

April 30, 1999

The Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation, Docket Nos. ER99-____-000 and EL99-47-000, Amendment No. 16 to the ISO Tariff Implementing the Grid Management Charge To Be Effective July 1, 1999

Dear Secretary Boergers:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. §824d, and Section 35.13(a)(2)(iii) of the Commission's Regulations, 18 C.F.R. §35.13(a)(2)(iii), the California Independent System Operator Corporation ("ISO")¹ respectfully submits for filing an original and six copies of an amendment ("Amendment No. 16") to the ISO Tariff, which establishes the Grid Management Charge ("GMC") to be effective July 1, 1999. This filing is being made to fulfill the commitment made by the ISO in October 1998, in Docket No. ER99-473-000.

¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, ISO Tariff Appendix A, as filed August 15, 1997.

Summary

As fully explained in this Transmittal Letter and the attached supporting documents, this filing is the product of a lengthy process commenced as the result of the 1998 GMC settlement to examine whether at this time the GMC can and should be unbundled into separate rates for different ISO services. The ISO has facilitated over the past year an open and extensive stakeholder process to determine which of the ISO's functions, if any, should be separately priced.

To date, stakeholders have been unable to reach a consensus on a new unbundled rate or that the amount of data collected and analyzed in the short time the ISO has been in operation is adequate to determine a properly unbundled rate. Based on the overwhelming and vigorously presented recommendation of the stakeholders,² the ISO's Governing Board voted to continue the currently effective GMC formula and assessment provisions through December 31, 2000, and make this filing to achieve that end.

This decision was considered over the course of several Board meetings and was based on several factors.

- First, the more complex approaches to unbundling favored by a number of stakeholders would require complex changes to the ISO's computer software to track and bill charges. Were the Board to approve such an approach, changes of that magnitude could not be developed, installed, tested, and made effective before January 1, 2001, unless critical software projects (including Firm Transmission Rights and Ancillary Services Redesign) were set aside.
- Second, the current methodology is generally consistent with the available cost support data³ and would remain in effect for a relatively limited duration until computer functions are improved and a further unbundling study is completed.

² Several stakeholders do not concur in the recommendation.

³ The current GMC methodology and assessment procedures do not represent the only supportable approach to the development of a charge to (*footnote continues*)

- Finally, the vast majority of stakeholders support continuing the currently effective GMC rate methodology for this 18-month transitional period.

In light of all of these considerations, the ISO believes that the current GMC rate formula remains within the “zone of reasonableness” and therefore need not be modified at this time.

Amendment No. 16 to the ISO Tariff, filed herewith, is designed to implement the continuation of the current GMC rate methodology through December 31, 2000, by changing references in Schedule 1 of the ISO Tariff that refer to the effective period of that rate.⁴

Accordingly, the ISO requests that the Commission (a) accept this filing, (b) find the proposed GMC rate formula and assessment provisions to be just and reasonable, and (c) permit the proposed Tariff changes to go into effect upon the requested effective date without being subject to refund.

If, however, the Commission does not accept the rate as filed and orders refunds⁵ to some customers, the ISO has the following additional request: that it be permitted to surcharge other customers to recover the refunded amounts. As explained below, such a mechanism is necessary because as a non-profit entity,

recover the ISO’s operating costs, and in fact may not be what the ISO would choose to file once studies are complete. But the current rate is within the “zone of reasonableness” and, for the reasons discussed below, the ISO Board has determined that it is appropriate at this time to continue it in effect.

⁴ The revised and redlined tariff sheets, which reflect two changes in the referenced dates and one change in a definition referring to a time period for capital costs, are included in this filing as Attachments A and B, respectively.

⁵ Any refunds would be limited by the terms of the 1998 Settlement, which established the justness and reasonableness of the ISO’s start-up costs, including commitments made under multi-year contracts, thereby leaving most claims for refunds to be claims for reallocation of costs among customer classes.

the ISO's only source of funds for operations is revenues collected through the GMC. Should the ISO be ordered to reduce charges to some customers, it must be allowed to surcharge others to make up the lost revenue. The ISO therefore respectfully requests that it be permitted to institute a surcharge to recover from other customers any revenue it must refund.

