

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

City of Vernon, California

)

Docket No. EL02-103-000

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

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.212 and 385.214, and the Commission's Notice of Filing, the California Independent System Operator Corporation ("ISO")¹ hereby moves to intervene and submit comments 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:

Stephen A. S. Morrison*
Deborah A. Le Vine
California Independent System
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¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

* Individuals designated for service pursuant to Rule 203(b)(3),
18 C.F.R. § 385.203(b)(3).²

II. BACKGROUND

On March 31, 2000, in Docket No. ER00-2019-000, the ISO filed Amendment No. 27 to the ISO Tariff, proposing a new methodology for determining the 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.³ The ISO Governing Board approved the transmission Access Charge filing after an extensive 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. 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. *California Independent System Operator Corporation*, 91 FERC ¶ 61,205 (2000) (“Amendment No. 27 Order”). Settlement efforts before the Chief Judge are ongoing.

The original Access Charge methodology consisted of utility-specific rates for the three Original Participating TOs based on the Transmission Revenue

² 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.

³ Section 9600(a)(2)(A) of the California's AB 1890 required the ISO to recommend a new rate methodology within two years after commencement of operations. See *Pacific Gas and Electric Company, et al.*, 77 FERC ¶ 61,204, at 61,827 (1996).

Requirements (“TRR”) of each Original Participating TOs. Under Amendment No. 27, this methodology continued until a New Participating TO joined the ISO, which occurred when the City of Vernon, California (“Vernon”) became a New Participating TO.⁴ Under the new methodology, the Access Charge for High Voltage Transmission Facilities is assessed based on the combined High Voltage Transmission Revenue Requirements of all the Participating TOs in each TAC Area.⁵ Over a ten-year transition period, the High Voltage Access Charge (“HVAC”) for these TAC Areas will 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 based on the individual Participating TO’s High Voltage Transmission Revenue Requirement in that TAC Area divided by the Gross Load. The ISO Grid-wide component includes the costs of all capital investments in any new High Voltage Transmission Facilities, or additions to existing facilities,

⁴ Vernon filed with the ISO a notice of intent on June 30, 2000, and an application on August 2, 2000, that proposed turning over Operational Control of its undivided minority ownership interests in certain transmission facilities to the ISO. Vernon stated its intent to become a Participating TO on January 1, 2001. On August 30, 2000, as amended on August 31, 2000, Vernon filed a Petition for Declaratory Order with the Commission to determine that Vernon’s proffered TRR was appropriate for inclusion in the ISO’s transmission Access Charges. As part of that docket Vernon also filed a proposed Transmission Owner Tariff (“TO Tariff”). On October 27, 2000, the Commission issued an order in Docket No. EL00-105-000 revising and conditionally accepting Vernon’s TRR. *City of Vernon, California*, 93 FERC ¶ 61,103 (2000), *reh’g denied*, 94 FERC ¶ 61,148 (2001). On November 1, 2000, the ISO filed, in Docket No. EC01-14-000, an application pursuant to Section 203 of the Federal Power Act to assume Operational Control of the facilities and Entitlements being turned over by Vernon. The Commission approved that application in an order issued on January 9, 2001. *California Independent System Operator Corporation*, 94 FERC ¶ 62,016 (2001).

⁵ High Voltage is defined as 200 kV and above. The ISO Control Area is now based on the previous Control Areas of Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“Edison”), San Diego Gas & Electric Company (“SDG&E”), and the City of Pasadena, California (“Pasadena”). The relationship between the TAC Area and the previous Control Areas is as follows: the Northern TAC Area is the old PG&E Control Area; the East Central TAC Area consists of the old Edison and Pasadena Control Areas; and the Southern TAC Area is the old SDG&E Control Area.

and a portion of all Participating TO's High Voltage Transmission Revenue Requirement divided by the total Gross Load that will increase by ten percent each year. At the end of the ten-year period, the HVAC will be one rate for the entire ISO Controlled Grid. The Low Voltage Access Charge continues to be a 'license plate rate' based on the individual Participating TOs' Low Voltage Transmission Revenue Requirements. For 2002, the HVAC and High Voltage Wheeling Access Charge rates are 80% TAC Area and 20% ISO Grid-wide.

The ISO Tariff requires that each of the Participating TOs maintain a Transmission Revenue Balancing Account ("TRBA") to serve as a mechanism to ensure "that all Transmission Revenue Credits and other credits specified in Section 6 and 8 of Appendix F, Schedule 3, [of the ISO Tariff] flow through to transmission customers."⁶ The TRBA is to be updated annually.

On December 28, 2001, SDG&E filed to update its TRBA in Docket No. ER02-635-000, PG&E filed to update its TRBA in Docket No. ER02-637-000, and Edison filed to update its TRBA in Docket No. ER02-636-000. Vernon did not file an update at that time. On June 28, 2002, the ISO filed Amendment No. 45 to the ISO Tariff in Docket No. ER02-2192-000. One of the purposes of Amendment No. 45 is to ensure that all Participating TOs file updates to the TRBA on a uniform basis.

⁶ The Participating TO tariffs define Transmission Revenue Credits as the net of: (1) revenues received from Wheeling service (excluding any Usage Charges received by the Participating TO as an Firm Transmission Right ("FTR") holder) and from the sale of FTRs; and (2) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols. See, for example Vernon TO Tariff at 3.25.

