

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

<b>Pacific Gas and Electric Company</b>	)	<b>Docket Nos. EC02-31-000,</b>
<b>PG&amp;E Corporation</b>	)	<b>EL02-36-000, and</b>
<b>On Behalf of Its Subsidiaries</b>	)	<b>CP02-38-000</b>
<b>Electric Generation LLC,</b>	)	
<b>ETrans LLC and GTrans LLC</b>	)	

**MOTION TO INTERVENE AND COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.214, and the Commission's December 12, 2001, Notice of Filing, the California Independent System Operator Corporation ("ISO") hereby moves to intervene in the above-captioned proceeding. In support thereof, the ISO states as follows:

**I. COMMUNICATIONS**

Please address communications concerning this filing to the following persons:

William Hayes\*  
Deborah A. Le Vine  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630

David Rubin\*  
Swidler Berlin Shereff Friedman,  
LLP  
3000 K Street, NW, Suite 300  
Washington, DC 20007

\* Individuals designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3).<sup>1</sup>

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<sup>1</sup> In addition to Mr. Hayes and Mr. Rubin, the ISO respectfully requests that Ms. Le Vine be included on the Official Service List. Mr. Hayes and Ms. Le Vine work in separate

## **II. BACKGROUND**

On November 30, 2001, as described in the Notice of Filing, Pacific Gas and Electric Company ("PG&E") and PG&E Corporation on behalf of its subsidiaries, Electric Generation LLC, ETrans LLC and GTrans LLC filed an application pursuant to Section 203 of the Federal Power Act and related declaratory orders under Sections 201 and 305 of the FPA and Section 12 of the Natural Gas Act for authorization of a disposition of jurisdictional facilities. The filing is part of the plan of reorganization filed by PG&E with the Bankruptcy Court on September 20, 2001.

## **III. BASIS FOR MOTION TO INTERVENE**

The ISO is a non-profit public benefit corporation organized under the laws of the State of California and responsible for the reliable operation of a grid comprising the transmission systems of PG&E, San Diego Gas & Electric Company, and Southern California Edison Company, as well as for the coordination of the competitive electricity market in California. As the operator of this grid, the ISO believes that it has a unique interest in any Commission proceeding concerning the PG&E agreements described above.

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buildings, and it would be of significant assistance to the ISO if both were included on the list.

#### **IV. COMMENTS**

The ISO offers the following additional comments with respect to the PG&E proposal:

1. Compliance with the Transmission Control Agreement and Other ISO Agreements

Agreements between the ISO and PG&E that will need to be revised to reflect the new organizational structure and responsibilities include the:

(1) Transmission Control Agreement; (2) Utility Distribution Company Agreement; (3) Responsible Participating Transmission Owner Agreement; (4) Scheduling Coordinator Agreement; (5) Participating Generator Agreement, (6) Meter Service Agreement for Scheduling Coordinators; (7) Meter Service Agreement for ISO Metered Entities; and (8) certain Reliability Must Run Agreements ("RMR").

The ISO believes that any Commission approval of PG&E's application should be conditioned upon the appropriate revisions to these agreements. In particular, PG&E should commit to continue to comply with the ISO Tariff and continue to meet its responsibilities as an owner of RMR units.

2. Market Based Rate Authority

PG&E presents the testimony of Dr. William Hieronymus evaluating the effect of the proposed transaction on the California market. Dr. Hieronymus concludes that the transaction has no adverse effect on the wholesale electricity market and is mildly deconcentrating. Exhibit No. PG&E 2 at 4. The ISO recognizes that Dr. Hieronymus is testifying in support of the restructuring and not seeking Commission approval for market based rate authority. Moreover, the

ISO recognizes that for eleven years PG&E has proposed to commit its resources under the power sales agreement. However, once the power sales agreement terminates, PG&E Gen may have an incentive to exercise market power where unlike today, PG&E the integrated company is a net buyer and does not have an incentive to increase prices. Even in 11 years the generation owned by PG&E Gen will likely be pivotal in the Ancillary Services markets as its hydroelectric generation resources currently provide up to 90 percent of the Ancillary Services in NP15. Accordingly, the ISO asks only that the Commission find that, if the transaction is approved, any grant of market based rate authority will be carefully evaluated based on the Commission's criteria in effect at the time the power sales agreement expires.

3. Redesignation of Facilities that Have Been Turned Over To ISO Control

In the filing, PG&E has apparently reclassified certain transmission facilities as distribution. For example, Exhibit H, Section H.1, changes the demarcation point between transmission and distribution without discussing who will have Operational Control of these facilities or where, within the new organization, those accountable for operating and maintaining both the substation and transmission line equipment will be located. The ISO is concerned that this change in demarcation may result in the ISO losing Operational Control of transmission facilities required for the ISO to maintain a safe, secure and reliable ISO Controlled Grid. The ISO also notes that any such redesignation must occur as an amendment to and in accordance with the Transmission Control Agreement. The ISO believes the best course of action

would be for the ISO and PG&E to work together to resolve these redesignation issues and to file any resulting changes as an amendment to the Transmission Control Agreement.

**V. CONCLUSION**

For the foregoing reasons, the ISO respectfully requests that the Commission permit it to intervene, and that it be accorded full party status in this proceeding. Further, the ISO respectfully requests that any approval the Commission might give be conditioned on PG&E amending the Transmission Control Agreement, in accordance with the terms and conditions of that agreement, and the appropriate PG&E company take assignment of the existing Reliability Must-Run Agreements to ensure reliability of the ISO Controlled Grid.

Respectfully submitted,

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Counsel for the California Independent  
System Operator Corporation

Date: January 30, 2002

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 30<sup>th</sup> day of January, 2002.

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January 30, 2002

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

**Re: Pacific Gas & Electric Company, et al.  
Docket No. EC02-31-000; EL02-36-000 and CP02-38-000**

Dear Secretary Salas:

Enclosed for filing in the above-captioned proceeding are the original and fourteen copies of the Motion to Intervene and Comments of the California Independent System Operator Corporation. Two additional copies of the filing are also enclosed. I would appreciate your stamping the additional copies with the date filed and returning it to the messenger.

Respectfully submitted,

David B. Rubin  
Counsel for the California Independent  
System Operator Corporation