Background

On October 17, 1997, the ISO filed with the Commission for approval of its initial GMC – the monthly charge assessed on all Scheduling Coordinators in order to allow the ISO to recover its startup, development, and ongoing operating and maintenance costs. On April 7, 1998, as part of a comprehensive settlement, the ISO filed revised GMC formula and assessment provisions, which the Commission accepted in a letter order.⁶ That formula set a GMC charged equally by MWh to all Scheduling Coordinators, with the following limited exceptions:

- (i) 50% of the volumes flowing over the ISO Controlled Grid pursuant to Existing Contracts are excluded;⁷
- (ii) volumes in the ISO Control Area, but not on the ISO Controlled Grid are excluded; and
- (iii) volumes located within the service areas of municipal and governmental utilities served by generation located within that same utility's service area are excluded.

⁶ *California Independent System Operator Corp., et al.*, 83 FERC ¶ 61,247 (1998).

⁷ Existing Contracts are those contracts for firm bundled or unbundled delivery that predate the ISO's authorization on October 30, 1997. Each one of them is between one of the three investor-owned utilities that has transferred control of its lines to the ISO and one or more of its transmission customers.

As part of the settlement, the ISO agreed to facilitate a study of unbundling the GMC and to file to implement a new GMC to be effective on January 1, 1999.⁸

The ISO facilitated the study by retaining a consultant selected by the Unbundling Working Group, commissioning a report by the consultant, and working closely with the Working Group. The Working Group concluded, however, that to be meaningful, the unbundling review process needed more time than had been established in the original settlement. Rather than file for a new GMC as had been proposed in the initial settlement, the ISO, at the urging of the Working Group, sought agreement from all parties to an extension of the existing GMC formula until June 30, 1999.⁹ The ISO coupled that request with a commitment to make a GMC rate filing to become effective July 1, 1999. Only one party, Enron Power Marketing, Inc. ("Enron"), opposed the ISO's request. On December 23, 1998, the Commission accepted the request.¹⁰

Responding to the arguments of Enron, the Commission, however, treated the ISO's request as one under Section 205 of the FPA and stated that its acceptance of the ISO's request to extend the existing GMC was "subject to refund, and subject to the outcome of the proceeding in which the ISO submits a revised GMC to become effective on July 1, 1999."¹¹ Both Enron and the ISO filed requests for clarification or rehearing of the December 23 Order.¹²

⁸ *California Independent System Operator Corp., et al.*, 85 FERC ¶ 61,433, 62,631 (1998).

⁹ *Id.*

¹⁰ *Id.* at 62,633.

¹¹ *Id.*

¹² Following the Commission's December 23 Order, the Western Power Trading Forum ("WPTF") filed a "Complaint and Request for Expedited Relief" seeking a determination that the existing GMC is "discriminatory, anticompetitive, imposes excessive rates on Complainants and violates [the] . . . previously approved ISO settlement in Docket Nos. ER98-211-000, *et al.* . . ." ("WPTF Complaint"). The WPTF also requested that the Commission, pursuant to (*footnote continues*)

On April 2, 1999, the Commission granted in part and denied in part Enron and the ISO's requests for clarification or rehearing of the December 23 Order.¹³ The Commission confirmed its earlier finding that the ISO's proposed extension of the GMC until June 30, 1999, should be treated as a Section 205 filing, and established, pursuant to Section 206 of the FPA, a refund effective date, which is June 7, 1999.¹⁴ The Commission created Docket No. EL99-47-000 to investigate the ISO's filing, but held that no purpose would be served by commencing a hearing at that time. Instead, the Commission determined that the investigation and hearing, if required, would take place in connection with this filing to establish a GMC to be effective July 1, 1999. The Commission noted that the extension of the existing settlement GMC rate to June 30, 1999, would be subject to the outcome of this proceeding, and that if the ISO requires a further extension of the GMC settlement, its order would provide an effective period for refunds of up to fifteen (15) months.¹⁵ Finally, the Commission denied

Section 206 of the FPA, establish a refund effective date of January 1, 1999, or no later than 60 days after the filing of the Complaint. Further, WPTF asked the Commission to set the matter for hearing to (1) determine and fix a just and reasonable rate for the GMC, and (2) determine the appropriate amount of, and order, refunds. The ISO filed an answer to WPTF's Complaint, arguing that the Complaint duplicated the pending requests for relief made in Docket No. ER99-473-000, that no purpose would be served by litigating a new GMC at that time, that granting the Complaint would waste scarce resources, and that the Complaint should be dismissed. Other intervenors also requested that the FERC dismiss the Complaint. The Commission found WPTF's Complaint moot in light of this pending proceeding that had been established to determine a GMC to be effective July 1, 1999, and dismissed the Complaint. *Western Power Trading Forum v. California Independent System Operator Corp.*, 87 FERC ¶ 61,016 (1999).

