

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

California Independent System            )  
Operator Corporation                    )  
  )

Docket No. ER01-2457-000

**Answer of the California Independent  
Systems Operator Corporation to Motions to Intervene,  
Requests for Clarification, and Comments to the  
ISO's Transmission Access Charge Informational Filing**

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213, the California Independent System Operator Corporation ("ISO")<sup>1</sup> ISO submits its Answer to the motions to intervene, requests for clarification, and comments in the above-captioned docket.

**I. BACKGROUND**

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining transmission Access Charges, through which the embedded costs of the transmission facilities comprising the ISO Controlled Grid are recovered. By Order dated May 31, 2000, the Commission accepted Amendment No. 27 for filing, suspended it, and set for hearing the proposed Access Charge methodology and related tariff revisions. *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000). The Commission also held the hearing in abeyance pending efforts at settlement

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<sup>1</sup> Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

and established settlement judge procedures with the Chief Judge acting as Settlement Judge.<sup>2</sup>

Under Amendment No. 27, the Access Charge for High Voltage Transmission Facilities is assessed based on the combined High Voltage Transmission Revenue Requirements of all the Participating TOs in each TAC Area. Over a ten-year transition period, the High Voltage Access Charges for these TAC Areas are to be combined to form a single ISO Grid-wide Access Charge. For 2001, the High Voltage Access Charge consists of a 90% TAC Area component and a 10% Grid-wide component.

The ISO's High Voltage Access Charge is a formula rate. In accordance with Appendix F, Schedule 3, Section 8.1 of the ISO Tariff, the ISO is to update its High Voltage Access Charges on January 1 and July 1 to reflect: (1) the addition of any new Participating Transmission Owner during the proceeding six months or (2) changes to the High Voltage Transmission Revenue Requirements of any of the Participating Transmission Owners.

On June 2, 2001, the ISO submitted an informational filing identifying the updated High Voltage Access Charges. The adjusted charges were based on the modified High Voltage Transmission Revenue Requirements accepted by the Commission in Pacific Gas & Electric Company's ("PG&E") Docket No. ER01-66-000 ("TO 5").

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<sup>2</sup> *Id.* Settlement efforts before the Chief Judge are ongoing. The next settlement conference is scheduled for August 27-28, 2001.

## II. INTERVENTIONS

A number of parties have filed motions to intervene.<sup>3</sup> The ISO does not oppose any of the interventions. In addition to interventions, three parties: PG&E, Southern California Edison Company (“SCE”), and the Sacramento Municipal Utility District (“SMUD”) provided additional comments or requests for clarification with respect to the filing.<sup>4</sup> The ISO provides its response to the issues raised by these three parties in the next section.

## III. ANSWER TO COMMENTS AND PROTESTS

### A. PG&E Comments

#### 1. In its January 2002 filing, the ISO Will Include Adjustments Based on Actual Sales for the First Six Months of 2001

Under Appendix F, Schedule 3, Section 8.1 of the ISO Tariff, the ISO is to include, as necessary, an adjustment for High Voltage Access Charge billings in the prior period to reflect the difference between the net amount billed to or received by the Participating TO under Section 10.2 of Schedule 3 and the

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<sup>3</sup> Interventions were filed by: California Department of Water Resources; California Electricity Oversight Board; Modesto Irrigation District; PG&E; Southern California Edison Company; Transmission Agency Northern California; Turlock Irrigation District; the California Public Utilities Commission; The Metropolitan Water District of Southern California; Cities of Redding, Santa Clara and Palo Alto, California and the M-S-R Public Power Agency; the Sacramento Municipal Utility District; and the Cogeneration Association of California and Energy Producers and Users Coalition.

<sup>4</sup> Some of the Intervenor commenters commenting substantively on the ISO's filing do so in portions of their pleadings variously styled as “Requests for clarification” or “Comments” without differentiation. There is no prohibition on the ISO's responding to the comments in these pleadings. The ISO is entitled to respond to these pleadings and requests notwithstanding the label applied to them. *Florida Power & Light Company*, 67 FERC ¶ 61,315 (1994). In the event that any portion of this answer is deemed an answer to protests, the ISO requests waiver of Rule 213 (18 C.F.R. §385.213) to permit it to make this answer. Good cause for this waiver exists here given the nature of this proceeding and the usefulness of this answer in ensuring the development of a complete record. *See, e.g., Enron Corporation*, 78 FERC ¶ 61,179 at 61,733, 61,741 (1997); *El Paso Electric Company*, 68 FERC ¶ 61,181 at 61,899 and n. 57 (1994).

amount the Participating TO would have received or been billed under Section 10.2 using the High Voltage Access Charge and Transition Charge recalculated in accordance with Section 8.1 of Schedule 3. In the Informational Filing, the ISO stated that it had not yet included the adjustment associated with actual sales because it had only three months of meter data currently available.

PG&E states that in light of the lag in actual meter data it “assumes ... that the January 2002 informational filing will make adjustments for the first six months (or nine) months of 2001.” PG&E Comments at 2. PG&E is correct. The ISO contemplates including the adjustments based on actual sales for the first six months of 2001 in its next update to the Access Charge which will be effective January 1, 2002.

2. The ISO Will Work With PG&E To Make the Necessary Interest Adjustments in the Next Update

PG&E notes that the ISO calculated interest only for the 56 day period between the effective date of its TO 5 filing and July 1, 2001. It argues that this understates the amount owed because full payment is not made on July 1, 2001 but is to be captured as part of the High Voltage Access Charge over the next year. PG&E at 3.

