

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

**Duke Energy Oakland, LLC and) Docket No. ER02-10-000
Duke Energy South Bay, LLC)**

**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 October 5, 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:

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II. BACKGROUND

On October 1, 2001, Duke Energy Oakland, LLC and Duke Energy South Bay, LLC (collectively, "Duke") submitted an informational rate filing proposing rate revisions under its Reliability Must-Run ("RMR") Service Agreements.¹ The filing was made in compliance with the terms of a settlement agreement approved by the Commission² under which each RMR Owner is required to adjust rates annually, beginning with calendar year 2002, using the rate formula set forth in Schedule F of the RMR Agreement. Schedule F establishes the procedures and methodology for determining the Annual Fixed Revenue Requirements and Variable O&M Rates for facilities designated for must-run service. Duke's filing provided updated cost information used in determining the Annual Fixed Revenue Requirement and the Variable O&M Rates to be effective January 1, 2002. On October 5, 2001, the Commission issued a "Notice of Filing" setting October 22, 2001, as the final date for interventions and protests.

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 Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company, as well as for the coordination of the competitive Ancillary Services and real-time

¹ Because the generating units covered by these agreements must operate at certain times for the reliability of the transmission grid, they are referred to as "reliability must-run" or "RMR" units and the agreements covering them are referred to as "RMR Agreements." Other capitalized terms that are not defined in this filing have the same meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² *California Independent System Operator Corp.*, 87 FERC ¶ 61,250 (1999).

electricity markets in California. As the counter party in the RMR Agreements governing Duke's provision of RMR services, the ISO has a unique interest in any Commission proceeding concerning proposed changes to those RMR Agreements. Accordingly, the ISO has a direct and substantial interest in the proposed rate changes and requests that it be permitted to intervene in this proceeding with full rights of a party.

IV. Comments

Pursuant to Schedule F of the RMR Agreement, Duke submitted to the ISO³ an Information Package for the purpose of detailing and supporting all calculations involved in the determination of rates and charges for the calendar year 2002. The RMR Agreement allows the Owner to file a single Information Package containing informational materials pertaining to all of the Owner's designated must-run facilities. In addition, the Owner is required to provide specific information for each of its RMR units. Duke submitted to the ISO a single Information Package containing proposed rate changes and supporting materials for its two designated RMR facilities. However, the information provided by Duke for these facilities was incomplete.

Schedule F, Article I, Part B of the RMR Agreement requires that each Information Package contain the following information for each RMR unit:

1. detailed workpapers showing the derivation of costs under the Formula for the relevant Cost Year along with supporting schedules showing the data used in applying the formula, presented in a format consistent with the presentation of information in the FERC Form No. 1;

³ Schedule F, Article I, Part B of the RMR Agreement requires the Owner to submit the Information Package to FERC so as to allow for review of the related rates and charges by the Commission staff and affected parties.

2. a clear identification of the depreciation rates reflected in claimed costs for the Cost Year and the rate of return and every other stated item (*i.e.*, any item which appears as a numerical value in the Formula and which only may be changed by a filing with the FERC);
3. a comparison of the major components of the resulting revenue requirements for the relevant Cost Year with the corresponding components of the revenue requirements that result from the application of the Formula using costs from the Owner's FERC Form No. 1 relating to the preceding calendar year;
4. such additional documentation as to specific items of costs required by the Formula.

Specifically, Duke failed to provide information concerning the derivation of costs in Item 1 and the corresponding cost components in comparison in Item 3. Moreover, the information in the Information Package is not presented in a format consistent with FERC Form No. 1 and lacks sufficient detail to analyze the proposed rates. Without this information, the ISO will be unable to make a determination as to whether Duke's proposed changes are acceptable. On October 18, 2001, the ISO sent a letter to Duke advising it that its Information Package was deficient and that a complete Information Package should be provided to the ISO as soon as possible but no later than October 26, 2001. The ISO, therefore reserves the right to request that FERC reject the filing should Duke fail to provide a complete Information Package by October 26, 2001.

On October 16, 2001, the Commission issued a Notice of Extension of Time extending the time for the filing of protests in conformance with Schedule F of the RMR Agreement.⁴ While the ISO appreciates the extension FERC

⁴ Article I, Part B of Schedule F provides, in relevant part:

granted, the ISO respectfully requests that the Commission further revise the time to file protests. As provided in the RMR Agreement, the deadline for filing of protests (75 days) should begin on the date that Duke submits a complete Information Package to the ISO and FERC in order to provide time for meaningful review of the information submitted.

Parties to the original *pro forma* RMR Agreement, including Duke, contemplated that additional time would be necessary to review these proposed rate changes. The full 75 days is necessary, once a complete Information Package is submitted, in order to allow the parties to obtain further information, as needed, and to work out among themselves any discrepancies in the data provided. Moreover, allowing the time set forth in the RMR Agreement serves the public interest because it will substantially increase the likelihood that parties will be able to work out any discrepancies and thus potentially avoid protests.

As to the information filing relating to rates and charges to be effective during calendar year 2002, (i) discovery requests by the FERC staff and affected parties shall be made within 45 days of the filing, with responses by the Owner due within 60 days of the filing, and (ii) protests, if any, by affected parties shall be filed with the FERC within 75 days of the filing.

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. The ISO further requests that the Commission toll the time for filing protests until Duke submits to the ISO and FERC a complete Information Package as required under Schedule F of the RMR Agreement.

Respectfully submitted,

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Counsel for the California Independent
System Operator Corporation

Date: October 22, 2001

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, DC, on this 22nd day of October, 2001.

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October 22, 2001

David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **Duke Energy Oakland, LLC and
Duke Energy South Bay, LLC
Docket No. ER02-10-000**

Dear Secretary Boergers:

Enclosed for filing in the above-captioned proceeding are an 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,

J. Phillip Jordan
Rebecca A. Blackmer
Counsel for the California Independent
System Operator Corporation