¹³ *California Independent System Operator Corp., et al.*, 87 FERC ¶ 61,023 (1999).

¹⁴ *Id.* at 5-6.

¹⁵ *Id.* at 5.

as premature the ISO's request for authorization to collect a surcharge in the event that the Commission orders refunds.¹⁶

The Proposed GMC Rate Structure

In this filing, the ISO provides, in conformance with its commitment and prior Commission orders, a GMC rate proposal to be effective July 1, 1999. The proposal consists of the following:

- 1) An extension of the existing GMC rate formula and accompanying assessment provisions until December 31, 2000. This formula produces a single GMC rate charged to all Scheduling Coordinators, with exclusions for the following volumes:
 - (i) 50% of the Existing Contracts volumes;
 - (ii) 100% of the volumes in the ISO Control Area, but not on the ISO Controlled Grid; and
 - (iii) 100% of the volumes located within the service areas of municipal and governmental utilities served by generation located within that same utility's service area;
- 2) A commitment to continue to study unbundling through the Unbundling Working Group; and
- 3) A commitment to file a new GMC rate to be effective January 1, 2001.

The Board adopted this proposal at the urging of the vast majority of the ISO's stakeholders. As is explained in more detail below, and in the supporting documents included with this filing, extending the current GMC rate formula is within the zone of reasonableness. This filing should, accordingly, be accepted and permitted to go into effect without refund.

¹⁶ *Id.* at 6.

Basis for Finding the GMC Rate Proposal Just and Reasonable

As the Commission has long recognized, a jurisdictional entity has substantial latitude to select a rate design for the charges through which it recovers its costs, as long as its proposed rate design is within the zone of reasonableness.¹⁷ The ISO believes that the current GMC rate proposal is fully consistent with this standard.

The ISO is committed to a full and fair analysis of whether the GMC should be further unbundled. Given the ISO's commitment to "Reliability Through Markets," it is appropriate that the ISO continuously reviews whether its rate structure can better align customers' costs with the actual services they use to produce a rate that more accurately reflects cost causation. Taken to the extreme, "complete" unbundling would result in rates that permit customers to pick and choose services hour-by-hour (or even within an hour) and to pay only for the specific services they used. To achieve that result, however, would require computer programs that could track and charge customers for each service they use, and a detailed study defining the precise costs that are entailed in using each specific service. The Commission has appropriately recognized that a rate design need not track costs perfectly to fall within the zone of reasonableness.¹⁸ Indeed, it is appropriate to take into account practical limits on the ability of a utility to reflect fine distinctions in its rate design.¹⁹ The ISO has

¹⁷ See, e.g., *Alabama Electric Cooperative, Inc. v. FERC*, 684 F.2d 20, 27 (D.C. Cir. 1982) (rate, even if not "ideal" design, will be approved if it is nevertheless in the zone of reasonableness).

¹⁸ See, e.g., *New England Power Co.*, 52 FERC ¶ 61,090, 61,336 (1990), *aff'd*, *Town of Norwood v. FERC*, 962 F.2d 20 (D.C. Cir. 1992) (rate design proposed need not be perfect, merely needs to be just and reasonable) (citing *Cities of Bethany, et al. v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir.), *cert. denied*, 469 U.S. 917 (1984) (utility need establish that its proposed rate design is reasonable, not that it is superior to all alternatives)).

¹⁹ See, e.g., *Texas Eastern Transmission Corp.*, 37 FERC ¶ 61,260, 61,709 (1986) (rates must reflect administrative feasibility).

done so here, taking into account the fact that neither the analysis to justify further unbundling nor the software necessary to implement it are yet available.

Computer Limitations

As is explained in more detail in Attachment C, the ISO's pre-existing, higher priority software development projects – including Year 2000 compliance-related work, Ancillary Services redesign items, and the auction and implementation of firm transmission rights – will delay until 2000 any possible changes to accommodate unbundling of the type stakeholders have proposed. Neither stakeholders nor ISO Board members have challenged these priorities, many of which are established by Commission orders.²⁰

Need for Further Cost Allocation Studies

As contemplated by the 1998 Settlement, an outside consultant prepared a study for the ISO. The ISO and the Unbundling Working Group have further refined and developed that analysis. That analysis, however, still is not sufficiently developed to support a final decision on unbundling, and further study is planned. Nevertheless, to determine whether the work to date demanded a change in the interim rate, the ISO applied the results of that study to current cost information. This application of the analysis, which is referred to below as the "Cost Allocation Study," is presented in Attachment C.²¹ This analysis indicates that, in light of current circumstances, the proposed GMC rate formula remains within the zone of reasonableness.

