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STEPTOE & JOHNSON

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STEPTOE & JOHNSON LLP
ATTORNEYS AT LAW

Jennifer L. Key
202.429.6746
jkey@steptoe.com

1330 Connecticut Avenue, NW
Washington, DC 20036-1795
Tel 202-293-0000
Fax 202-293-9002
steptoe.com

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Via Facsimile and Overnight Mail

Vasti S. Salinas
Senior Case Manager
American Arbitration Association
6795 North Palm Avenue, 2nd Floor
Fresno, CA 93704
Fax (559) 490-1919

Jennifer S. Abrams
Pacific Gas and Electric Company
Law Department
P.O. Box 7442
San Francisco, CA 94120
Fax (415) 973-5520

California Independent System Operator
Corporation
Charles Robinson, General Counsel
Richard Jacobs, Corporate Counsel and
Assistant Corporate Secretary
Kyle Hoffmann, Manager of Client Account
Management
Chris Sibley, Market Services
151 Blue Ravine Road
Folsom, CA 95630
Fax (916) 351-2350

**Re: PG&E v. CAISO; Case No. 74 Y 198 00625 04
Demand for Arbitration**

**PETITION TO INTERVENE OF THE
SOUTHERN CALIFORNIA EDISON COMPANY**

Southern California Edison Company (SCE) hereby submits this Petition to Intervene in the above-captioned matter, as initiated by the Demand for Arbitration submitted on July 9, 2004 by the Pacific Gas and Electric Company (PG&E). The California Independent System Operator Corporation (CAISO) posted public notice of PG&E's Demand for Arbitration on July 15, 2004.

I. BASIS FOR INTERVENTION

SCE files this Petition to Intervene in accordance with the provisions of the CAISO Tariff and the Supplemental Procedures, applicable to arbitration, associated therewith. Supplemental Procedure 3 provides that any party whose interests may be affected by the outcome of the arbitration at issue shall file a written petition to intervene with the AAA, within fifteen days of public notice of the Demand for Arbitration. SCE's petition to the AAA is thus timely. As set forth more fully below, SCE is concerned that in this proceeding certain parties are attempting to shift to CAISO Market Participants

including SCE, the costs incurred by the CAISO. SCE believes that such costs should be paid by the parties for whose benefit they were incurred by the CAISO.

II. DISCUSSION

One of PG&E's arbitration demands, stripped of complex and technical verbiage, is a claim that certain loads and Demand, that apparently submit their schedules to the CAISO through PG&E, must be exempt from the costs associated with their loads and Demand because such load or Demand is served without using the ISO Controlled Grid. SCE believes that equity, common sense, the CAISO Tariff and FERC precedent on the charges at issue mandate that parties whose transactions imposed certain costs on the CAISO should be required to bear those costs.

As for equity and common sense, it is unfair to exempt parties for whose benefit the costs were incurred from absorbing those costs, and asking other CAISO Market Participants to bear these costs instead.

As for FERC precedent and the CAISO Tariff, the disputed charges at issue in this proceeding are assessed to "Control Area Gross Load" and "Demand within California outside of the ISO Control Area that is served by exports from the ISO Control Area." CAISO Tariff § 2.5.23.3.6.1 (Emissions); § 2.5.23.3.7.1 (Start-Up Fuel Costs); § 5.11.6.1.4 (Minimum Load). Neither of these billing determinants is limited to load or Demand served utilizing ISO Controlled Grid facilities. Accordingly, PG&E's arbitration complaint is directly contrary to the CAISO Tariff as to the issue of whether the loads or demand should be allocated the Disputed Charge Types. In the case underlying the assessment of two of the Disputed Charge Types at issue here, SCE raised on rehearing the issue of assessing two of the Disputed Charge Types to load that is unscheduled by any Scheduling Coordinator and to load that does not use the ISO Controlled Grid. SCE informed FERC that "CAGL includes within its definition load that both do not use the ISO transmission grid and that are not presumed to use the transmission grid under traditional ratemaking principles for network transmission service." Dkt. No. EL00-95, Request for Clarification and Rehearing of Southern California Edison at 4 (Jan. 18, 2002). Another party, CAC, told the Commission that the CAISO's billing determinant "would expand the allocation of charges to include non-ISO Grid transactions." Dkt. No. EL00-95, CAC/EPUC's Expedited Request for Rehearing at 6 (Jan. 18, 2002). The Commission denied SCE's and CAC's rehearing requests, despite being told that load not using the ISO Controlled Grid would be assessed the charges. *California Indep. Sys. Operator Corp.*, 99 FERC ¶ 61,159, slip op. at 13 (2002) ("We will deny intervenors request for rehearing that the Commission erred in its decision to accept Control Area Gross Load as a billing determinant"). Thus, FERC has already ruled that it is appropriate to assess these Disputed Charges to loads and Demand, without any regard to whether these loads and Demand utilize the ISO Controlled Grid. FERC also has ruled in the context of other Charge Types that the CAISO Tariff definition of Control Area Gross Load is not to be limited to load served using the ISO Controlled Grid. See *California Indep. Sys. Operator Corp.*, 99 FERC ¶ 63,020 (2002).

slip op. at 81, *aff'd*, 103 FERC ¶ 61,114 at ¶ 26 (2003).

In short, this issue raised by PG&E's complaint has already been resolved by the Commission, and PG&E's and Intervenor's arguments as to this issue -- whether the relevant loads or Demand were properly allocated the Disputed Charge Types -- must be dismissed. (Nor can PG&E avoid such a dismissal by relying on an unrelated dispute between PG&E and the CAISO, currently pending before the Commission, as that dispute did not concern the Charge Types, Tariff Sections, or billing determinants at issue in this proceeding.)

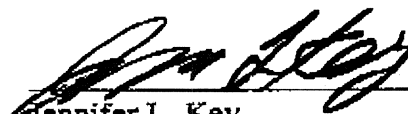
III. PRESENT DEMAND FOR ARBITRATION AND UNDERLYING CLAIM

The charges in dispute currently total approximately \$9 million, plus interest. The CAISO continues to offset the amounts it claims PG&E owes it for the disputed charges on the proxy sc ID, so the charges continue to accrue, at a rate of approximately \$500,000 per month.

SCE supports the CAISO's charges to the loads and Demand for whom they were incurred and seeks to assure that SCE does not have to pay a share of these charges. WHEREFORE, for the reasons stated above, SCE requests that its Petition to Intervene be granted.

Sincerely,

Anna J. Valdberg
Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
(626) 302-1058


Jennifer L. Key
Steptoe & Johnson LLP
1330 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 429-6746

Attorneys for Southern California Edison Company