

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System        )  
Operator Corporation                 )  
  )

ER01-\_\_\_\_-000

DIRECT TESTIMONY OF  
DEBORAH A. LE VINE  
ON BEHALF OF THE  
CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Deborah A. Le Vine and I am the Director of Contracts &  
3 Compliance for the California Independent System Operator ("ISO"). My  
4 business address is 151 Blue Ravine Road, Folsom, California 95630.

5 **Q. PLEASE DESCRIBE YOUR PRESENT RESPONSIBILITIES AT THE**  
6 **ISO.**

7 A. As the Director of Contracts & Compliance, I am responsible for  
8 negotiation and administration of all *pro forma* agreements executed by  
9 Market Participants and reliability agreements executed by certain  
10 generators and/or Load. The compliance portion of the job includes  
11 compliance with the obligations cited in the agreements, and the ISO Tariff  
12 including the ISO Protocols.

13 **Q. DO YOU HAVE ANY OTHER RESPONSIBILITIES AT THE ISO?**

14 A. Yes. Since October 1998, I have been the project leader for the ISO's  
15 development of a new transmission Access Charge that was required to  
16 be developed in accordance with California Assembly Bill 1890.

17 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
18 **BACKGROUND.**

19 A. I received a Bachelor of Science degree in Electrical Engineering from  
20 San Diego State University in San Diego, California in May 1981. In  
21 May 1987, I received a Master in Business Administration from

1 Pepperdine University in Malibu, California. Additionally, I am a registered  
2 Professional Electrical Engineer in the State of California.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**  
4 **PROCEEDINGS?**

5 A. Yes. I have previously submitted testimony on behalf of the ISO in Docket  
6 No. ER98-1057-000, et al., concerning the ISO's Responsible  
7 Participating Transmission Owner Agreements, in Docket No. ER98-992-  
8 000, et al., pertaining to the ISO's Participating Generator Agreements, in  
9 Docket No. ER98-1499-000, et al., involving the ISO Meter Service  
10 Agreements for Scheduling Coordinators and ISO Metered Entities, in  
11 Docket No. ER00-2019-000 involving the ISO's transmission Access  
12 Charge filing as required by California State Legislation, in Docket No.  
13 ER98-997-000, et al., pertaining to the CA ISO's Qualifying Facility  
14 Participating Generator Agreement and in Docket No. ER00-2360-000, et  
15 al., regarding the Pacific Gas & Electric Company Reliability Service Tariff.  
16 Additionally, I have filed testimony at the California Public Utilities  
17 Commission in Docket No. R. 99-10-025, an Order Instituting Rulemaking  
18 into Distributed Generation (Phase 2).

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to set forth the ISO's position with respect  
21 to certain billing determinants for the Grid Management Charge ("GMC") --  
22 specifically the issue of how billing the Control Area Service component of

1 the GMC based on Gross Load relates to the assessment of the ISO's  
2 transmission Access Charge on a Gross Load basis.

3 **Q. AS YOU TESTIFY, WILL YOU BE USING ANY SPECIALIZED TERMS?**

4 A. Yes. Unless otherwise stated, capitalized terms will be as defined in the  
5 Master Definitions Supplement, Appendix A of the ISO Tariff.

6

7 I. BACKGROUND - ACCESS CHARGE

8

9

10 **Q. WHAT IS THE ISO?**

11 A. The ISO is a non-profit public benefit corporation organized under the laws  
12 of the State of California and responsible for the reliable operation of a  
13 grid comprising the transmission systems of PG&E, San Diego Gas &  
14 Electric Company ("SDG&E"), and Southern California Edison Company  
15 ("SCE"), as well as for the coordination of the competitive electricity  
16 market in California.

17 **Q. WHAT IS THE ACCESS CHARGE?**

18 A. The Access Charge is a charge paid by entities serving Loads on the  
19 transmission and distribution systems of Participating Transmission  
20 Owners ("Participating TOs") to recover those Participating TOs'  
21 transmission-related revenue requirements. These are the operating and  
22 carrying costs associated with the Participating TOs' transmission facilities  
23 and Entitlements. (The costs of operating the ISO itself are not recovered

1 through the Access Charge; these costs are recovered through the Grid  
2 Management Charge.)

3 **Q. PLEASE DESCRIBE THE ACCESS CHARGE PROPOSAL FILED IN**  
4 **AMENDMENT 27 OF THE ISO TARIFF.**

5 A. The ISO proposal in Amendment No. 27 is to have a two-part Access  
6 Charge consisting of a high voltage ("HV") component to recover costs of  
7 ISO Controlled Grid facilities rated at 200 kV and above and a low voltage  
8 ("LV") component to recover costs of ISO Controlled Grid facilities rated at  
9 less than 200 kV. The Access Charge for the LV facilities would continue  
10 to be recovered on a utility-specific basis based on a tariff developed by  
11 each individual Participating TO.

