

October 27, 2006

VIA FEDERAL EXPRESS

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER05-849-_____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("CAISO") respectfully submits an original and five copies of the instant filing in compliance with the order of the Federal Energy Regulatory Commission ("Commission") dated June 22, 2005 in the above-captioned proceeding, *California Independent System Operator Corporation*, 111 FERC ¶ 61,452 ("June 22, 2005 Order").

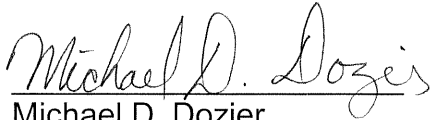
In the June 22, 2005 Order, the Commission directed the CAISO to submit a compliance filing within 30 days after six months after the commencement of the Station Power Protocol providing cost support for the CAISO's administrative charges of \$500 for processing an application for a Station Power Portfolio or a change in a Station Power Portfolio and \$200 for each month in which the CAISO is required to reallocate Meter Data in order to implement the provisions of the Station Power Protocol. June 22, 2005 Order at P 30 and Ordering Paragraph (B). The CAISO implemented the Station Power Protocol on April 1, 2006 and has now had over six months of actual experience in establishing and administering Station Power Portfolios.

The CAISO's cost support information for its administrative charges described above is set forth in Attachment A to the present filing. As shown in Attachment A, the CAISO's direct costs to implement and administer Station Power Portfolios have been somewhat greater than the administrative charges the CAISO has collected. The CAISO submits that this demonstrates that the CAISO's administrative charges have not been excessive for this period of implementation and that no refunds need be made to the participants in the Station Power program for charges assessed over this period. In addition, the CAISO proposes to maintain the current administrative charges going forward as

a very conservative rate for recovery of the CAISO's projected costs for administration of the Station Power program in the future, until such time as the CAISO may have the opportunity to conduct a comprehensive review of all of the CAISO's administrative charges in the future. Based on the foregoing and the attached cost support information, the CAISO requests that the Commission accept unconditionally the CAISO's administrative charge rates for the Station Power program as filed, without refund.

An additional copy of this filing is enclosed. Please date-stamp and return this copy in the enclosed self-addressed, pre-paid Federal Express envelope. If there are questions concerning this filing, please contact the undersigned.

Respectfully submitted,



Michael D. Dozier

Counsel

California Independent System

Operator Corporation

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Attorney for the California Independent
System Operator Corporation

ATTACHMENT A

STATION POWER COST SUPPORT

Station Power Cost Support

- Actual Costs** To implement the Station Power Program, the CAISO incurred and will incur in the future costs for two main processes:
- Station Power Portfolio Application Review and Set-up
 - Meter Data Reallocation Process

Station Power Portfolio Application Process

For each Station Power Portfolio application received, the CAISO has 30 Business Days to complete the following steps:

- CAISO staff must review the contents to determine if the application meets the requirements of the ISO Tariff.
- CAISO staff must send the contents of each Station Power Portfolio application to the relevant utility and the CPUC.
- A meter engineer must undertake a comprehensive technical review of the one-line diagrams to determine if the metering configuration for the plant meets the requirements of the Station Power program. The meter engineer often coordinates directly with the applicant to discuss meter configuration issues and contract issues.
- When the Station Power Portfolio has passed the technical review, CAISO staff must assign new Station Power Load IDs and incorporate these IDs into the Master File.
- The Meter Data Acquisition Systems (MDAS) must then be updated to remove previous netting schemes, accommodate new IDs and reconfigured for new Station Power Portfolio metering set ups.

CAISO staff completes the implementation of the Station Power Portfolio application – no contractor staff is used. To ensure that every Station Power Portfolio application received can be processed in a timely manner, the CAISO has dedicated staff responsible for Station Power Portfolio applications. The CAISO must also train back-up staff on the application process to ensure timely implementation.

