EXHIBIT G

Applications Filed with Other Federal or State Regulatory Bodies in Connection with the Proposed Transaction

CITY COUNCIL

LEONIS C. MALBURG
Mayor

THOMAS A. YBARRA
Mayor Pro-Tem

WM. "BILL" DAVIS
Councilman

H. "LARRY" GONZALES
Councilman

W. MICHAEL MCCORMICK
Councilman

BRUCE V. MALKENHORST
City Administrator / City Clerk
FAX (323) 581-7924

CITY HALL

4305 SANTA FE AVENUE, VERNON, CALIFORNIA 90058
TELEPHONE (323) 583-8811

EDUARDO OLIVO
City Attorney
FAX: (562) 927-8722

KEVIN WILSON
Director of Community Services & Water
FAX: (323) 588-2761

KENNETH J. DeDARIO
Director of Municipal Utilities
FAX: (323) 583-1983

DAVE TELFORD
Fire Chief
FAX: (323) 581-1385

BRUCE W. OLSON
Police Chief
FAX: (323) 583-5236

June 30, 2000

VIA FACSIMILE & MAIL

CERTIFIED
RETURN RECEIPT REQUESTED

Mr. Terry Winter
President and Chief Executive Officer
151 Blue Ravine Road
Folsom, California 95630
Facsimile No.: 916-351-2350

Re: Vernon's Notice of Intent to Become a Participating Transmission Owner

Dear Mr. Winter:

In accordance with the California Independent System Operator (ISO) filing of Amendment No. 27 to the ISO's Operating Agreement and Tariff (the "ISO Tariff"), on March 31, 2000 (Docket No. ER00-2019), and the subsequent Federal Energy Commission Order of Acceptance of this filing issued on May 31, 2000 (91 FERC ¶ No. 61205), the City of Vernon hereby provides its Notice of Intent, pursuant to Section 3.1.1 of the ISO Tariff, to join the ISO and become a Participating Transmission Owner on January 1, 2001. The City is prepared to participate with the ISO staff in the negotiation of the application process and the necessary agreement.

If you have any questions concerning this Notice, please call Kenneth J. DeDario (Ext. 211) or Jorge Somoano (Ext. 248) at the City of Vernon (323-583-8811).

Very truly yours,

Bruce V. Malkenhorst
City Administrator/City Clerk

BVM:go

cc: Eduardo Olivo, City Attorney
Kenneth J. DeDario, Director Utilities
Jorge C. Somoano, Asst. Dir. Resource Mgmnt.
Channing D. Strother, Jr., Esq.
David B. Brearley, Special Consultant

CITY OF VERNON

APPLICATION FOR

BECOMING A

PARTICIPATING TRANSMISSION OWNER

August 1, 2000

TABLE OF CONTENTS

DESCRIPTION OF TRANSMISSION LINES AND FACILITIES

I. A description of the transmission lines and associated facilities that the applicant intends to place under the ISO's Operational Control and a one-line diagram of the facilities.

1. CALIFORNIA-OREGON TRANSMISSION PROJECT (COTP)

1.1 General

The California-Oregon Transmission Project is an alternating current transmission line with an existing rating of 1,600 MW North-to-South and 1225 MW South-to-North. The Project consists of approximately three hundred forty (340) miles of 500-kV transmission line extending from Southern Oregon to central California, developed in three segments, plus substations and other facilities. The Project is interconnected with, and operated in parallel with, the Pacific Intertie facilities.

1.2 Transmission Line Segments

1.2.1 The Northern Segment. Approximately one hundred forty-eight and one-half (148.5) miles of single circuit configuration extending from the Captain Jack Substation in Southern Oregon to Olinda Substation in northern California.

1.2.2 The CVP Upgrade Segment. Approximately one hundred ninety (190) miles of single circuit configuration extending from the Olinda Substation to the Tracy Substation.

1.2.3 The Tesla By-Pass Segment. Approximately seven (7) miles of double circuit line extending from the Tracy Substation to a location where it intercepts the Pacific AC Intertie on PG&E's 500-kV transmission line exiting south from Tesla Substation to Los Banos Substation.

1.3 Substations

The Project substation facilities consist of the Olinda Substation, the Maxwell Compensation Station and the Tracy Substation.

1.4 Other Facilities

Other Project facilities include Communication Facilities and metering necessary for the Project's operation. The Communication Facilities include two (2) separate primary microwave paths for protective relaying and communication circuits.

1.5 Entitlement

The City of Vernon is entitled to 7.5497 percent of the Project transfer capability. Current entitlements are as follows:

North to South	121 MW
South to North	92 MW

(Note: This entitlement is currently provided to PG&E in exchange for transmission service from PG&E between NOB and Midway.)

2. MEAD-ADELANTO PROJECT (MAP)

2.1 Transmission Line

The Mead-Adelanto Project (MAP) is an alternating current transmission line with an accepted rating of 1,200 MW. The MAP is a 202-mile, 500 kV alternating current transmission line constructed from Marketplace Switching Station in Southern Nevada to the 500 kV Adelanto Switching Station in Southern California with series capacitor line compensation of 45 percent at Marketplace. It is utilized to deliver electrical energy between Southern Nevada and Southern California.

2.2 Marketplace Substation

Marketplace Substation is the common terminal for the Mead-Phoenix and Mead-Adelanto Projects (jointly owned by the Mead-Adelanto Project and Mead-Phoenix Project owners) and includes the Marketplace-McCullough tie line as common facilities.

Marketplace consists of a 500 kV switchyard configured as a four-breaker, four-position ring bus with series capacitors, and shunt compensation for the Marketplace-Adelanto transmission line.

2.3 Static Var Compensators

The MAP facilities include two Static Var Compensators (SVC) approximately 388 megavar each (one located at Marketplace and the other at Adelanto for network stability synchronization).

2.4 Marketplace-McCullough Tie Line

The Marketplace McCullough Tie Lien is approximately a one (1) mile transmission line between Marketplace and McCullough. A 500 kV position is installed at the McCullough switching station for terminating the Marketplace-McCullough tie line.

2.5 Telecommunications

The MAP includes two communication paths between Marketplace, Adelanto, McCullough, and Mead for line protection, telemetry and voice channel.

2.6 Entitlement

The City of Vernon is entitled to 6.25 percent, or currently 75 MW, of the Project transfer capacity in either direction.

3. MEAD-PHOENIX PROJECT (MPP)

3.1 Transmission Line

The Mead-Phoenix (MPP) is an alternating current transmission line with an accepted rating of 1,300 MW. The MPP is a 256-mile, 500 kV alternating current transmission line constructed from the Perkins Switchyard near Sun City, Arizona to Marketplace Switching Station in Southern Nevada. The Project is utilized to transmit electrical energy between Central Arizona and Southern Nevada.

3.2 Transmission capacity in the Mead-Phoenix Project varies between the facilities and there are three components.

3.2.1 Component A: Westwing-Mead

Includes the Perkins to Mead 500 kV transmission line, Perkins Switchyard, Westwing Interconnection, Westwing Tie Line, Communications System from Westwing to Mead, Perkins line compensation at Mead and undivided one-third interest in the Mead 500 kV Common Facilities. Mead 500 kV Common Facilities are all common facilities and equipment (excluding any interconnection facilities) at the Mead 500 kV substation, including, but not limited to: communication equipment, protective systems, control house space, relaying equipment, control cabling, buswork, bus structures, fencing and metering equipment. Perkins Switchyard contains series capacitor bank, shunt reactors, circuit breakers and phase shifting transformers.

3.2.2 Component B: Mead Substation

Includes the Mead 500/230 kV transformer, 230 kV interconnection and undivided one-third interest in the Mead 500 kV Common Facilities (as defined in section 3.2.1 above).

3.2.3 Component C: Mead-Marketplace

Includes the Mead to Marketplace 500 kV transmission line, undivided one-third interest in the Mead 500 kV Common Facilities (as defined in section 3.2.1 above), Communications Systems Mead to Marketplace, Mead line termination at Marketplace. It also includes 50 percent ownership of the Marketplace Common Facilities, Marketplace SVC, Marketplace to McCullough Tie Line, McCullough Interconnection, Adelanto SVC and the Adelanto SVC termination.

3.3 Entitlement

The City of Vernon has the following transmission capability entitlements in either direction.

3.3.1 Westwing-Mead (Component A): 2.1538 percent, or currently 28 MW

3.3.2 Mead Substation (Component B): 3.7934 percent, or currently 47 MW between the 500 kV and 230 kV bus.

3.3.3 Mead-Marketplace (Component C): 4.0497 percent, or currently 75 MW.

See Attachment I for diagram of facilities

TRANSMISSION ENTITLEMENTS

II **In relation to any such transmission lines and associated facilities that the applicant does not own, a copy of each document setting out the applicant's Entitlements to such lines and facilities and a summary matrix in the format provided in Attachment A.**

APPENDIX A

POINT OF RECEIPT-DELIVERY	PARTIES	DIRECTION	CONTRACT TITLE	FERC	CONTRACT TERMINATION	CONTRACT AMOUNT
1. Sylmar-Midway (After 12/31/2007).	Vernon, Edison	Bi-Directional	Edison-Vernon PDCI/COTP FTS	272	(1) See Notes	93 MW
2. Sylmar-Laguna Bell Through midnight December 31, 2002. After midnight December 31, 2002.	Vernon, Edison	Bi-Directional	Edison-Vernon PDCI/COTP FTS	272	(1) See Notes	93 MW 60MW
3. Midway-Laguna Bell (After 12/31/2007).	Vernon, Edison	Bi-Directional	Edison-Vernon PDCI/COTP FTS	272	(1) See Notes	60 MW
4. Mead-Laguna Bell	Vernon, Edison	Bi-Directional	Edison-Vernon Mead FTS	207	(2) See Notes	26 MW
5. Victorville-Lugo Midpoint-Laguna Bell Note: Service is reduced to 11 MW on 1/1/2003, unless Vernon elects by 10/1/2002 to increase service up to 75 MW.	Vernon, Edison	Bi-Directional	Edison-Vernon Victorville-Lugo Midpoint FTS	154	(3) See Notes	75 MW
6. Adelanto-Victorville/Lugo Midpoint	Vernon, Los Angeles	Bi-Directional	Los Angeles-Vernon Adelanto-Victorville/Lugo FTS	DWP No. 10396	(4) See Notes	75 MW

7. NOB-Sylmar-Midway Midway-Sylmar-NOB	Vernon, PG&E	North-South South-North	Transmission Service Exchange Agreement Between PG&E and the City of Vernon		(5) See Notes	93 MW 82 MW

Summary - details are in each agreement.

Notes:

(1) Contract Termination: Upon termination of Vernon's ownership of its COTP entitlement.

(2) Contract Termination: Upon termination of Vernon's Hoover Power Sales contract with WAPA; or 12/31/2007 based on proper notice from Vernon to Edison.

(3) Contract Termination: Upon permanent removal from operation of the Mead-Adelanto 500 kV Transmission Project; or 12/31/2007 based on proper notice from Vernon to Edison.

(4) Contract Termination: Upon permanent removal from operation of the Mead-Adelanto 500 kV Transmission Project; or four years prior written notice by either party.

(5) Contract Termination:

1. This Agreement may be terminated on July 31, 2007:

   A. By PG&E with one year notice to Vernon, if PG&E has not retained for the remaining term of this Agreement at least a 659 MW transmission entitlement in DC Line at NOB.

   B. By Vernon, if PG&E's entitlement in the DC Line after July 2007 results in an arrangement for the operation of DC Line as to reduce transmission capability.

   C. If the DC Line or COTP facilities are retired.

2. In the event City elects to participate in an alternative project that provides City with transmission capability between the Southern Terminus of COTP and Edison's system, City may terminate this Agreement by written notice to PG&E at least five (5) years in advance of such termination.

3. Otherwise, the Agreement remains in effect for fifty years from the effective date.

See Attachment II for copies of contracts

ENCUMBRANCES

III. A statement of any Encumbrances and a summary of matrix in the format provided in Attachment B to which any of the transmission lines and associated facilities to be placed under the ISO's Operational Control are subject, together with any documents creating such Encumbrances and any dispatch protocols to give effect to them, as the ISO may require.

APPENDIX B

POINT OF RECEIPT-DELIVERY	PARTIES	DIRECTION	CONTRACT TITLE	FERC NO.	CONTRACT TERMINATION	CONTRACT AMOUNT
1. North to South on COTP South to North on COTP	Vernon, PG&E		Transmission Service Exchange Agreement Between Pacific Gas & Electric Company and the City of Vernon			121 MW 92 MW

Contract Termination:

(1) This Agreement may be terminated on July 31, 2007:

A. By PG&E with one year notice to Vernon if PG&E has not retained for the remaining term of this Agreement at least a 659 MW transmission entitlement in DC Line at NOB.

B. By Vernon if PG&E's entitlement in the DC Line after July 2007 results in an arrangement for the operation of DC Line as to reduce transmission capability.

C. If the DC Line or COTP facilities are retired.

(2) In the event City elects to participate in an alternative project that provides City with transmission capability between the Southern Terminus of COTP and Edison's system, City may terminate this Agreement by written notice to PG&E at least five (5) years in advance of such termination.

(3) Otherwise, the Agreement remains in effect for fifty years from the effective date.

TRANSMISSION LINES AND FACILITIES TO BE PLACED UNDER ISO'S OPERATIONAL CONTROL

IV **A statement that the applicant intends to place under the ISO's Operational Control all of the transmission lines and associated facilities that it owns or, subject to the treatment of Existing Contracts under Sections 2.4.3 and 2.4.4 of the ISO Tariff, to which it has Entitlements and if such transmission lines and associated facilities do not include all of the lines and associated facilities owned by the Applicant or to which it has Entitlements, the Applicant's reason for believing that certain lines and facilities do not form part of the Applicant's transmission network.**

Vernon intends to place under the ISO's Operational Control all of the transmission lines and facilities that it owns and its Entitlements identified in sections I & II of this application as provided for in the TCA.

Vernon's transmission services from Edison between Laguna Bell 230 kV and Vernon City limits will not be transferred to the ISO. These facilities serve the import and distribution function of Vernon. These facilities meet the FERC's 7-point test for local distribution facilities.

