

Exhibit No.: _____
Commissioner: Pres. Michael Peevey
Administrative Law Judge: Michelle Cooke
Witness: Glen Perez

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**Application of Pacific Gas and Electric Company for
Authority to Implement Default CPP Rate Options For
Large Customers.**

Application 05-01-016
(Filed January 20, 2005)

**Application of San Diego Gas & Electric Company
(U902-E) for Adoption of a 2005 Default Critical Peak
Pricing Structure for Commercial and Industrial
Customers with Peak Demands Exceeding 300 kW.**

Application 05-01-017
(Filed January 20, 2005)

**Southern California Edison Company's
(U338-E) Application for Approval of Rate Design
Proposals for Large Customers.**

Application 05-01-018
(Filed January 20, 2005)

**REBUTTAL TESTIMONY OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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Dated: February 22, 2005

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I. WITNESS IDENTIFICATION

Glen Perez, Manager of the Compliance Audits section in the Compliance Department of the California Independent System Operator Corporation ("CAISO"). Mr. Perez's qualifications were attached to the CAISO's opening testimony, served on February 15, 2005.

II. THE PEAK PERIOD CAN BE SET AT FOUR HOURS PER DAY

As the name implies, critical peak pricing ("CPP") is intended to address system load conditions during the peak usage period. The CAISO's system summer coincident peak generally occurs during hour ending 5:00 p.m. The duration the CPP should apply on either side of this peak depends on the shape of the system load curve. Generally, the flatter the load curve, the longer any demand curtailment would have to apply to obtain the anticipated reliability benefits. The opposite is also true. Craig Peal, on behalf of Costco, stated SDG&E's CPP event

1 period of seven hours and SCE's CPP event period of six hours are too long for many customers
2 "to effectively shift load and avoid penalties." (Costco Testimony at 4:22-23.) The CAISO
3 agrees that SDG&E's and SCE's CPP event periods are unnecessarily long to achieve their goal
4 of mitigating system peak usage. Based on the CAISO's typical daily load curve, a four-hour
5 period from 2:00 p.m. to 6:00 p.m. will target the most critical period and therefore produce the
6 greatest reliability benefit.

8 **III. RESOURCE ADEQUACY OUTLOOK FOR NORTHERN CALIFORNIA** 9 **FOR SUMMER 2005**

10 Dr. Fredrick H. Pickel, witness for "Indicated Commercial Parties," argues that a
11 mandatory CPP program is not necessary for Northern California because the California Energy
12 Commission does not current project a capacity shortage for PG&E's service territory. (Pickel at
13 3:11-13.) The CAISO agrees that a shortage is not projected for summer 2005 for Northern
14 California. (See, California's Energy Situation: Summer 2005 (Feb. 22, 2005).) This projection
15 rests, in part, on the assumption of "net interchange" supply, i.e., imports, of 2,500 MW based on
16 data provided by the CAISO regarding 2004 interchange values for the Pacific Northwest and the
17 Sacramento Municipal Utility District. The current snow pack for the Pacific Northwest is
18 substantially below normal. This creates some uncertainty regarding whether the assumed
19 imports will, in fact, be available to Northern California for summer 2005. Thus, the CAISO
20 repeats that, while a capacity surplus may exist for Northern California for this summer,
21 additional load reduction in PG&E's service territory (through some demand response
22 mechanism) remains valuable to system reliability and as potential insurance for Northern
23 California against unanticipated temperature conditions or reduced hydroelectric power
24 availability from the Pacific Northwest.
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1 Dr. Pickel also suggests that the California Energy Commission's ("CEC") projection of
2 a capacity deficiency in Southern California for summer 2005 is inaccurate because the CEC
3 fails to "integrate the latest information on energy facility status." In particular, Dr. Pickel
4 implies that the CEC did not account for approximately 1200 MW that will be coming online by
5 mid-August. (Pickel at 3:14-22.) The CEC's report in December 2004, cited by Dr. Pickel,
6 assumed approximately 781 MW of increased capacity in Southern California for this summer.
7 A new CEC report, entitled California's Energy Situation: Summer 2005, presented on February
8 22, 2005, modified those numbers by adding 614 MW to the summer total, yet continued to find
9 a potential deficiency of approximately 1966 MWs for September 2005. Thus, even assuming
10 the CEC failed to incorporate all new plant additions, Southern California faces a projected
11 capacity deficiency.
12

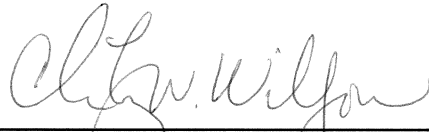
13 **IV. ORA SUGGESTION OF SDG&E NOTIFYING THE CAISO ON A CPP**
14 **EVENT INITIATION**

15 All three of the utilities will trigger their CPP program on the CAISO's declaration of an
16 Alert on a Day-Ahead basis. However, both SDG&E and PG&E have provided additional
17 triggers for their CPP programs. The CAISO agrees with ORA that the IOUs should contact the
18 CAISO as soon as practical after they have triggered a CPP event by means other than an Alert
19 notification.
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CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic mail, a copy of the foregoing Rebuttal Testimony of the California Independent System Operator Corporation to each party in Docket Nos. A.05-01-016, A.05-01-017 and A.05-01-018.

Executed on February 22, 2005 at Folsom, California.



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