

April 1, 2014

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Filing of Non-conforming Net Scheduled Participating
Generator Agreement, Service Agreement No. 3001
Docket No. ER14-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) respectfully submits for Commission filing and acceptance a Non-conforming Net-Scheduled Participating Generator Agreement between the ISO and the Elk Hills Power Project (“Elk Hills”), a combined heat and power qualifying facility.¹ The agreement provides for the ISO to model and dispatch the Elks Hills facility on a gross, rather than net basis, while preserving the net settlement rules applicable to net-scheduled resources. The non-conforming agreement will enhance both Elk Hills’s ability to sell its available energy and ancillary services into the market and the ISO’s ability to model the resource more accurately.

This non-conforming agreement represents a significant step forward in encouraging combined heat and power facilities to offer capacity that is not dedicated to the host industrial process into the ISO markets. The ISO’s 2012 tariff amendment in Docket No. ER12-2634, which provides a higher scheduling priority for the portion of capacity that is dedicated to the host industrial process, encouraged Elk Hills, an existing combined-cycle facility, to become a combine heat power qualifying facility.² The 2012 amendment helps to further state³ and

¹ The ISO submits this Non-conforming Net Scheduled Participating Generator Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012) and Rule 205 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 205 (2013).

² *Order Approving Tariff Amendments*, 141 FERC ¶ 61,176 (2012) (docket no. ER12-2634).

³ California Energy Commission, “2011 Integrated Energy Policy Report” (February 15, 2012), at 133 (footnotes omitted), available at <http://www.energy.ca.gov/2011publications/CEC->

federal⁴ policy goals of increasing the amount of generation provide from combined heat and power resources because of the energy efficiency benefits. The ISO hopes to encourage new and existing resources to choose the non-conforming version of the Net-Scheduled Participating Generator Agreement to enable broader product offering of available energy and ancillary services and ramping capability. It preserves the benefits of the conforming version of the Net-Scheduled Participating Generator Agreement while improving the ability of the ISO to model the resource, which allows for the resource to participate in the ISO markets more effectively. Accordingly, this non-conforming version of the net-scheduled participating generator agreement is superior to the conforming version..

I. Background

Elk Hills is a 550 MW combined-cycle cogeneration unit serving the oilfield electric and thermal load of Occidental of Elk Hills Inc. It is a certified Qualifying Facility under Commission regulations. The electric load is variable, ranging from 90 to 200 MW.

Elk Hills operates as a “net scheduled generating unit” under the ISO tariff, and as a result, its self-provided load is not subject to ISO demand-based charges. It is currently a party to a Qualifying Facility Participating Generator Agreement with the ISO. Under the ISO tariff and the Qualifying Facility Participating Generator Agreement, the resource is net scheduled in the ISO markets, *i.e.*, only the quantity to be exported to the grid is scheduled. In addition the net-scheduled unit need only provide net telemetry to the ISO.

In addition, pursuant to the 2012 tariff amendment, a portion of Elk Hill’s export capacity that must be able to deliver to the grid to meet the requirements of the industrial host has a higher scheduling priority, known as “regulatory must-take generation,” under the ISO tariff than the remainder of the export capacity. This priority recognizes that the unit must operate at a particular capacity, which may be greater than that actually needed to serve the industrial host’s electrical load, in order to meet other requirements of its industrial host.

100-2011-001/CEC-100-2011-001-CMF.pdf. The California Air Resource Board’s plan is pursuant to Assembly Bill 32, the “Global Warming Solutions Act.” See California Energy Commission Staff Report, “A New Generation of Combined Heat and Power: Policy Planning for 2020, available at <http://www.energy.ca.gov/2012publications/CEC-200-2012-005/CEC-200-2012-005.pdf>.

⁴ Executive Order – Accelerating Investment in Industrial Energy Efficiency, August 30, 2012, available at <http://www.whitehouse.gov/the-press-office/2012/08/30/executive-order-accelerating-investment-industrial-energy-efficiency>.

Currently, the ISO models Elk Hills in the same manner as other net scheduled generating units, according to its ability to deliver net MW to the system. Most legacy qualifying facilities are not large combined cycle facilities and have a relatively small amount of capacity to net-schedule in the ISO markets. However, large generators, like Elk Hills, are difficult to model on a net basis, particularly when they also have regulatory must-take priority. The variability of Elk Hill's on-site load also increases the difficulty of net modeling. Because the net output is variable, for example, the ISO must use approximations for net modeling, including lower ramp rates on portions of operating capacity and reservation of capacity to account for the self-provided load, with an allowance for error. One consequence of using such approximations is that the market is not able to fully utilize the resource's capability, which is undesirable from both the ISO's and Elk Hill's perspective.