RELIABILITY CRITERIA

V **A statement of any Local Reliability Criteria to be included as part of the Applicable Reliability Criteria.**

Vernon does not have any specific Local Reliability Criteria that are applied to the facilities idntified in sections I & II. It is our understanding that the operating agent of our facilities meet the WSCC standards.

MAINTENANCE PRACTICE

VI A description of the applicant's current maintenance practice.

The COTP, MAP and MPP are participation projects owned by a number of entities. A designated project manager performs operation and maintenance work. The Operation and Maintenance Agreement for each project provides for and details the work and responsibilities of the operating manager. Under these Agreements, the operation managers are obligated to conduct operating and maintenance work according to Prudent Utility Practice, the respective agreements and applicable guidelines.

TEMPORARY WAIVERS

VII A list of any temporary waivers that the Applicant wishes the ISO to grant because the Applicant does not meet the Applicable Reliability Criteria and the period for which it requires them.

Not applicable.

PROPOSED TRANSMISSION OWNER (TO) TARIFF

VIII A copy of the Applicant's proposed Transmission Owner (TO) Tariff, if any.

Not applicable. The ISO tariff applies.

TRR DATA REQUEST

IX A completed TRR Data Request form outlining the costs for the transmission lines and associated facilities Applicant is proposing to turn over to the ISO (additional information is provided in Attachment c), or notice that the Applicant will file at FERC.

Vernon will file a non-jurisdictional filing at FERC.

X ADDRESS AND CONTACT NAMES

Address and contact names to which notices may be sent.

Kenneth J. DeDario
Director of Utilities

City of Vernon
Utilities Department
4305 Santa Fe Avenue
Vernon, California 90058

Telephone: (323) 583-8811
Extension: 211
Fax: (323) 583-1983

Jorge C. Somoano
Assistant Director of Resource Management

City of Vernon
Utilities Department
4305 Santa Fe Avenue
Vernon, California 90058

Telephone: (323) 583-8811
Extension: 248
Fax: (323) 583-1983

ADDITIONAL INFORMATION

XI **Any other information that the ISO may reasonably require in order to evaluate the Applicant's ability to comply with its obligation as a Participating TO.**

None.

SETTLEMENT ACCOUNT

XII. Details of the Applicant's Settlement Account.

Same as current Settlement Account that Vernon has as a Scheduling Coordinator.

MWh DEMAND

XIII MWh demand per month for the test period (1 year).

MWh Demand Per Month
Calendar Year 1999
(as measured at the Laguna Bell 230 kV bus)

MONTH	MWh
January	99,945
February	92,640
March	104,562
April	97,452
May	103,186
June	104,088
July	105,056
August	106,305
September	101,144
October	103,303
November	97,245
December	95,742
Total:	1,210,668

INSTRUCTIONS FOR ENCUMBRANCES AND ENTITLEMENTS

XIV Instructions on how to implement Encumbrances and Entitlements.

1. Encumbrances - Not Applicable.
2. Entitlements for the transmission services from Edison and PG&E - Not Applicable.
3. Instructions for MAP, MPP and LADWP transmission service will need to be worked-out with the ISO and the operating agent.

ORIGINAL

SQUIRE, SANDERS & DEMPSEY L.L.P.
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, D.C. 20044-0407
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cstrother@ssd.com

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

August 30, 2000

BY HAND DELIVERY

Honorable David P. Boergers
Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: City of Vernon, California, Docket No. EL00-105-000
Petition for Declaratory Order and Request for Expedited Consideration

Dear Mr. Boergers:

Pursuant to Rule 207 of the Commission's Rules of Practice and Procedure[1] and Section 9.2 of Appendix F of the FERC Electric Tariff of the California Independent System Operator Corporation ("Cal ISO" or "ISO"),[2] the City of Vernon, California ("Vernon") petitions for a determination by the Commission that Vernon's Transmission Revenue Requirement ("TRR") as approved the Vernon's rate setting body, its City Council, and set out herein, is proper for the purposes of Vernon becoming a Participating Transmission Owner ("PTO") in the Cal ISO.

Vernon's TRR is set forth and supported in the form of the "Direct Testimony and Exhibits of Albert E. Clark", designated Exhibit Nos. V-1 through V-3, that are attached hereto and made a part of this petition. Mr. Clark is Vernon's outside consultant. His testimony and exhibits were adopted and approved by the Vernon City Council.[3] As shown therein, Vernon's TRR is $13,080,189 on an annual basis.[4]

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1 18 CFR § 385.207. As noted herein, inasmuch as specific procedures have not yet been developed for Section 9.2 TRR filings, Vernon has followed a format similar to NJ docket filings. Among other things, those filings seem to be typically styled in a letter rather than a pleading format. As also noted below, Vernon requests any waivers, of form or otherwise, necessary for the acceptance for filing of its petition.

2 First Revised Sheet No. 383-L.

3 A certified copy of the City Council's August 29, 2000 resolution approving the TRR is attached hereto.

4 Exhibit V-1 at p. 17; Exhibit V-2 at p. 1.

DISK/DSEC 0009010001.1

In becoming a PTO, Vernon will turn operational control of its transmission entitlements over to the Cal ISO and be reimbursed based upon its TRR by the Cal ISO through the Cal ISO's collection of a Transmission Access Charge ("TAC") rate for transmission service provided to the Cal ISO's customers.

Vernon is the first municipally owned utility to apply for PTO status in the Cal ISO.

Vernon requests that the Commission issue an order accepting Vernon's TRR by October 31, 2000, or sooner. Vernon requests expedited treatment of this petition so that Vernon may become a PTO, and turn operational control of its entitlements over to the Cal ISO, as soon as possible. Pursuant to the Sections 4.1 and 4.2 of Appendix F of the Cal ISO FERC Electric Tariff,[5] entities may become new PTOs on six months notice effective on either of two dates during a given year January 1 or June 1. Vernon submitted its notice of intent to become a PTO on June 30, 2000, which under the Cal ISO Tariff entitles Vernon to become a PTO on January 1, 2001.

It is clearly in the public interest that the Cal ISO and its customers on January 1, 2001, begin receiving the use of Vernon's transmission entitlements, while Vernon is able to receive all of the benefits of full participation in the Cal ISO as a PTO, which it has long sought to do.[6]

If the Commission determines that consideration of this filing requires further review or proceedings, Vernon requests that the Commission in its order accepting Vernon's TRR allow the TRR to go into effect on January 1 and be used by the Cal ISO for rate setting and rate collection purposes, subject to refund if on final Commission order a different TRR is found to be proper.[7] The basis for this request is to allow the existing PTOs and the Cal ISO to make certain filings with the Commission by November 1, 2000, to allow for 60 days notice prior to the January 1, 2001, the effective date of Vernon's PTO status.[8] These filings are said by the Cal ISO to be necessary to implement Vernon's PTO status and to make other adjustments required by the ISO tariff when a new entity attains PTO status.

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[5] Appendix F, First Revised Sheet 383-E.

[6] It is noteworthy that under the Commission's safe harbor procedures established for non-public utilities to file open access tariffs so that they are entitled to receive Order No. 888 open access services from public utilities, the non-public utility is entitled to such services immediately as of the date of its NJ filing through the pendency of any Commission consideration of such filing. *Orlando Utilities Commission*, 81 FERC ¶ 61,397 at p. 62,825 (1998). By analogy, the Commission should provide that Vernon is immediately eligible for PTO status, pending final ruling on its TRR filing.

[7] Solely for purposes of this filing, Vernon consents to procedures in the nature of refund obligations for overpayments it receives from the ISO for Vernon's TRR.

[8] As noted, the Cal ISO tariff provides that new PTO status can become effective on only two dates January 1 and June 1. Appendix F, Section 4.2. Thus, failure to implement Vernon's TRR on January 1, could delay Vernon's PTO status by six months or more.

Accompanying the filing of this petition Vernon is filing a Petition for Exemption from Filing Fee.[9] As set forth there, Vernon is a municipality and therefore is exempt from filings fees set out in Part 381 of the Commission's regulations, such as the fee that would otherwise be applicable to a petition for declaratory order.[10]

An original and fourteen copies of this petition are enclosed. A form of notice suitable for publication in the Federal Register is attached hereto, and a computer file of the notice is included on the enclosed 3.5-inch diskette.

I. COMMUNICATIONS WITH RESPECT TO THIS PETITION

Correspondence and other communications regarding this petition should be directed to the following individuals, and the following should be included on the official service list in this proceeding:

Mr. Bruce V. Malkenhorst
City Administrator/City Clerk
City of Vernon
4305 Santa Fe Avenue
Vernon, California 90058
Tel. No. (323) 583-8811
Fax No. (323) 581-7924

Channing D. Strother, Jr., Esq.
Squire, Sanders & Dempsey L.L.P
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, D.C. 20044-0407
Tel. No. (202) 626-6277
Fax No. (202) 626-6780
e-mail cstrother@ssd.com

---

9 18 CFR § 381.108

10 18 CFR § 381.302(a)

II. DESCRIPTION OF VERNON

Vernon is a municipally-owned electric, natural gas, and water local distribution utility. It is located adjacent to east Los Angeles, in the Los Angles basin. It has a small resident population, but over 50,000 employees come to work at employers located in Vernon every day. The total peak load of its customers is approximately 196 MW.

Vernon is electrically completely surrounded by Southern California Edison Company ("SCE"), and is a part of that company's control area.

Vernon owns or otherwise has entitlements in transmission facilities or portions of transmission facilities as set forth in Exhibit No. V-3 of the testimony and exhibits of Mr. Clark that is a part of this petition.

Vernon is a Scheduling Coordinator under the Cal ISO FERC Electric Tariff.

Among other things, none of Vernon's facilities were financed with tax-exempt debt or bonds of any kind. Thus, Vernon is not hampered as other municipalities may be by concerns that the turn over of operational control of transmission facilities to the Cal ISO would adversely impact the tax-exempt nature of their bonds.

III. PROCEDURE FOR BECOMING A PTO

As noted above, under Sections 4.1 and 4.2 of Appendix F of the Cal ISO's FERC Electric Tariff,[11] to become a PTO an entity first submits to the ISO a notice of intent by either July 1 or January 1 to become a PTO on the following January 1 or July 1, respectively. On June 30, 2000, Vernon submitted its notice of intent to become a PTO on January 1, 2001.

Under Section 2.2 of the "Transmission Control Agreement Among The Independent System Operator and Transmission Owners" ("TCA") which governs relationships between and among the ISO and PTOs, a new PTO then submits an application to the ISO that contains descriptions of the transmission entitlements to be turned over to ISO control and other information. Service of the application is made on existing PTOs and public notice is provided through the Internet. Sixty days for the initial application, and 30 days for any amendments thereto, are provided for public comment after which time the ISO issues a determination of whether the applicant qualifies to be a PTO. The TCA provides that the applicant may be granted PTO status while issues concerning its application are resolved through further procedures.

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[11] Original Sheet No. 383-E and First Revised Sheet No. 383-E.

Vernon submitted its application to the ISO on August 1, 2000, and appropriate service to existing PTOs and public notice have been provided, including posting of the Vernon application on the Cal ISO web site.

The ISO Tariff requires that each PTO develop, in the nomenclature of the tariff, a High Voltage Transmission Revenue Requirement ("$HVTRR_{PTO}$") consisting of a Transmission Revenue Requirement for Existing High Voltage Transmission Facility ("$EHVTRR_{PTO}$") and a Transmission Revenue Requirement for New High Voltage Transmission Facility ("$NHVTRR_{PTO}$").[12] Section 9.2 of Appendix F of the ISO's current FERC Electric Tariff,[13] which was filed by the ISO as a part of its August 3, 2000 compliance filing in Commission Docket No. ER00-2019, provides that an applicant may apply either to the ISO or directly to the Commission for approval of its TRR.

The Cal ISO FERC Electric Tariff anticipates the development by the ISO of specific procedures for the implementation of these provisions, but specific procedures have not yet been developed.

IV. REQUEST FOR COMMISSION APPROVAL OF TRR

Because specific procedures have not yet been developed under Section 9.2 of Appendix F to the ISO tariff for TRR filings to the Commission, Vernon has submitted its TRR filing in the form of a petition for declaratory order, similar to the form and procedure provided under Order No. 888 for open access transmission filings by non-public utilities—so-called Non-Jurisdictional or "NJ" filings.[14]

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12 Section 5.2, Original Sheet Nos. 383-E and F and First Revised Sheet Nos. 383-F and G. Vernon owns no facilities that would be classed as "New High Voltage Transmission Facilities". Nor does Vernon own Low Voltage Transmission facilities. Section 6.1, First Revised Sheet No. 383-I, states: "The High Voltage Transmission Revenue Requirement of a Participating TO . . . shall be the sum of: (a) the Participating TO's High Voltage Transmission Revenue Requirement (including costs related to Existing Contracts associated with transmission by others and deducting transmission revenues actually expected to be received by the Participating TO related to transmission for others in accordance with Existing Contracts, less the sum of the Standby Transmission Revenues); and (b) the annual TRBA adjustment . . .". Vernon will provide no transmission service to others. The TRBA adjustment, as Vernon reads this section, has no application to Vernon's circumstances.

13 First Revised Sheet No. 383-L.

14 See 18 CFR § 35.28; *Central Hudson Gas & Electric Corp.*, 86 FERC ¶ 61,062 (1999)(Commission states that inasmuch as it cannot apply Federal Power Act Section 205 to non-jurisdictional entities transmission revenue requirements, it will apply NJ docket standards.). NJ filings typically involve the filing of voluntary open access transmission tariffs to be applicable to transmission services to be provided by the non-jurisdictional, non-public utility. As noted herein, no such tariff filing by Vernon is necessary as Vernon will have turned operational control of its transmission facilities over to the ISO and the ISO will provide the transmission service under the its Commission approved tariff. In other words, Vernon will not be performing any service to which a Commission Order No. 888 open access tariff would apply.