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, Edison , SDG&E and Vernon, 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 a request to become a Participating TO. Accordingly, the ISO requests that it be permitted to intervene herein with full rights as a party.

IV. COMMENTS

Prior to and after Amendment 27, the Original Participating TOs, PG&E, SDG&E, and Edison, followed a practice of adjusting the TRBA annually on January 1 using the principal balance of the TRBA as of September 30 of the previous year. Particularly after Amendment No. 27 in which portions of the Participating TO's Transmission Revenue Requirements are blended into a single ISO grid-wide rate, such a uniform practice provided needed consistency.

While Vernon was aware of the process, Vernon did not follow the same schedule with regard to its TRBA update as the Original Participating TOs, and Vernon did not provide the information regarding the TRBA reduction to the ISO on a timely basis, thus the TRBA reduction was not included in the updated

transmission Access Charge rates submitted for informational purposes in Docket No. ER02-2192-000, effective July 1, 2002.⁷

Vernon recognized in its TRBA Adjustment filing that the ISO was also making a filing to formalize the TRBA adjustment process. Vernon states in its conclusion that “Vernon respectfully requests that the Commission: . . . (ii) provide for, in a manner that will keep Vernon financially whole, a revised Vernon TRBA Adjustment to become effective consistent with applicable provisions of any ISO filing to change ISO Tariff requirements as to PTO TRBA Adjustment filings that is approved by the Commission, . . .” The ISO filed Amendment 45 to the ISO Tariff also on June 28th. Although the parties have been discussing the amendment for over one year, the final draft of the amendment was circulated to all Participating TOs, including Vernon, on June 21, 2002. In Amendment No. 45, the ISO proposed to formalize the prior practice and make TRBA changes, such as Vernon’s TRBA adjustment effective on an annual basis on January 1.⁸ Additionally, Amendment 45 includes the revised High Voltage Access Charge and High Voltage Wheeling Access Charge that would be implemented July 1, assuming Commission acceptance of the amendment. Vernon’s TRBA adjustment was not included because the information had not been provided to the ISO on a timely basis. If the TRBA adjustment had been

⁷ The ISO received notification of the TRBA adjustment from Vernon on June 3rd with only the unapproved number which the ISO interpreted to be an estimate. The ISO received notice of the approved number on June 26th and the first time the ISO was given the documentation on the TRBA adjustment is when we were copied on this filing. The ISO procedure allows 30 days notice of changes (i.e. by June 1 for July 1 changes and by December 1 for January 1 changes) to allow the ISO to do the revised Access Charge calculation and get approval of the calculation by all Participating TOs prior to the ISO filing.

⁸ ISO Tariff, Appendix F, Schedule 3, Section 8.1.

provided on a timely basis, there would be very little change in the TAC Area rates.⁹ The changes in the High Voltage Access Charge would be as follows:

TAC Area	Filed Rate (\$/MWH)	File Rate if Vernon Reduction Included (\$/MWH)	Difference (\$/MWH)
Northern	2.2050	2.2048	0.0002
East Central	1.7984	1.7965	0.0019
Southern	2.4896	2.4895	0.0001

Additionally, there would be essentially no change in the High Voltage Wheeling Access Charge because the charge is based on two decimal places.

The ISO believes that the simplest avenue to marry the two filings at this point is to accept Amendment 45 and, as requested by Vernon, “provide for, in a manner that will keep Vernon financially whole, a revised Vernon TRBA Adjustment to become effective consistent with applicable provisions of any ISO filing”. The Commission should accept Amendment No. 45 and allow Vernon to remain financially whole by making their TRBA adjustment on January 1, 2003 using the principal balance in the TRBA as of September 30, 2002.

Alternatively, if the Commission desires to have the ISO implement a rate reduction at this time, and given the timing of the filings, the ISO would be willing to accept the Vernon TRBA adjustment, regardless of the outcome of Amendment 45, and the ISO would then make a compliance filing to reflect the proposed rate reduction as of July 1, 2002. Additionally, the ISO would expect Vernon, and all the other Participating TOs to make another TRBA adjustment

⁹ Because the TAC Area rate is a blend of 80% TAC Area and 20% ISO Grid-wide, a change in Vernon’s TRR has an impact on all TAC Areas.

effective on January 1, 2003 reflecting the principal balance in the TRBA on September 30, 2002, if Amendment 45 is accepted.

If the Commission does not accept Amendment No. 45, but accepts the Vernon TRBA adjustment, because the information was not supplied to the ISO in a timely manner, the ISO will reflect the adjustment in its January 1, 2003 biannual update in accordance with the previously-accepted ISO Tariff provisions for updating the Access Charge.

V. CONCLUSION

Wherefore, for the foregoing reasons, the ISO respectfully requests that the Commission permit it to intervene, that the ISO be accorded full party status in this proceeding and that the Commission consider the ISO's comments in this matter.

Respectfully submitted,

/s/ David B. Rubin

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Counsel for the California Independent
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Date: July 26, 2002

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each person designated on the official service list compiled by the Secretary in this proceeding, in accordance with Rule 385.2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C., on this 26th day of July, 2002.

/s/ David B. Rubin

David B. Rubin