12  
13 The HV Access Charge would initially be based on "TAC Areas." At the  
14 outset, there will be three TAC Areas, one corresponding to each of the  
15 former Western System Coordinating Council ("WSCC") Control Areas of  
16 the three original Participating TOs: a Northern Area (PG&E), a Southern  
17 Area (SDG&E), and an East Central Area (SCE). If the Los Angeles  
18 Department of Water and Power joins the ISO, a fourth TAC Area -- the  
19 West Central Area -- would be established. If the Imperial Irrigation  
20 District or entities from other states decide to join, the ISO Board would  
21 consider whether to establish additional TAC Areas, or add the new  
22 Participating TO to an existing TAC Area to minimize cost shifts.

1

2 Each TAC Area would include all Participating TOs, including investor-  
3 owned and governmental entities, within that area. For example,  
4 assuming all California Transmission Owners joined the ISO, the Northern  
5 Area would consist of PG&E, Sacramento Municipal Utility District,  
6 Western Area Power Administration -- Sierra Nevada Region, Northern  
7 California Power Agency, City of Redding, Silicon Valley Power, City of  
8 Palo Alto, City and County of San Francisco, Alameda Bureau of  
9 Electricity, City of Biggs, City of Gridley, City of Healdsburg, City of Lodi,  
10 City of Lompoc Utility Department, Modesto Irrigation District, Turlock  
11 Irrigation District, Plumas County Water Agency, City of Roseville Electric  
12 Department, City of Shasta Lake, and City of Ukiah.

13

14 Over a ten-year period following the addition of the first new  
15 Participating TO, the separate TAC Area HV Access Charges would  
16 transition via a phase-in to a single ISO Grid-wide HV Access Charge.  
17 This would be accomplished by blending the individual TAC Area high  
18 voltage Transmission Revenue Requirements with the sum of the high  
19 voltage Transmission Revenue Requirements of all Participating TOs.  
20 The blended average HV Access Charge in each year is an increasing  
21 fraction of the ISO Grid-wide rate, starting at ten percent in the first year  
22 and increasing by ten percent each year. By year ten, the ISO Grid-wide

1 portion will be 100 percent, and TAC Areas will have been dissolved. This  
2 should create a smooth transition from disparate TAC Area rates to a  
3 single ISO Grid-wide rate over ten years.

4  
5 In addition, capital investments by any Participating TO in new high  
6 voltage transmission facilities and in capital additions to existing high  
7 voltage transmission facilities will immediately be included in the ISO Grid-  
8 wide component of the High Voltage Access Charges. This will increase  
9 the pace at which the High Voltage Access Charges converge into a  
10 single charge. At the end of the ten-year transition period, a single HV  
11 Access Charge would apply to the withdrawal of Energy at any point on  
12 the ISO Controlled Grid.

13  
14 The HV Access Charge will be paid by the Utility Distribution Company  
15 (“UDC”) or Metered Subsystem (“MSS”) delivering the Energy for the  
16 supply of Gross Load and by the Scheduling Coordinators serving Gross  
17 Load of End-Use Customers not directly connected to the facilities of a  
18 UDC or MSS. Additionally, the Wheeling Access Charge is determined by  
19 the TAC Area and transmission ownership or Entitlement associated with  
20 the Scheduling Point at which the Energy exits the ISO Controlled Grid.

