UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

	)	
Pacific Gas and Electric Company	)	**Docket No. ER00-2360-001**
	)	

MOTION TO INTERVENE AND PROTEST OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.211, 385.214, and the Commission's May 23, 2000, Notice of Filing, the California Independent System Operator Corporation ("ISO")[1] hereby moves to intervene in the above-captioned proceeding and protests. In support thereof, the ISO states as follows:

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

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

II. BASIS FOR MOTION TO INTERVENE

On April 28, 2000, Pacific Gas and Electric Company ("PG&E") tendered for filing with the Commission a new Reliability Service Tariff and corresponding amendments to PG&E's Transmission Owner Tariff. PG&E states that the tariff and amendments establish retail and wholesale rates for the recovery of reliability charges that the ISO imposes on PG&E. PG&E states that, currently, the costs of reliability services have been allocated solely to PG&E's retail transmission service customers. PG&E proposes to modify this current allocation in order to recover these costs from all of its Transmission Owner Tariff customers, which includes retail and new wholesale users, and its Existing Transmission Contract customers, which take transmission service under transmission contracts that were executed prior to the ISO Operations Date. PG&E's filing was assigned Docket No. ER00-2360-000. The ISO moved to intervene in the proceeding on May 19, 2000.

On May 16, 2000, PG&E filed errata to its April 28, 2000, filing. The Commission assigned that filing Docket No. ER00-2360-001. By notice dated May 23, 2000, the Commission established a deadline of June 6, 2000, for motions to intervene and protests in subdocket 001.

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 a grid comprising the transmission systems of California's investor-owned utilities – PG&E, San Diego Gas & Electric Company ("SDG&E"), and Southern California Edison Company ("Edison") – as well as for the coordination of the competitive electricity market in California. The ISO is responsible for ensuring nondiscriminatory access to the ISO Controlled Grid. The ISO therefore has an interest in the allocation of the costs of ensuring the reliability among the users of the ISO Controlled Grid. This interest cannot adequately be represented by any other party. For the same reason, the ISO's participation in this proceeding is in the public interest.

Accordingly, the ISO requests that it be permitted to intervene herein with full rights of a party.

III. PROTEST

In Docket No. ER00-2360-000, the ISO protested the application of PG&E's reliability services charges to certain Wheeling customers. Because PG&E's errata do not alter the customers to whom the charges are allocated, the ISO renews its protest and clarifies the scope and basis of its protest.

The ISO noted in its motion to intervene in Docket No. ER00-851-000 (in which PG&E proposes to include in rates the costs allocated to it for out-of-market calls) that, as a general principle, the ISO believes that it is just and reasonable for a Participating Transmission Owner ("PTO") to recover from transmission customers the costs incurred under the ISO Tariff. The ISO thus supports revisions to the Transmission Owner Tariffs that will allow PTOs to recover their allocations of costs under Reliability Must-Run ("RMR") Contracts and out-of-market calls to address local reliability needs.

As the ISO stated in the initial protest, PG&E has not shown that its proposal to collect these costs from all wholesale customers – including all wheeling customers – is just and reasonable. Wheeling customers are those who use the ISO Controlled Grid to serve load located outside of the ISO Controlled Grid. The Wheeling Access Charge assessed to those customers is the Wheeling Access Charge of the PTO (or PTOs) that has rights in the facilities at the scheduling point where the energy leaves the ISO Controlled Grid.

Thus, depending upon the exit point, a customer that wheels Energy using PG&E's transmission facilities could pay PG&E's Wheeling Access Charge, another PTO's Wheeling Access Charge, or a blended Wheeling Access Charge. For example, if Wheeling Customer A wheels Energy using PG&E's facilities and the Energy exits the ISO Controlled Grid at Cascade, which is wholly owned by PG&E, it pays the Wheeling Access Charge specified in PG&E's TO Tariff. If Wheeling Customer B transmits Energy on PG&E's facilities to Edison's facilities and the Energy exits the ISO Controlled Grid at Eldorado, which is owned solely by Edison, then it pays the Wheeling Access Charge specified in Edison's TO Tariff. If Customer C transmits Energy on PG&E's facilities and exits the ISO Controlled Grid at Sylmar, on which PG&E has rights, it pays a blended rate calculated from the Wheeling Access charges in each PTO's TO Tariff weighted according to the relative share of each PTO's ownership or firm capacity entitlements.