In light of these factors, Elk Hills and the ISO have both concluded that gross modeling and telemetry is the most practical way to allow the resource to participate fully in the ISO markets. In order to address this issue, Elk Hills and the ISO propose a voluntary arrangement under which the ISO would model and dispatch Elk Hills based on gross telemetry. Gross modeling will allow the ISO to see the entire capacity of the resource without any reservation of capacity set aside for self-provided load. Elk Hills will provide the ISO with the estimated demand of the self-provided load through forecasts submitted to the ISO's scheduling system. The ISO would base settlement on generation net of the demand of the self-provided load, i.e. the same net settlement for net-scheduled resources provided in the ISO tariff for net-scheduled resources. The ISO and Elk Hills seek to implement this resolution through a non-conforming Net Scheduled Participating Generator Agreement. The ISO encourages other similarly situated resources to enter into the non-conforming version of the net-scheduled participating generator agreement.

II. Non-conforming modifications to pro forma NS-PGA

The proposed Non-conforming Net Scheduled Participating Generator Agreement between Elk Hills and the ISO includes the following non-conforming modifications to the pro forma Net Scheduled Participating Generator Agreement designed to achieve the goals identified above.

The agreement adds a clause to the preamble, explaining that the purpose agreement is to improve the ISO's ability to model Elk Hills based on gross telemetry and information concerning the anticipated demand of the self-provided load while preserving the settlement principles applicable to a net scheduled generating unit. It notes that the improved modeling will allow Elk Hills to participate more effectively in the ISO markets.

Section 4.2.1 of the pro forma Net Scheduled Participating Generator Agreement provides for net generation metering. The proposed agreement

modifies this in the title to indicate that it is for the purposes of settlement. The agreement adds an additional substantive requirement that the participating generator will provide the ISO with its estimated demand of self-provided load on a daily basis, which it can updated in the real-time market and which it must update if the deviation is significant.

Section 4.2.2 of the pro forma Net Scheduled Participating Generator Agreement provides for the metering and telemetry at the point of demarcation. Under the proposed agreement, section 4.2.2.1 replaces that section limits that location to the installation of meters for recording net generation. A new section 4.2.2.2 provides for gross telemetry.

Section 4.2.3 of the pro forma Net Scheduled Participating Generator Agreement provides scheduling, billing, and settlement according to net metering at the point of demarcation. The proposed agreement limits such metering to billing and settlement purposes. It provides that the participating generator will bid and schedule the unit on a gross basis.

Section 4.5 of the pro forma Net Scheduled Participating Generator Agreements provides that the ISO shall only dispatch or curtail a net scheduled generating unit (a) to the extent the participating generator bids the energy or capacity into the ISO's markets or the energy is otherwise available to as resource adequacy of capacity procurement capacity or (b) in response to a system emergency. The proposed agreement modifies this to provide that the ISO shall dispatch or curtail the net scheduled generating unit of the Participating Generator on a gross level, except that the ISO may not dispatch it below its delineated minimum operating limit specified in schedule 1, unless there is a system emergency.

III. Effective Date

The ISO requests that the Non-conforming Net-Scheduled Participating Agreement be made effective as of June 1, 2014, 60 days from the date of this filing.

IV. Service

The ISO has served copies of this filing upon the California Public Utilities Commission, and the California Energy Commission. In addition, the ISO has posted the filing on the ISO website.

Enclosed for filing is each of the following:

- (1) this letter of transmittal;
- (2) the executed non-conforming Net Scheduled Participating Generator Agreement; and

- (3) the black-line version showing changes against the conforming version of the Net Scheduled Participating Generator Agreement.

V. Correspondence

The ISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

Sidney M. Davies*
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7144
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* Individual designated for service pursuant to Rule 203(b)(3),
18 C.F.R. § 203(b)(3).

