

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 15, 2006

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER03-407-007

Alston & Bird, LLP
601 Pennsylvania Avenue, NW
Washington, DC 20004-2601

Attention: Bradley R. Miliauskas, Esquire

Reference: Amendment No. 48 to the CAISO OATT

Dear Mr. Miliauskas:

1. On February 27, 2006, you submitted a letter to comply with the Commission's March 8, 2005 Order regarding Amendment No. 48 to the California Independent System Operator Corporation's (CAISO) Open Access Transmission Tariff (OATT).¹ As discussed below, your submittal is accepted in compliance with the March 8 Order.
2. On January 13, 2003, the CAISO filed Amendment No. 48 to its OATT to provide congestion revenues, wheeling revenues, and revenues from the auction of firm transmission rights (FTR) to Project Sponsors, *i.e.*, entities other than Participating Transmission Owners, if such entities fund transmission facility upgrades on the CAISO-controlled grid. The CAISO stated that FPL Energy, LLC (FPL Energy), which is the Project Sponsor, paid Southern California Edison Company (SoCal Edison), which is the Participating Transmission Owner (PTO), to increase the transmission rating on SoCal Edison's Blythe-Eagle Mountain transmission line referred to as Path 59. The CAISO proposed that the PTO whose facilities were upgraded and the Project Sponsor responsible for upgrading the facilities reach an agreement on the shares of wheeling

¹ *California Independent System Operator Corp.*, 110 FERC ¶ 61,271 (2005) (March 8 Order).

revenues, congestion revenues and FTR auction revenues to be provided to the Project Sponsor rather than automatically providing shares equal to the amount of the new capacity.

3. The Commission's order issued on March 12, 2003,² as modified by order issued on July 25, 2003,³ determined that the Project Sponsor should receive FTR auction revenues, wheeling revenues, and congestion revenues associated with the full amount of capacity added to the system, with the amount of additional capacity to be determined through the regional reliability council process.

4. After rejecting the CAISO's filing submitted in compliance with the July 25 Order,⁴ the Commission's March 8 Order accepted a subsequent compliance filing submitted by the CAISO and directed it to request from Western Electricity Coordinating Council (WECC) a determination on the increase in capacity on Path 59 attributable to the upgrade. The Commission stated that if WECC declines to make such a determination, the CAISO must inform the Commission and seek further guidance.

5. In the instant filing, the CAISO informs the Commission that WECC has declined to determine the portion of the increased capacity rating on Path 59 attributable to the upgrade that was funded by FPL Energy. As a result, the CAISO states that it has worked with FPL Energy and SoCal Edison to establish a specific allocation proposal for wheeling revenues, congestion revenues, and FTR auction revenues associated with the Path 59 upgrade.⁵ The proposal allocates 42.9 percent of the revenues to SoCal Edison and 57.1 percent of the revenues to FPL Energy. The CAISO proposes that the allocation remain in effect until other mechanisms are implemented in the California Market Redesign and Technology Upgrade (MRTU) filing in Docket No. ER06-615-000.

² *California Independent System Operator Corp.*, 102 FERC ¶ 61,278 (directing CAISO to reflect the Commission's determination in a compliance filing), *order granting clarification and denying rehearing*, 104 FERC ¶ 61,127 (2003).

³ *California Independent System Operator Corp.*, 104 FERC ¶ 61,128 (2003) (conditionally accepting compliance filing and directing further compliance filing) (July 25 Order).

⁴ *California Independent System Operator Corp.*, 109 FERC ¶ 61,098 (2004) (order rejecting compliance filing and directing further compliance filing), *order on reh'g*, 110 FERC ¶ 61,271 (2005) (March 8 Order).

⁵ According to the CAISO, it has placed the revenues associated with the upgraded transmission line into escrow pending a final Commission determination regarding the appropriate allocation of Path 59 revenues.

6. Notice of the filing was published in the *Federal Register*, 71 *Fed. Reg.* 12,694 (2006), with interventions and protests due on or before March 20, 2006. SoCal Edison filed a timely motion to intervene and comments in support of the CAISO's filing. FPL Energy filed comments out-of-time in support of the CAISO's filing. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motion to intervene serves to make SoCal Edison a party to this proceeding. We accept FPL Energy's comments filed out-of-time, given the early stage of the proceeding and the absence of any undue prejudice or delay.

7. Since WECC has declined to determine the portion of the increased capacity rating on Path 59 attributable to the upgrade that was funded by FPL Energy, the Commission accepts the proposed allocation methodology agreed upon by the CAISO, SoCal Edison, and FPL Energy, for the wheeling revenues, congestion revenues, and FTR auction revenues associated with the Path 59 upgrade, as requested. We find the CAISO's February 27, 2006 letter to be in compliance with the Commission's March 8 Order.

By direction of the Commission.

Magalie R. Salas,
Secretary.