Based on the CAISO's experience with Station Power Portfolio applications received to date and projections for future applications, the CAISO considers the following to be the typical commitment of CAISO staff time required to process an application:

- Station Power Application Coordinator and Master File Set-Up: 6 hours
- Technical Meter Configuration Review: 12 hours
- MDAS System Set-Up: 4 hours

Thus, each application typically has required and will require in the future a total of 22 hours per application. This time multiplied by the average salaries of the applicable staff positions performing the functions described above results in an estimated total direct cost for processing each application for implementation of a Station Power Portfolio of \$1,050 per application, as shown in the attached table. The CAISO has not attempted to calculate the costs of benefits and other overhead costs attributable to the staff whose time has been and will be devoted to the review of Station Power Portfolio applications. Incorporation of these costs would simply increase the amount of costs attributable to this activity.

While the actual direct cost of processing each Station Power Portfolio application is approximately \$1,050, the CAISO considers the current fee of \$500 per application to be appropriate to recover a substantial portion of this cost directly from applicants without serving as a disincentive to implementation of Station Power Portfolios where authorized by FERC and desired by applicants. Consequently, the CAISO proposes that the current \$500 fee be confirmed as appropriate for applications already processed by the CAISO and that this charge should be maintained for future applications, at least until such time as the CAISO may have the opportunity to conduct a comprehensive review of all of the CAISO's administrative charges in the future.

Meter Data Reallocation Process

To properly account for Station Power Load data, the CAISO developed an automated program to determine whether a Station Power Portfolio over the Netting Period either self-supplied Station Power or used Third Party Supply. This automated program evaluates each Station Power Portfolio in production and shifts Meter Data for an entire month when necessary. The CAISO developed this program in-house using CAISO and contractor staff. The total hours spent on development was 3,042 hours, 2,052 hours of contractor time and 990 hours for CAISO staff. Based on the average billing rates of the contractors and average salaries of involved CAISO staff, the cost to develop this program was \$180,253 in costs for contractor staff and \$41,432 for CAISO staff – for a total cost of \$221,685, as shown in the attached table. The CAISO has not attempted to calculate the costs of benefits and other overhead costs attributable to the CAISO staff members who were involved in the development of this automated program. Incorporation of these costs would simply increase the amount of costs attributable to this activity. This automated program is only used for the implemented Station Power Portfolios.

Because the Meter Data reallocation process is based on an automated program, it requires a small amount of on-going support and maintenance of the CAISO's Information Technology staff. Additionally, to accommodate the utilities' retail billing processes, the CAISO has to provide 5-minute Meter Data at the end of each calendar month. Normally, the CAISO's metering system processes 10-minute Meter Data at T+45 days. These customized features required by the Station Power Portfolio program require a small amount of additional maintenance and support beyond the ordinary requirements of the CAISO's metering system. However, having invested in the development of the automated program to evaluate Meter Data reallocation, the CAISO's costs to maintain and run this program on a routine basis to apply it to a Station Power Portfolio are minimal and difficult to quantify. Consequently, the CAISO has not attempted to calculate the additional costs of maintenance of the program and provision of Meter Data to the utilities in a non-standard form. Thus, the CAISO's fee for each reallocation simply recovers a small portion of the original cost of the development of the automated program.

The CAISO's current charge for Meter Data reallocation is \$200 per reallocation, which recovers less than 1/10 of 1% of the original cost of the development of the automated program. The CAISO's experience for the first six months of implementation of the Station Power program is that it only had to reallocate Meter Data for one Station Power Portfolio for two months. However, the extent to which the CAISO will be required to reallocate Meter Data in the future is unpredictable. Consequently, similar to the fee for processing Station Power Portfolio applications, the CAISO considers the current charge of \$200 per reallocation per month appropriate to recover a portion of this cost directly from applicants without serving as a disincentive to implementation of Station Power Portfolios where authorized by FERC and desired by applicants. Thus, the CAISO proposes that the current charge of \$200 per reallocation per month be confirmed as appropriate for Station Power Portfolios already processed by the CAISO and that this charge should be maintained for future Meter Data reallocations, at least until such time as the CAISO may have the opportunity to conduct a comprehensive review of all of the CAISO's administrative charges in the future.

**Implemented
Station Power
Portfolios**

As of September 30, 2006, six months after the start of the Station Power program, the CAISO had fully implemented five Station Power Portfolios. Applications for four additional Station Power Portfolios had been received as of that date and were in the review process.

