

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

Pacific Gas and Electric Company

ER02-1330-005

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

Pursuant to 18 C.F.R. §385.211 and 18 C.F.R. §385.214, the California Independent System Operator Corporation (“CA ISO”), moves to intervene in the above captioned proceeding and comments on the filing by Pacific Gas and Electric Company (“PG&E”) of revisions of its agreements providing for the interconnection of the Los Medanos Energy Center (“LMEC”). In support thereof, the CA ISO states as follows:

I. COMMUNICATIONS

Please address communications concerning this filing to the following persons:

<p>Jeanne M. Solé* Regulatory Counsel Charles Robinson General Counsel and Vice President The California Independent System Operator Corporation 151 Blue Ravine Road Folsom, CA 95630 Tel: (916) 351-4400 Fax: (916) 608-7222</p>	<p>David Rubin* Swidler Berlin Shereff Friedman, LLP 3000 K Street, N.W., Suite 300 Washington, DC 20007 Tel: (202) 424-7500 Fax: (202) 424-7643</p>
<p>Deborah A. Le Vine¹ Director of Contracts The California Independent System Operator Corporation 151 Blue Ravine Road Folsom, CA 95630 Tel: (916) 351-4400 Fax: (916) 608-7222</p>	

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

II. BACKGROUND

On March 18, 2002, PG&E filed agreements related to the interconnection of the LMEC generating plant to the CA ISO Controlled Grid including an executed Generator Interconnection Agreement, a Generator Operating Agreement, and Implementation Agreement and a Letter Agreement (collectively, “March 2002 Agreements”). On April 8, 2002, LMEC filed a motion to intervene and protest. On May 17, 2002, the Commission issued a letter stating that certain information was missing from the PG&E submittal, and that PG&E should provide a proposed method to provide credits to LMEC for the cost of any network upgrades it may fund, along with supporting documentation. On August 26, 2002, PG&E submitted a filing in which it noted that under the line of

¹ In addition to Ms. Solé and Mr. Rubin, the ISO respectfully requests that Ms. Le Vine be included in the Official Service List. Ms. Solé 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.

cases adopted by FERC know as *Duke Hinds I*², no credit for network upgrades need be given when FERC has previously accepted an interconnection agreement directly assigning the cost of the upgrades to the generator. On October 25, 2002, the Commission issued an Order addressing various issues. As to Calpine's claim to a credit for network upgrades, the Commission held that the outcome of that issue would be governed by the outcome of the *Duke Hinds I* rehearing and complaint process. On January 28, 2003, FERC reverse *Duke Hinds I*, in a decision known as *Duke Hinds II*³. On January 29, 2003, FERC issued an Order holding that PG&E must revise its March 2002 Agreements consistent with Commission policy, and requiring PG&E to make a compliance filing. On February 27, 2003, PG&E made the requisite compliance filing.

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 a number of public utilities including PG&E, as well as for the coordination of the competitive Ancillary Services and real-time electricity markets in California. The CA ISO operates the system to which LMEC is connected, oversees the transmission planning process for that system, and now manages the interconnection process for generators seeking interconnection to the system. Further, the CA ISO has a Reliability-Must Run agreement with LMEC. Accordingly, the CA ISO has a direct and substantial interest in the proposed revisions and requests that it be permitted to intervene in this proceeding with full rights of a party.

² *Entergy Services, Inc.*, 98 FERC ¶ 61,290 at 62,261-62 (2002).

³ 102 FERC ¶ 61,068 (2003).

IV. COMMENTS

The CA ISO has in the past raised concerns about the Commission's policy to allow generators to recover credits for all network upgrades required by their interconnection to the grid, since this policy eliminates any incentive to generators to locate in areas where their interconnection minimizes the need for system upgrades. See e.g. June 19, 2002, Comments of the California ISO on the Commission's NOPR on Standardization of Generator Interconnection Agreements and Procedures, Docket No. RM02-1-000. The Commission has nonetheless persisted in its policy to require such credits.

In response to the Commission's order in this matter to provide for a crediting mechanism, PG&E hosted meetings with the CA ISO, the other Participating Transmission Owners ("PTOs"), generators and other stakeholder to help PG&E craft an appropriate methodology for such crediting. In those meetings, the CA ISO proposed that CA ISO concurrence should be sought regarding the delineation between direct assignment and network upgrade facilities. In this manner, the CA ISO as an independent and disinterested entity can provide input on the appropriate delineation between the costs that will be borne by the generators and the costs that will ultimately be borne by customers of the transmission system through the crediting mechanism. Most participants in the meetings agreed with the CA ISO's proposal.

Thus if a crediting mechanism must be in place, CA ISO concurrence should be sought for the delineation between direct assignment and network upgrade facilities.

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.

Date: March 21, 2003

Respectfully submitted,

By:

Jeanne M. Solé
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System Operator Corporation
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March 21, 2003

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

Re: Pacific Gas and Electric Company
Docket No. ER02-1330-005

Dear Secretary Salas:

Enclosed please find an electronic filing in the above-captioned proceeding 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, on this 21st day of March, 2003.

Jeanne M. Solé