Vernon believes that its petition is more than sufficient for purposes of Commission approval of Vernon's TRR. However, inasmuch as Vernon is the first municipally-owned utility to seek PTO status in the Cal ISO and specific procedures have not been developed for seeking TRR determinations from the Commission, and in, particular, given the tight time frames involved, Vernon requests that the Commission waive any requirements that Vernon has not met that it determines should be applicable to such filings for purposes of accepting Vernon's petition for filing, and allowing Vernon's TRR to go into effect, subject to refund if appropriate, so that Vernon may become a PTO as of January 1, 2001.

Under California law, Vernon's utility rates are set by its City Council and are final. As noted, Vernon's City Council approved the TRR through a resolution approved at its meeting of August 29, 2000, which approves Mr. Clark's attached sworn testimony and exhibits. Mr. Clark's testimony sets forth Vernon's derivation of its TRR and explains the bases for components of that derivation.

Thus, Vernon's TRR is presented to the Commission in the nature of a rate finally approved by the body of state government responsible setting the rate, a rate that is not subject to further state review. The nature of the Commission's jurisdiction to review Vernon's TRR and the criteria to be applied for such review are pending as an issue in Docket No. ER00-2019, but it is clear that the Vernon City Council's determination of Vernon's TRR must be given appropriate deference by the Commission.

The Commission stated in its May 31 order in Docket No. ER00-2019: [15]

> We believe that the appropriate regulatory review authority of the transmission revenue requirement of non-public utility entities who may become Participating TOs is a complex and evolving question. * * * In Order No. 2000-A, we confirmed that we did not intend "to broaden the applicability of section 205 to non-public utilities." Nevertheless, the Commission must be able to determine that the pass through of costs by the ISO to its customers are just and reasonable. [*Footnotes omitted.*]

Because the Commission has stated that review of the TRR is a complex and evolving question, Vernon has presented its TRR in a form designed to meet the Commission's ratemaking criteria as may be determined to be applicable.

Mr. Clark's testimony presents a full cost of service analysis of the TRR, based upon a test year of fiscal 1999, suitable for Commission determination of the TRR in the first instance, which the Commission is not required to do. That analysis should be clearly sufficient where, as here, the Commission is reviewing and giving deference to the final determination by the state authority setting the TRR for an entity that is not within Federal Power Act Section 205 and 206 jurisdiction.

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[15] 91 FERC ¶ 61,205

When Vernon becomes a PTO, it will obtain services on the transmission facilities on which it has entitlements under the ISO rate schedules just as does any other ISO customer. Vernon's TRR is comparable what it charges itself for those entitlements.

As noted above, Vernon respectfully requests that the Commission issue an order within 60 days of the date of the filing of this petition, and if the Commission at that time is not able to finally approve Vernon's TRR, Vernon requests that the Commission order the TRR to go into effect subject to refund, so that Vernon may become a PTO effective January 1, 2001.

As a municipally-owned utility that receives no service under an Order No. 888 Open Access tariff, Vernon has not been obligated to file its own open access tariff.[16] When Vernon turns over its transmission entitlements to the Cal ISO all aspects of the operations of those lines, access to service on them, and rates applicable to such service will be in accordance with the FERC-approved Cal ISO tariff. Vernon's service to its customers utilizing its lines will be on the same basis as service to any other entities. Vernon will provide no ancillary services or other services within an Order No. 888 Open Access Tariff, except indirectly through the Cal ISO. For these reasons, Vernon requests that the Commission rule that Vernon is not required to submit a separate open access tariff for service on its lines, and/or that the Cal ISO's tariffs be deemed to satisfy any Vernon obligations to make filings under Order No. 888.

For these same reasons, Vernon asks that the Commission continue its exemption of Vernon from the requirements of Order No. 889.

V. PETITION FOR EXEMPTION FROM FILING FEE AND OTHER WAIVERS

As noted above, in its accompanying petition for exemption filed under 18 CFR § 381.108, Vernon requests a waiver of the filing fee otherwise applicable to a petition for a declaratory order under 18 CFR § 381.302. Vernon is a municipality and thus exempt from that filing fee. In any event, it is Commission's policy to waive the filing fee in the analogous circumstances of NJ dockets.[17]

Moreover, as noted above, while the Cal ISO FERC Electric Tariff provides for an option for a direct submission to Commission of TRRs, no specific procedure for such submission has been developed. As the first entity to make such a submission, Vernon has had to make reasoned decisions on the content and form of this submission under the Cal ISO tariff. Vernon respectfully requests

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[16] Vernon was granted an exemption from Order No. 889 in Docket No. OA97-524 on May 29, 1997. *Minnesota Municipal Power Agency, et al.*, 79 FERC ¶ 61,260 (1997).

[17] See Order No. 888-A, FERC Statutes and Regulations at pp. 30,288-89; *Orlando Utilities Commission*, 81 FERC ¶ 61,397, at p. 62,826 (1997).

waiver of any requirements the Commission may impose on such filings, at least for purposes of accepting Vernon's TRR for filing and allowing it to go into effect on January 1, 2001.

VI. PRESERVATION OF VERNON POSITIONS ON ISSUES

This petition for declaratory order is filed by Vernon pursuant to the requirements of the Cal ISO's FERC Electric Tariff. Vernon is a municipality for the most part exempt from Commission jurisdiction under the Federal Power Act.

As noted above, Commission authority to review the TRR established by the Vernon City Council, and procedures to implement any such review, are at issue in the Docket No. ER00-2019 proceeding. By filing this petition for declaratory order, Vernon does not waive any position on such issues in Docket No. ER00-2019.

Moreover, Vernon does not by filing this petition consent to any Commission jurisdiction or authority other than that provided by the current Cal ISO tariff provisions including those that were filed by the Cal ISO in response to the Commission's May 31, 2000 suspension order in Docket No. ER00-2019.[18]

VII. SERVICE OF FILING

Copies of this petition have been served upon the following persons at the following addresses. These persons are representatives of the Cal ISO and the existing PTOs. They are the same individuals upon which Vernon, consistent with requirements of Section 2.2.2 of the TCA, served its August 1, 2000 application to the Cal ISO to become a new PTO.

Ms. Deborah A. Le Vine
Director Contracts and Compliance
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

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[18] 91 FERC ¶ 61,205

Ms. Judi Mosley
Pacific Gas & Electric Co.
Manager of Electric Transmission Services
77 Beale Street - Mail Code BI3J
San Francisco, CA 94105

Anna J. Valdberg, Esq.
Southern California Edison Co.
Law Department
2244 Walnut Grove
Rosemead, CA 91770

Mr. Don Garber
San Diego Gas & Electric Co.
Sempra Energy
101 Ash Street
San Diego, CA 92101

VIII. CONCLUSION

WHEREFORE, Vernon respectfully requests, as stated above, that the Commission (i) accept Vernon's TRR, (ii) waive for Vernon any requirements of Order Nos. 888 and 889, (iii) exempt Vernon from any filing fee, as requested in the contemporaneously filed petition for waiver, and (vi) grant any other relief as may be appropriate or necessary for approval or implementation of Vernon's TRR.

Respectfully submitted,

Channing D. Strother, Jr.
Attorney for
City of Vernon, California

LIST OF ATTACHMENTS

Draft Notice of Filing

Direct Testimony and Exhibits of Albert E. Clark

- Exhibit V-1 Testimony
- Exhibit V-2 Transmission Revenue Requirement
- Exhibit V-3 Description of Entitlements and Maps
- Affidavit of Albert E. Clark

Certified Vernon City Council Resolution Adopting TRR

Petition for Declaratory Order of City of Vernon August 30, 2000

Draft Notice of Filing Suitable for Publication in Federal Register

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

City of Vernon, California) Docket No. EL00-___000

NOTICE OF FILING

(August __, 2000)

Take notice that on August __, 2000, the City of Vernon, California ("Vernon") submitted a Petition for a Declaratory Order determining that Vernon's proffered Transmission Revenue Requirement ("TRR") is appropriate under the California Independent System Operator Corporation's tariff on file at the Commission for purposes of Vernon's becoming a participating transmission owner. Vernon, among other things, seeks expedited treatment of its petition and waiver of the filing fee otherwise applicable to a petition for declaratory order.

Any person desiring to be heard or to protest such filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions and protests should be filed on or before _____, 2000. Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at http://www.ferc.fed.us/online/rims.htm (call 202-208-2222 for assistance).

DAVID P. BOERGERS

Secretary

Petition for Declaratory Order of City of Vernon August 30, 2000

Direct Testimony and Exhibits of Albert E. Clark

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION
Docket No. EL00-___

* * * * *

DIRECT TESTIMONY AND EXHIBITS OF

ALBERT E. CLARK

on behalf of the
CITY OF VERNON, CALIFORNIA

August 2000

Fred Saffer & Associates
2111 East Michigan Street, Suite 219
Orlando, Florida 32806

EXHIBIT V - 1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

* * * * *

CITY OF VERNON, CALIFORNIA	)	DOCKET NO. EL00-____
	)	

Direct Testimony of
Albert E. Clark

on behalf of
the City of Vernon, California

August 2000

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Albert E. Clark. I am an Executive Consultant with the firm of Fred Saffer & Associates, Inc. - Financial, Engineering & Management Consultants. My business address is 2111 East Michigan Street, Suite 219, Orlando, FL 32806.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

A. I received a Bachelor of Science degree in mathematics and secondary education in 1966 from Towson State University, Baltimore, Maryland. In 1975 I received a Certificate in Data Processing, Summa Cum Laude, from Anne Arundel Community College, Arnold, Maryland, where I also completed selected courses in accounting. I have studied at Rollins College, Winter Park, Florida, where I took graduate level courses in management with a concentration in accounting. I also hold a Master of Accounting degree from the George Washington University, Washington, D.C.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE IN THE FIELD OF PUBLIC UTILITY REGULATION?

A. From 1972 through 1986 I worked for several consulting firms in the Washington, D.C. area and in Orlando, Florida. During those engagements I participated in numerous rate proceedings before Federal and state regulatory agencies. I proceeded from assisting senior consultants in the preparation of analyses related to fully allocated cost of service and rate design studies to providing expert testimony and analyses to clients in contested wholesale and retail rate cases. These cases involved, cost allocation, rate design and revenue requirements analyses.

In 1986 I participated in formation of another consulting firm where I was a Principal and a Vice President until I resigned in mid-1997. At that firm my primary efforts were in the areas of cost of service and revenue requirements studies in wholesale and retail rate proceedings before Federal and State regulatory agencies. I also assisted various clients - principally wholesale municipalities and cooperatives -- with negotiations for power supply and transmission services. In 1997 I formed Clark Utility Consulting, Inc. and performed similar types of services for clients as I had previously done. In January 2000 I joined the firm of Fred Saffer & Associates in Orlando, Florida.

Q. WHAT TYPES OF CLIENTS HAVE YOU SERVED DURING YOUR REGULATORY CONSULTING CAREER?

A. During the course of my regulatory consulting career, I have been retained by state regulatory commissions, state consumer protection agencies, Federal agencies, municipalities, industrial corporations, trade associations, electric cooperatives and municipally owned electric distribution systems.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN PUBLIC UTILITY RATE PROCEEDINGS?

A. Yes, I have provided expert testimony on over 100 occasions in 16 jurisdictions in more than 70 separate proceedings. I have testified before this commission in matters related to full and partial requirements electric service to wholesale customers of investor owned utilities, open access transmission of investor owned electric systems and revenue requirements for interstate gas pipeline companies.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the City of Vernon, California ("Vernon" or the "city").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. This testimony and associated exhibits form a part of, and provide support for, Vernon's petition for a declaratory order, pursuant to the California Independent System Operator's ("Cal ISO") FERC Electric Tariff, to establish Vernon's Transmission Revenue Requirement ("TRR") for purposes of the Cal ISO Transmission Access Charge ("TAC"). The TRR is part of the TAC charged to the Cal ISO's customers and used for purposes of payments to Vernon by the Cal ISO for the use of Vernon's transmission facilities as of the date that Vernon turns over operational control of those facilities to the Cal ISO and thereby becomes a Participating Transmission Owner ("PTO"). In this testimony I set out the calculation of Vernon's TRR, and address various principles that were utilized in that calculation. I also describe some of the background of Vernon's transmission facilities relevant to the calculation of the TRR.

My testimony and exhibits have been adopted by the Vernon City Council as Vernon's TRR. Vernon's City Council is its official ratesetting body.

Q. WHAT ARE SOME OF THE REQUIREMENTS FOR VERNON TO BECOME A PTO?

A. Under Sections 4.1 and 4.2 of Appendix F of the Cal ISO FERC Electric Tariff, an entity wishing to become a PTO must submit to the Cal ISO a Notice of Intent by either July 1 or January 1 in order to become a PTO on the following January 1 or July 1 respectively. Vernon submitted its notice on June 30, 2000 to become a PTO on January 1, 2001. Under the pro forma Transmission Control Agreement Among The Independent System Operator and Transmission Owners ("TCA") that is a part of the Cal ISO FERC Electric Tariff, an entity seeking to become a PTO must next submit to the Cal ISO, and serve on certain other parties, an application containing certain information as set out in the TCA. Vernon submitted its application on August 1, 2000. That Application describes Vernon's transmission facilities and provides various information about them. A portion of that Application is attached as Exhibit V - 3. The attached portion describes the transmission facilities that Vernon owns and will turn over the operational control to the Cal ISO and includes maps that show the particular facilities. That application is subject to a 60 day review period.

A TRR must be established for a new PTO so that the ISO TAC can be adjusted to be effective when the entity becomes a PTO and the ISO takes over operational control of the facilities. The TRR also is the basis on which the PTO receives payments from the ISO, which are essentially portions of the TAC's collected by the ISO. The Cal ISO FERC Electric Tariff, as it is presently effective, subject to change in FERC Docket No. ER00-2019, provides that a new PTO may submit its TRR for approval to the Cal ISO, or directly to the Commission for approval. No specific procedures are set out for submitting the TRR to the Commission. Vernon submits its TRR to the Commission in the form of a petition for a declaratory order.

Vernon understands that the Cal ISO will make filings under the Federal Power Act for approval of its assuming operational control of Vernon's transmission entitlements and for a revised TAC that includes the TRR of Vernon and the other PTO's. Vernon's priority is to become a PTO on January 1, 2001. Vernon intends to cooperate with the Cal ISO as to procedures to effectuate that goal.