The Cost Allocation Study assigned all of the ISO's costs in the GMC, including all operating costs and debt service, among five functional categories that had been determined by the Unbundling Working Group to generate costs:

²⁰ Attachment C at 4-5.

²¹ Attachment C consists of four parts: a narrative description of the background and overview of the process; detailed narrative descriptions of five identified functional categories; a department-by-department description of the operations of the ISO and the justification for allocating costs to those five identified functional categories; and a matrix presenting the percentages, costs and allocations for the various departments and for the customer classes.

(1) Control Area Operations; (2) Scheduling; (3) Congestion; (4) Market Operations; and (5) Settlements, Billing, and Metering. This was accomplished by having directors and other representatives from each of the ISO's "cost centers," which are accounting groupings that record costs on a departmental basis, determine how the costs those departments generate should be allocated to the different functional categories. These allocations by department were combined to produce an overall ratio of costs by category. The ratios were then applied to the ISO's Revenue Requirement for 1999, producing a revenue requirement by functional category.

To apply the results of these allocations to the current GMC rate, the ISO made assumptions regarding the use by customers of the categories of service in order to develop a transmission volume forecast. These assumptions are more fully described in Attachment C. The volumes calculated as a result of all of these assumptions were then used to develop a unit rate for each functional category by dividing the revenue requirement by the associated volumes.

Finally, the ISO applied the unit rates from each functional category to the different types of volumes based on the previous assumptions made regarding which volumes used which services. Thus, for volumes associated with investor-owned utilities, all five unit rates were assessed. Existing Contract volumes and those not using the ISO Controlled Grid were assessed on a different basis, as more fully discussed in Attachment C. The rates produced from applying these assumptions to investor-owned utility loads and Existing Contract loads are very close to the rates now in effect and proposed to be extended.²² The other two classes of volumes (volumes not on the ISO Controlled Grid or volumes within and served by municipal or governmental utilities) remained, as discussed before, excluded from charges for any of the categories.²³

In sum, on the basis of the assumptions and methodology used to test the current GMC methodology against the current unbundling analysis, the two principal features of the current and proposed GMC rate – (i) charges for

²² See Attachment C at 67 (Cost Allocation Matrix Summary Sheet).

²³ The full analysis is included in Attachment C at 5-8.

volumes associated with investor-owned utilities and (ii) charges for Existing Contract volumes – remain within the zone of reasonableness.

The ISO recognizes that with computer enhancements and further study, additional unbundling of the GMC rate may, in fact, be necessary and appropriate. The ISO commits in this filing to pursue the development of the necessary computer programs and to continue to study unbundling with its stakeholders so as to be able to file a new GMC to be effective after December 31, 2000. This commitment makes clear that the ISO's proposed GMC rate should be viewed as one of a transitional nature and of limited duration. In such circumstances the Commission has allowed significantly greater flexibility to applicants with respect to rate proposals.²⁴ For that reason, the entire current rate methodology should not be supplanted, but rather allowed to continue while the necessary additional analysis is completed.

GMC Cost Levels

In earlier proceedings, some parties have alleged that regardless of the structure of the GMC rate, the rate cannot be found to be just and reasonable because it is too high in absolute terms.²⁵ Such a claim is totally groundless. First, it has been agreed in settlement that the infrastructure costs of the ISO are deemed just and reasonable.²⁶ Any attack on the level of the rate must be limited to *newly incurred* operating costs.

²⁴ See, e.g., *Pennsylvania-New Jersey-Maryland Interconnection*, 81 FERC ¶ 61,257, 62,252 (1997) (permitting different treatment of non-firm transmission revenues on an interim basis during transition period to system-wide rate); *Equitrans, L.P.*, 80 FERC ¶ 61,144, 61,565 n.33 (1997) (citing *National Fuel Gas Supply Corp.*, 71 FERC ¶ 61,031 (1995) (given unique circumstances, the Commission will permit flexibility in allocating costs during the transition to unbundled rates)).

