

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

City of Anaheim, California                    )           Docket No. EL03-15-000

**MOTION TO INTERVENE AND COMMENTS 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 22, 2002 Notice of Filing, the California Independent System Operator Corporation (“ISO”)<sup>1</sup> 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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\* Individuals designated to receive service pursuant to Rule 203(b)(3) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3).<sup>2</sup>

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<sup>1</sup> Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff, as filed August 15, 1997, and subsequently revised.

<sup>2</sup> In addition to Mr. Anders and Mr. Rubin, the ISO respectfully requests that Ms. Le Vine be included on the Official Service List. Mr. Anders and Ms. Le Vine work in separate buildings and it would be of significant assistance to the ISO if both were included on the list.

## **II. BACKGROUND**

On October 18, 2002, the City of Anaheim, California (“Anaheim”) filed a Petition for a Declaratory Order 1) determining that Anaheim’s proffered Transmission Revenue Requirement (“TRR”) is appropriate under the ISO Tariff on file with the Commission for purposes of Anaheim becoming a Participating Transmission Owner; 2) approving Anaheim’s Transmission Owner (“TO”) Tariff; 3) waiving the filing fee otherwise applicable to a petition for declaratory order; and 4) granting any other relief or waivers necessary or appropriate for approval or implementation of Anaheim’s TRR and TO Tariff effective as of the later of January 1, 2003 or the effective date of a Transmission Control Agreement (“TCA”) acceptable to Anaheim.<sup>3</sup>

Anaheim hopes to become a Participating Transmission Owner under the ISO Tariff by signing the TCA and turning over operational control of its transmission Entitlements to the ISO. Anaheim will be reimbursed for turning over its transmission Entitlements by the ISO based on Anaheim’s TRR, as the TRR will become a component of the ISO’s transmission Access Charge and Wheeling Access Charge collected for transmission service to ISO customers.

## **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

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<sup>3</sup> Parallel Petitions for Declaratory Order were filed by the City of Azusa (October 18, 2002, Docket No. EL03-14-000), the City of Banning (October 29, 2002, Docket No. EL03-21-000), and the City of Riverside (October 29, 2002, Docket No. EL03-20-000). Together with Anaheim, these cities are referred to as the “Southern Cities.”

comprising the transmission systems of San Diego Gas & Electric Company, the City of Vernon, California,<sup>4</sup> Southern California Edison Company, and Pacific Gas and Electric Company, as well as for the coordination of the competitive electricity market in California. As the operator of the grid, the ISO believes that it has a unique interest in any Commission proceeding concerning the filing described above, which involves the participation of the City of Anaheim in the ISO as a Participating Transmission Owner. Accordingly, the ISO requests that it be permitted to intervene herein with full rights as a party.

#### **IV. COMMENTS**

The ISO fully appreciates the steps that Anaheim has taken to become a Participating TO. The ISO welcomes the opportunity to assist in any way it can to allow Anaheim to reach this goal, which the ISO shares. Toward that end, the ISO submits the following comments concerning Anaheim's proposed TRR and TO Tariff. With these modifications, the ISO supports Commission approval of the TRR and TO Tariff.

1. Anaheim makes a large (\$3.8 million) adjustment to 2001 debt service and Operating and Maintenance ("O&M") costs for the Southern Transmission System ("STS"), one of the three Southern California Public Power Authority ("SCPPA") transmission projects in which Anaheim participates. This adjustment is made based on the representation that 2001 totals are not

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<sup>4</sup> The City of Vernon ("Vernon") became a Participating TO on January 1, 2001, and was the first governmental entity to do so. Anaheim and the other Southern Cities have modeled their TRRs and TO Tariffs, in part, on those that the Commission approved for Vernon in Docket No. EL00-105-000.

representative because of one-time, refinancing-related moneys that were used to reduce April - June 2001 debt and O&M costs.

If this representation is correct, the adjustment is reasonable. The ISO notes, however, that Anaheim should base its test year data on the entire period from August 1, 2001 to July 31, 2002 rather than making an adjustment to 2001 data based solely on July 2002 cost data. Additionally, Anaheim did not submit any January through June 2002 costs, which would be necessary to demonstrate that the July 2002 costs are representative. Moreover with this adjustment, Anaheim did not adjust the Gross Load estimate, which is the denominator for the ISO's Access Charge calculation. Thus, although the numerator is based on a test period of 2001 substantially adjusted for a cost differential that includes costs equal to 2002, the denominator is based on 2001 only.

Anaheim should be required revise the information included in pages 3-7 of Exh. ANA-2 by furnishing a full set of cost data for the period of January through June, 2002. Additionally, Anaheim's Gross Load should be included in Appendix I of its TO Tariff.

2. Anaheim assesses 5.5% of the TRR in surcharges for transfers to its General Fund (4%) and right-of-way fees (1.5%). This increases the TRR by \$1.2 million. The ISO considers this inclusion to be reasonable only because it takes the place of calculating a return on ratebase, as Vernon did in its TRR.

3. Anaheim assumed Usage Charge Revenue and Wheeling Revenue of 0. While this revenue may be difficult to estimate, zero is an unreasonable

figure for this revenue. Anaheim should be required to provide a reasonable estimate for this revenue and revise its TO Tariff accordingly.

4. Anaheim has changed the definition of "Transmission Revenue Credit" from how the term is defined in the ISO Tariff. This change leads to an unreasonable, unfair result. A New Participating TO is given Firm Transmission Rights ("FTRs") and is not required to auction them, although they may participate in the ISO FTR Auction, similar to the Original Participating TOs. Thus, the Transmission Revenue Credit should be the net of the FTR Auction revenue, if any, the Wheeling Revenue and the Usage Charge Revenue less Usage Charges paid by Anaheim to serve its End-Use Customers (to the extent such Usage Charges are incurred by Anaheim). Anaheim should be required to revise the definition consistent with this concept.

5. Finally, Anaheim and the other Southern Cities have negotiated for, and secured, a special termination provision in the TCA that will allow them to withdraw from the TCA immediately, if such withdrawal is necessary to avoid an adverse tax action.<sup>5</sup> The ISO believes it would be appropriate for this provision to be addressed in Anaheim's TO Tariff.

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<sup>5</sup> This new withdrawal provision will be included as Section 3.4 of the revised TCA to be filed with the Commission shortly.

**V. 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.

Respectfully submitted,

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Counsel for the California Independent System  
Operator Corporation

Date: November 18, 2002

## CERTIFICATE OF SERVICE

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

Dated at Washington, DC this 18<sup>th</sup> day of November, 2002

/s/ Julia Moore

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