-000, also contains proposed changes to Section 3.2.7.3 (d). The changes to Section 3.2.7.3 (d) proposed in the present filing only concern the version of Section 3.2.7.3 (d) submitted in Amendment No. 48. The ISO recognizes that it may need to submit a compliance filing in the Amendment No. 49 proceeding in order to reflect changes to Section 3.2.7.3 (d) approved by the Commission in the present proceeding.

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Attachment C Notice of this filing, suitable for publication in the
Federal Register (also provided in electronic format)

Two extra copies of this filing are also enclosed. Please stamp these copies with the date and time filed and return them to the messenger. Feel free to contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

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Enclosures

ATTACHMENT A

3.2.7.1 Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in Section 3.2.1.1.2, the full costs shall be borne by the Project Sponsor.

3.2.7.2 Where the need for a transmission addition or upgrade is determined by the ISO or as a result of the ISO ADR Procedure as set forth in Section 3.2.1.1.3, the costs shall be borne by the beneficiaries, in the approximate relative proportions by which they benefit, if those beneficiaries and such proportions can reasonably be determined. If specific beneficiaries cannot be reasonably identified then the cost of the transmission addition or upgrade borne by the Participating TO that is the owner of the transmission addition or upgrade shall be reflected in its Transmission Revenue Requirement.

3.2.7.3 Provided that the ISO has Operational Control of the transmission upgrade or addition, each Project Sponsor and specifically identified beneficiary that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive:

- (a) its share, as determined in subsection (d) below, of the Wheeling revenues attributable to the transmission addition or upgrade;
- (b) its share, as determined in subsection (d) below, of the proceeds of the FTR auction for FTRs defined on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part as set forth in Section 9.5.3, provided each of the Project Sponsors or beneficiaries do not receive FTRs from the ISO; and
- (c) its share, as determined in subsection (d) below, of the Congestion revenues provided as calculated pursuant to Section 7.3.1.6 on the Inter-Zonal Interface of which the transmission addition or upgrade forms a part.
- (d) The Project Sponsor's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by dividing the

new rating for the upgraded transmission facility by the number that is determined by subtracting the rating of the transmission facility before the upgrade from the new rating for the upgraded transmission facility. The Participating TO's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by subtracting the Project Sponsor's share from one hundred percent (100%). Such allocated shares shall become effective on the date the new rating takes effect.

3.2.7.4 Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the ISO Grid wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F. The

ATTACHMENT B

Proposed black-line Tariff amendments

~~3.2.7.3 (d) The Project Sponsor(s), specifically identified beneficiaries and the Participating TO shall agree in writing as to the shares of FTR auction, Wheeling and Congestion revenues to be allocated to each Project Sponsor and specifically identified beneficiary. If the Project Sponsor(s), specifically identified beneficiaries and the Participating TO cannot agree on the allocated shares of FTR auction, Congestion and Wheeling revenues by the later of the date the incremental capacity is placed in service or ninety (90) days after this provision becomes effective, the dispute shall be resolved in accordance with the procedures set forth in Section 13 of the ISO Tariff. If the capacity associated with the upgrade is placed in service before the allocated shares are finally determined, the ISO shall place all FTR auction, Wheeling and Congestion revenues associated with the transmission addition or upgrade in escrow from the time the capacity associated with the upgrade is placed in service until the time the allocated shares are finally determined. Interest accruing on the escrow amounts shall be disbursed in proportion to the allocated shares. The Project Sponsor's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by dividing the new rating for the upgraded transmission facility by the number that is determined by subtracting the rating of the transmission facility before the upgrade from the new rating for the upgraded transmission facility. The Participating TO's share of Wheeling, Congestion and FTR auction revenues for the upgraded transmission facility shall be the number that is determined by subtracting the Project Sponsor's share from one hundred percent (100%) Such allocated shares shall become effective on the date the new rating takes effect.~~

ATTACHMENT C