Q. WHAT ARE THE COMMISSION'S PROCEDURAL OPTIONS WITH RESPECT TO RULING ON VERNON'S PETITION FOR DECLARATORY ORDER?

A. In my opinion, the Commission should promptly rule that Vernon's TRR is proper under the Cal ISO Tariff based upon the facts presented in Vernon's petition. If, however, the Commission cannot or will not make that ruling immediately, the Commission should order that the Vernon TRR should go into effect on January 1, 2001 concurrent with the turnover of operational control of the Vernon transmission facilities to the Cal ISO, subject to refund, if the Commission later determines that the Vernon TRR is improper. Vernon is willing to agree to such a ruling so that Vernon can become a PTO on January 1, 2001. The Cal ISO Tariff contemplates that arrangements be in place for a new PTO to join six months after filing its Notice of Intent. It would be improper to force a potential PTO, against its wishes, to delay joining the ISO until its TRR was finally determined. That is not to say that a potential PTO that wished to have its TRR finally determined before it joined the ISO should not have the right to await such a final determination before it began participating in the ISO. But a potential PTO should not be required to wait, if it is willing, to begin participation in the ISO with its TRR subject to refund.

Q. WHAT STANDARDS SHOULD APPLY TO THE COMMISSION'S DETERMINATION THAT VERNON'S TRR IS APPROPRIATE UNDER THE CAL

ISO TARIFF?

A. First, it is appropriate to address what is not appropriate in a standard to determine the TRR. At issue in FERC Docket No. ER00-2019 are such things as overall "caps" and transition periods. Those matters are not at issue with respect to Vernon's TRR. Here, Vernon's TRR should be determined apart from such concerns. The Cal ISO Tariff as it is presently in effect, or as it may be modified through the ER00-2019 proceeding, will be applied to take care of any such concerns and, therefore, these concerns should not have any impact on the determination of Vernon's TRR.

As far as standards that should be applied, the Commission stated in the May 31, 2000 suspension order in Docket No. ER00-2019 that the Commission's review authority in this area "is a complex and evolving question." The Commission specifically references the fact that in Order No. 2000-A the Commission specifically "confirmed that we did not intend 'to broaden the applicability of Section 205 to non-public utilities.'" The Commission also notes that in Central Hudson Gas & Electric Corporation, 86 FERC ¶ 61,062 (1999) ("Central Hudson"), it determined that "we cannot review [municipality] rates under the Section 205 just and reasonable standard, but will apply the comparability standard we use when evaluating non-jurisdictional, so-called 'NJ' transmission tariffs to assure that the tariff rate is comparable to the rate LIPA charges itself and others."

Vernon's presentation in this petition for review is intended to meet any standard the Commission might apply, up to and including the Federal Power Act just and reasonable standard that the Commission stated that it could not apply in Central Hudson and would not extend to non-public utilities such as Vernon in Order No. 2000-A. Because Vernon is a governmental entity that is not subject to the Federal Power Act, the Commission should grant Vernon's TRR

determination significant deference as a policy matter.

Q. DOES THE VERNON TRR MEET THE COMPARABILITY STANDARD APPLIED TO "NON-JURISDICTIONAL, SO-CALLED 'NJ' TRANSMISSION TARIFFS" APPLIED BY THE COMMISSION IN CENTRAL HUDSON?

A. Yes. NJ transmission tariffs are filed by otherwise non-jurisdictional transmission providers pursuant to Order No. 888, which requires that such entities submit transmission tariffs under certain circumstances, such as when the non-jurisdictional entity is obtaining service under Order No. 888 open access transmission service. Order No. 888 provides essentially that the transmission rate should be no higher than the rate charged by the non-jurisdictional entity to transmission customers outside of the Order No. 888 open access context. Where the non-jurisdictional entity does not provide any transmission service to others, the standard provides that the NJ rate should be no higher than the rate charged by the entity to itself.

The analogy between determining the transmission rate applicable to service to be provided under an NJ filing and the issue of a municipality's TRR when it turns operational control of its high voltage transmission entitlements to the ISO is not a perfect one. An NJ rate is the rate that will be charged to certain entities other than the transmission owner. Here, the TRR, is a component of rates to be applied absolutely evenly to all customers of the Cal ISO. There is no issue of discrimination in the rate to be charged ISO customers.

When it turns such entitlements over to the Cal ISO, it is the Cal ISO that will provide the transmission service. Indeed, Vernon will no longer have entitlements over which to provide any transmission service. Vernon will obtain transmission service over the lines it owns through the ISO at the same rate and in the same manner as do others.

Nevertheless, the Vernon TRR discussed herein is equivalent/comparable to what Vernon charges and will charge itself and its bundled customers, and, thus, meets the NJ comparability test.

Q. HAVE YOU DETERMINED VERNON'S TRR FOR PURPOSES OF VERNON'S BECOMING A PTO?

A. Yes. I have applied conventional ratemaking concepts regarding cost of service to develop the Vernon TRR. I will discuss each component in turn in the testimony below. In summary, however, I first determined the expenses applicable to the transmission lines. These expenses include operation and maintenance expenses, including a share of Vernon's administrative and general expenses; property taxes that Vernon pays for the facilities located outside of its service territory; and depreciation expenses. Finally, because Vernon has a substantial investment in the transmission facilities, that investment, in the nature of a rate base, had to be determined and an appropriate rate of return applied in order to develop a complete TRR. I have used an historical test period consisting of Vernon's fiscal year 1999.

Q. PLEASE EXPLAIN THE DERIVATION OF VERNON'S OPERATION AND MAINTENANCE EXPENSES.

A. The California Oregon Transmission Project ("COTP"), the Mead-Adelanto Project ("MAP") and the Mead-Phoenix Project ("MPP") are operated by third parties under operation agreements. Vernon owns facilities which are portions of each of these projects. As shown in Exhibit V - 2, the charges under these agreements are reflected in Vernon's TRR as operation and maintenance expenses. Other operation and maintenance expenses include Vernon's costs for the transmission service that it receives from Southern California Edison Company ("SCE") and the Los Angeles

Department of Water and Power ("LADWP") under existing transmission contracts that continue to remain in effect. My understanding is that the entitlements under these contracts will also be vested in the Cal ISO. Service under a portion one of these contracts was discontinued in 1999 and the cost of this contract has been excluded from the TRR. Other operation expenses also include an allowance for regulatory expenses and an allocated portion of Vernon's administrative expenses.

Q. HOW WERE THE ADMINISTRATIVE AND GENERAL EXPENSES DERIVED?

A. As shown in Exhibit V - 2, Vernon's internal administrative and general expenses were allocated between the other functions and transmission function based upon an internal labor ratio. The portion that is functionalized as transmission is included in the TRR.

Q. HOW WERE THE REGULATORY EXPENSES DETERMINED?

A. The estimated regulatory expense is $350,000. I based the estimate on the actual transmission related regulatory costs that Vernon incurred in its fiscal years for 1998 and 1999 and on discussions that I had with Vernon's utility personnel and counsel. The actual costs were $246,442 and $597,361 respectively. Vernon does not believe that the actual fiscal 1999 cost of $597,361 is a reasonable estimate on a forward looking basis. The average for the two years is $421,902. It was decided to use $350,000 for the purposes of the TRR.

Q. PLEASE EXPLAIN THE TREATMENT OF TAXES IN THE TRR.

A. Vernon is not exempt from the payment of its share of the property taxes on those owned transmission facilities located outside of the city. As part of the operating agreements for those projects, Vernon pays its share of those taxes. These taxes are included in the TRR. Vernon

is not subject to state or Federal income taxes and, therefore, there is no allowance for income taxes in the TRR. Labor related taxes that Vernon pays are included in the operation and maintenance expenses.

Q. PLEASE EXPLAIN HOW DEPRECIATION EXPENSE WAS CALCULATED.

A. The annual depreciation expense is based on a depreciation rate of 3.2% of gross plant which I understand to be the same rate that SCE uses for its transmission plant. The accumulated depreciation for depreciation reflects the same 3.2% accrual rate which I understand reflects a 42 year service life with a negative 33% net salvage rate.

Q. HOW WAS THE RATE BASE DERIVED?

A. Vernon's transmission investment was derived from the records of each of the transmission projects. The gross plant amounts reflect Vernon's initial investment and Vernon's share of the capitalized additions each year. The accumulated provision for depreciation is deducted from the gross plant to arrive at a net plant amount included in the rate base.

I have included a cash working capital requirement in the rate base that is based on the FERC 45-day method of calculation. That is, the cash working capital requirement is equal to one-eighth (45/360) of operation and maintenance expenses.

The rate base also includes the unamortized balance of the unrecovered transmission costs that Vernon incurred from the time these transmission projects were placed into service.

Q. WOULD YOU DESCRIBE THE RECOVERY OF DEFERRED COSTS IN YOUR COST OF SERVICE ANALYSIS?

A. Virtually all utility facilities are built larger than the

immediate needs of the utility customers. This is so because economies of scale, and the need for reserves, are usually such that it is much more economical to build a facility now that will accommodate expected needs in the future.

In the case of Vernon's transmission facilities, this effect of building facilities larger than initially needed was something that Vernon could not avoid. Since Vernon is relatively small as a utility, it did not have the ability to construct major electric transmission projects on its own. Therefore, Vernon was largely dependent on the timing of the transmission expansion activities by others. For example, when the COTP was being planned and built Vernon's share of the total project ultimately exceeded its needs. Vernon reasoned, however, that it would need that transmission capacity in the future and that it would be economical in the long term to pay for the facilities at that time for later use. A vital part of Vernon's reasoning at the time was the prospect of replacing high cost power supply with lower cost power supply originating outside of California. The ability to move that power into Vernon's service area was critical to Vernon's long term power supply and cost outlook. Vernon's intent was to allocate the costs of the transmission investment to match the benefits to be derived from the transmission investment.

Additionally, Vernon made an effort to mitigate its costs by offering capacity on these facilities to other utilities. Although such efforts were not entirely successful, all use on these facilities has been credited to the historical costs of the facilities -- even if the revenues received did not recover the full costs of the facilities.

The intent was that some of the costs would be carried forward, and paid when the facilities were needed and used in the future. Thus, Exhibit V - 2 shows for each year a

cost of service (reduced by depreciation expense) that is carried forward and amortized to future periods when the facilities will be used as a part of the ISO. This approach provides a matching between the utilization of the facilities and the cost recovery. This approach also helps keep Vernon whole in the recovery of its costs related to these projects.

Q. WOULD YOU PLEASE EXPLAIN THE CALCULATION OF THE UNAMORTIZED DEFERRED COSTS?

A. For each year the cost of the unused capacity in each project is determined. The costs include operation and maintenance expenses, property taxes and a return requirement based on net plant in service each year, but does not include depreciation expense. The annual depreciation expense is excluded in this calculation because the TRR already reflects depreciation expense on Vernon's total investment in these projects.

A carrying charge is applied to the total unrecovered cost for each year to reflect the time value of the deferred recovery by Vernon. The carrying charge is set each year at the annual rate that Vernon could have earned if the money had been invested in the State of California Local Agency Investment Fund in an attempt to duplicate the lost opportunity costs that Vernon incurred since these costs were not recovered in rates at the time the costs were being incurred. That is, Vernon would have had the opportunity to invest these amounts in interest bearing accounts if they had been recovered at the time. The carrying charge, however, does not reflect the return on rate base since Vernon would not have reinvested these funds in additional transmission facilities or other high risk ventures.

Finally, I am proposing to include an average balance of the unamortized balance over the amortization period. This is consistent with proposals I have made in other cases

for amounts that are fully measurable at the beginning of the amortization period and have a definite amortization period. The total unamortized balance that is included in the rate base is $10,363,990.

Q. HOW IS THE UNAMORTIZED BALANCE BEING AMORTIZED THROUGH THE TRR?

A. I am proposing a thirty-five year amortization period. The thirty-five year period was chosen for two reasons. First, the facilities themselves are being depreciated over a forty-two year life (using SCE's depreciation rate) and we are approximately seven years into that life for the earliest project. Therefore, it seems appropriate to extend the amortization period over the maximum possible number of years which would be the perceived remaining life of thirty-five years. Second, the longer the amortization period, the lower the impact on the TRR.

Q. THE FINAL ELEMENT OF THE TRR IS THE RETURN REQUIREMENT WHICH IS MEASURED AS A RATE OF RETURN MULTIPLIED BY THE RATE BASE. WOULD YOU EXPLAIN HOW YOU DETERMINED THE RATE OF RETURN THAT YOU APPLIED TO THE RATE BASE?

A. In a typical rate case the rate of return is measured, on a weighted basis, as the cost of equity (both preferred and common, if applicable) and the cost of debt. Vernon has no outstanding debt, therefore, the rate of return does not include a weighted component for interest expense. There is no direct method to measure Vernon's cost of equity since, unlike an investor owned utility that goes to the equity markets from time to time, there is no equity capital attraction test that is applicable directly to Vernon. I have used the cost of equity that has been granted to SCE both by the California commission and the FERC which is currently 11.6%.

Q. WHY DID VERNON NOT USE BONDS TO FINANCE ALL OF OR A PORTION OF ITS TRANSMISSION FACILITIES?

A. I have been informed by Vernon that conventional tax-exempt bonds would not have been feasible to use to finance Vernon's participation in the transmission projects. This was so for several reasons. Vernon was in the position of being able to assess the costs of the bonds, the risks associated with the issuance of the bonds, as well as the potential impacts on the future use of the facilities and then to decide whether or not to go to the bond market.

First of all, as is evident from the concerns of other municipalities that did float tax-exempt bonds to finance their portions of the projects, there were (and continue to be) considerable uncertainties with respect to what services could be provided to third parties without jeopardizing the tax-exempt status of the bonds. It is my understanding that, currently, municipals that have tax-exempt bonds outstanding may be prohibited from turning over operational control of their transmission facilities without violating the bond covenants. Vernon does not face this problem because it opted not to use bond financing.

