

December 21, 2001

The Honorable Linwood A. Watson, Jr.  
Acting Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation  
Docket Nos. ER02-\_\_\_\_ - 000  
Transmission Access Charge Informational Filing**

Dear Secretary Boergers:

In accordance with Appendix F, Schedule 3, Section 8.1 of the ISO Tariff, the California Independent System Operator Corporation ("ISO") is to update its transmission Access Charge on January 1 and July 1 to reflect: (1) the addition of any new Participating Transmission Owner ("Participating TO") during the proceeding six months or (2) changes to Transmission Revenue Requirements of any of the Participating TOs.<sup>1</sup>

Because the Access Charges are determined through a formula rate mechanism, these semi-annual adjustments take place automatically. In the enclosed informational filing, the ISO is providing notice regarding the updated Access Charges that reflect the charges that will be in effect beginning January 1, 2002 in accordance with the formula rate. The adjusted charges are based on the modified Transmission Revenue Requirements, both High Voltage and Low Voltage as a result of: (1) the Offer of Settlement accepted by the Commission in Pacific Gas & Electric Company's ("PG&E") Docket No. ER01-66-000, (2) San Diego Gas and Electric Company's supplemental surcharge accepted, subject to refund, in Docket No. ER01-3074-000, and (3) the annual adjustment to the Transmission Revenue Balancing Account ("TRBA") of the Participating TOs.

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<sup>1</sup> Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff.

## I. BACKGROUND - THE REVISED ACCESS CHARGE METHODOLOGY

On March 31, 2000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining transmission Access Charges, through which the embedded costs of the transmission facilities comprising the ISO Controlled Grid are recovered. The filing was required by legislation restructuring the California electric industry, and later by the Commission.<sup>2</sup> The ISO Governing Board approved the transmission Access Charge filing after an extensive multi-year stakeholder process. By Order dated May 31, 2000, the Commission accepted Amendment No. 27 for filing, suspended it, and set for hearing the proposed Access Charge methodology and related tariff revisions. *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000). The Commission also held the hearing in abeyance pending efforts at settlement and established settlement judge procedures with the Chief Judge acting as Settlement Judge.<sup>3</sup>

The ISO's original Access Charge methodology consisted of three separate zone rates based on the Transmission Revenue Requirement of the Original Participating TO. Under Amendment No. 27, this methodology continued in effect until a New Participating TO joined the ISO.<sup>4</sup> Once that occurred, the Access Charge for High Voltage Transmission Facilities was assessed based on the combined High Voltage Transmission Revenue Requirements of all the Participating TOs in each TAC Area.<sup>5</sup>

Over a ten-year transition period, the High Voltage Access Charge ("HVAC") for these TAC Areas would be combined to form a single ISO Grid-wide Access Charge. The HVAC consists of a TAC Area component and an ISO Grid-wide component. During the ten-year transition, ten percent per year of each Participating TO's High Voltage Transmission Revenue Requirement will be

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<sup>2</sup> Section 9600(a)(2)(A) of California's AB 1890 required the ISO to recommend a new rate methodology within two years after commencement of operations. See *Pacific Gas & Electric Company, et al.*, 77 FERC ¶ 61,204 at 61,827 (1996).

<sup>3</sup> *Id.* Settlement efforts before the Chief Judge are ongoing.

<sup>4</sup> The City of Vernon, California ("Vernon") became a Participating TO effective January 1, 2001. See *California Independent System Operator Corporation*, 94 FERC ¶ 61,141 (2001) accepting the amendment to the Transmission Control Agreement; *California Independent System Operator Corporation*, 94 FERC ¶ 61,145 (2001) accepting the Utility Distribution Company Agreement; and *City of Vernon*, 93 FERC ¶ 61,103 (2000) conditionally accepting Vernon's proposed Transmission Revenue Requirement and Transmission Owner Tariff.

