

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

Southern California Edison

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Docket No. ER02-2592-000

**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 October 1, 2002 Notice of Filing in this matter, the California Independent System Operator Corporation ("CA ISO") hereby moves to intervene and provides comments in the above-captioned proceeding. In support thereof, the CA ISO states as follows:

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

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II. BACKGROUND

On September 24, 2002, Southern California Edison Company ("SCE") tendered for filing with the Commission pursuant to SCE's Transmission Owner Tariff, a System Facilities Agreement ("Agreement") between SCE and Blythe Energy LLC ("Blythe"). The Agreement specifies the terms and conditions pursuant to which SCE will design, engineer, construct and install the system facilities for Blythe to interconnect a 520 MW combined cycle power plant (the "Project") to the Western Area Power Administration ("WAPA") transmission system at WAPA's Blythe Substation. SCE's and WAPA's transmission systems are interconnected at WAPA's Blythe Substation.

In its transmittal letter, SCE indicates that the interconnection of Blythe to the WAPA system would adversely impact SCE's electrical system and that network upgrades are required to mitigate such impacts. SCE indicates that the Agreement specifies the terms and conditions pursuant to which SCE will design, engineer, install, own, operate, and maintain certain upgrades and additions to SCE's transmission system necessary to safely and reliably interconnect the Project to WAPA's transmission system (the "System Facilities"). SCE notes that pursuant to Section 10 of the Agreement Blythe shall compensate SCE for the capitalized cost of the System Facilities, the associated income taxes on the contributions made by Blythe toward construction of the System Facilities, and the non-capitalized costs associated with the construction of the System Facilities.

The SCE transmittal letter notes as well, that SCE has been informed by the CA ISO that Blythe will be treated as a Project Sponsor of transmission system upgrades at the interconnection of the CA ISO control area and WAPA's control area. SCE notes that in accordance with Section 3.2.7.3. of the CA ISO Tariff, Blythe, as the sole Project Sponsor, is eligible to receive from the CA ISO any wheeling and congestion revenues attributable to the upgraded transmission capacity. SCE states that consistent with this treatment, SCE has not provided a mechanism in the Agreement for reimbursement of Blythe's investment in the System Facilities from SCE in the form of transmission credits.

III. BASIS FOR MOTION TO INTERVENE

The CA 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 & Electric Company, SCE, San Diego Gas & Electric Company and the City of Vernon. As the operator of SCE's transmission system, the CA ISO has a unique interest in this proceeding, which addresses potential impacts to the grid operated by the CA ISO and the provision of wheeling and congestion revenue to Blythe under the CA ISO Tariff.

IV. COMMENTS

As indicated by SCE in its transmittal letter, because Blythe has agreed to pay for the cost of the System Facilities, the CA ISO considers that Blythe should be treated as the sole Project Sponsor under CA ISO Tariff sections 3.2.7.1 and 3.2.7.3. Accordingly, as SCE indicates, pursuant to section 3.2.7.3, Blythe should be entitled to its share of the wheeling revenues and congestion revenues

related to the incremental transmission capacity that results from the System Facilities. The CA ISO is working with Blythe and SCE to ensure that Blythe receives the benefit of its investment in the transmission system. The CA ISO has indicated to Blythe that upon receiving written confirmation of joint agreement between SCE and Blythe of Blythe's percent share of the wheeling and congestion revenues (the share that relates to the increased transmission capacity due to the System Facilities) the CA ISO will begin to allocate Blythe's share of the revenues to Blythe prospectively.

Further, in response to an inquiry by Blythe regarding Firm Transmission Rights ("FTRs"), the CA ISO has informed Blythe that the CA ISO Tariff currently has no provision for the allocation of FTRs to Project Sponsors of transmission upgrades, other than the Participating Transmission Owner ("Participating TO"). However, the CA ISO recognizes that such an allocation of FTRs could provide additional incentives for needed transmission development in the CA ISO Control Area. Accordingly, the CA ISO intends to file to amend its Tariff in order to authorize the release of FTRs to all Project Sponsors who fund transmission upgrades that increase transmission capacity on an inter-zonal interface.

Finally, the CA ISO notes, with regard to SCE's comments on the propriety of credits, that in reviewing Blythe's request for interconnection and the proposed System Facilities, the CA ISO did not assess the economic need or justification for the Facilities, because Blythe committed to pay for the entire cost of the facilities. Section 3.2.1.1.2 of the CA ISO Tariff provides, as to economically driven projects, that "[w]here a Project Sponsor other than the Participating TO

commits to pay the full cost of construction of a transmission addition or upgrade and its operation, and demonstrates to the ISO financial capability to pay those costs, such commitment and demonstration shall be sufficient to demonstrate need." Moreover, a reliability need for the System Facilities absent the Project, has not been identified through the annual transmission planning process. Thus, the CA ISO has not determined either, that the System Facilities would be needed for reliability irrespective of the existence of the Project, or that the System Facilities would provide benefits to CA ISO Controlled Grid users that exceed their cost.

In sum, the CA ISO supports receipt by Blythe of the economic benefits from its investment in the System Facilities. The CA ISO is working with SCE and Blythe to ensure that Blythe receives the wheeling and congestion revenues related to the increase in transmission capacity that results from the System Facilities. In addition, the CA ISO is developing an amendment to the CA ISO Tariff to permit Project Sponsors like Blythe to be eligible to receive the additional FTRs that are made possible as a result of their investments in the transmission grid.

IV. CONCLUSION

For the foregoing reasons, the CA ISO respectfully requests that the Commission permit it to intervene, and that the CA ISO be accorded full party status in this proceeding. In addition, the CA ISO respectfully submits its comments regarding its actions to ensure that Blythe receives the economic benefits of its investment in the ISO Controlled Grid.

Respectfully submitted,

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Date: October 15, 2002



October 15, 2002

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington D.C. 20246

**Re: Southern California Edison Company
Docket No. ER02-2592-000**

Dear Secretary Salas:

Enclosed please find an electronic filing of the Motion to Intervene and Comments of the California Independent System Operator Corporation. Thank you for your attention to this filing.

Respectfully submitted,

Jeanne M. Solé
Counsel for the California Independent
System Operator Corporation

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 Folsom, CA, this 15th day of October, 2002.

Jeanne M. Solé