Secondly, the facilities are long transmission lines located far outside of Vernon's service territory, and even outside of the state of California. Vernon opted to size its portions of these projects so that Vernon could take virtually its entire load from out of the Southern California area. Vernon was convinced at that time that its least expensive power supply options for its customers would not be from its traditional supplier, SCE, but would be from areas far removed from Vernon. Having been stymied in obtaining transmission access from SCE and other investor-owned utilities because of their claims that they needed their transmission capacity for their own transactions, Vernon believed that its best course was to invest in significant transmission resources. Vernon reasoned that

even if it turned out that it did not need the transmission capacity to serve its own customers immediately, the capacity would be a valuable asset; one easily used by others for a fair compensation.

Q. IF THE RESTRUCTURING OF THE ELECTRIC INDUSTRY HAD NOT TAKEN PLACE, WOULD VERNON'S ANALYSIS OF THE INVESTMENT IN THESE TRANSMISSION PROJECTS HAVE BEEN ACCURATE?

A. It is not possible to determine that with precision because the restructuring (that was not in any way foreseen when Vernon was making the analysis) did, in fact occur. I do believe, however, that Vernon's evaluation of its future power supply costs, its need for transmission capacity and the potential need for future transmission capacity of others, would have made these investments productive ones for Vernon.

Restructuring in California forced SCE and other entities to open up transmission access to all entities and made the only practical way of providing transmission service through the ISO. The investor owned utilities' ("IOU") high voltage transmission service is now provided through the ISO. Moreover, the establishment of the ISO and the Power Exchange further levelized the cost of power purchased by the IOU's in the state. Currently, transmission ownership is no longer as crucial to the individual entity seeking access to low cost, remote power supply because of access to the ISO. Transmission facilities and entitlements are now more valuable to all of California under the operational control of the Cal ISO than they would be under the operational control of Vernon or any similarly situated entity.

Without restructuring, Vernon would have had significant amounts of transmission access to low cost power that it could use itself to lower its retail customers' rates, or could have sold to others at an unregulated rate.

Restructuring has limited Vernon's abilities to do either of these things. In short, Vernon can no longer use these transmission facilities and entitlements as intended.

However, collectively California is short on transmission capacity. Having additional capacity under the Cal ISO's operational control will be immensely beneficial to California as a whole.

Q. WHY DID YOU CHOOSE TO USE SCE'S ALLOWED COST OF EQUITY FOR VERNON'S TRR?

A. I chose it because Vernon's transmission facilities should be placed in the ISO at least at the same relative risk as those of SCE. SCE's most recent allowed returns on equity at both the California commission and at the FERC are 11.6%. Vernon provides service in the same geographical area as SCE. There should not be a distinction between the incentive offered to SCE in the form of a return equity and the incentive offered to entities such as Vernon to invest in transmission facilities.

Indeed, Vernon's risks may exceed those of SCE. These facilities are located outside the City's compact service territory. These extend for long distances in California and even beyond. The mere fact that a larger portion, on a percentage basis, of these facilities extend to states beyond California, states that may not provide the same environment, puts Vernon at more risk.

Additionally, these facilities are not wholly owned by Vernon. Vernon has only a small percentage of the facilities (7.5497% of the COTP, 6.25% of the MAP and even a smaller portion of the various segments of the MPP - see Exhibit V - 3). The facilities operate under a joint ownership committee that is controlled by others.

Vernon's own load is also vastly different from virtually every other municipal or investor owned utility. Vernon's load is virtually all industrial. This makes

Vernon's load subject to more volatility than a utility that has a residential and commercial base to serve. Industrial customers can shift large loads to other jurisdictions or simply shut down depending on external and internal economic conditions. As an example, Vernon's peak load was historically in the area of 250 MW, but declined to approximately 170 MW (a decline of approximately 32%) because of the loss of industrial customers. The peak load is currently back up to approximately 196 MW. Only a relatively small, but almost totally industrial load would place such volatility and risk on a utility system.

For these reasons, Vernon uses SCE's allowed return on equity in the return calculation. Since Vernon has no outstanding debt, the 11.6% is the rate of return used. As noted earlier, there is allowance in the TRR for income taxes as would be the case for an IOU. Therefore this rate of return is not increased for any income tax allowance.

Q. WHAT IS VERNON'S TRANSMISSION REVENUE REQUIREMENT AT THIS TIME?

A. Based on the historical test year consisting of Vernon's fiscal year 1999, adjusted as noted previously in this testimony, Vernon's TRR is $13,080,189 on annual basis. The calculation is shown in Exhibit V - 2, page 1 of 8.

Q. DOES THIS COMPLETE YOU TESTIMONY AT THIS TIME?

A. Yes, it does.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION
Docket No. EL00-___

Exhibits of

Albert E. Clark

on behalf of the

The City of Vernon, California

August 2000

Fred Saffer & Associates
2111 East Michigan Street, Suite 219
Orlando, Florida 32806

City of Vernon, California
Total Cost of Service
Fiscal 1999

Line No.	Description (a)	Amount (b)
1	Gross plant	$69,499,223
2	Accumulated depreciation	(10,495,663)
3	Net plant in service	59,003,560
4	Cash working capital	116,727
5	Unrecovered transmission cost	10,363,990
6	Total Rate Base	$69,484,278
7	Return requirement at 11.6%	$8,060,176
8	Annual depreciation expense [1]	2,223,975
9	Amortization of unrecovered transmission cost [2]	296,110
10	O&M expense (owned projects) [3]	445,821
11	Transmission service[4]	1,431,162
12	A&G expense[5]	137,997
13	Property tax[3]	134,948
14	Regulatory expense[6]	350,000
15	TOTAL COST OF SERVICE	$13,080,189

[1] Annual depreciation expense using a 3.2% depreciation rate.
[2] Amortization based on a thirty five remaining life.
[3] Amount paid to operators per agreements.
[4] Amount paid less Midway-Vincent.
[5] Vernon A&G allocated on labor ratio.
[6] Estimated annual expense.

City of Vernon, California
Cost of Unused Transmission
1994 through 1999

Line No.	Year	Amount	Interest Rate	PV Factor	PV at Year 1999
	(a)	(b)	(c)	(d)	(e)
1	1994	$4,001,569	4.62%	1.28198	$5,129,927
2	1995	2,770,830	5.99%	1.29925	3,599,995
3	1996	3,106,425	5.55%	1.20810	3,752,880
4	1997	2,902,978	5.67%	1.14783	3,332,138
5	1998	2,545,753	5.67%	1.08624	2,765,311
6	1999	2,094,971	5.10%	1.02518	2,147,729
8	TOTALS	$17,422,527			$20,727,981

City of Vernon, California
Cost of Unused Transmission
1994 through 1999

	1994	Available	Used	Percent Unused	Total Cost Less Deprec Exp	Unused Cost
1	NOB-Sylmar (COTP)	1,116	252	77.42%	$5,168,693	$4,001,569
2	West Wing-Mead					
3	Mead Substation					
4	Mead-Marketplace					
5	Marketplace-Adelanto					
6	TOTAL				$5,168,693	$4,001,569

	1995	Available	Used	Percent Unused	Total Cost Less Deprec Exp	Unused Cost
1	NOB-Sylmar (COTP)	1,116	478	57.17%	$4,846,782	$2,770,830
2	West Wing-Mead					
3	Mead Substation					
4	Mead-Marketplace					
5	Marketplace-Adelanto					
6	TOTAL					$2,770,830

	1996	Available	Used	Percent Unused	Total Cost Less Deprec Exp	Unused Cost
1	NOB-Sylmar (COTP)	1,116	438	60.75%	$5,090,530	$3,092,634
2	West Wing-Mead	252	93	63.10%	1,739	1,097
3	Mead Substation	423	0	100.00%	2,908	2,908
4	Mead-Marketplace	675	93	86.22%	3,150	2,716
5	Marketplace-Adelanto	675	289	57.19%	12,364	7,070
6	TOTAL				$5,110,691	$3,106,425

	1997	Available	Used	Percent Unused	Total Cost	Unused Cost
1	NOB-Sylmar (COTP)	1,116	605	45.79%	$4,540,394	$2,078,980
2	West Wing-Mead	336	129	61.61%	779,126	479,997
3	Mead Substation	564	142	74.82%	96,685	72,342
4	Mead-Marketplace	900	271	69.89%	302,629	211,504
5	Marketplace-Adelanto	900	876	2.67%	2,255,784	60,154
6	TOTAL				$7,974,619	$2,902,978

	1998	Available	Used	Percent Unused	Total Cost	Unused Cost
1	NOB-Sylmar (COTP)	1,116	674	39.61%	$4,603,117	$1,823,098
2	West Wing-Mead	336	184	45.24%	839,246	379,659
3	Mead Substation	564	177	68.62%	102,563	70,376
4	Mead-Marketplace	900	414	54.00%	312,703	168,860
5	Marketplace-Adelanto	900	858	4.67%	2,223,442	103,761
6	TOTAL				$8,081,072	$2,545,753

	1999	Available	Used	Percent Unused	Total Cost	Unused Cost
1	NOB-Sylmar (COTP)	1,116	826	25.99%	$4,656,568	$1,210,040
2	West Wing-Mead	336	314	6.55%	940,690	61,593
3	Mead Substation	564	87	84.57%	121,487	102,747
4	Mead-Marketplace	900	653	27.44%	373,414	102,481
5	Marketplace-Adelanto	900	653	27.44%	2,252,222	618,110
6	TOTAL				$8,344,381	$2,094,971

City of Vernon, California
COTP Cost of Service
1994 through 1999

Line No.	Description	1993	1994	1995	1996	1997	1998	1999
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Gross plant at June 30	$40,484,957	$40,484,957	$40,834,964	$41,980,664	$41,980,664	$41,984,315	$41,987,008
2	Additions in fiscal year	0	350,007	1,145,700	0	3,651	2,693	45,491
3	Gross plant at June 30	$40,484,957	$40,834,964	$41,980,664	$41,980,664	$41,984,315	$41,987,008	$42,032,499
4								
5	Annual depreciation expense		$1,282,024	$1,293,107	$1,329,388	$1,329,388	$1,329,503	$1,329,589
6	Accumulated depreciation		$1,282,024	$2,575,131	$3,904,519	$5,233,906	$6,563,410	$7,892,998
7	Net plant		$39,552,940	$39,405,533	$38,076,145	$36,750,409	$35,423,598	$34,139,501
8	Return on equity		11.80%	11.00%	12.10%	11.60%	11.60%	11.60%
9	Return requirement		$4,667,247	$4,334,609	$4,607,214	$4,263,047	$4,109,137	$3,960,182
10	Annual depreciation		1,282,024	1,293,107	1,329,388	1,329,388	1,329,503	1,329,589
11	O&M expense (including A&G)	223,290	348,953	391,579	286,899	144,534	311,891	328,707
12	Property taxes		0	0	0	0	0	0
13	Admin & general	0	152,493	120,594	196,417	132,813	182,089	367,679
14	TOTAL COST OF SERVICE	$223,290	$6,450,717	$6,139,889	$6,419,917	$5,869,782	$5,932,621	$5,986,157

City of Vernon, California
West-Wing Mead Cost of Service
1994 through 1999

Line No	Description	1996	1997	1998	1999
	(a)	(b)	(c)	(d)	(e)
1	Gross plant at 6/30	$5,644,484	$5,668,336	$5,733,306	$5,749,176
2	Additions in fiscal year	23,852	64,970	15,870	0
3	Gross plant at 6/30	$5,668,336	$5,733,306	$5,749,176	$5,749,176
4					
5	Annual depreciation	$0	$179,497	$181,555	$182,057
6	Accumulated depreciation	$0	$179,497	$361,052	$543,109
7	Net plant	$0	$5,553,809	$5,388,124	$5,206,067
8	Return on equity	12.10%	11.60%	11.60%	11.60%
9	Return requirements	$0	$644,242	$625,022	$603,904
10	Annual depreciation	0	179,497	181,555	182,057
11	O&M expense (includes A&G)	1,739	9,151	11,761	13,210
12	Property tax	0	37,335	81,269	78,857
13	Admin & general	0	88,398	121,194	244,719
14	TOTAL COST OF SERVICE	$1,739	$958,623	$1,020,801	$1,122,747

City of Vernon, California
Mead Substation Cost of Service
1994 through 1999

Line No	Description	1996	1997	1998	1999
	(a)	(b)	(c)	(d)	(e)
1	Gross plant at 6/30	$627,164	$629,814	$637,033	$638,796
2	Additions in fiscal year	2,650	7,219	1,763	0
3	Gross plant at 6/30	$629,814	$637,033	$638,796	$638,796
4					
5	Annual depreciation	$0	$20,173	$20,229	$20,229
6	Accumulated depreciation	$0	$20,173	$40,401	$60,630
7	Net plant	$629,814	$616,860	$598,395	$578,166
8	Return on equity	12.10%	11.60%	11.60%	11.60%
9	Return requirements	$0	$71,556	$69,414	$67,067
10	Annual depreciation	0	20,173	20,229	20,229
11	O&M expense (includes A&G)	2,908	15,307	19,672	22,096
12	Property tax	0	0	11	5,133
13	Admin & general	0	9,822	13,466	27,191
14	TOTAL COST OF SERVICE	$2,908	$116,858	$122,791	$141,716

City of Vernon, California
Mead-Marketplace Cost of Service
1994 through 1999

Line No	Description	1996	1997	1998	1999
	(a)	(b)	(c)	(d)	(e)
1	Gross plant at 6/30	$2,203,943	$2,213,255	$2,238,618	$2,244,814
2	Additions in fiscal year	9,312	25,363	6,196	0
3	Gross plant at 6/30	$2,213,255	$2,238,618	$2,244,814	$2,244,814
4					
5	Annual depreciation	$0	$70,890	$71,086	$71,086
6	Accumulated depreciation	$0	$70,890	$141,975	$213,061
7	Net plant	$2,213,255	$2,167,728	$2,102,839	$2,031,753
8	Return on equity	12.10%	11.60%	11.60%	11.60%
9	Return requirements	$0	$251,456	$243,929	$235,683
10	Annual depreciation	0	70,890	71,086	71,086
11	O&M expense (includes A&G)	3,150	16,579	21,307	23,932
12	Property tax	0	0	38	18,029
13	Admin & general	0	34,594	47,429	95,770
14	TOTAL COS	$3,150	$373,519	$383,789	$444,500

City of Vernon, California
Mead-Adelanto Cost of Service
1994 through 1999

Line No	Description	1996	1997	1998	1999
	(a)	(b)	(c)	(d)	(e)
1	Gross plant at 6/30	$18,727,838	$18,727,838	$18,833,938	$18,833,938
2	Additions in fiscal year	0	106,100	0	0
3	Gross plant at 6/30	$18,727,838	$18,833,938	$18,833,938	$18,833,938
4					
5	Annual depreciation	$0	$593,048	$596,408	$596,408
6	Accumulated depreciation	$0	$593,048	$1,189,456	$1,785,864
7	Net plant	$0	$18,240,890	$17,644,482	$17,048,074
8	Return on equity	12.10%	11.60%	11.60%	11.60%
9	Return requirements	$0	$2,115,943	$2,046,760	$1,977,577
10	Annual depreciation	0	593,048	596,408	596,408
11	O&M expense (includes A&G)	12,364	73,434	84,779	57,876
12	Property tax	0	0	858	32,929
13	Admin & general	0	66,407	91,045	183,840
14	TOTAL COS	$12,364	$2,848,832	$2,819,850	$2,848,630

DESCRIPTION OF TRANSMISSION LINES AND FACILITIES

I. **A description of the transmission lines and associated facilities that the applicant intends to place under the ISO's Operational Control and a one-line diagram of the facilities.**

1. CALIFORNIA-OREGON TRANSMISSION PROJECT (COTP)

1.1 General

The California-Oregon Transmission Project is an alternating current transmission line with an existing rating of 1,600 MW North-to-South and 1225 MW South-to-North. The Project consists of approximately three hundred forty (340) miles of 500-kV transmission line extending from Southern Oregon to central California, developed in three segments, plus substations and other facilities. The Project is interconnected with, and operated in parallel with, the Pacific Intertie facilities.

