

June 29, 2001

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

**Re: California Independent System Operator Corporation
Docket Nos. ER00-2019- 000 and ER01-819-000
Transmission Access Charge Informational Filing**

Dear Secretary Boergers:

In accordance with Appendix F, Schedule 3, Section 8.1 of the ISO Tariff, the California Independent System Operator Corporation ("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.¹

Because the High Voltage Access Charges are determined through a formula rate mechanism, these semi-annual adjustments take place automatically. In the enclosed informational filing, the ISO is providing notice regarding the updated High Voltage Access Charge that reflects the charges that will be in effect beginning July 1, 2001 in accordance with the formula rate. The adjusted charges are 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").

I. BACKGROUND - THE REVISED ACCESS CHARGE METHODOLOGY

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

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

ISO Controlled Grid are recovered. The filing was required by legislation restructuring the California electric industry, and later by the Commission.² The ISO Governing Board approved the transmission Access Charge filing after an extensive multi-year stakeholder process. 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 and established settlement judge procedures with the Chief Judge acting as Settlement Judge.³

The ISO's original Access Charge methodology consisted of three separate zone rates based on the Transmission Revenue Requirement of the Original Participating TO. Under Amendment No. 27, this methodology continued in effect until a New Participating TO joined the ISO.⁴ Once that occurred, the Access Charge for High Voltage Transmission Facilities was assessed based on the combined High Voltage Transmission Revenue Requirements of all the Participating TOs in each TAC Area.⁵

Over a ten-year transition period, the High Voltage Access Charge ("HVAC") for these TAC Areas would be combined to form a single ISO Grid-wide Access Charge. The HVAC consists of a TAC Area component and an ISO Grid-wide component. During the ten-year transition, ten percent per year of each Participating TO's High Voltage Transmission Revenue Requirement will be combined as the ISO Grid-wide component of the HVAC. The TAC Area component is based on the individual Participating TO's High Voltage Transmission Revenue Requirement in that TAC Area divided by such Participating TOs cumulative Gross Load. The proportion represented by the

² Section 9600(a)(2)(A) of California's AB 1890 required the ISO to recommend a new rate methodology within two years after commencement of operations. See *Pacific Gas & Electric Company, et al.*, 77 FERC ¶ 61,204 at 61,827 (1996).

³ *Id.* Settlement efforts before the Chief Judge are ongoing. The next settlement conference is scheduled for August 7-8, 2001.

⁴ The City of Vernon, California ("Vernon") became a Participating TO effective January 1, 2001. See *California Independent System Operator Corporation*, 94 FERC ¶ 61,141 (2001) accepting the amendment to the Transmission Control Agreement; *California Independent System Operator Corporation*, 94 FERC ¶ 61,145 (2001) accepting the Utility Distribution Company Agreement; and *City of Vernon*, 93 FERC ¶ 61,103 (2000) conditionally accepting Vernon's proposed Transmission Revenue Requirement and Transmission Owner Tariff.

⁵ Currently, PG&E is in the Northern TAC Area; Southern California Edison Company and Vernon are in the East Central TAC Area; and San Diego Gas & Electric Company is in the Southern TAC Area. If the Los Angeles Department of Water and Power chooses to become a Participating TO, its Control Area would become a fourth TAC Area.

ISO Grid-wide portion increasing by ten percent each year, then at the end of the ten-year period the HVAC will be one rate for the entire ISO Controlled Grid. In addition, capital investments in any new High Voltage Transmission Facilities, or additions to existing facilities, would be included in the ISO Grid-wide component of the HVAC. The Low Voltage Transmission Access Charge would continue to be a license plate rate based on Participating TO's Low Voltage Transmission Revenue Requirements.

The ISO's High Voltage Access Charge is a formula rate. ISO provided its first informational filing regarding the implementation of the High Voltage Access Charge rates pursuant to Amendment No. 27 as part of its submission in Docket No. ER00-819-000 on December 28, 2000 to establish the transmission rates effective January 1, 2001.

Appendix F, Schedule 3, Section 8.1 of the ISO Tariff provides that High Voltage Access Charges shall be adjusted effective January 1 and July 1 of each year to reflect: (1) the addition of any New Participating TO during the preceding six months and (2) changes to the High Voltage Transmission Revenue Requirements of any Participating TO that were accepted or authorized by the FERC, consistent with Section 9 of Schedule 3, during the preceding six months.