21 **Q. HOW WAS THE TERM "GROSS LOAD" USED IN AMENDMENT NO.**  
22 **27?**

1 A. In Amendment 27, a new definition was added to the ISO Tariff consisting  
2 of the following:

3 **Gross Load** All Energy (adjusted for distribution losses) delivered for the  
4 supply of Loads directly connected to the transmission facilities or  
5 Distribution System of a UDC or MSS, and all Energy provided by a  
6 Scheduling Coordinator for the supply of Loads not directly  
7 connected to the transmission facilities or Distribution System of a  
8 UDC or MSS. Gross Load shall exclude Load with respect to which  
9 the Wheeling Access Charge is payable and the portion of the Load  
10 of an individual retail customer of a UDC, MSS, or Scheduling  
11 Coordinator that is served by a Generating Unit that: (a) is located  
12 on the customer's site or provides service to the customers site  
13 through over-the-fence arrangements as authorized by Section 218  
14 of the California Public Utilities Code; (b) is a qualifying small power  
15 production facility or qualifying cogeneration facility, as those terms  
16 are defined in the FERC's regulations implementing Section 201 of  
17 the Public Utility Regulatory Policies Act of 1978; (c) was serving  
18 the customer's Load on or before March 31, 2000; and (d) secured  
19 Standby Service from a Participating TO under terms approved by  
20 a Local Regulatory Authority or FERC, as applicable, as of March  
21 31, 2000 and continues to secure Standby Service from the  
22 Participating TO or can be curtailed concurrently with an outage of  
23 the Generating Unit serving the Load. Gross Load forecasts  
24 consistent with filed TRR will be provided by each Participating TO  
25 to the ISO.  
26

27 **Q. WHAT WAS THE ISO'S INTENT IN ADOPTING THIS DEFINITION**

28 A. First, with respect to all aspects of the Amendment No. 27 proposal, the  
29 Gross Load definition represented a compromise based on the  
30 stakeholder process and deliberations of the ISO Governing Board. It  
31 recognized that all Loads connected to the ISO Controlled Grid derive  
32 benefits from the grid and should appropriately share in its fixed costs  
33 through the Access Charges. This principle applies to all Loads in the ISO  
34 Control Area served by Qualifying Facilities ("QFs"), as well as other



1 Loads. Such Loads benefit both from the availability of generating  
2 reserves located throughout the ISO Control Area that protect QF-served  
3 Loads against interruption when the QF that normally serves the Load  
4 trips off-line, and from Energy delivered over the ISO Controlled Grid  
5 during such outages.

6  
7 At the same time, the Amendment No. 27 definition recognizes two  
8 specific circumstances with respect to QF Load. First, a QF-served Load  
9 may be configured in such a manner that it is automatically and  
10 instantaneously curtailed whenever the QF generator serving it is  
11 unavailable. In such a configuration, the Load is not relying on the ISO  
12 Controlled Grid for the receipt of either operating reserves or Energy.  
13 Load which can be curtailed concurrently and instantaneously with an  
14 outage of the Generating Unit serving that Load is not included in the  
15 Definition of Gross Load for purposes of the Access Charge.

16  
17 Second, the Amendment No. 27 definition recognizes that QF-served  
18 Loads have historically contributed to the Transmission Revenue  
19 Requirements of the three Participating TOs through charges for Standby  
20 Service (the charges are paid to the Participating TO with whom the QF is  
21 interconnected). To prevent over-recovery of the Transmission Revenue  
22 Requirements of the Participating TOs, the definition of Gross Load takes

1 into account the contributions to the Transmission Revenue Requirements  
2 made by Existing QFs via Standby Service charges. The provision made  
3 for existing QFs in Amendment No. 27 is often incorrectly referred to as an  
4 "exemption" from payment for the ISO's Access Charge. It is not an  
5 exemption; rather, it is a reflection of the fact that Existing QFs have  
6 contributed to, *and continue to contribute to*, the transmission revenue  
7 requirements of the Participating TOs through the payment of Standby  
8 Service charges. Moreover, to ensure that other customers do not  
9 subsidize the existing QFs taking Standby Service, Amendment No. 27  
10 also requires the Participating TOs to apply the transmission-related  
11 revenues from their Standby Service Tariffs as a credit against their  
12 overall Transmission Revenue Requirements that is used to calculate the  
13 ISO's High Voltage Access Charge.

14

15 The provision made for existing QFs in Amendment No. 27 (i.e., excluding  
16 Loads served by existing QFs from the definition of Gross Load) does not  
17 apply to *new* QFs. Amendment No. 27 envisions that new QFs and new  
18 arrangements for Standby Service can exclude transmission costs from  
19 the calculation of the Standby Rates. The reduced Standby Rate would  
20 recognize that the Loads are bearing their portion of the transmission  
21 costs through the payment of the ISO's Access Charge.

22 **Q. WHAT IS THE CURRENT STATUS OF AMENDMENT 27?**

1 A. The Commission issued an Order on May 31, 2000, accepting the filing,  
2 suspending it, and setting it for hearing. The Commission also is holding  
3 the hearing in abeyance pending the efforts of the settlement process.

4 **Q. DID THE COMMISSION APPROVE THE USE OF GROSS LOAD AS A**  
5 **BILLING DETERMINANT FOR THE ACCESS CHARGE?**

6 A. Yes. In its May 31, 2000 order, the Commission approved the use of  
7 Gross Load as a billing determinant over objections based on the idea that  
8 "behind-the-meter" Loads should not be subject to the ISO's Access  
9 Charge.