PG&E's proposed reliability services charge would apply the charge to Customer A and to the PG&E portion of the blended rate for Customer C, i.e., to all customers who pay PG&E's Wheeling Access Charge in whole or in part. It would not apply the charge to Customer B.

The ISO contends that PG&E's reliability services charge should be applied to a more limited group of Wheeling Customers. PG&E's Wheeling Customers can be further subdivided into those Loads that are within PG&E's former Control Area, e.g., Palo Alto or the Sacramento Municipal Utility District, and those that are outside PG&E's

former Control Area (regardless of whether the load is within the ISO Control Area). Because reliability charges under the ISO Tariff address local needs, only the loads within PG&E's former Control Area[2] should bear these costs.

The ISO enters into contracts with RMR Units for two related purposes: to secure rights to generation needed to preserve *local* reliability and as a mechanism to curtail the ability of some Generators to exercise *local* market power. The costs are assigned to the PTO in whose Service Area the RMR Unit is located. Similarly, under the ISO Tariff, the ISO allocates the cost of an out-of-market call to PTOs only when the out-of-market call is necessitated by *local* reliability concerns.

In order to provide appropriate price signals for the need to upgrade transmission systems, the ISO passes through the costs of addressing these local concerns to the PTO in whose area the concern arises. There is no basis for the PTO's spreading the costs incurred for local reliability support to Wheeling customers who are transmitting electricity on the ISO Controlled Grid for delivery outside the local area. Only the load inside PG&E's previous Control Area is benefiting from the local reliability and therefore only it should pay a portion of those costs. There is no reason that load in other parts of the State, or exports from the ISO Controlled Grid, should pay PG&E's reliability costs. By spreading some reliability costs to other entities, PG&E's proposal would diminish the incentive for a PTO to undertake transmission projects to reduce the need for RMR Contracts and out-of-market calls. For this reason, the ISO believes that the

[2] In its previous protest, the ISO referred to customers within PG&E's Service Area. By this term, the ISO intended to include PG&E's native load and other entities that, while not a part of PG&E's Service Area, are inside the boundaries of PG&E's former Control Area. Because the ISO Tariff defines PG&E's Service Area by reference to PG&E's End-Use Customers, it is more technically correct to refer to these customers as within PG&E's former Control Area.

Commission should reject the allocation of these costs to Wheeling customers outside of PG&E's former Control Area.

PG&E's filing raises another issue that needs to be addressed. Under the ISO Tariff, Wheeling Access Charges are allocated to PTO's in proportion to the TO's Revenue Requirement, regardless of the TO Tariff under which the charge was collected. In other words, every PTO would receive a portion of the revenues collected from Customers A, B, and C above. Because PG&E's reliability service charge is a component of its Wheeling Access Charge, the ISO Tariff would allocate a portion of the receipts to other PTOs. The ISO assumes that this is not PG&E's intention. Therefore, either PG&E must separate the charge from its Wheeling Access Charge or the ISO Tariff must be revised such that the ISO removes the reliability component of Wheeling revenues before allocating those revenues to all PTOs. The latter course would increase the complexity of the settlement process. Limiting the reliability charges to Wheeling Customers within PG&E's former Control Area would minimize this increased complexity.

IV. CONCLUSION

Wherefore, 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 submits that the Commission should reject the allocation of reliability services costs to Wheeling customers outside of PG&E's former Control Area. In addition, the ISO asks the Commission to direct PG&E to clarify whether the reliability services charge is a component of its Wheeling Access Charge or an addition thereto.

Respectfully submitted,

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Date: June 6, 2000

CERTIFICATE OF SERVICE

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

Dated at Washington, DC, on this 6th day of June, 2000.

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Michael E. Ward

June 6, 2000

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

Re: **Pacific Gas and Electric Company,**
Docket No. ER00-2360-000

Dear Secretary Boergers:

Enclosed for filing are one original and 14 copies of the Motion to Intervene and Protest the California Independent System Operator Corporation in the above-identified proceeding. Two additional copies of the filing are also enclosed. Please stamp the two additional copies with the date and time filed and return them to the messenger.

Thank you for your assistance in this matter.

Yours truly,

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