

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

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

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 status reports 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 also include a commitment from the ISO to file proposed changes to an ISO protocol with the Commission.
2. On June 15, 1999, the ISO circulated to the QF representatives and the Commission Trial Staff a draft of the proposed changes to the Outage Coordination Protocol of the ISO Tariff.

3. The ISO understands that the QF representatives are finalizing their comments on the draft settlement documents and that they will soon provide the ISO with these comments.

4. Previously, the ISO had stated that it hoped to reach final agreement with these parties on the language of the settlement documents, including the proposed changes to the ISO protocol, prior to providing 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. In an effort to expedite finalization of the Offer of Settlement, the ISO has taken several actions. First, on June 21, 1999, the ISO circulated copies of the settlement documents to all participants in the proceeding. Thus, the review by the QF representatives is now proceeding in parallel with the review by all other interested parties. Second, the ISO staff requested and received from the ISO Governing Board at its meeting on June 24, 1999 authorization to proceed with the settlement. As the ISO Governing Board does not meet again until August, this authorization was necessary in order for the ISO to be in a position to file the settlement with the Presiding Judge and the Commission within the next several weeks.

5. The ISO commits to continue to work with the QF representatives, the Commission Staff and the other parties to this proceeding to finalize the settlement documents. 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 July 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,

David B. Rubin
Sean A. Atkins
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Washington, D.C. 20007

Counsel for the California Independent
System Operator Corporation

Dated: June 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 June, 1999.

David B. Rubin
Sean A. Atkins
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Washington, D.C. 20007

Counsel for the California Independent
System Operator Corporation

June 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 ER98-1309-000**

Dear Secretary Boergers:

Enclosed for filing in the above-captioned dockets are an original and fourteen copies of the Status Report on Settlement Negotiations in this proceeding submitted by the California Independent System Operator Corporation. 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
Sean A. Atkins
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W.
Washington D.C. 20007

Counsel for the California
Independent System Operator Corporation

Enclosures

cc: Service List

The Honorable Delbert R. Terrill, Jr.