10

11 In addition, the Commission approved of the distinction between "existing"  
12 and "new" QFs. As provided for in the definition of Gross Load (quoted  
13 previously), there are four criteria that must be satisfied before the Load  
14 served by a QF can be excluded from the definition of Gross Load. The  
15 Commission stated it generally agreed with the criteria but that it wanted  
16 the record further developed in order to be sure the criteria are applied in  
17 a non-discriminatory manner.

18 **Q. WHEN IS THE NEW ACCESS CHARGE METHODOLOGY EFFECTIVE?**

19 A. In its Order, the Commission made the new Access Charge methodology  
20 effective June 1, 2000. The new methodology is not implemented until a  
21 new Participating TO executes a Transmission Control Agreement,

1           however, thereby turning over Operational Control of its transmission  
2           facilities, which is anticipated to be as soon as January 1, 2001.

3  
4  
5  
6

II.     APPLICATION TO GMC

7     **Q.   WHAT DID THE ISO BOARD APPROVE AS THE BILLING**  
8     **DETERMINANT FOR THE CONTROL AREA SERVICES COMPONENT**  
9     **OF THE GMC?**

10    A.   On June 22, 2000, the ISO Board of Governors approved a GMC  
11        unbundling motion that used Control Area Gross Load to calculate and bill  
12        the Control Area Services component of the GMC.  The Board's  
13        determination to use Control Area Gross Load for the Control Area  
14        Services component of the GMC was based on the fact that all Load  
15        within the ISO Control Area benefits from the ISO providing Control Area  
16        services.  The Board's determination was based on a cost causation  
17        principle that treats all Load within the ISO Control Area similarly and does  
18        not single out any Load for disparate or discriminatory treatment.  The ISO  
19        believes that to exempt certain Loads within the ISO Control Area from the  
20        Control Area Services component of the GMC charges would  
21        discriminatorily shift GMC costs to the remaining Load within the Control  
22        Area.

23    **Q.   IS THE DEFINITION OF "GROSS LOAD" PROPOSED BY THE ISO IN**  
24    **AMENDMENT NO. 27 THE SAME AS THE DEFINITION OF "CONTROL**

1           **AREA GROSS LOAD", WHICH THE ISO BELIEVES SHOULD BE**  
2           **APPLIED FOR PURPOSES OF ASSESSING THE CONTROL AREA**  
3           **SERVICES COMPONENT OF THE GMC?**

4    A.    No. The two charges (the transmission Access Charge and the Control  
5           Area Service component of the GMC) reflect very different and distinct  
6           aspects of the ISO's responsibilities. With regard to the transmission  
7           Access Charge, the ISO can only recover, or charge for, those  
8           transmission facilities turned over to it to operate (i.e., the ISO Controlled  
9           Grid). For example, there are transmission facilities within the ISO's  
10          Control Area that are not part of the ISO Controlled Grid and are not  
11          subject to the ISO's Access Charge. In contrast, the administrative costs  
12          incurred by the ISO to perform the duties and responsibilities as Control  
13          Area operator impact the entire Control Area and benefit all Load within  
14          that Control Area. Given the differences in the nature and scope of the  
15          two responsibilities (i.e., the responsibility to provide transmission access  
16          over the ISO Controlled Grid and the ISO's Control Area responsibilities),  
17          it is appropriate that the definitions used to determine who is subject to the  
18          two charges reflect those differences.

19  
20          The definition of Control Area Gross Load appropriately focuses on all  
21          Load within the Control Area and excludes from the Control Area Services  
22          charge only Load that is electrically isolated from the ISO Control Area or

1 generator auxiliary Load. Mr. Carlson explains the notion of Loads  
2 "electrically isolated" from the ISO Control Area in greater detail in his  
3 testimony. The provisions in the definition of Control Area Gross Load  
4 that exclude "generator auxiliary Load" merely incorporate existing  
5 provisions in the ISO Tariff. These existing provisions set forth the rules  
6 regarding "permitted" and "prohibited" netting of Load and Generation  
7 when submitting meter information to the ISO. The existing provisions are  
8 contained in the Metering Protocol, sections 2.2.4.3 (for ISO Metered  
9 Entities) and 2.3.5 (for SC Metered Entities).