1.2 Transmission Line Segments

1.2.1 The Northern Segment. Approximately one hundred forty-eight and one-half (148.5) miles of single circuit configuration extending from the Captain Jack Substation in Southern Oregon to Olinda Substation in northern California.

1.2.2 The CVP Upgrade Segment. Approximately one hundred ninety (190) miles of single circuit configuration extending from the Olinda Substation to the Tracy Substation.

1.2.3 The Tesla By-Pass Segment. Approximately seven (7) miles of double circuit line extending from the Tracy Substation to a location where it intercepts the Pacific AC Intertie on PG&E's 500-kV transmission line exiting south from Tesla Substation to Los Banos Substation.

1.3 Substations

The Project substation facilities consist of the Olinda Substation, the Maxwell Compensation Station and the Tracy Substation.

1.4 Other Facilities

Other Project facilities include Communication Facilities and metering necessary for the Project's operation. The Communication Facilities include two (2) separate primary microwave paths for protective relaying and communication circuits.

1.5 Entitlement

The City of Vernon is entitled to 7.5497 percent of the Project transfer capability. Current entitlements are as follows:

North to South	121 MW
South to North	92 MW

(Note: This entitlement is currently provided to PG&E in exchange for transmission service from PG&E between NOB and Midway.)

2. MEAD-ADELANTO PROJECT (MAP)

2.1 Transmission Line

The Mead-Adelanto Project (MAP) is an alternating current transmission line with an accepted rating of 1,200 MW. The MAP is a 202-mile, 500 kV alternating current transmission line constructed from Marketplace Switching Station in Southern Nevada to the 500 kV Adelanto Switching Station in Southern California with series capacitor line compensation of 45 percent at Marketplace. It is utilized to deliver electrical energy between Southern Nevada and Southern California.

2.2 Marketplace Substation

Marketplace Substation is the common terminal for the Mead-Phoenix and Mead-Adelanto Projects (jointly owned by the Mead-Adelanto Project and Mead-Phoenix Project owners) and includes the Marketplace-McCullough tie line as common facilities.

Marketplace consists of a 500 kV switchyard configured as a four-breaker, four-position ring bus with series capacitors, and shunt compensation for the Marketplace-Adelanto transmission line.

2.3 Static Var Compensators

The MAP facilities include two Static Var Compensators (SVC) approximately 388 megavar each (one located at Marketplace and the other at Adelanto for network stability synchronization).

2.4 Marketplace-McCullough Tie Line

The Marketplace McCullough Tie Lien is approximately a one (1) mile transmission line between Marketplace and McCullough. A 500 kV position is installed at the McCullough switching station for terminating the Marketplace-McCullough tie line.

2.5 Telecommunications

The MAP includes two communication paths between Marketplace, Adelanto, McCullough, and Mead for line protection, telemetry and voice channel.

2.6 Entitlement

The City of Vernon is entitled to 6.25 percent, or currently 75 MW, of the Project transfer capacity in either direction.

3. MEAD-PHOENIX PROJECT (MPP)

3.1 Transmission Line

The Mead-Phoenix (MPP) is an alternating current transmission line with an accepted rating of 1,300 MW. The MPP is a 256-mile, 500 kV alternating current transmission line constructed from the Perkins Switchyard near Sun City, Arizona to Marketplace Switching Station in Southern Nevada. The Project is utilized to transmit electrical energy between Central Arizona and Southern Nevada.

3.2 Transmission capacity in the Mead-Phoenix Project varies between the facilities and there are three components.

3.2.1 Component A: Westwing-Mead

Includes the Perkins to Mead 500 kV transmission line, Perkins Switchyard, Westwing Interconnection, Westwing Tie Line, Communications System from Westwing to Mead, Perkins line compensation at Mead and undivided one-third interest in the Mead 500 kV Common Facilities. Mead 500 kV Common Facilities are all common facilities and equipment (excluding any interconnection facilities) at the Mead 500 kV substation, including, but not limited to: communication equipment, protective systems, control house space, relaying equipment, control cabling, buswork, bus structures, fencing and metering equipment. Perkins Switchyard contains series capacitor bank, shunt reactors, circuit breakers and phase shifting transformers.

3.2.2 Component B: Mead Substation

Includes the Mead 500/230 kV transformer, 230 kV interconnection and undivided one-third interest in the Mead 500 kV Common Facilities (as defined in section 3.2.1 above).

3.2.3 Component C: Mead-Marketplace

Includes the Mead to Marketplace 500 kV transmission line, undivided one-third interest in the Mead 500 kV Common Facilities (as defined in section 3.2.1 above), Communications Systems Mead to Marketplace, Mead line termination at Marketplace. It also includes 50 percent ownership of the Marketplace Common Facilities, Marketplace SVC, Marketplace to McCullough Tie Line, McCullough Interconnection, Adelanto SVC and the Adelanto SVC termination.

3.3 Entitlement

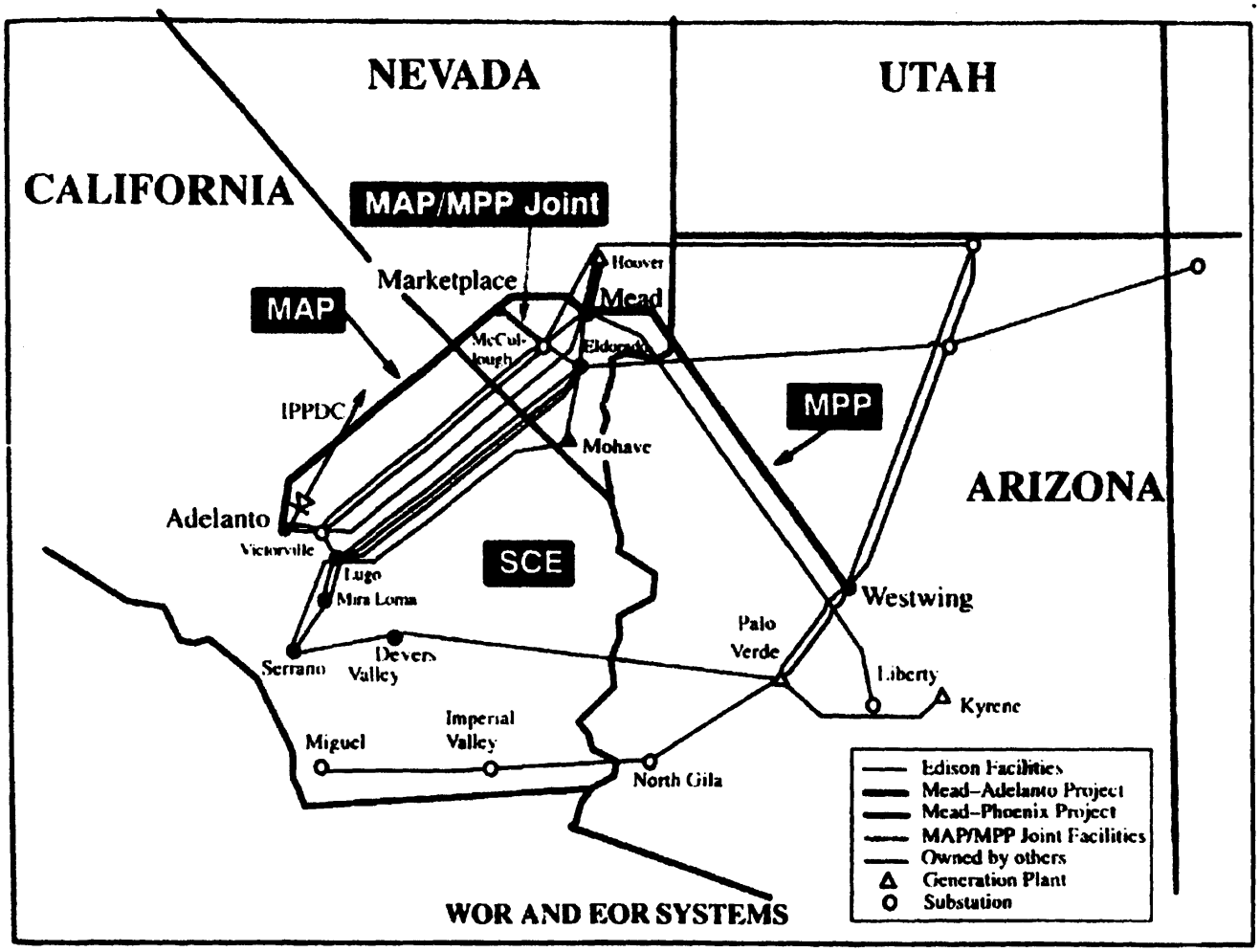
The City of Vernon has the following transmission capability entitlements in either direction.

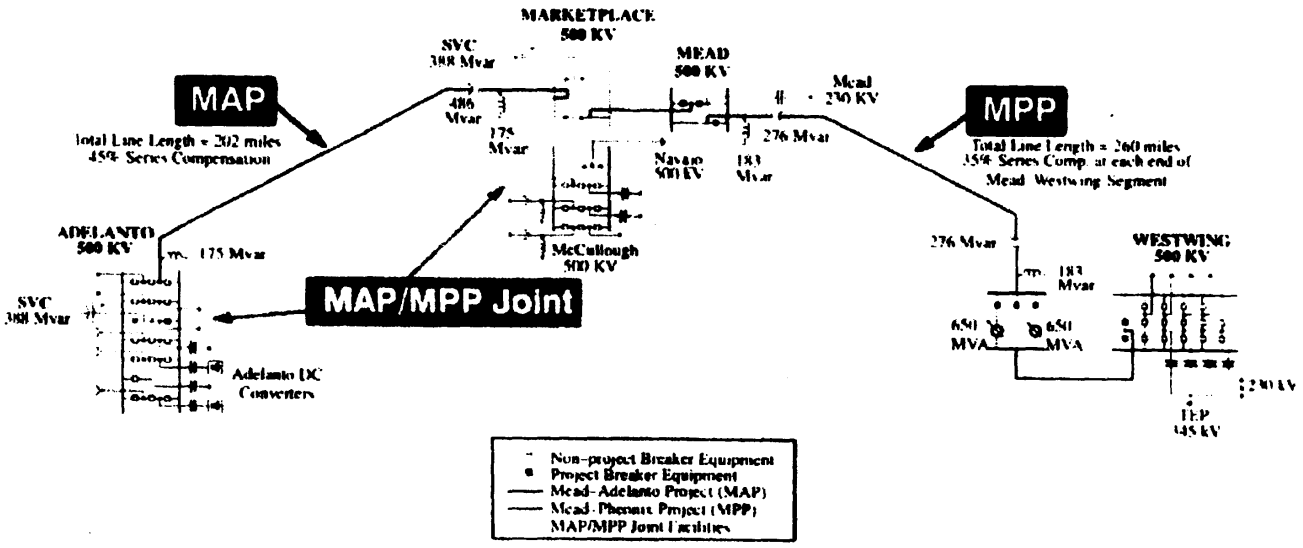
3.3.1 Westwing-Mead (Component A): 2.1538 percent, or currently 28 MW