VI. Conclusion

The ISO respectfully requests that the Commission accept this filing and permit the Non-conforming Net Scheduled Participating Generator Agreement, to be effective as of June 1, 2014, 60 days from the date of this filing. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

By: /s/ Sidney M. Davies

Roger E. Collanton
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Sidney M. Davies
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Attorneys for the California Independent
System Operator Corporation

Attachment A

Net Scheduled Participating Generator Agreement with Elk Hills Power, LLC

April 1, 2014

California Independent System Operator Corporation
FERC FPA Electric Tariff
CAISO Non-Conforming Service Agreements
Service Agreement No. 3001

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

ELK HILLS POWER, LLC

**NET SCHEDULED PARTICIPATING
GENERATOR AGREEMENT**

Proposed Effective Date: June 1, 2014
Tariff Record Title: NSPGA between CAISO and Elk Hills Power, LLC
Version Number: 0.0.0
Option Code: A

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

ELK HILLS POWER, LLC

**NET SCHEDULED PARTICIPATING
GENERATOR AGREEMENT**

**NON-CONFORMING NET SCHEDULED PARTICIPATING
GENERATOR AGREEMENT (NS PGA)**

THIS AGREEMENT is dated this 1 day of APRIL, 2014, and is entered into, by and between:

(1) **Elk Hills Power, LLC**, having its principal place of business located at 4026 Skyline Road, Tupman, California 93276 (the "Participating Generator");

and

(2) **California Independent System Operator Corporation ("CAISO")**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate.

The Participating Generator and the CAISO are hereinafter referred to as the "Parties".

Whereas:

- A. The CAISO Tariff provides that the CAISO shall not accept Bids for Energy or Ancillary Services generated by any Generating Unit interconnected to the CAISO Controlled Grid, or to the Distribution System of a Participating TO or of a UDC or MSS Operator otherwise than through a Scheduling Coordinator.
- B. The CAISO Tariff further provides that the CAISO shall not be obliged to accept Bids relating to Generation from any Generating Unit interconnected to the CAISO Controlled Grid unless the relevant Generator undertakes in writing to the CAISO to comply with all applicable provisions of the CAISO Tariff.
- C. The Participating Generator wishes to be able to submit Bids, from a Net Scheduled Generating Unit to the CAISO through a Scheduling Coordinator and, therefore, wishes to undertake to the CAISO that it will comply with the applicable provisions of the CAISO Tariff, except as otherwise specified in this Agreement.

- D.** It is the intent of the Parties that this Agreement will harmonize the special operational characteristics of the Participating Generator's Net Scheduled Generating Unit with the CAISO's grid operation function. Nothing in this Agreement is intended to limit or restrict the rights of the Participating Generator under Section 4.6.3.4 of the CAISO Tariff except as otherwise set forth in this Agreement.
- E.** The Parties are entering into this Agreement in order to establish the terms and conditions on which the CAISO and the Participating Generator will discharge their respective duties and responsibilities under the CAISO Tariff and as set forth in this Agreement.
- F.** The purpose of this Non-conforming Net Scheduled Participating Generator Agreement is to improve the CAISO's ability to model the Participating Generator's Net Scheduled Generating Unit based on gross telemetry and information concerning the anticipated Demand of any Self-Provided Load while preserving the settlement and billing principles applicable to a Net Scheduled Generating Unit. Improved modeling will allow the Net Scheduled Generating Unit to participate more effectively in the CAISO Markets.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Unless defined in this Agreement, all capitalized terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency, except as expressly provided otherwise in this Agreement;
 - (b) the singular shall include the plural and vice versa;
 - (c) the masculine shall include the feminine and neutral and vice versa;

- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II

ACKNOWLEDGEMENTS OF PARTICIPATING GENERATOR AND CAISO

- 2.1 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Corporation and further acknowledges that the CAISO may not be able to satisfy fully these responsibilities if the Participating Generator fails to fully comply with all of its obligations under this Agreement.
- 2.2 Scope of Application to Parties.** The Participating Generator and CAISO acknowledge that all Qualifying Facility Generators (except those

specified in Section 2.2.1 of this Agreement) and CHP Resources wishing to submit Bids to the CAISO through a Scheduling Coordinator shall first execute this Agreement or the standard Participating Generator Agreement applicable to any Generator. The Parties acknowledge that execution of this Agreement by the Participating Generator satisfies the requirement set forth in Section 4.6 of the CAISO Tariff.

