

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

California Independent System Operator Corporation)	Docket Nos. ER98-997-000 ER98-1309-000
)	

JOINT STATUS REPORT ON SETTLEMENT NEGOTIATIONS

To: The Honorable Delbert R. Terrill, Jr.
Presiding Administrative Law Judge

In accordance with the Presiding Judge's May 19, 1999 Order Requiring Periodic Status Report and the commitment to file a status report made in the April 27, 1999 Unopposed Joint Motion for Suspension of the Procedural Schedule, the California Independent System Operator Corporation ("ISO") submits the following report on the status of settlement negotiations in the above-captioned dockets:

1. On April 21, 1999, the ISO circulated draft settlement documents to a number of parties representing Qualifying Facilities ("QFs"), including the Cogeneration Association of California ("CAC"), the Independent Energy Producers Association ("IEP"), and the California Cogeneration Council (collectively the "QF representatives") as well as to the Commission Trial Staff. These documents consisted of a draft offer of settlement and a revised pro forma QF Participating Generator Agreement ("QF PGA"). The draft offer of settlement would include a commitment from the ISO to file proposed changes to an ISO

protocol with the Commission. The ISO is developing the draft protocol language internally and intends to provide the draft protocol language to the QF representatives and the Commission Trial Staff within the next several weeks.

2. On May 4, 1999, CAC provided the ISO, the other QF representatives, and the Commission Trial Staff with a document reflecting its understanding of the agreement reached in principle at the April 9 conference call described in the Joint Motion for the Procedural Schedule. The ISO understands that the QF representatives are finalizing their comments on the draft offer of settlement and the revised pro forma QF PGA, and that they will soon provide the ISO with these comments. The ISO commits to working with the QF representatives and the Commission Staff to finalize the settlement documents.

3. Once the ISO has reached final agreement with these parties on the language of the settlement documents, including the proposed changes to one ISO protocol, the ISO will provide copies of the draft settlement documents to all participants on the official service list in this proceeding and other interested Market Participants who have participated in stakeholder meetings on the QF PGA. The ISO and the QF participants will then be able to explain to all interested parties how the draft settlement documents address various issues in this proceeding. It is hoped that this process will result in an uncontested offer of settlement.

4. The ISO believes that any remaining issues in this proceeding can be resolved in a mutually agreeable manner and that an offer of settlement can

be finalized prior to June 28, 1999, the date the next status report would be due under the May 19 Order. The ISO will provide the Presiding Judge with an additional status report if any impasse among the parties or other unforeseen event prevents a settlement from being finalized by that date.

Respectfully submitted,

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Counsel for the California Independent
System Operator Corporation

Dated: May 28, 1999

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 the above-captioned proceeding.

Dated at Washington, DC, this 28th day of May, 1999.

David B. Rubin
Sean A. Atkins
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Counsel for the California Independent
System Operator Corporation

May 28, 1999

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

**Re: California Independent System Operator Corporation
Docket Nos. ER98-997-000 and ER98-1309-00**

Dear Secretary Boergers:

Enclosed for filing in the above-captioned dockets are an original and fourteen copies of the Joint Status Report on Settlement Negotiations submitted by the California Independent System Operator Corporation on behalf of the participants in this proceeding. Also enclosed is an extra copy of the filing to be time/date stamped and returned to the messenger. Thank you for your assistance in this matter.

Respectfully submitted,

David B. Rubin
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Counsel for the California
Independent System Operator Corporation

Enclosures

cc: Service List
The Honorable Delbert R. Terrill, Jr.