The ISO recognizes the importance of ensuring the proper treatment of interest. This issue is complicated by the fact that on July 26, 2001, the Commission accepted an offer of settlement in Docket No. ER01-66, modifying the TO 5 rate that is less than the rate that was filed and is currently being collected by the High Voltage Access Charge.

The ISO would propose working with PG&E and the other Participating TOs to clarify the procedures for interest calculations. The ISO would then present the results in its next informational filing later this year to be effective January 1, 2002.

B. SCE Comments

SCE seeks clarification on two aspects of the informational filing. SCE at 4-5. First, SCE contends that the ISO does not indicate when its High Voltage Access Charge billing adjustment that is intended to properly compensate PG&E will terminate. *Id.* at 4. SCE believes the adjustment should terminate in one year. *Id.*

As noted in the discussion of PG&E's concerns above, the billing adjustment is to be captured as part of the High Voltage Access Charge over the next year. Accordingly, the ISO is implementing the Access Charge as requested by SCE.<sup>5</sup>

Second, SCE questions why the ISO believes any adjustment is necessary to reflect metered rather than estimated sales. *Id.* SCE states “[I]f the need for such an adjustment arises simply to replace the \$4.481 million figure with a figure calculated to reflect the metered sales data for the period May 6, 2001 through June 30, 2001 Edison would have no objection to the contemplated adjustment.” *Id.*

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<sup>5</sup> However, it should be noted that the one-year period relates to recovery of the total adjusted amount and is not a limitation on the period for which the adjustment may need to be calculated. Thus, if PG&E had not settled the TO 5 proceeding in July and instead had gone to litigation, the ISO would implement the revised rate when approved by the Commission, with interest, calculated back to the original filing date.

SCE is correct. The ISO is using the actual sales to reflect the actual amount of the under-recovery. Similarly, the ISO will be using actual sales to refund the over-recovery when it updates future rates to account for PG&E's TO 5 settlement.

C. SMUD Comments

SMUD "is concerned that the ISO and PG&E have not developed an appropriate mechanism to ensure that amounts paid to the ISO and/or PG&E during the interim period between the effective date of the TAC or TO5 filings in excess of the amounts ultimately approved by the Commission in those proceedings are refunded to customers." SMUD at 4. SMUD "urges the Commission to advise the ISO and PG&E to follow the Commission's regulations as set forth in 18 C.F.R. § 35.19a." *Id.*

SMUD's requests are unwarranted. The Access Charge methodology in the ISO Tariff provides an explicit and appropriate means to ensure that the necessary adjustments (with refunds) are made so that the transmission rates are just and reasonable. Section 8.2 of Appendix F, Schedule 3 of the ISO Tariff provides that "any refund associated with a Participating TO's Transmission Revenue Requirement that has been accepted by FERC, subject to refund, shall be included in the Transmission Revenue Balancing Account unless otherwise ordered by FERC." Thus, customers will receive the benefit of lower rates through the adjustment of the Transmission Revenue Balancing Account going forward.

While the ISO understands that SMUD objects to the prospective adjustment methodology, such an approach is better suited to the new and evolving market structure. First, it is important to remember that the Access Charge methodology was designed to accommodate not just the existing four Participating TOs, but, hopefully, many others. During the stakeholder process that led up to Amendment No. 27, certain Market Participants expressed a strong desire for certainty in the transmission rates. A methodology whereby numerous Participating TOs are constantly changing rates would make it very difficult to value transactions.

Second, it is important to remember that at any point in time, the Access Charge formula may reflect certain Transmission Revenue Requirements that are too low (because a Participating TO has filed for updated rates and, while these rates have been accepted by the Commission, they have not yet been included in the High Voltage Access Charge or the Wheeling Access Charge) or too high (because subsequent settlement or litigation has resulted in a reduced rate). The Access Charge methodology reflected in Sections 8.1 and 8.2 of Appendix 3, Schedule F of the ISO Tariff consists of bi-annual updates to the charges with true-ups through the Transmission Revenue Balancing Accounts to adjust for over-recoveries or under-recoveries.

Third, the complexity of the new market structure makes it administratively infeasible to retroactively recalculate every transaction, with interest, based on subsequent determinations with respect to Access Charge rates. There are scores of Scheduling Coordinators engaging in thousands of hourly transactions

transmitting power over the ISO Controlled Grid, a monumental departure from the situation where PG&E was billing a limited number of wholesale transmission customers based on firm monthly contract demands.

**IV. Conclusion**

For the reasons set forth above, the ISO requests that the Commission accept the ISO's clarifications to its Access Charge informational filing and reject SMUD's proposal regarding refunds.

Respectfully submitted,

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Dated: August 6, 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, this 6<sup>th</sup> day of August, 2001.

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David B. Rubin  
202-424-7500

August 6, 2001

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

**Re: *California Independent System Operator Corporation*  
Docket No. ER01-2457-000**

Dear Secretary Boergers:

Enclosed please find an original and fourteen copies of the Answer of the California Independent System Operator Corporation to Motions to Intervene, Requests for Clarification, and Comments to the ISO's Transmission Access Charge Informational Filing in the above-captioned matter. Also enclosed are two extra copies of the filing to be time/date stamped and returned to us by the messenger. Thank you for your assistance.

Respectfully submitted,

David B. Rubin

Counsel for the California  
Independent System Operator Corporation