3.3.2 Mead Substation (Component B): 3.7934 percent, or currently 47 MW between the 500 kV and 230 kV bus.

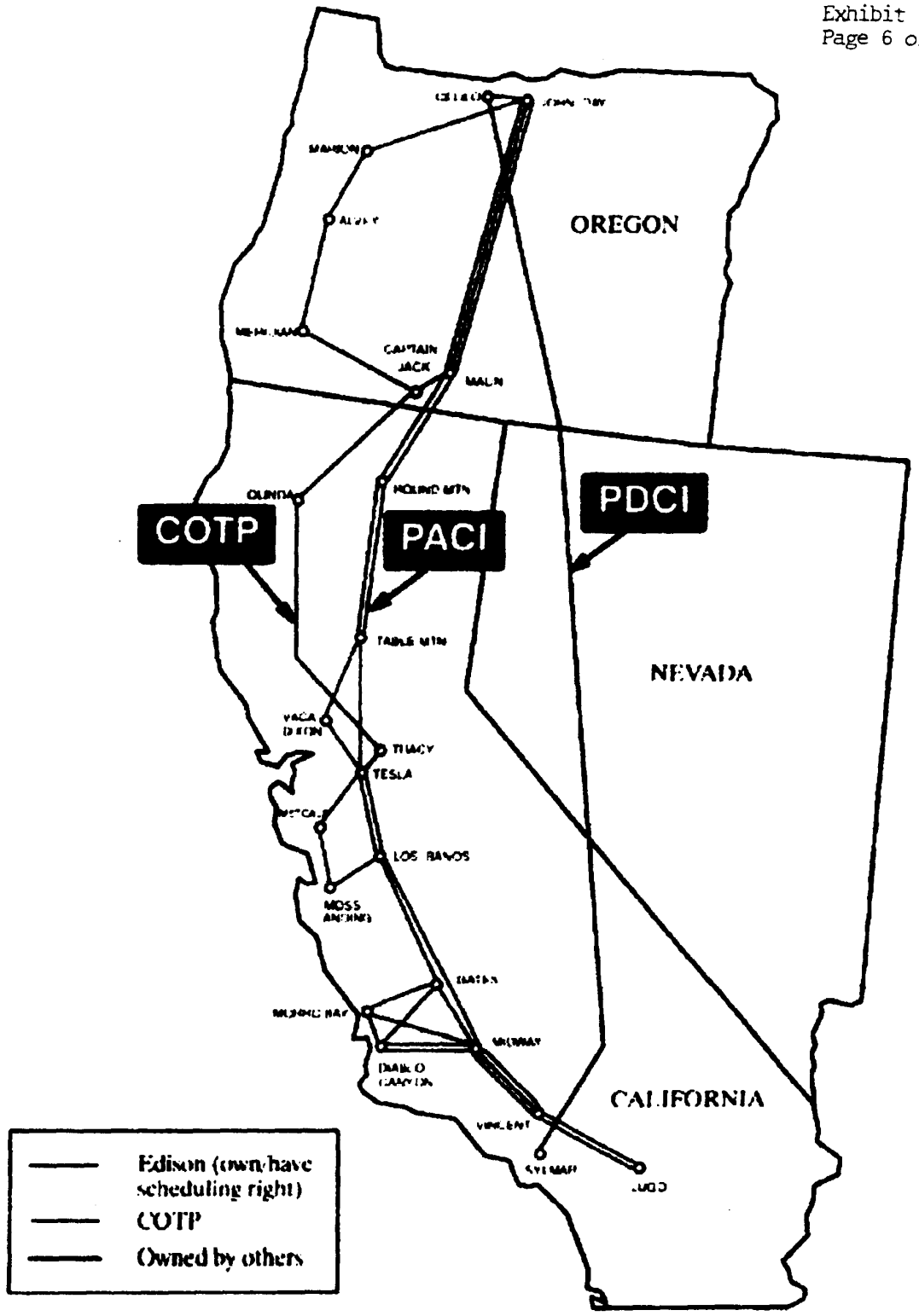
3.3.3 Mead-Marketplace (Component C): 4.0497 percent, or currently 75 MW.

See Attachment I for diagram of facilities


NEVADA
UTAH
CALIFORNIA
MAP/MPP Joint
Marketplace
Hoover
Mead
MAP
McCul-
lough
Eldorado
IPPDC
MPP
Mohave
ARIZONA
Adelanto
Victorville
SCE
Lugo
Mira Loma
Westwing
Palo
Verde
Serrano
Devers
Valley
Liberty
Kyrene
Imperial
Valley
Miguel
North Gila
Edison Facilities
Mead–Adelanto Project
Mead–Phoenix Project
MAP/MPP Joint Facilities
Owned by others
Generation Plant
Substation
WOR AND EOR SYSTEMS



Schematic of the Mead–Adelanto and Mead–Phoenix Project Systems



PACIFIC NORTHWEST - PACIFIC SOUTHWEST INTERTIE

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

City of Vernon, California	)	Docket No. EL00-___-___

AFFIDAVIT OF
ALBERT E. CLARK

STATE OF Florida)
) ss.
COUNTY OF ORANGE)

Albert E. Clark, being duly sworn, deposes and states that the foregoing Direct Testimony and Exhibits of Albert E. Clark on behalf of the City of Vernon, California were prepared by him or at his direction and under his supervision, and that he would respond in the same manner to the questions if asked the questions therein, he would give the answers as shown, and that the facts set forth therein are true and correct to the best of his knowledge, information, and belief.

Albert E. Clark

SUBSCRIBED AND SWORN TO before me, this 28th day of August, 2000.

Sharon A. Juliano
NOTARY PUBLIC in and for
the State of Florida. My
commission expires 5/25/2001

NOTARIAL SEAL

Sharon A Juliano
My Commission CC643926
Expires May 25, 2001

Petition for Declaratory Order of City of Vernon August 30, 2000

Vernon City Council Resolution Adopting TRR

CERTIFICATE

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF VERNON)

I, Gloria J. Orosco, Chief Deputy City Clerk of the City of Vernon, County of Los Angeles, State of California, do hereby certify that the attached is a true and correct copy of:

RESOLUTION NO. 7608 - A Resolution Of The City Council Of The City Of Vernon Establishing The Transmission Revenue Requirements Associated With Vernon's High Voltage (Over 200 Kv) Transmission Facilities And Entitlements (All Located Outside The City) For The Purpose Of Becoming A Participating Transmission Owner With The California Independent System Operator

The original of same is on file in the office of the City Clerk of the City of Vernon, said offices being in the City of Vernon, County of Los Angeles, State of California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Vernon, County of Los Angeles, State of California, on this 29th day of August, 2000.

Gloria J. Orosco
Chief Deputy City Clerk

RESOLUTION NO. 7608

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON ESTABLISHING THE TRANSMISSION REVENUE REQUIREMENTS ASSOCIATED WITH VERNON'S HIGH VOLTAGE (OVER 200 KV) TRANSMISSION FACILITIES AND ENTITLEMENTS (ALL LOCATED OUTSIDE THE CITY) FOR THE PURPOSE OF BECOMING A PARTICIPATING TRANSMISSION OWNER WITH THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR

WHEREAS, the California state legislature adopted AB 1890 which created the California Independent System Operator ("ISO") and required ISO to file a Transmission Access Charge ("TAC") tariff with the Federal Energy Regulatory Commission ("FERC") to establish TACs for high voltage transmission service within the State of California; and

WHEREAS, the FERC, on May 31, 2000, accepted ISO's proposed TAC tariff for filing, made provisions of the tariff subject to refund and ordered ISO to make a compliance filing in accordance with its order; and

WHEREAS, Vernon, in accordance with said tariff, provided its notice of intent to become a Participating Transmission Owner ("PTO") on June 30, 2000; and

WHEREAS, pursuant to said tariff, Vernon intends to turn over the operation and control of Vernon's transmission entitlements to ISO in return for ISO reimbursing Vernon its Transmission Revenue Requirement relating to such transmission entitlements; and

WHEREAS, Albert E. Clark, an experienced FERC consultant with the firm of Fred Saffer and Associates, Inc. has submitted testimony before the City Council of the City of Vernon recommending the establishment of a Transmission Revenue Requirement; and

/ / /

WHEREAS, a Notice of Public Hearing was posted on August 15, 2000, notifying all interested parties that a hearing to consider evidence to establish Vernon's Transmission Revenue Requirement was scheduled for August 22, 2000, at approximately 5 p.m.; and

WHEREAS, on August 22, 2000, the City of Vernon held a public hearing which was continued to August 29, 2000, which provided a reasonable opportunity for persons to comment on the establishment of Vernon's Transmission Revenue Requirement; and

WHEREAS, the City Council has heard and considered all evidence, both written and oral, presented in consideration of the establishment of Vernon's Transmission Revenue Requirement.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VERNON AS FOLLOWS:

SECTION 1: The City Council of the City of Vernon hereby finds and determines that the recitals contained hereinabove are true and correct.

SECTION 2: The City Council of the City of Vernon further finds that all persons have had the opportunity to be heard or to file written comments to the proposed establishment of Vernon's Transmission Revenue Requirement, and after due consideration of the evidence submitted at the public hearing determines that there are compelling reasons to justify the establishment of Vernon's Transmission Revenue Requirement.

SECTION 3: The City Council of the City of Vernon hereby establishes the Transmission Revenue Requirement described in the testimony presented by Mr. Albert E. Clark, a copy of which is attached hereto as Exhibit "A" and made a part hereof.

/ / /

SECTION 4: The City Clerk of the City of Vernon shall certify to the passage of this resolution, and thereupon and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED this 29th day of August, 2000.

LEONIS C. MALBURG, Mayor

ATTEST:

BRUCE V. MALKENHORST, City Clerk

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, BRUCE V. MALKENHORST, City Clerk of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. 7608, was duly adopted by the City Council of the City of Vernon at an adjourned regular meeting of the City Council duly held on Tuesday, August 29, 2000, and thereafter was duly signed by the Mayor of the City of Vernon.

BRUCE V. MALKENHORST, City Clerk

(SEAL)

EXHIBIT A

["Exhibit A" to the August 29, 2000 Resolution of the Vernon City Council is the Testimony and Exhibits of Mr. Clark that Appear as a Part of Vernon's August 30, 2000 Petition for Declaratory Order]

ORIGINAL

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FEDERAL ENERGY REGULATORY COMMISSION

August 31, 2000

BY HAND DELIVERY

Honorable David P. Boergers
Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

EL00-105-000

Re: City of Vernon, California, Docket No. EL00-___-000
Supplement to Petition for Declaratory Order

Dear Mr. Boergers:

On August 30, 2000, the City of Vernon, California filed a Petition for Declaratory Order to establish its Transmission Revenue Requirement ("TRR") for purposes of becoming a Participating Transmission Owner ("PTO") under the California Independent System Operator Corporation ("Cal ISO") FERC Electric Tariff.

Submitted herewith is a Transmission Owner Tariff ("TO Tariff"), prepared by Vernon in consultation with the Cal ISO. It states three things: the Vernon's TRR, the fact that the transmission facilities that Vernon owns and for which operational control is being turned over to the Cal ISO may not be expanded with out consultation with the appropriate governing bodies of the relevant projects of which those facilities are a part, and the fact that new interconnections may not be made to those facilities without similar consultations.

When Vernon becomes a PTO, it will not provide transmission service to customers on the Vernon entitlements controlled by the Cal ISO. The Cal ISO will provide such service under the Cal ISO FERC Electric Tariff Amendment No. 27 the Transmission Access Charge ("TAC"). Vernon, which is, among other things, a municipality not subject to the Federal Power Act rate filing requirements, for this and other reasons does not believe that a TO Tariff filing is necessary for it. However, because of Vernon's desire, as explained in its August 30, 2000 Petition, to become a PTO as of January 1, 2001, Vernon submits this TO Tariff, in case the Commission determines that such a tariff is necessary for Vernon to avoid any possible delays in Vernon's attaining PTO status.

As explained in its August 30 Petition, because Vernon is the first municipality to apply for PTO status in the Cal ISO and to seek approval of its TRR, and because the procedures for doing so are not settled, Vernon requests waiver of any requirements that the Commission determines are necessary to the approval of its TRR.

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A computer diskette containing this TO Tariff in Text File format is enclosed.

Copies of this petition have been served upon the following persons at the following addresses. These persons are representatives of the Cal ISO and the existing PTOs. They are the same individuals upon which Vernon, consistent with requirements of Section 2.2.2 of the TCA, served its August 1, 2000 application to the Cal ISO to become a new PTO.

Ms. Deborah A. Le Vine
Director Contracts and Compliance
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Ms. Judi Mosley
Pacific Gas & Electric Co.
Manager of Electric Transmission Services
77 Beale Street - Mail Code B13J
San Francisco, CA 94105

Anna J. Valdberg, Esq.
Southern California Edison Co.
Law Department
2244 Walnut Grove
Rosemead, CA 91770

Mr. Don Garber
San Diego Gas & Electric Co.
Sempra Energy
101 Ash Street
San Diego, CA 92101

Respectfully submitted,

Channing D. Strother, Jr.
Attorney for
City of Vernon, California

CITY OF VERNON
FERC NONJURISDICTIONAL ELECTRIC TARIFF
ORIGINAL VOLUME NO. I

Original Sheet No. 1

VERNON TRANSMISSION OWNER TARIFF

Transmission Revenue Requirement

1. Vernon's "$HVTRR_{PTO}$" under Sections 5.2 and "High Voltage Revenue Requirement" under Sections 6 and 9.2 of Appendix F of the California Independent System Operator's FERC Electric Tariff is $13,080,189. Vernon is not transferring operation and control of any low voltage facilities or entitlements, and, thus, has not established a Low Voltage Transmission Revenue Requirement.

Transmission Expansion

2. The transmission facilitiesowned by Vernon may not be expanded without prior submission to the management committees or boards of the various projects of which Vernon's facilities are a part: Mead-Adelanto, Mead-Phoenix, and California-Oregon Transmission projects.

New Interconnections

2. New interconnections may not be made to the transmission facilities owned by Vernon without prior submission to management committees or boards of the various projects of which Vernon's facilities are a part: Mead-Adelanto, Mead-Phoenix, and California-Oregon Transmission projects.

Issued by: Kenneth DeDario, Director of Utilities
Issued on: August __, 2000

Effective: January 1, 2001

93 FERC ¶ 61,103

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
William L. Massey, Linda Breathitt,
and Curt Hébert, Jr.

City of Vernon, California Docket No. EL00-105-000

ORDER ON PROPOSED TRANSMISSION REVENUE REQUIREMENT

(Issued October 27, 2000)

On August 30, 2000, as supplemented on August 31, 2000, the City of Vernon, California (Vernon) filed a petition for declaratory order requesting a determination by the Commission that Vernon's Transmission Revenue Requirement (TRR), as approved by its rate setting body, the Vernon City Council, is proper for purposes of Vernon becoming a Participating Transmission Owner (Participating TO) in the California System Operator Corporation (ISO). As a Participating TO, Vernon will turn over operational control of its transmission entitlements to the ISO and be reimbursed based upon its TRR by the ISO through the ISO's collection of a transmission access charge (TAC). Vernon requests that the Commission issue an order in this proceeding by October 31, 2000 to allow the ISO to make certain filings with the Commission by November 1, 2000, sixty days prior to January 1, 2001, the proposed effective date of Vernon becoming a Participating TO. As discussed below, the Commission finds that Vernon's proposed rate methodology and resulting high voltage TRR, as modified, are just and reasonable.