<sup>5</sup> Currently, PG&E is in the Northern TAC Area; Southern California Edison Company and Vernon are in the East Central TAC Area; and San Diego Gas & Electric Company is in the Southern TAC Area. If the Los Angeles Department of Water and Power chooses to become a Participating TO, its Control Area would become a fourth TAC Area.

combined as the ISO Grid-wide component of the HVAC. The TAC Area component is based on the individual Participating TO's High Voltage Transmission Revenue Requirement in that TAC Area divided by such Participating TO's cumulative Gross Load. The proportion represented by the ISO Grid-wide portion increasing by ten percent each year, then at the end of the ten-year period the HVAC will be one rate for the entire ISO Controlled Grid. In addition, capital investments in any new High Voltage Transmission Facilities, or additions to existing facilities, would be included in the ISO Grid-wide component of the HVAC. The Low Voltage transmission Access Charge ("LVAC") would continue to be a license plate rate based on Participating TO's Low Voltage Transmission Revenue Requirements. The Wheeling Access Charge consisted of either the HVAC or the HVAC and the LVAC, depending upon whether the exit point was high voltage or low voltage.

The ISO's High Voltage Access Charge is a formula rate. ISO provided its first informational filing regarding the implementation of the HVAC rates pursuant to Amendment No. 27 as part of its submission in Docket No. ER01-819-000 on December 28, 2000 to establish the transmission rates effective January 1, 2001. ISO provided its second informational filing in Docket No. ER01-2457-000 on June 29, 2001 to establish the transmission rates effective July 1, 2001.

Appendix F, Schedule 3, Section 8.1 of the ISO Tariff provides that HVACs shall be adjusted effective January 1 and July 1 of each year to reflect: (1) the addition of any New Participating TO during the preceding six months and (2) changes to the High Voltage Transmission Revenue Requirements of any Participating TO that were accepted or authorized by the FERC, consistent with Section 9 of Schedule 3, during the preceding six months.

In addition, the January 1 adjustment includes adjustments to the TRBA for the Original Participating TOs.<sup>6</sup> The TRBA adjustment reflects actual data from October 1 of the previous year, in this instance October 1, 2000, through September 30, of the subsequent year.

On June 8, 2001, PG&E filed an Offer of Settlement in Docket No. ER01-66-000 concerning its TO 5 rate case. The Commission accepted the settlement by order dated July 26, 2001. The settlement revises the PG&E component of the ISO's HVAC effective May 6, 2001.

On September 18, 2001 as supplemented on October 3, 2001, SDG&E filed to increase its Transmission Revenue Requirement due to the addition of a new 230 kV line between SDG&E's Imperial Valley substation and Mexico's Comision Federal Electricidad's La Rosita substation. By order dated

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<sup>6</sup> The Original Participating TO's are making separate filings supporting these TRBA adjustments. Vernon has stated to the ISO that it will update its TRBA in time for the July 2002 adjustment to the Access Charge.

November 21, 2001, the Commission accepted the filing effective November 1, 2001, subject to refund, and ordered the submission of additional information. *San Diego Gas & Electric Company*, 97 FERC ¶ 61,223 (2001).

## II. ADJUSTED CHARGES UNDER FORMULA RATES

Attachment A contains a worksheet illustrating the recalculation of the HVAC. As shown on the worksheet, the ISO has used updated data based on PG&E's TO 5 settlement. PG&E's settled High Voltage Transmission Revenue Requirement is \$239,570,324 and its Gross Load is 86,686,550 MWh. The ISO has calculated the revised HVAC based on the May 6, 2001 effective date of PG&E's revised High Voltage Transmission Revenue Requirement with interest in accordance with 18 C.F.R. § 35.19(a)(2). The ISO has also used SDG&E's updated High Voltage Transmission Revenue Requirement of \$45,328,000 and its Gross Load of 17,700,683 MWh. The ISO has calculated the revised HVAC based on the November 1, 2001 effective date of SDG&E's revised High Voltage Transmission Revenue Requirement with interest in accordance with 18 C.F.R. § 35.19(a)(2).