In addition, each semi-annual adjustment includes, 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 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. Each Participating TO is to reflect this calculated difference in the balancing mechanism that applies to its High Voltage Transmission Revenue Requirement.

On October 6, 2000, PG&E filed its TO 5 case, proposing to modify its Transmission Revenue Requirements. By order dated November 22, 2000, the Commission accepted the filing but suspended the effective date for five months to be effective May 6, 2001 and set the matter for hearing. *Pacific Gas & Electric Company*, 93 FERC ¶ 61,207 (2000).

II. ADJUSTED CHARGES UNDER FORMULA RATES

Attachment A contains a worksheet illustrating the recalculation of the HVAC. As shown on the worksheet, the ISO has used updated data based on PG&E's TO 5 filing.⁶ PG&E's filed High Voltage Transmission Revenue

⁶ The ISO understands that PG&E has filed an Offer of Settlement in its TO 5 proceeding. Obviously, future updates would reflect the settlement value once the agreement is accepted by the Commission.

Requirement is \$147,548,521 and its Gross Load is 86,686,550 MWh. The ISO has calculated the revised HVAC based on the May 6, 2001 effective date of PG&E's High Voltage Transmission Revenue Requirement with interest in accordance with 18 C.F.R. § 35.19(a)(2). The re-calculated rates for each of the TAC Areas are as follows:

Northern Area -	\$ 1.77/MWh
East Central Area -	\$ 2.05/MWh
Southern Area -	\$ 2.01/MWh

Amendment No. 27 provided in Section 8.6 of the ISO Tariff that New Participating TO will be "held harmless" for the Transition Period from charges associated with the Access Charge and the Grid Management Charge ("GMC"). The change of the new Access Charge rate is calculated based on what the New Participating TO would pay under the ISO's High Voltage Access Charge versus what the New Participating TO would have paid based on its High-Voltage Utility-Specific Rate. Additionally, the ISO determines the amount that the New Participating TO pays for the GMC in accordance with Schedule 1 of Appendix F and the amount that the New Participating TO would have paid for the GMC if that entity had not become a New Participating TO.⁷ These two amounts are combined and should not result in an increased overall cost to the New Participating TO. As shown in the spreadsheet in Attachment A, because Vernon's benefit under the transmission Access Charge is so significant (an approximate savings of \$7.365 million), this amount far exceeds the expected increase in Vernon's GMC payments. Thus, there is no need to hold Vernon harmless from the GMC increase.

In addition, Amendment No. 27 provided in Appendix F, Schedule 3, Section 7, the maximum amounts for the Transition Payment from Section 8.6 of the ISO Tariff are capped at specified levels. As shown in Attachment A, the addition of Vernon does not reach the capped levels.

For this adjustment period, the ISO has not included the adjustment associated with actual sales that is contemplated in Step 5. The reason for not including this adjustment at this time is that only three months of meter data are currently available.⁸ The ISO will adjust for 2001 actual sales in the January 2002 Access Charge filing.

⁷ With the implementation of the unbundled GMC on January 1, 2001, the only component that will change when an entity becomes a Participating TO is the Inter-Zonal Scheduling component. Prior to becoming a Participating TO, Existing Contracts are exempt from this charge. Once the Existing Contracts have been converted, then the charge will apply.

⁸ Meter data is available for January, February and March 2001 only.

III. NOTICE AND SERVICE OF DOCUMENTS

Communications regarding this submission should be addressed to the following individuals, whose names should be placed on the official service list established by the Secretary with respect to this submittal:

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The ISO has served copies of this letter, and all attachments on the Public Utilities Commission of the State of California, the California Energy Commission, the California Electricity Oversight Board, and on all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting this transmittal letter and all attachments on the ISO Home Page.

IV. SUPPORTING DOCUMENTS

The following documents, in addition to this letter, support this filing:

- X A spreadsheet showing the revised transmission Access Charge rates effective July 2001 (Attachment A);
- X A spreadsheet showing the backup documentation of PG&E's TO 5 filed rate effective May 6, 2001 (Attachment B); and
- X A form of notice suitable for publication in the Federal Register (Attachment C), which is also provided in electronic form on the enclosed diskette.

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Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

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**Counsel for
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ATTACHMENT A

ATTACHMENT B

ATTACHMENT C