I. Background

On May 31, 2000, the Commission, in Docket No. ER00-2019-000, accepted for filing, suspended for a nominal period, and set for hearing the ISO's proposed TAC methodology and related tariff revisions (May 31 Order).[1] Included in the ISO's TAC proposal is a requirement that non-public utility entities such as locally, publicly owned electric utilities (referred to as Governmental Entities) that are new Participating TOs submit their high voltage TRR to the ISO. The ISO proposed that if an objection were

[1]California Independent System Operator Corporation, 91 FERC ¶ 61,205 (2000).

raised to a Governmental Entity's proposed TRR, then the justness and reasonableness of the TRR would be evaluated by a Revenue Review Panel (RRP) in accordance with the standards established by the Commission pursuant to the Federal Power Act (FPA) and, if applicable, the standards established by the ISO Governing Board. Furthermore, the ISO proposed that the decision of the RRP be final and not subject to further review.

The Commission's May 31 Order found that the regulatory review authority of the RRP of non-public utility entities that became Participating TOs was a complex and evolving question, and the Commission gave general guidance on this question. The May 31 Order, however, did find the ISO's proposal that the RRP's findings were final and non-appealable to be inconsistent with the Commission's statutory responsibilities. On August 3, 2000, the ISO made a compliance filing in Docket No. ER00-2019-002 to file revised tariff sheets, including revised RRP provisions, as required by the May 31 Order.[2]

The ISO, through its revised RRP provision submitted as part of its compliance filing to the Commission's May 31 Order in Docket No. ER00-2019-000, set forth revised filing options for Governmental Entities such as Vernon who wish to become Participating TOs. As provided for in the ISO's original submittal in Docket No. ER00-2019-000, Vernon could have filed its TRR with the ISO and, if challenged, go through the procedures established for review by the ISO's RRP. Alternatively, based on the procedures proposed by the ISO in its compliance filing, Vernon chose to file its TRR directly with the Commission. Vernon is the first Governmental Entity to apply for Participating TO status in the ISO. Vernon requests waiver of any requirements the Commission may impose on such filings, at least for purposes of accepting Vernon's TRR filing and allowing it to go into effect on January 1, 2001.[3]

Vernon states that its TRR is presented to the Commission as a finally approved rate by the body of state government responsible for setting the rate. Vernon notes that the nature of the Commission's jurisdiction to review the TRR of Governmental Entities such as Vernon and the criteria to be applied for such review are pending as an issue in Docket No. ER00-2019-000. Nonetheless, Vernon believes that it is clear that the Vernon City Council's determination of the TRR must be given appropriate deference by

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[2]The Commission is issuing a contemporaneous order on the ISO's compliance filing in Docket No. ER00-2019-002.

[3]Vernon states that it has submitted its TRR filing in the form of a petition for declaratory order similar to the form and procedure provided under Order No. 888 for open access transmission filings by non-public utilities -- so-called Non-Jurisdictional or "NJ" filings.

the Commission. Vernon also suggests, but does not explicitly request, that the Commission utilize its" NJ" standard as a possible basis upon which Vernon's TRR should be reviewed.

Vernon's TRR relates to high voltage transmission facilities that are jointly owned with other entities. As such, Vernon's TRR does not principally rely on costs that are solely related to its own operation of transmission facilities but rather are joint costs of a group of entities who own such facilities. Vernon asserts that because the Commission stated that the review of non-jurisdictional TRRs is a complex and evolving question, it has presented its TRR in a form designed to meet the Commission's ratemaking criteria. Vernon further contends that its filing is intended to meet any standard the Commission might apply, up to and including the FPA's just and reasonable standard. In recognition of this goal, Vernon's TRR utilizes proxy numbers for its rate of return on common equity and depreciation rates that are identical to those utilized by the IOU, in this case SCE, who is in the same TAC area. Additionally, Vernon utilizes the same methodology for developing A&G expenses, cash working capital allowance and regulatory commission expense as that utilized by SCE in its TRR proceedings before the Commission. Vernon's proposed annual TRR is approximately $13.1 million based on historical 1999 calendar year data.

II. Notice of Filing and Responsive Pleadings

Notice of Vernon's filing was published in the Federal Register[4] with comments, protests and motions to intervene due on or before September 29, 2000. Timely motions to intervene raising no substantive issues were filed by California Department of Water Resources, Metropolitan Water District of Southern California, Sempra Energy, the Cities of Anaheim, Azusa, Banning, Colton and Riverside, California, and jointly by Enron Energy Services, Inc. and Enron Power Marketing, Inc. Timely motions to intervene with protests or comments were filed by Southern California Edison (SCE), Pacific Gas and Electric Company (PG&E), Transmission Agency of Northern California (TANC), Modesto Irrigation District (Modesto), the ISO, California Electricity Oversight Board (CEOB) and jointly by the Cities of Redding, Santa Clara and Palo Alto and the M-S-R Public Power Agency (Cities/M-S-R). The Sacramento Municipal Utility District (SMUD) filed a motion to intervene out of time raising no substantive issues.

CPUC, in its protest, generally argues that Vernon should be required to file, under Section 205 of the FPA and in compliance with Part 35 of the Commission's Regulations, detailed cost of service data and requisite rate schedules. Specifically, CPUC identifies

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[4]65 Fed. Reg. 55,235 (2000).

three problem areas: (1) the use of the 11.6 % return on equity granted to SCE that is used by Vernon as its overall cost of capital; (2) Vernon's proposed unused transmission capacity adjustment; and (3) the recovery of A&G expenses based on an internal labor ratio. CPUC requests the filing be suspended and set for hearing to allow parties to further review the issues present in Vernon's filing. CEOB, in its comments, supports CPUC's protest and request for hearing.

SCE, in its protest, opposes Vernon's submittal, in this docket and at this point, to become a Participating TO on two grounds. First, it argues that Vernon's potential membership cannot result in SCE's ratepayers being responsible for paying a share of Vernon's TRR, where such TRR has not been determined by the Commission to be just and reasonable under Commission ratemaking principles and policies. Second, it asserts that Vernon must join and participate in the ISO on a basis comparable to all other Participating TOs. More specifically, SCE argues that the Commission's May 31 Order concluded that the ISO's TAC cannot be implemented without all components of this rate being found just and reasonable. SCE asserts that Vernon's suggestion in its filing that its TRR may be reviewed either under the just and reasonable standard or under the comparability standard, which the Commission has applied to non-jurisdictional (NJ) open-access transmission tariff (OATT) filings, is incorrect. SCE contends that review under the NJ comparability standard is wholly unnecessary. In addition, SCE takes issue with a number of cost of service issues included in Vernon's TRR, including the proper rate of return. Finally, SCE argues that the Commission should require Vernon to adopt a TO Tariff that closely matches the TO Tariffs of the public utility Participating TOs.

PG&E submits that the central issue in this proceeding is whether the Commission should conduct a substantive review of Vernon's TRR to determine whether it is cost justified, thereby ensuring that customers who pay that TRR are not charged excessive rates. PG&E argues that Vernon's position that a substantive review is unnecessary because the Commission should defer to Vernon's City Council's adoption of the proposed TRR has no merit. PG&E echos SCE's arguments regarding proper jurisdictional review, the appropriateness of the "NJ" standard and concerns regarding specific cost of service items. PG&E concludes that review must be a traditional cost of service review, that Vernon has not filed adequate support to permit such a review and that the filing should therefore be rejected.

The ISO, in its comments, requests that the Commission provide detailed guidance on the type of approval a Governmental Entity may request of the Commission for both the TRR and the TO Tariff, and the standard by which that request is to be evaluated. Specifically, the ISO seeks guidance on Vernon's calculation of its proposed TRR, including the following: the propriety of deferring portions of the costs of certain transmission facilities until they are fully utilized; the appropriateness of applying another

TO's approved equity return to a Governmental Entity's TRR calculation; and the appropriateness of applying the depreciation factor of SCE in lieu of determining a depreciation allowance based on a review of Vernon's own facilities. With regard to Vernon's proposed TO Tariff, the ISO asserts that Vernon must provide more detail in its filing similar, although not identical, to that provided by public utilities.

Modesto, TANC and Cities/M-S-R assert that the Commission, in considering Vernon's petition, should take only those limited actions which are needed to permit Vernon to become a Participating TO. Moreover, Modesto, TANC and Cities/M-S-R contend that any actions that the Commission may take in this proceeding should not be precedential, and should be limited to the circumstances of Vernon's petition. Modesto, TANC and Cities/M-S-R submit that the issues of Commission jurisdiction, the development of the TRR and the role of the RRP should be determined in the ISO TAC matter in Docket No. ER00-2019-000. Modesto and TANC assert that should the Commission find it has jurisdiction in this proceeding, the Commission should indicate that it does not intend to establish rules for TRRs that restrict alternative formulations of TRRs submitted by other entities in the future.

Vernon filed an answer to certain points raised in the protests.

III. Discussion

Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2000), the timely, unopposed motions to intervene and the notice of intervention of the entities listed above serve to make them parties to this proceeding. We also find good cause to grant the untimely, unopposed motion to intervene of SMUD because of the early stage of the proceeding, the lack of undue prejudice or delay and SMUD's interest in the proceeding.

We will reject Vernon's answer as an impermissible answer to a protest. See 18 C.F.R. § 385.213(a)(2) (2000).

Proposed TRR

The Commission does not have jurisdiction under sections 205 and 206 of the Federal Power Act (FPA) over municipal entities such as Vernon.[5] However, the Commission does have the authority to evaluate non-jurisdictional activities to the extent they affect the Commission's jurisdictional activities.[6] Here, Vernon seeks to become a Participating TO in the ISO, which is subject to our jurisdiction, by turning over operational control of its transmission entitlements to the ISO and being reimbursed by the ISO through the ISO's collection of a TAC. Vernon voluntarily chose to file its TRR directly with the Commission and the purpose of our review is to determine whether Vernon's rate methodology, in the context of Vernon's participation in a Commission jurisdictional public utility ISO, will result in a just and reasonable component of the ISO's rates.

Under the circumstances here, we will accept Vernon's use of the rate methodology utilized by SCE (an IOU that has determined its TRR), which is a methodology familiar to this Commission. However, as discussed further below, we cannot conclude that Vernon's rate methodology and resulting TRR are just and reasonable unless Vernon modifies certain aspects of its proposal that are inconsistent with the methodology used by SCE.

While the Commission's review indicates that Vernon's proposed rate methodology, which utilizes ratemaking principles consistent with those utilized by IOUs in determining their TRRs, is just and reasonable, the Commission is not here determining or prescribing a single approach to the exclusion of other approaches. Rather, the Commission will consider each specific rate proposal put before it by Governmental Entities and rule on each specific proposal based on the facts presented therein.

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[5]See Section 201 (f) of the FPA. The Commission does, however, have jurisdiction to order such entities to provide transmission service on a case-by-case basis under section 211 of the FPA, and to set just and reasonable rates for services ordered under section 211.

[6]See South Carolina Public Service Authority, 75 FERC ¶ 61,209 at 61,696 (1996).

Modifications to Vernon's Proposed Transmission Revenue Requirement

Vernon proposes to adopt the 11.60% return on common equity granted to SCE by the Commission in Opinion No. 445, as its overall cost of capital. CPUC, PG&E and SCE argue that Vernon has submitted no explanation of its cost of funds, no justification for a return identical to the return on common equity for an investor-owned utility, and that it is unreasonable to impose the higher costs associated with an uneconomic capital structure on other Participating TOs. The Commission finds that in this specific instance, where Vernon will be a Participating TO in the same TAC area as SCE, it is acceptable to use the return on common equity granted to SCE as a proxy for the return on common equity for Vernon. Vernon, however, should also use SCE's capital structure so as to be consistent with SCE's cost of capital. Accordingly, the Commission finds Vernon's use of SCE's overall capital structure and the 11.60% return on common equity as the appropriate cost of capital for Vernon in this proceeding.[7]

Vernon's proposed TRR also includes an amortizable expense and a levelized unamortized balance in rate base related to "unused transmission capacity" for its transmission facilities that have previously been placed into service but not fully utilized by Vernon. CPUC, PG&E and SCE protest this inclusion as being inconsistent with Commission precedent on retroactive ratemaking and cost causation. The Commission finds Vernon's proposed inclusion of unused transmission capacity expense to be inconsistent with the costs that SCE includes in its TRR, and, as such, must be excluded from Vernon's TRR.

Proposed Tariff Amendment

Vernon has submitted a one-page tariff sheet in conjunction with its TRR which incorporates its proposed TRR as part of the ISO's Tariff. The ISO and SCE have commented on Vernon's tariff sheet. The ISO states that while Vernon may not have to file a TO Tariff that is identical in every respect to the TO Tariffs filed by public utilities, it must provide detailed tariff sheets to address certain fundamental issues such as eligibility, access charge, dispute resolution and the relationship to the ISO tariff. SCE argues that Participating TOs have several important responsibilities with regard to transmission service and particularly with regard to interconnection service. SCE argues, among other things, that the ISO cannot ensure that its service is non-discriminatory if Vernon does not have a conforming TO Tariff on file.

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[7]Based on the record in Docket No. ER97-2355-000, the overall cost of capital for Vernon will be 9.29%.

Vernon states explicitly that it intends to cooperate with the ISO as to procedures to effectuate its goal of becoming a Participating TO on January 1, 2001.[8] The Commission, consistent with this commitment, directs 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 is directed to submit the results of such negotiations with the Commission to ensure that the tariff provisions are consistent with those of other the Participating TOs and, to the extent differences exist, to support the need for such differences.

The Commission orders:

(A) Vernon's TRR, as modified, is hereby accepted, as discussed in the body of this order.

(B) Vernon is directed to submit a revised tariff with the Commission, as discussed in the body of this order.

By the Commission.

(SEAL)

Linwood A. Watson, Jr.,
Acting Secretary.

[8]Direct Testimony of Vernon witness Clark, page 5.