

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

City of Banning, California) Docket No. EL03-21-000

**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 November 1, 2002 Notice of Filing, the California Independent System Operator Corporation (“ISO”)¹ 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:

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¹ Capitalized terms not otherwise defined herein are defined in the Master Definitions Supplement, Appendix A to the ISO Tariff, as filed August 15, 1997, and subsequently revised.

* Individuals designated to receive service pursuant to Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3).²

II. BACKGROUND

On October 29, 2002, the City of Banning, California ("Banning") filed a Petition for a Declaratory Order 1) determining that Banning's proffered Transmission Revenue Requirement ("TRR") is appropriate under the ISO Tariff on file with the Commission for the purpose of Banning becoming a Participating Transmission Owner; 2) approving Banning's Transmission Owner ("TO") Tariff; 3) waiving the filing fee otherwise applicable to a petition for declaratory order; and 4) granting any other relief or waivers necessary or appropriate for approval or implementation of Banning's TRR and TO Tariff effective as of the later of January 1, 2003 or the effective date of a Transmission Control Agreement ("TCA") acceptable to Banning.³

Banning hopes to become a Participating Transmission Owner under the ISO Tariff by signing the TCA and turning over Operational Control of its transmission Entitlements to the ISO. Banning will be reimbursed for turning over its transmission Entitlements by the ISO based on Banning's TRR, as the TRR will become a component of the ISO's transmission Access Charge and Wheeling Access Charge collected for transmission service to ISO customers.

² In addition to Mr. Anders and Mr. Rubin, the ISO respectfully requests that Ms. Le Vine be included on the Official Service List. Mr. Anders 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 Parallel Petitions for Declaratory Order were filed by the City of Anaheim (October 18, 2002, Docket No. EL03-15-000), the City of Azusa (October 18, 2002, Docket No. EL03-14-000), and the City of Riverside (October 29, 2002, Docket No. EL03-20-000). Together with Banning, these cities are referred to as the "Southern Cities."

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 San Diego Gas & Electric Company, the City of Vernon, California,⁴ Southern California Edison Company (“Edison”), and Pacific Gas and Electric Company, as well as for the coordination of the competitive electricity market in California. As the operator of the grid, the ISO believes that it has a unique interest in any Commission proceeding concerning the filing described above, which involves the participation of the City of Banning in the ISO as a Participating Transmission Owner. Accordingly, the ISO requests that it be permitted to intervene herein with full rights as a party.

IV. COMMENTS

The ISO fully appreciates the steps that Banning has taken to become a Participating TO. The ISO welcomes the opportunity to assist in any way it can to allow Banning to reach this goal, which the ISO shares. Toward that end, the ISO submits the following comments concerning Banning’s proposed TRR and TO Tariff. With these modifications, the ISO supports Commission approval of the TRR and TO Tariff.

1. Banning uses 9.29% as its rate of return figure, based on the figure used by Edison in its TRR. Exh. BAN-1 at 10-11. The rate of return used by

⁴ The City of Vernon (“Vernon”) became a Participating TO on January 1, 2001, and was the first governmental entity to do so. Banning and the other Southern Cities have modeled their TRRs and TO Tariffs, in part, on those that the Commission approved for Vernon in Docket No. EL00-105-000.

Edison is not necessarily appropriate for Banning. Banning should be directed to calculate a rate of return based on its own circumstances, rather than simply applying that of Edison.

2. Banning does not use an important term in the same manner as this term is used in the ISO Tariff. The changed term is “Transmission Revenue Credit.” This change would allow Banning to keep the Usage Charge Revenue and Wheeling Revenue without crediting the TRR. This is an unreasonable and unfair result. A New Participating TO is given Firm Transmission Rights (“FTRs”) and is not required to auction them, although they may participate in the ISO FTR Auction, similar to the Original Participating TOs. Thus the Transmission Revenue Credit should be the net of the FTR Auction revenue, if any, the Wheeling Revenue and the Usage Charge Revenue less Usage Charges paid by Banning to serve its End-Use Customers (to the extent such Usage Charges are incurred by Banning). Banning should be required to revise the definition consistent with this concept.

3. Finally, Banning and the other Southern Cities have negotiated for, and secured, a special termination provision in the TCA that will allow them to withdraw from the TCA immediately, if such withdrawal is necessary to avoid an adverse tax action.⁵ The ISO believes it would be appropriate for this provision to be addressed in Banning’s TO Tariff.

⁵ This new withdrawal provision will be included as Section 3.4 of the revised TCA to be filed with the Commission shortly.

V. CONCLUSION

Wherefore, 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.

Respectfully submitted,

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Date: November 21, 2002

CERTIFICATE OF SERVICE

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

Dated at Washington, DC this 21st day of November, 2002

/s/ Julia Moore

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