**Revenues
Collected and
Accounting
for Revenue
Credits**

The Station Power Portfolio application fee is \$500. As of September 30, 2006, the CAISO had collected the application fee for 9 portfolio requests for a total of \$4,500.

The Meter Data reallocation fee is \$200 per meter per month. As of September 30, 2006, the CAISO had settled the CAISO markets through the month of July 2006. For settlements through July 2006, the CAISO had to reallocate Meter Data to a Remote Self-Supply Load ID for two months using the Meter Data reallocation process. The CAISO collected \$400 for one meter for two months during this settlement period.

As these revenues collected are less than the CAISO's actual costs incurred for the services for which these charges were applied, the CAISO submits that there is no basis for any refunds of these revenues and thus no need for the CAISO to provide any additional accounting for the revenue credits made to the CAISO's Grid Management Charge (GMC) associated with these charges. The CAISO's revenue credits to the GMC from these charges have been accounted for in accordance with the provisions of the ISO Tariff applicable to the GMC.

STATION POWER PORTFOLIO APPLICATION PROCESSING COSTS

Activity	Description	Typical Processing Time	Blended average hourly rate	Cost
Station Power Application Coordinator and Master File Set-Up	CAISO staff must review the contents to determine if the application meets the requirements of the ISO Tariff. CAISO staff must send the contents of each Station Power Portfolio application to the relevant utility and the CPUC. When the Station Power Portfolio has passed the technical review, CAISO staff must assign new Station Power Load IDs and incorporate these IDs into the Master File.	6	\$35	\$210
Technical Meter Configuration Review	A meter engineer must undertake a comprehensive technical review of the one-line diagrams to determine if the metering configuration for the plant meets the requirements of the Station Power Program. The meter engineer often coordinates directly with the applicant to discuss meter configuration issues and contract issues.	12	\$55	\$660
MDAS System Set-Up	The Meter Data Acquisition Systems (MDAS) must then be updated to remove previous netting schemes, accommodate new IDs and reconfigured for new Station Power Portfolio metering set ups.	4	\$45	\$180
TOTAL DIRECT COST				\$1,050

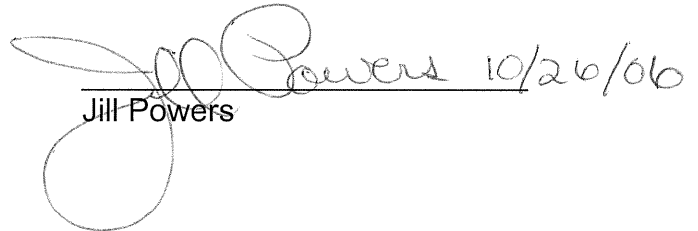
STATION POWER METER DATA REALLOCATION PROGRAM DEVELOPMENT COSTS

Activity	Description	Total Hours for Program Development	Blended average hourly rate	Cost
Contrator Costs of Development of Automated Program to Reallocate Meter Data	Contractors were tasked with the primary efforts to design the automated program to reallocate Meter Data when required to comply with the provisions of the Station Power Protocol.	2,195	\$82	\$180,253
CAISO Staff Costs of Development of Automated Program to Reallocate Meter Data	CAISO staff provided input and feedback to contractors in the design of the automated program to reallocate Meter Data when required to comply with the provisions of the Station Power Protocol.	990	\$42	\$41,432
TOTAL DIRECT COST				\$221,685

DECLARATION OF JILL POWERS

I, Jill Powers, am the Manager of Operations Data and Compliance for the California Independent System Operator Corporation. The information set forth in the attached Station Power Cost Support was prepared under my direction and guidance. I declare under penalty of perjury that the information in the attached Station Power Cost Support is true and correct to the best of my knowledge, information, and belief.

Executed at Folsom, California, on October 26, 2006

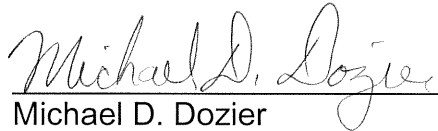
 Powers 10/26/06

Jill Powers

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, 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 Folsom, California this 27th day of October 2006.


Michael D. Dozier