UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	)))	**Docket Nos. ER01-313-000 and ER01-313-001**
Pacific Gas and Electric Company	))	**Docket Nos. ER01-424-000 and ER01-424-001**

SUMMARY OF THE REBUTTAL TESTIMONY OF A. DEANE LYON ON BEHLF OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Mr. Lyon responds ton behalf of the California Independent System Operator Corporation ("ISO") to the testimony in this proceeding of certain intervenor witnesses and the Commission Staff. The issues discussed by Mr. Lyon include 1) the assessment of the Control Area Services ("CAS") Charge component of the Grid Management Charge ("GMC") based on Control Area Gross Load (the so-called "gross versus net" issue); and 2) the assessment of the CAS Charge on the Mohave Power Plant, and specifically its allocation to Energy associated with the participants in the Mohave Plant other than Southern California Edison Company ("SCE"). The Energy of these non-SCE participants is referred to as "Mohave Participant Energy" or "MPE".

Gross Versus Net

Mr. Lyon describes that some intervenors in this proceeding misconstrue the nature of the CAS Charge, incorrectly believing the provision of Ancillary Services forms some part of the CAS. Mr. Lyon describes what activities are included in the CAS. Mr. Lyon explains that CAS are undertaken to benefit all Loads within the ISO Control Area, including "behind-the-meter" Load, and that such Load is part of the ISO's Load responsibility. He also addresses arguments that behind-the-meter Loads should not be charged for the planning element of CAS or that the Sacramento Municipal Utility District should not be charged for CAS that it claims to self-provide. In explaining that many CAS are undertaken for the benefit of all Load within the ISO Control Area regardless of how much one particular Load utilizes certain CAS in comparison with other Loads, Mr. Lyon rebuts the notion that CAS depend primarily upon Energy imbalances and transmission flows. In response to an argument that behind-the-meter Loads should be charged only a portion of the CAS because it is perceived that they are less of a burden, Mr. Lyon explains that behind-the-meter Loads are actually a greater burden in terms of resources and costs to the ISO than are similar metered Loads. Exh. No ISO-29 at 10-21.

Mr. Lyon describes the nature of the ISO's Load responsibility, and how this Load responsibility is an appropriate billing determinant for the CAS component of the GMC. He describes the nature of the ISO's responsibilities as Control Area operator, and describes how the Western System Coordinating Council ("WSCC") confirms the ISO's view on its responsibilities. Mr. Lyon also describes how assessment of the CAS Charge based on Control Area Gross Load is intended in part to remedy the improper cost shifts that resulted from previous assessment practice. Exh. No ISO-29 at 21-31.

In the final section of his "gross versus net" testimony, Mr. Lyon describes that CAS benefit all Load, and that the services are not discriminatory in that they and their assessment does not treat categories of Load (*e.g.*, "behind-the-meter" Load) differently form other categories of Load. In particular, Mr. Lyon rebuts the notion that the assessment of the CAS Charge on "behind-the-meter" Load assumes any sort of outage of that Load, that in fact CAS are of actual benefit to behind-the-meter Load, rather than somehow only of potential benefit. Exh. No ISO-29 at 31-38.

Mohave Participant Energy

In this section of his testimony, Mr. Lyon explains that it is appropriate to assess the CAS Charge on MPE, because such Energy derives benefits from the CAS provided by the ISO. Mr. Lyon describes how MPE is part of the ISO's Control Area, and thus appropriately subject to the CAS Charge. Exh. No ISO-29 at 40-43. Mr. Lyon describes in detail the activities that the ISO must undertake on behalf of MPE, and the reasons it is necessary for the ISO to monitor the status of the entire output of the Mohave Plant. Exh. No ISO-29 at 43-50; 53. He rebuts the argument that the fact that MPE is dynamically schedules means that the ISO has not responsibility for it, or need to monitor it. Exh. No ISO-29 at 50-53. Finally, Mr. Lyon states that elements of the Mohave System are part of the ISO Controlled Grid, and hence arguments that MPE does not use the ISO Controlled Grid are without merit. Exh. No ISO-29 at 53-56.