10

11 The full definition of Control Area Gross Load being proposed by the ISO  
12 is as follows:

13

14 **Control Area Gross Load** For the purpose of calculating and billing  
15 the Grid Management Charge, Control Area Gross Load is all Demand for  
16 Energy within the ISO Control Area. Control Area Gross Load shall not  
17 include Energy consumed by:

18

19 (a) generator auxiliary Load equipment that is dedicated to the  
20 production of Energy and is electrically connected at the  
21 same point as the Generating Unit (e.g., auxiliary Load  
22 equipment that is served via a distribution line that is  
23 separate from the switchyard to which the Generating Unit is  
24 connected will not be considered to be electrically connected  
25 at the same point); and

26

27 (b) Load that is isolated electrically from the ISO Control Area  
28 (i.e., Load that is not synchronized with the ISO Control  
29 Area).

30

1 **Q. WHY IS THE ISO PROPOSING A DIFFERENT TREATMENT OF THIS**  
2 **LOAD FOR PURPOSES OF THE CONTRAL AREA SERVICES**  
3 **CHARGE OF THE GMC?**

4 **A.** This issue is addressed in the Testimony of Trent A. Carlson, Ex No. ISO-  
5 10. As he explains, since all Load benefits from the ISO's Control Area  
6 Services, all Load should be required to pay some share of the Control  
7 Area Services charge. Ex. No. ISO-10 at 17.

8 **Q. HAS THERE BEEN ANY OPPOSITION TO THE USE OF CONTROL**  
9 **AREA GROSS LOAD AS A BILLING DETERMINANT?**

10 **A.** Certain stakeholders contend that they are paying for the ISO's  
11 transmission Access Charge via existing Standby Rates, and that they are  
12 "exempt" from paying the Access Charge in light of this. They feel that  
13 similar treatment is appropriate with regard to GMC. As I mentioned  
14 earlier, characterizing the provision made for existing QFs in Amendment  
15 No. 27 as an "exemption" is incorrect.

16 **Q. LEAVING ASIDE THE QUESTION OF WHETHER TRANSMISSION**  
17 **ACCESS CHARGES ARE COLLECTED IN EXISTING STANDBY**  
18 **CHARGES, AS THESE STAKEHOLDERS CONTEND, DO YOU AGREE**  
19 **WITH THESE STAKEHOLDERS THAT THE GMC IS COLLECTED IN**  
20 **STANDBY CHARGES?**

21 **A.** No. Both transmission service and rates for that service were included in  
22 the old paradigm, prior to restructuring. The only difference today is how

1 those rates are collected. It's a fact that the service and the rates already  
2 existed prior to restructuring and that the Standby Rates included a  
3 contribution to the Transmission Revenue Requirement of the  
4 Participating TOs. The ISO did not exist before restructuring, however,  
5 and therefore no costs for the Control Area services provided by the ISO  
6 could have been included in the Standby Rates. The provision of  
7 transmission service over the Participating TOs' transmission systems and  
8 the need to collect the Participating TOs' Transmission Revenue  
9 Requirements are items that are not fundamentally changed by  
10 restructuring and the California market design. In contrast, the ISO's GMC  
11 costs are new costs associated with restructuring in California. The GMC  
12 pays for the ISO to operate and administer the Control Area. These costs  
13 could not have been included in any of the pre-existing Participating  
14 TO/Utility Distribution Company Standby Rates. In addition, the  
15 Participating TOs are no longer providing Control Area services for  
16 California. Even if an argument could be made that Standby Rates  
17 include administration charges, those revenues go to pay the Participating  
18 TOs, not the ISO. As noted above, all Load within the ISO Control Area  
19 benefits from the ISO providing Control Area services and recovery of the  
20 cost for such services should be based on Control Area Gross Load.

21 **Q. WHAT IS THE "GROSS VERSUS NET" CONTROVERSY?**



1 A. The so-called "gross versus net" controversy is based on the "behind-the-  
2 meter" arguments I mentioned earlier when I was describing the  
3 Commission's May 31, 2000 order on Amendment No. 27. The  
4 fundamental assertion of these "behind-the-meter" arguments is that  
5 "behind-the-meter" Generation serving "behind-the-meter" Load does not  
6 "use" the transmission facilities operated by the ISO. The Commission  
7 rejected these arguments in its May 31, 2000 order.

8 **Q. SHOULD THE "BEHIND-THE-METER" CONCEPT APPLY TO THE**  
9 **GMC?**

10 A. No. As discussed previously, and in the testimony of Mr. Carlson, Exhibit  
11 No. ISO-10, all Load in the ISO Control Area, regardless of how that Load  
12 is supplied, benefits from the Control Area services provided by the ISO  
13 and should pay the Control Area Services component of the Grid  
14 Management Charge.

15 **Q. THANK YOU, MS. LE VINE. I HAVE NO FURTHER QUESTIONS.**

16