July 26, 2005

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

Re: **San Diego Gas & Electric Company**
Docket No. ER05-853-000

Dear Secretary Salas:

Enclosed please find the Motion to Intervene Out-Of-Time and Comments of the California Independent System Operator Corporation in the above-captioned proceeding. Thank you for your attention to this filing.

Respectfully submitted,

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich

Counsel for the California Independent
System Operator Corporation

cc: Service list
The Honorable Curtis L. Wagner, Jr.
The Honorable Judith A. Dowd

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Company) Docket No. ER05-853-000

MOTION TO INTERVENE OUT-OF-TIME AND COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.214, the California Independent System Operator Corporation ("ISO")[1] hereby moves to intervene out-of-time in the above-captioned proceeding and offers comments regarding San Diego Gas & Electric Company's ("SDG&E") proposed revisions to its Transmission Owner Tariff ("TO Tariff") to reflect a new category of Reliability Services ("RS") costs incurred by SDG&E in its role as a Participating Transmission Owner ("Participating TO") to support reliable ISO transmission grid operations. In support thereof, the ISO states as follows:

---

[1] Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

Anthony J. Ivancovich
Assistant General Counsel, Regulatory
Grant Rosenblum,
Regulatory Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 608-7296

J. Phillip Jordan
Bradley R. Miliauskas
Swidler Berlin LLP
3000 K Street, N.W.
Suite 300
Washington, DC 20007
Tel: (202) 424-7500
Fax: (202) 424-7643

II. BACKGROUND

On July 8, 2004, the California Public Utilities Commission ("CPUC") issued Decision 04-07-028, "Interim Order Regarding Electricity Reliability Issues" ("Interim Order"), which required CPUC-jurisdictional utilities to follow certain principles when making resource scheduling and procurement decisions, including scheduling and procuring sufficient and appropriate resources (both system-wide and locally within their service area) to permit the ISO to maintain reliable grid operations. On April 21, 2005, SDG&E filed in the above-captioned proceeding, *inter alia,* proposed revisions to its TO Tariff to reflect the incremental costs incurred by SDG&E, since July 16, 2004, to meet the requirements specified by the CPUC.[2] Specifically, SDG&E proposed to recover these costs as a new category of Reliability Services costs that SDG&E has incurred as a result of complying with the CPUC directive that SDG&E schedule and procure resources in a manner that allows the ISO to operate the transmission grid in a more reliable manner. SDG&E sought to recover these costs through a balancing account mechanism.

III. BASIS FOR MOTION TO INTERVENE

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and is responsible for the reliable operation of a grid comprising the transmission systems of SDG&E, Pacific Gas and Electric Company, Southern California Edison Company ("SCE"), and the Cities of Vernon, Pasadena, Anaheim, Azusa, Banning, and Riverside, California, and of Trans-Elect NTD Path 15, LLC and the Western Area Power Administration, Sierra Nevada Region, with regard to the Path 15 transmission lines in California.

Because the instant proceeding involves issues regarding the recovery of costs incurred by SDG&E to promote reliable grid operations and support the ISO's reliability efforts, the ISO believes that it has a direct, unique, and substantial interest in this proceeding.

The ISO also submits that good cause exists to permit it to intervene out-of-time. The contested nature of this case has only been recently brought to the ISO's attention, and the ISO believes that it can provide valuable background regarding the Interim Order and the need for CPUC-regulated utilities to take actions in support of the ISO's reliability efforts, as well as technical and operational input that could help clarify and resolve the issues in this proceeding.

---

[2] *See* SDG&E Transmittal Letter at 3; Exh. 3, Appendix VI (2) (Description).

It is the ISO's understanding that a settlement conference has been scheduled for August 4, 2005. The ISO believes that the Settlement Judge and the parties would benefit from the ISO's participation in the settlement conference.