The re-calculated rates effective January 1, 2002 for each of the TAC Areas are as follows:

Northern Area -	\$ 2.67/MWh
East Central Area -	\$ 1.85/MWh
Southern Area -	\$ 2.51/MWh

The current rate for the Northern Area is \$1.77/MWh. The current rate for the East Central Area is \$2.05/MWh, and the current rate for the Southern Area is \$2.01/MWh. The ISO understands that the primary reason for the significant change in the rate for the Northern Area relates to PG&E's TRBA adjustment. In particular, Usage Charge revenues, which are applied as a credit against the Transmission Revenue Requirement, have declined significantly, and PG&E's TRBA reflects an updated forecast. In addition, certain expenses related to service for holders of Existing Contracts are booked to the TRBA. These changes will be explained in the separate filing by PG&E.

Amendment No. 27 provided in Section 8.6 of the ISO Tariff that New Participating TO will be "held harmless" for the Transition Period from charges associated with the Access Charge and the Grid Management Charge ("GMC"). The change of the new Access Charge rate is calculated based on what the New Participating TO would pay under the ISO's High Voltage Access Charge versus what the New Participating TO would have paid based on its High-Voltage Utility-Specific Rate. Additionally, the ISO determines the amount that the New Participating TO pays for the GMC in accordance with Schedule 1 of Appendix F and the amount that the New Participating TO would have paid for

the GMC if that entity had not become a New Participating TO.<sup>7</sup> These two amounts are combined and should not result in an increased overall cost to the New Participating TO. As shown in the spreadsheet in Attachment A, because Vernon's benefit under the transmission Access Charge is so significant (an approximate savings of \$7.5 million), this amount far exceeds the expected increase in Vernon's GMC payments. Thus, there is no need to hold Vernon harmless from the GMC increase.

In addition, Amendment No. 27 provided in Appendix F, Schedule 3, Section 7, the maximum amounts for the Transition Payment from Section 8.6 of the ISO Tariff are capped at specified levels. As shown in Attachment A, the addition of Vernon does not reach the capped levels.

In the transmittal letter for the July 2001 update, the ISO noted that it had not included the adjustment associated with actual sales. The reason for not including this adjustment at that time was that only three months of meter data were currently available. Based on current data and further discussions with the Participating TOs, it has been decided that the true-up to ensure proportionality of the transition payment is not required at this time. However, the ISO will continue to track this information on a monthly basis.

### **III. NOTICE AND SERVICE OF DOCUMENTS**

Communications regarding this submission 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:

Stephen Morrison\*  
Deborah A. Le Vine  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
Phone: 916-608-7143  
Fax: (916) 608-7296

David B. Rubin\*  
Michael Kunselman  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, NW, Suite 300  
Washington, DC 20007  
Phone: 202-424-7500  
Fax: 202-424-7647

\*Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3)<sup>8</sup>

<sup>7</sup> With the implementation of the unbundled GMC on January 1, 2001, the only component that will change when an entity becomes a Participating TO is the Inter-Zonal Scheduling component. Prior to becoming a Participating TO, Existing Contracts are exempt from this charge. Once the Existing Contracts have been converted, then the charge will apply.

<sup>8</sup> In addition to Mr. Morrison and Mr. Rubin, the ISO respectfully requests that Ms. Le Vine be included on the Official Service List. Mr. Morrison and Ms. Le Vine work in separate buildings, and it would be of significant assistance to the ISO if both were included on the list.

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, and on all parties with effective Scheduling Coordinator Service Agreements under the ISO Tariff. In addition, the ISO is posting this transmittal letter and all attachments on the ISO Home Page.

#### **IV. SUPPORTING DOCUMENTS**

The following documents, in addition to this letter, support this filing:

- X A spreadsheet showing the revised transmission Access Charge rates effective January 2002 (Attachment A);
- X A form of notice suitable for publication in the Federal Register (Attachment B), which is also provided in electronic form on the enclosed diskette.

Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

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Stephen Morrison  
The California Independent  
System Operator Corporation

David B. Rubin  
Swidler Berlin Shereff Friedman, LLP

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

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## ATTACHMENT A



## **ATTACHMENT B**