²⁵ WPTF Complaint, *supra* n.12, at 9-10.

²⁶ *California Independent System Operator Corp.*, Docket No. ER98-211-000, *et al.*, Settlement Agreement, Paragraph 7, filed April 7, 1998, *approved*, 83 FERC ¶ 61,247 (1998).

The ISO has performed two separate studies comparing its costs to the operating costs of other ISOs in existence or in the process of starting up. The reports are included as Attachment D. These reports primarily examined the overall cost performance among the ISOs from a departmental operating cost standpoint. The principal difference in cost lies in infrastructure (including financing) costs²⁷ (which, as noted above, for the ISO may not be challenged). There is simply no basis for rejecting an extension of the GMC based on total costs.

Stakeholder Support

The final factor in evaluating the GMC rate extension proposal is stakeholder support. As described in Attachment C, the vast majority of stakeholders support the continuation of the existing GMC formula rate and assessment methodology as proposed in this filing. Even in the face of a proposal by ISO management that attempted to achieve further unbundling based on the preliminary results of the studies, the stakeholders voiced their overwhelming support to retain the current structure until the unbundling studies are complete and software to accomplish more complex unbundling is available.²⁸ While such support alone cannot be relied upon to approve a rate,²⁹ it is a factor appropriate for the Commission to consider, in particular with respect to a non-profit entity governed by a stakeholder board. In light of the Commission's policy initiatives to encourage the formation of ISOs with open and non-discriminatory governance structures, it should put substantial weight on a

²⁷ These factors are described in Attachment D, in a summary sheet.

²⁸ In light of its software development constraints, the ISO attempted to achieve unbundling by proposing a more limited form of unbundling that would include five service offerings, all billed on a volumetric demand-based billing determinant. Stakeholders, however, did not support this proposal and expressed strong support for continuing the current settlement past June 30, 1999, pending further research on appropriate billing determinants and the development of the necessary software. Accordingly, on March 25, 1999, the Board voted to continue the existing GMC settlement structure, and to forgo pursuing limited unbundling. See Attachment C at 5.

²⁹ See *Southern California Edison Co. v. FERC*, 162 F.3d 116, 119 (D.C. Cir. 1998); *Laclede Gas Co. v. FERC*, 997 F.2d 936, 946 (D.C. Cir. 1993).

determination that the entities who will pay the GMC charges have, via the Unbundling Working Group and their representation on the ISO Board, overwhelmingly approved the GMC proposal.

Conclusion Regarding Reasonableness

In sum, in light of all of the circumstances discussed above, the proposal to extend the GMC formula rate until December 31, 2000, yields a rate that is within the zone of reasonableness.³⁰ The ISO does not suggest (nor need it establish) that continuing the current GMC rate structure is the *only* one within the zone of reasonable rate structures that could be supported by the data in the Cost Allocation Study. Likewise, the ISO's request to extend the current GMC rate does not predetermine what the ISO will implement upon completion of additional study of unbundling and following the development of the computer software necessary to implement further unbundling.

Rather, given all the current circumstances, the proposed GMC rate structure provides a just and reasonable method for recovering the ISO's operating costs and is not unduly discriminatory. Because of the high degree of stakeholder support and the commitment of the ISO Board to continue to study unbundling, the ISO respectfully submits that the proposed 18-month extension of the currently effective GMC rate should be accepted as providing a reasonable balance of all interests for this interim period.

Request for Surcharge Authorization

Assuming *arguendo* that the Commission does not accept the ISO's proposed rate as filed and orders refunds, the ISO respectfully requests authorization to surcharge other Scheduling Coordinators paying the GMC to collect the revenue it is required to refund. Were the Commission to order refunds to certain Scheduling Coordinators pursuant to Section 206 of the FPA,

³⁰ See *Mobil Oil Corp. v. FPC*, 417 U.S. 283, 316-17 (1974) (citing *Permian Basin Area Rate Cases*, 390 U.S. 747, 796-798 (1968)); see also *Columbia Gas Transmission Corp., et al.*, 66 FERC ¶ 61,214, 61,492 (1994) ("It is well known that there is not one just and reasonable rate, but that various rates can be within a zone of reasonableness."); *PacifiCorp Electric Operations*, 60 FERC ¶ 61,292, 62,038 (1992).

such a surcharge would be necessary in order for the ISO to be able to continue to provide the services it is obligated to perform. Because the ISO is a non-profit entity that does not have shareholder equity to subsidize costs, if the ISO were forced to make refunds without the collection of a surcharge, the ISO would be refunding amounts that it cannot make up elsewhere. Consequently, the ISO requests Commission authorization to allow it to surcharge other customers to replace any amounts it is required to refund.

