

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

Pacific Gas and Electric Company) Docket No. ER02-04-000

**MOTION TO INTERVENE AND PROTEST 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 October 5, 2001 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 October 1, 2001, Pacific Gas and Electric Company (“PG&E”) submitted a Notice of Cancellation of a Reliability Must-Run (“RMR”) Service

Agreement (“RMR Agreement”) between PG&E and the ISO for the FMC Synchronous Condenser/Emergency Gas Turbine (“FMC Unit”), a designated RMR facility.¹ The RMR Agreement is a one year renewable agreement that was accepted by the Commission and designated as PG&E Rate Schedule FERC No. 215 in Docket No. ER99-3603-000.² The RMR Agreement is based on the *pro forma* agreement that the Commission accepted when it approved a partial settlement concerning RMR services for the ISO.³ RMR units provide local-area reliability of the transmission grid during periods of peak load.

The FMC Unit was installed for the purpose of maintaining reliability in response to rapid load growth in the San Jose area. If voltage in the San Jose area dropped below prescribed standards, the FMC Unit was operated as a synchronous condenser. If transmission line loadings began to reach operational limits, the FMC Unit operated as a generator. Because the FMC Unit was installed solely for the purpose of maintaining local-area reliability with limited market participation, the unit was operated under “Condition 2” of the RMR Agreement. Under Condition 2, a RMR unit does not participate in the market unless dispatched by the ISO and the ISO pays all fixed and variable costs of the unit.

¹ Because the generating units covered by these agreements must operate at certain times for the reliability of the transmission grid, they are referred to as “reliability must-run” or “RMR” units and the agreements covering them are referred to as “RMR Agreements.” Other capitalized terms that are not defined in this filing have the same meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² *Pacific Gas and Electric Co.*, 88 FERC ¶ 61,213 (1999).

³ *See California Independent System Operator Corp.*, 87 FERC ¶ 61,250 (1999).

PG&E leased the FMC Unit from BTM Capital for a term of 48 months. The lease terminated on September 29, 2001. PG&E stated that it does not intend to renew the lease or acquire ownership of the FMC Unit.

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 a grid comprising the transmission systems of PG&E, San Diego Gas & Electric Company, and Southern California Edison Company, as well as for the coordination of the competitive Ancillary Services and real-time electricity markets in California. As the counter party in the RMR Agreements governing PG&E's provision of RMR services, the ISO has a unique interest in any Commission proceeding concerning proposed changes to those RMR Agreements. Accordingly, the ISO has a direct and substantial interest in the proposed rate changes and requests that it be permitted to intervene in this proceeding with full rights of a party.

IV. Protest

The RMR Agreement between the ISO and PG&E for the FMC Unit terminated by its own terms due to the lease expiration of the FMC Unit. Section 2.2(e) of the RMR Agreement states, in part: "Subject to any necessary authorization from FERC, this Agreement shall terminate as to any Unit leased by Owner in the event that, for any reason, the lease expires or is terminated unless Owner acquires ownership of such Unit upon such expiration or termination." Section 2.2(e) further provides that the ISO has the right to

redesignate the facility as a RMR unit should it become necessary. Section 2.2(e) states: “. . . Any termination under this Section 2.2(e) shall not affect any right ISO may have thereafter to designate such Unit as a Reliability Must-Run Unit and the conditions in Section 2.2(d) shall not apply to such redesignation.”

While noting that the FMC Unit was still required to maintain San Jose area reliability, the ISO did not send an extension letter for the Unit to PG&E on October 1, 2001, as required by the RMR Agreement, because PG&E had indicated it would not renew the lease for this Unit. The termination of the FMC Unit's RMR Contract means the ISO may not have sufficient resources to satisfy reliability criteria in the San Jose area under some conditions during summer 2002. Absent upgrades to the San Jose area transmission system, the ISO will require RMR generation in the San Jose area for 2002. While there are other new San Jose area generating facilities projected to be in place by June 2002, the ISO is not certain that these new units will be in place in time to ensure reliable service in the San Jose area during summer 2002. The ISO requests a continuation until November 22, 2001, to discuss these issues further with PG&E. The ISO will file a status update on these discussions with the Commission on November 22, 2001 indicating the subsequent steps it recommends.

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 retains its right to redesignate the FMC Unit, or similar unit, as a RMR unit, should it become necessary to maintain the reliability of the San Jose service area.

Respectfully submitted,

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Counsel for the California Independent
System Operator Corporation

Date: October 22, 2001

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, DC, on this 22nd day of October, 2001.

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October 22, 2001

David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **Pacific Gas and Electric Company,
Docket No. ER02-04-000**

Dear Secretary Boergers:

Enclosed for filing in the above-captioned proceeding are an original and fourteen copies of the Motion to Intervene of the California Independent System Operator Corporation. Two additional copies of the filing are also enclosed. I would appreciate your stamping the additional copies with the date filed and returning it to the messenger.

Respectfully submitted,

J. Phillip Jordan
Rebecca A. Blackmer
Counsel for the California Independent
System Operator Corporation