

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

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|---|---|-------------------------------|
| Northern California Power Agency |) | |
| |) | |
| v. |) | Docket No. EL02-64-000 |
| |) | |
| Pacific Gas & Electric Company |) | |
| and the California Independent |) | |
| System Operator Corporation |) | |

**MOTION TO INTERVENE AND COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.214, and the Commission's March 1, 2002, Notice of Filing, the California Independent System Operator Corporation ("ISO") hereby moves to intervene in the above-captioned proceeding. In support thereof, the ISO states as follows:

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

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II. BACKGROUND

On February 27, 2002, the Northern California Power Agency (“NCPA”) filed an Emergency Petition seeking a declaratory order requesting a technical conference or other expedited procedures, a shortened response time, and expedited consideration. Primarily, the petition involves the arrangements that will be necessary to accommodate an Existing Contract between the Western Area Power Administration (“WAPA”) and Pacific Gas and Electric Company (“PG&E”) if the Interconnection Agreement (“IA”) between NCPA and PG&E is terminated in accordance with PG&E’s filing in Docket No. ER01-2998-000.¹

III. BASIS FOR MOTION TO INTERVENE

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of the electric grid comprising the transmission systems of PG&E, San Diego Gas & Electric Company, Southern California Edison Company, and the City of Vernon, California as well as for the coordination of the competitive electricity market in California. As the operator of this grid, the ISO believes that it has a unique interest in any Commission proceeding concerning the NCPA petition.

IV. COMMENTS

The petition makes patently clear that NCPA’s primary concern relates to PG&E’s obligations under the Existing Contract between PG&E and WAPA,

¹ Capitalized terms not otherwise defined have the meaning specified in the Master Definitions Supplement, Appendix A of the ISO Tariff.

which the ISO is required to honor, should the Commission approve PG&E's request to terminate the IA between PG&E and NCPA.² The ISO does not question that NCPA raises a valid issue in this regard. Indeed, the ISO is very concerned with this issue from an operational perspective. The ISO must have transactions under the Existing Contract between WAPA and PG&E Scheduled in accordance with the ISO Tariff to reliably operate the ISO Control Area. It is for this reason, and for this reason only, that the ISO supports NCPA's efforts to obtain clarification of this issue.

NCPA, however, includes significant background and general discussion regarding the relationship between the ISO's market structure and the operation of vertically integrated utilities and specifically municipal utilities.³ The ISO, although willing to participate in a technical conference or other expedited procedures as may be determined necessary by the Commission to address issues related to implementation of the Existing Contract between PG&E and WAPA, objects to including other issues more generally related to vertically integrated utilities and municipal utilities in any process initiated in response to NCPA's petition. The issues associated with Metered Subsystems encompass a number of parties in California and the ISO intends to flesh out those issues within California prior to filing a proposed solution with the Commission. A process prior to that filing, or a process that does not include all of the affected parties, is premature.

² A Commission decision rejecting PG&E's request to terminate the IA would render the petition moot.

NCPA also discusses the ongoing efforts of the ISO and NCPA to develop mechanics built upon the Metered Subsystem provisions of the ISO Tariff to further accommodate the needs of vertically integrated utilities and specifically municipal utilities. The ISO, while it appreciates NCPA's recognition of these efforts and is committed to concluding this process, must point out that NCPA appears to raise this discussion in an effort to demonstrate a complete lack of a "safety net" should the Commission approve PG&E's request to terminate NCPA's IA before NCPA and the ISO conclude their negotiations. What NCPA fails to point out is that the ISO has on file with the Commission approved *pro forma* contracts and Tariff provisions to ensure NCPA and its members are indeed accommodated by the ISO's existing market structure. Although this structure may not satisfy all of the issues under consideration as part of the negotiations between NCPA and the ISO to implement the Metered Subsystem concepts, it will provide an interim approach while the ISO and NCPA continue the process of developing appropriate provisions to more fully integrate NCPA, and indeed all vertically integrated utilities, into the ISO's market structure.⁴

NCPA has since its filing been officially notified of the ISO's preparation for the transition that would be necessitated by termination of NCPA's IA with PG&E in advance of the conclusion of negotiations between NCPA and the ISO. These preparations include, but are not limited to, filings with the Commission of

³ See NCPA Petition at pg. 4-9 (describing generally some of the issues presented by municipal utility existence under the ISO market structure).

⁴ This process currently involves NCPA in its representative capacity and NCPA's members in their individual capacities, and it is anticipated the negotiations will not be concluded prior to April 1, 2002, the date PG&E has requested for termination of its IA with NCPA.

the Utility Distribution Company Operating Agreements (“UDCOA”), Participating Generator Agreements (“PGA”), and Meter Service Agreements (“MSA”) and the necessary scheduling, settlements and billing system updates. These *pro forma* agreements were the subject of prior Commission proceedings and are the products of Commission-accepted settlements (Docket No. ER98-899-000 (UDCOA); Docket No. ER98-992-000 (PGA), and ER98-1499-000 (MSA)). The ISO, therefore, considers issues related to municipal utilities beyond the scope of what is necessary to address NCPA’s concerns of scheduling the WAPA contract raised in its petition.

The ISO assures the Commission that it remains prepared to work with NCPA and its members to the extent possible under existing structures approved by the Commission and that there will indeed be a “safety net” to catch NCPA and its members should the Commission grant PG&E’s request to terminate the IA. In the meantime, the ISO remains committed to any Commission initiated process that would resolve issues related to implementation of the Existing Contract between WAPA and PG&E that impacts deliveries to NCPA, and will continue to negotiate appropriate terms and conditions under which NCPA and its members can become more fully integrated into the ISO’s market structure.

V. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission permit it to intervene, and that it be accorded full party status in this proceeding. Further, the ISO respectfully requests that the Commission limit any process initiated in response to the petition to consideration of issues directly related to implementation of the Existing Contract between PG&E and WAPA as it related to Energy and Ancillary Services deliveries to NCPA.

Respectfully submitted,

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Counsel for the California Independent
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Date: March 11, 2002

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 11th day of March, 2002.

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