

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

California Independent System Operator Corporation	)	Docket Nos.	ER02-250-000
	)		ER02-527-000
	)		
Pacific Gas and Electric Company	)	Docket Nos.	ER02-479-000

**SUPPLEMENTAL TESTIMONY OF  
MICHAEL K. EPSTEIN ON BEHALF OF  
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Michael K. Epstein. I am employed by the California Independent  
3 System Operator Corporation (the "ISO") as Controller. My business address is  
4 151 Blue Ravine Road, Folsom, CA 95630.

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6 **Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES?**

7 A. I am responsible for the ISO's corporate accounting, fixed assets, procurement,  
8 payables, receivables, financial, tax and Federal Energy Regulatory Commission  
9 ("FERC") reporting functions, market cash settlements, and audit coordination for  
10 all the ISO's activities.

11  
12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
13 BACKGROUND.**

14 A. I received both an MBA and a BA with a major in accounting from the University of  
15 Southern California in Los Angeles, CA. I have been the Controller of the ISO  
16 since 1997. From 1994 to 1997, I was Vice President (Finance) of Siskon Gold  
17 Corporation, a publicly traded mining company located in Grass Valley, CA. From  
18 1989 to 1994, I was controller of the Grupe Company, a privately held diversified  
19 real estate company located in Stockton, CA. From 1985 to 1989, I was controller  
20 of Brush Creek Mining and Development Company, a publicly traded mining  
21 company located in Auburn, CA. Prior to that, I was a Certified Public Accountant  
22 in the practice of public accounting with both local and international accounting  
23 firms.

1 **Q. HAVE YOU PROVIDED EXPERT TESTIMONY PREVIOUSLY?**

2 A. Yes, I have presented testimony as an expert witness in several real estate  
3 valuation cases, in insurance claim matters, and in a tax and securities  
4 investigation. I also provided testimony in the 2001 Grid Management Charge  
5 (“GMC”) proceeding in Docket Nos. ER01-313-000, *et al.*

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7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to explain the ISO’s methodology in assessing the  
9 50% of the Ancillary Services and Real Time Energy Operations (“ASREO”) component of the GMC on the self provision of Ancillary Services (“AS”) for the  
10 “behind the meter” load of Government Entities (“GE’s”) that have Interconnection  
11 Agreements (“IAs”) with Scheduling Coordinators (“SCs”).

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14 **Q. HOW DOES THE ISO DETERMINE THE AMOUNTS OF AS THAT ARE SELF-  
15 PROVIDED ON THE BEHIND-THE-METER LOAD OF GEs?**

16 A. The method that the ISO utilized to arrive at an estimate for use in computing the  
17 billing determinant for the ASREO service category is described at pages 51 and  
18 52 of Exh. ISO-1 to the ISO’s November 2, 2001 filing. The ISO employs the  
19 following formula to estimate the self-provision ASREO charge for a given entity:

20 The estimated load for the GE, multiplied by 5.2%, multiplied by 50%.

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1 **Q. PLEASE EXPLAIN HOW THE ISO DETERMINES THE AMOUNTS FOR THE**  
2 **BEHIND-THE-METER LOAD OF GES?**

3 A. In testimony in the 2001 GMC case the ISO described how the behind-the-meter  
4 load of GEs is estimated. Such estimation is as follows: The ISO will use the most  
5 recent load reported to the WSCC, add to that any exports scheduled on the  
6 California Oregon Transmission Project (“COTP”) and deduct any loads reported  
7 by the SC pursuant to that GE’s IA. Where the GE has self-reported loads for more  
8 than a six month period the ISO will annualize those reported amounts and add  
9 COTP scheduled exports.

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11 **Q. PLEASE EXPLAIN WHAT PARTY IS BILLED FOR CHARGES RELATED TO**  
12 **BEHIND-THE-METER LOAD OF GES?**

13 A. In testimony in the 2001 GMC case, Exh. ISO-27, the ISO described the  
14 assessment of the GMC to Other Appropriate Parties (“OAP”) that have “behind-  
15 the-meter” load. One type of OAP, as defined in the November 2, 2002 filing, are  
16 GEs, which can elect voluntarily to provide such load data. Where the GE does  
17 not elect to provide the data, the ISO will estimate the load, as explained above,  
18 and bill the SC with the IA. For 2002, the Pacific Gas and Electric Company  
19 (“PG&E”) is the SC that has the IAs for the following GEs that have not elected to  
20 report data for their behind-the-meter load: Modesto Irrigation District, Turlock  
21 Irrigation District, City of Santa Clara dba Silicon Valley Power, Northern California  
22 Power Administration and Sacramento Municipal Utility District.

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**Q. ARE THERE ANY OTHER MATERIALS THAT HELP EXPLAIN HOW THE ABOVE FORMULA WORKS IN PRACTICE?**

A. Yes. I am attaching a copy of the ISO's first bill for 2002 to PG&E. The bill shows the estimation of the behind-the-meter load for the GE and then shows the calculation of the estimate of the self-provision on that load. The bill further shows the rates for both the Control Area Service charge and the ASREO self provision charge on both an annual and monthly basis.

**Q. IS THIS METHODOLOGY SUFFICIENTLY DETAILED TO ALLOW THE SC TO ASSESS MARKET PARTICIPANTS FOR THE SHARE OF THE ASREO CHARGE ASSESSED ON SELF-PROVISION OF AS THAT THEY CAUSED TO BE INCURRED?**

A. Yes. The ISO's formula methodology, as given and explained above, is sufficient for PG&E to divide its bill from the ISO among the GEs who caused the ASREO charges assessed on the self-provision of AS to be incurred.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes, it does.