Tariff Changes

The ISO proposes changes to its Tariff to implement this filing. Currently, Schedule 1 of the Tariff notes that the GMC rate formula included in that Schedule applies for 1998. The tariff amendments submitted modify Schedule 1 to indicate that the GMC formula will apply through December 31, 2000. Additionally, Schedule 1 defines certain capitalized terms not included in the Master Definitions Supplement for 1998. The ISO modifies Schedule 1 to indicate that those definitions will also apply through December 31, 2000. Finally, the amendments change one definition regarding Cash Funded Capital Expenditures that was applicable for only 1998 to be applicable to other years as well.

Effective Date

The ISO requests that these rates and Tariff changes be allowed to go into effect on July 1, 1999, not subject to refund.

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Notice and Service of Documents

Communication regarding this filing 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:

N. Beth Emery
Vice President and General Counsel
Roger E. Smith*
Regulatory Counsel
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
Tel: (916) 351-2207
Fax: (916) 351-4436

Edward Berlin
Kenneth G. Jaffe
Scott P. Klurfeld*
Sara C. Weinberg
Swidler Berlin Shereff Friedman
3000 K Street, NW
Washington, DC 20007
Tel: (202) 424-7500
Fax: (202) 424-7643

* Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.213(b)(3).

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, on all parties with effective Scheduling Coordinator Agreements under the ISO Tariff, and on all parties on the service list for Docket No. EL99-47-000. As a courtesy, the ISO has also served all parties on the service list for Docket No. ER99-473-000. In addition, the ISO is posting this transmittal letter and all attachments on the ISO's Home Page.

Other Filing Requirement

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary or demonstratively the product of discriminatory employment practices.

Waiver

The ISO respectfully requests that the Commission grant any waivers that it may deem necessary to accept this filing, place the filed tariff sheets into effect as requested, grant alternative surcharge authorization (if required), and grant any additional relief requested or that the Commission finds is required.

Supporting Documents

The filing does not represent a rate increase and thus is made in accordance with the Commission's rules permitting abbreviated filings. 18 C.F.R. §35.13(a)(2)(iii). In accordance with those rules, this filing includes the following documents in addition to this Transmittal Letter to support the filing:

- New Tariff sheets incorporating the amendment (Attachment A).
- Black-lined text showing the additions and deletions to existing Tariff language (Attachment B).
- Analytical Support for the California ISO Grid Management Charge which, along with this Transmittal letter, provides the reasons for the rate schedule filing and information regarding the effect of the filing (Attachment C).
- Documents comparing the ISO's GMC to those of other Independent System Operators (Attachment D).

In addition, a Notice of this filing, suitable for publication in the Federal Register (Attachment E), together with a diskette containing the notice in electronic form, is attached.

Summary of Relief Requested

For the reasons explained above and in the documents included with this filing, the ISO respectfully requests that the Commission: (1) accept this filing; (2) find the proposed GMC rate formula and assessment provisions to be just and reasonable; and (3) permit the proposed rates and Tariff changes to go into effect upon the requested effective date not subject to refund. In the alternative,

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if the Commission orders refunds, the ISO requests that it be authorized to institute a surcharge to recover the refunded revenues from other customers. Finally, the ISO requests that the Commission grant whatever other waivers or authorizations are required to provide the relief requested.

An additional copy of this filing is enclosed. Please stamp this copy with the date and time of filing and return it to our messenger.

Please contact the undersigned with any questions.

Respectfully submitted,

N. Beth Emery
Vice President and General Counsel
Roger E. Smith, Regulatory Counsel
The California Independent System
Operator Corporation

Edward Berlin
Kenneth G. Jaffe
Scott P. Klurfeld
Sara C. Weinberg
Swidler Berlin Shereff Friedman, LLP

**Counsel for the California Independent
System Operator Corporation**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the Public Utilities Commission of California, the California Energy Commission, the California Electricity Oversight Board, on all parties with effective Scheduling Coordinator Agreements under the ISO Tariff, and on all parties on the service lists in Docket Nos. EL99-47-000 and ER99-473-000, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC, on this 30th day of April, 1999.

Sara C. Weinberg