- 2.2.1 Exemption for Certain Generators.** A Generator with an Existing QF Contract with a UDC is not required to sign a Net Scheduled Participating Generator Agreement if: (a) the Generator sells all of its Energy (excluding any Energy consumed by auxiliary Load equipment electrically connected to the QF at the same point) and Ancillary Services to the UDC; (b) the Generator sells any Energy through "over the fence" arrangements as authorized under Section 218(b) of the California Public Utilities Code; or (c) the Generator employs landfill gas technology for the generation of electricity as authorized under 218(c) of the California Public Utilities Code.

ARTICLE III

TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement and shall be effective as of the later of: (1) the date the Agreement is executed by the Parties; or (2) where the Participating Generator is a party to an existing Participating Generator Agreement, the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC, if such FERC filing is required; or (3) where the Participating Generator is a party to an existing Participating Generator Agreement and this Agreement is required to be filed with FERC for acceptance, the later of the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC, or the date this Agreement is accepted for filing and made effective by FERC.
- 3.2 Termination**
- 3.2.1 Termination by CAISO.** Subject to Section 5.2, the CAISO may terminate this Agreement by giving written notice of termination in the event that the Participating Generator commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the Participating Generator, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X

of this Agreement. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by Participating Generator. In the event that the Participating Generator no longer wishes to submit Bids and transmit Energy or provide Ancillary Services through a Scheduling Coordinator over the CAISO Controlled Grid, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days written notice, provided, however, that in accordance with Section 4.1.3, the Participating Generator may modify Schedule 1 to eliminate generating resources which it no longer owns or no longer has contractual entitlement to and such modification shall be effective upon receipt by the CAISO. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within thirty (30) days of receipt of such request; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the Participating Generator's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV

GENERAL TERMS AND CONDITIONS

4.1 Net Scheduled Generating Units

4.1.1 Identification of Net Scheduled Generating Unit. The Participating Generator has identified the Net Scheduled Generating Unit that it owns, operates or has a contractual entitlement to, in Schedule 1, as required by Section 4.6.4 of the CAISO Tariff.

4.1.2 Technical Characteristics. The Participating Generator shall provide to the CAISO the required information regarding operating contacts, rated capacity, and operating characteristics of the Net Scheduled Generating Unit. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, and the Existing QF Contract or Amended QF Contract, if any, associated with that Net Scheduled Generating Unit, the CAISO may verify, inspect and test the capacity and operating characteristics of the Net Scheduled Generating Unit. The performance of such inspection or test shall be conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld.

4.1.3 Notification of Changes. Sixty (60) days prior to changing any technical information in Schedule 1, the Participating Generator shall notify the CAISO of the proposed changes. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics; provided that the performance of such inspection or test is conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld. The CAISO shall post on the CAISO Website a schedule showing, for at least one year in advance: (i) the proposed dates on which the CAISO's Master File will be updated, which dates shall occur at least every three months; (ii) the dates on which the information contained in the revised Master File will become effective; and (iii) the deadlines by which changed technical information must be submitted to the CAISO in order to be tested and included in the next scheduled update of the CAISO's Master File. Unless the Participating Generator fails to test at the values in the proposed change(s), the change will become effective upon the effective date for the next scheduled update of the Master File, provided the Participating Generator submits the changed information by the applicable deadline. Subject to such notification this Agreement shall not apply to any Net Scheduled Generating Unit identified in Schedule 1 which the Participating Generator no longer owns nor has contractual entitlement.