The ISO did not intervene immediately after SDG&E made its tariff filing because, based on the Commission's December 10, 2004 decision in Southern *California Edison Company* ("*SCE*") in Docket Nos. ER04-1209-001 and EL05-29-000,[3] the ISO did not believe that there would be an issue whether costs incurred by SDG&E to comply with the CPUC's Interim Order were Reliability Services Costs. In that regard, in *SCE*, the Commission found that costs incurred by SCE to comply with the Interim Order were generation services in support of transmission reliability and, as such, could be considered Reliability Costs for purposes of SCE's TO Tariff. However, as a result of the Commission's June 20, 2005 order in the present proceeding, the issue of whether costs incurred by SDG&E to comply with the Interim Order are Reliability Costs has been set for hearing and settlement judge procedures.[4] Accordingly, the ISO believes that it is necessary to intervene at this time. Because the costs to be incurred by SDG&E result from compliance with a CPUC order in a proceeding that the ISO was essentially responsible for initiating – in order to address the ISO's reliability concerns – the ISO believes that other parties and the Settlement Judge will benefit from the ISO's participation. Further, no party will be prejudiced by the ISO's intervention out-of-time because the ISO agrees

---

3 *Southern California Edison Company*, 109 FERC ¶ 61,263 (2004).
4 *San Diego Gas & Electric Company*, 111 FERC ¶ 61,426 (2005).

to accept the record as it stands. Accordingly, the ISO requests that it be permitted to intervene with full rights as a party.

IV. COMMENTS

The ISO believes that costs prudently incurred to implement and comply with the Interim Order constitute Reliability Services costs. The CPUC's Interim Order, and SDG&E's compliance obligations thereunder, essentially arise out of a unilateral action by the ISO that the ISO felt was necessary to promote reliable operation of the transmission grid. Specifically, the ISO was faced with a situation where load serving entities that were implementing California's "least-cost" procurement directive were submitting schedules that were undeliverable to Load and/or failed to fully support the ISO's operating requirements. These actions were aggravating real-time management of Congestion and posed challenges for grid reliability. In order to maintain reliable grid operations, the ISO found itself in the position of having to re-dispatch large volumes of Energy in real time to account for forward Schedules that were undeliverable or did not meet other operating requirements.[5] Stated differently, the ISO was increasingly having to manage Congestion and address location-specific operating constraints in real-time, rather than in the Day-Ahead Market time frame in certain parts of the ISO Controlled Grid. In an effort to better align forward-market procurement and scheduling practices to support the ISO's reliability

---

[5] The ISO's long-term preference is that all load serving entities procure resources that are deliverable to load and that are those parties that use the system and cause congestion pay for such congestion.

requirements, the ISO copied the CPUC on a June 10, 2004 letter in which the ISO identified reliability issues connected with "South of Path 26, South of Lugo, and North of Miguel."

The CPUC responded to the June 10, 2004 letter by issuing Decision 04-07-028, the Interim Order, in which it recognized that the ISO's ability to operate the system reliably was contingent upon the investor-owned utilities meeting their responsibility to have sufficient resources to meet Load, both system wide and locally. The Interim Order required utilities subject to CPUC jurisdiction to adhere to certain principles when making resource scheduling and procurement decisions. In particular, the CPUC directed the jurisdictional utilities to schedule and procure sufficient resources that are deliverable (both system-wide and locationally) in order to meet customer needs and permit the ISO to maintain reliable grid operations. SDG&E's compliance with the Interim Order will enable the ISO to operate the grid more reliably.

The ISO recognizes that SDG&E will probably incur additional costs as a result of implementing the Interim Order. In order for SDG&E to comply with the Interim Order and schedule resources in a manner that enables the ISO to maintain grid reliability, SDG&E may make scheduling and procurement decisions that otherwise would not be made. The ISO notes that it was involved with SDG&E in connection with the development of the procurement procedure described in the testimony of Michael McClenahan on behalf of SDG&E in the present proceeding. The ISO supports SDG&E's recovery of reliability-related costs that it prudently incurs to implement and comply with the CPUC's Interim Order.

V. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that it be permitted to intervene out-of-time and be accorded full party status in this proceeding.

Respectfully submitted,

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich
Assistant General Counsel, Regulatory
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 608-7296

Counsel for the California Independent
System Operator Corporation

Date: July 26, 2005

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, CA, this 26th day of July 2005.

/s/ Anthony J. Ivancovich
Anthony J. Ivancovich