

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

California Independent System Operator)
Corporation) Docket No. ER05-1013-000

**ANSWER OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND SAN DIEGO GAS & ELECTRIC COMPANY
TO MOTION TO CONSOLIDATE**

I. Introduction & Background

On May 23, 2005, the California Independent System Operator Corporation (“ISO”) and San Diego Gas & Electric Company (“SDG&E”) reached a settlement agreement (“Settlement Agreement”) to resolve a number of matters in litigation between the parties related to the Southwest Power Link (“SWPL”). These matters include the only remaining issue in the ISO’s 2004 Grid Management Charge (“GMC”) proceeding, where SDG&E had challenged the ISO’s application of its GMC to transactions on the portions of SWPL owned by Arizona Public Service Company (“APS”) and Imperial Irrigation District (“IID”)(“APS/IID SWPL Transactions”).

As part of settling these matters pending in several forums, the ISO and SDG&E also entered into a separate agreement entitled the SWPL Operations Agreement, which contains operating requirements applicable to SWPL and provides on a going-forward basis for the APS/IID owned shares of SWPL to be treated as non-ISO Controlled Grid, for ISO charges to APS/IID SWPL Transactions to be eliminated, and for SDG&E to pay the ISO a Line Operator Charge as compensation for the ISO’s expenses related to the administration of SDG&E’s joint ownership of SWPL.

On May 24, 2005, the ISO submitted the SWPL Operations Agreement to the Commission for review in this docket pursuant to Section 205 of the Federal Power Act.

Subsequently, on June 8, 2005, the ISO and SDG&E filed with the Commission an Offer of Settlement in the 2004 GMC proceeding (Docket Nos. ER04-115-002, *et al.*) insofar as it relates to the reserved issue in that proceeding, i.e. the application of the GMC to APS/IID SWPL Transactions. The ISO does not seek Commission approval of the non-GMC related portions of the Settlement Agreement in that case.

Several parties have moved to intervene in the instant proceeding without offering specific comments on the Proposal.¹ The ISO and SDG&E do not oppose those motions. PG&E intervened and requested that the Commission consolidate its review of the SWPL Operations Agreement and the June 8, 2005 Offer of Settlement. The ISO and SDG&E do not oppose PG&E's intervention in this proceeding, but do oppose PG&E's motion to consolidate the two proceedings.

II. Answer to Motion to Consolidate

In its Motion to Intervene, PG&E requested that the Commission consolidate the docket in which the Operations Agreement is being reviewed by the Commission with the docket in which the GMC Offer of Settlement is being reviewed by the Commission. PG&E stated that the dockets should be consolidated because "the SWPL Operations Agreement is intended to effectuate the Offer of Settlement," noting that "[t]here is no reason for issues related to the settlement, whether the SWPL Operating Agreement or

¹ San Diego Gas & Electric Company, the Transmission Agency of Northern California, the Cities of Redding and Santa Clara California and the M-S-R Public Power Agency, the Modesto Irrigation District, Southern California Edison, Arizona Public Service Company, Imperial Irrigation District intervened in this proceeding.

other aspects of the Settlement, to be considered in two separate proceedings.” PG&E Motion at pp. 2-3.

The ISO opposes PG&E’s request to consolidate the two dockets. PG&E suggests a more interdependent relationship between the two filings than in fact exists. The Operations Agreement stands on its own as an independent agreement between the ISO and SDG&E, and could be implemented apart from the Settlement Agreement. Further, the two agreements relate to different subject matters and different time periods. The Operations Agreement primarily addresses the future treatment and operation of the SWPL transmission line, whereas the GMC Offer of Settlement resolves an issue between the ISO and SDG&E regarding the past applicability of GMC charges to APS/IID SWPL Transactions. While certain limited provisions of the Operations Agreement do support terms of the Offer of Settlement, other provisions of the Operations Agreement go beyond the Offer of Settlement in defining the future operational relationship between the ISO and SDG&E with respect to the SWPL.

In addition, the Operations Agreement is substantially similar to other operating agreements that the ISO has submitted for review and the Commission has approved, such the “PACI-W Operating Agreement between the ISO and the Western Area Power Administration – Sierra Nevada Region” in Docket No. ER05-155-000, 109 FERC ¶ 61,391 (December 30, 2004). The Operations Agreement should be considered by the Commission in that context.

Finally, it does not appear that consolidation would lead to any administrative efficiencies. The disparities between the subject matters and timeframes of the

agreements, and between the parties in the effected dockets, are more likely to create confusion and complexity than reduce workload.

For these reasons, the ISO and SDG&E see merit in having the Settlement Agreement and the Operations Agreement reviewed separately, and accordingly oppose consolidation of the two proceedings.

III. Conclusion

Consistent with the foregoing discussion, the ISO and SDG&E respectfully request that the Commission reject PG&E's request to consolidate the two separate proceedings. Counsel for SDG&E has authorized the undersigned to sign this Answer on SDG&E's behalf.

Respectfully submitted,

/s/ Beth Ann Burns

Charles F. Robinson
General Counsel
Beth Ann Burns
Litigation Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296
bburns@caiso.com

Kenneth G. Jaffee
Ronald E. Minsk
Swidler Berlin LLP
3000 K Street, N.W
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7647

E. Gregory Barnes
Attorney for
San Diego Gas & Electric Company
101 Ash Street
San Diego, California 92101
Telephone: (619) 699-5019
Facsimile: (619) 699-5027
gbarnes@sempra.com

Dated: June 28, 2005

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010). Dated this 28th day of June in the year 2005 at Folsom in the State of California.

/s/ Beth Ann Burns
Beth Ann Burns



June 28, 2005

Via Electronic Filing

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER05-1013-000**

Dear Secretary Salas:

Transmitted herewith for electronic filing in the above-referenced proceeding is the Answer Of The California Independent System Operator Corporation And San Diego Gas & Electric Company To Motion To Consolidate

Thank you for your attention to this matter.

Yours truly,

/s/ Beth Ann Burns

Beth Ann Burns

Counsel for the California Independent
System Operator Corporation