- 4.2 Agreement Subject to CAISO Tariff.** The Parties will comply with all applicable provisions of the CAISO Tariff except as expressly provided in Sections 4.2.1 through 4.2.4 of this Agreement.
- 4.2.1 Net Generation Metering for Settlement.** Notwithstanding Section 10.1.3 of the CAISO Tariff, the Participating Generator may net the value for the Generation produced by each Net Scheduled Generating Unit listed in Schedule 1 and the value for the Demand of the Self-provided Load that is (i) served by the Net Scheduled Generating Unit and (ii) electrically located on the same side of the Point of Demarcation. Participating Generator will provide the CAISO with its estimated Demand of Self-provided Load on a daily basis, which can be updated in the Real-Time Market and must be updated if the deviation is significant. Information provided by the Participating Generator regarding the Demand of Self-provided Load shall be used solely for ISO scheduling, billing and settlement and shall be kept confidential pursuant to Section 20 of the CAISO Tariff.
- 4.2.1.1 Meter Location.** The Participating Generator may satisfy the provisions of the CAISO Tariff for the installation of meters by installing meters at the Point of Demarcation for the purpose of recording the net generation metering pursuant to Section 4.2.1 of this agreement; provided that the installed meters satisfy the technical functional and performance requirements for meters set forth in the CAISO Tariff.
- 4.2.1.2 Telemetry.** The Participating Generator will provide gross rather than net telemetry for the Net Scheduled Generating Unit and satisfy the applicable telemetry requirements and standards that apply to a Generating Unit that is not a Net Scheduled Generating Unit.
- 4.2.2 Scheduling, Billing and Settlement.** For billing, and settlement purposes regarding Net Scheduled Generating Unit Self-provided Load, measurements shall be made at the Point of Demarcation. The Participating Generator shall schedule and bid the Net Scheduled Generating Unit on a gross basis without regard to Self-provided Load.
- 4.2.3 Operating Limitations.** Net Scheduled Generating Unit operating limitations shall be set forth in Schedule 1 of this Agreement, the resource data template used for transmittal of Participating Generator technical data to the CAISO pursuant to the CAISO Tariff, or as otherwise mutually agreed to by the Parties.
- 4.2.4 Limitations on CAISO Operating Orders.** The CAISO will not knowingly issue an operating order that: (1) requires the Participating Generator to reduce its Generation below the delineated minimum operating limit, other

than in a System Emergency; (2) conflicts with operating instructions provided by the Participating Generator; or (3) results in damage to the Participating Generator's equipment, provided that any such equipment limitation has been provided to the CAISO and incorporated in the Participating Generator's operating instructions to the CAISO. If the Participating Generator: (1) receives a Schedule which requires operation below the minimum operating limit, and (2) deviates from that Schedule to continue to operate at the minimum operating limit, it will not be subject to any penalties or sanctions as a result of operating at the minimum operating limit. The Participating Generator's consequences for deviating from Schedules in Real-Time will be governed by the CAISO Tariff.

4.3 Obligations Relating to Ancillary Services

4.3.1 Submission of Bids. When the Scheduling Coordinator on behalf of the Participating Generator submits a Bid for Ancillary Services, the Participating Generator will, by the operation of this Section 4.3.1, warrant to the CAISO that it has the capability to provide that service in accordance with the CAISO Tariff and that it will comply with CAISO Dispatch Instructions for the provision of the service in accordance with the CAISO Tariff.

4.3.2 Certification. The Participating Generator shall not use a Scheduling Coordinator to submit a Bid for the provision of an Ancillary Service or submit a Submission to Self-Provide an Ancillary Service unless the Scheduling Coordinator serving that Participating Generator is in possession of a current certificate pursuant to Sections 8.3.4 and 8.4 of the CAISO Tariff.

4.4 Obligations relating to Major Incidents

4.4.1 Major Incident Reports. The Participating Generator shall promptly provide such information as the CAISO may reasonably request in relation to major incidents, in accordance with Section 4.6.7.3 of the CAISO Tariff.

4.5 Dispatch and Curtailment. The CAISO shall dispatch or curtail a Net Scheduled Generating Unit of the Participating Generator on a gross basis, except that the ISO may not dispatch the Net Scheduled Generating Unit below its delineated minimum operating limit as specified in Schedule 1 of this Agreement, unless the CAISO must dispatch or curtail the Net Scheduled Generating Unit in order to respond to an existing or imminent System Emergency or condition that would compromise CAISO Balancing Authority Area integrity or reliability as provided in Sections 7 and 7.6.1 of the CAISO Tariff.

- 4.6 Information to Be Provided by Participating Generator.** The Participating Generator shall provide to the CAISO (a) a copy of any existing power purchase agreement, if any, with a UDC or MSS for the Net Scheduled Generating Unit listed in Schedule 1, and (b) a copy or a summary of the primary terms of any agreement for standby service with a UDC or MSS Operator, a statement that the Net Scheduled Generating Unit is taking standby service pursuant to UDC tariff, or a statement that the Self-provided Load shall be curtailed concurrently with any Outage of the Generation serving that Self-provided Load in an amount sufficient to cover that Outage. The Participating Generator shall notify the CAISO promptly of any change in the status of any of the foregoing.

ARTICLE V

PENALTIES AND SANCTIONS

- 5.1 Penalties.** If the Participating Generator fails to comply with any provisions of this Agreement, the CAISO shall be entitled to impose penalties and sanctions on the Participating Generator. No penalties or sanctions may be imposed under this Agreement unless a Schedule or CAISO Tariff provision providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in the Agreement, with the exception of the provisions relating to the CAISO ADR Procedures, shall be construed as waiving the rights of the Participating Generator to oppose or protest any penalty proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty on the Participating Generator.
- 5.2 Corrective Measures.** If the Participating Generator fails to meet or maintain the requirements set forth in this Agreement and/or in the CAISO Tariff as limited by the provisions of this Agreement, the CAISO shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the CAISO deems to be necessary to correct the situation.

ARTICLE VI

COSTS

- 6.1 Operating and Maintenance Costs.** The Participating Generator shall be responsible for all its costs incurred in connection with operating and maintaining the Net Scheduled Generating Unit identified in Schedule 1 for the purpose of meeting its obligations under this Agreement.

ARTICLE VII

DISPUTE RESOLUTION

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** The Participating Generator represents that all necessary leases, approvals, permits, licenses, easements, rights of way or access to install, own and/or operate its Net Scheduled Generating Unit have been or will be obtained by the Participating Generator prior to the effective date of this Agreement.
- 8.3 Specific Warranty.** The Participating Generator represents and warrants that: (1) the Net Scheduled Generating Unit listed in Schedule 1 is (a) a Qualifying Facility or is operated as an integral part of a Qualifying Facility, or (b) is a CHP Resource, and (2) (a) the Self-provided Load of the Participating Generator that is served by the Net Scheduled Generating Unit either has, and continues to have through the term of this Agreement, standby service from a UDC or MSS Operator under terms approved by the Local Regulatory Authority or the Federal Energy Regulatory Commission, as applicable, or (b) the Self-provided Load shall be curtailed concurrently with any Outage of the Generation serving that Self-provided Load in an amount sufficient to cover that Outage.

ARTICLE IX

LIABILITY

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE X

UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE XI

MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 3. A Party must update the information in Schedule 3 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter

arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

11.4 Governing Law and Forum. This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

11.5 Consistency with Federal Laws and Regulations. This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.

11.6 Merger. This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.

11.7 Severability. If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

11.8 [NOT USED]

11.9 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect

until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder, and the Participating Generator shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the FPA and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

11.10 Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

11.11 Rights Reserved. Execution of this Agreement does not deprive the Participating Generator of any unexpressed legal right, either under law or under an existing power purchase agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: 
Name: Eric J. Schmitt
Title: Vice President, Operations
Date: 4/1/14

Elk Hills Power, LLC

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____
Name: _____
Title: _____
Date: _____

Elk Hills Power, LLC

By:  _____
Name: ANTHONY J. ZIBBRO
Title: TREASURER
Date: 4/1/14

Section 2: Limitations of Net Scheduled Generator Units
Elk Hills Power, LLC

| Reference # | Description of Limitation |
|-------------|--|
| 1 | Generating Facility is a topping cycle cogeneration Qualifying Facility subject to Qualifying Facility standards. |
| 2 | Electric generation and thermal energy deliveries to the site host have first priority over electric generation deliveries to the CAISO Controlled Grid. |
| 3 | Generation output is subject to fluctuation based on availability and quality of natural gas provided by site host's gas processing facilities. |
| 4 | Pursuant to Sections 4.2.4 and 4.2.5 of the Net Scheduled PGA, the Generating Facility's minimum operating limit is 215 MW to 460 MW, depending upon the level of oil and gas production by the site host. The site host electric load ("Self-provided Load") is expected to range between 91 MW to 200 MW resulting in a minimum net metered delivery to the CAISO Controlled Grid of between 15 MW and 369 MW. |
| 5 | Generating Facility Outages need to be coordinated with site host operations. As such, the Generating Facility will consider CAISO requests to reschedule Planned Outages, but will not be obligated to modify the timing of Planned Outages as long as they were previously approved by CAISO as Planned Outages. |
| 6 | Maximum power output of the Generating Facility (operations associated with evaporative cooling, duct firing and steam injected power augmentation) may be limited to comply with the Generating Facility's Soil & Water Condition 4 of its California Energy Commission Certification in Docket 99-AFC -1 which limits the Generating Facility's annual water consumption. |
| 7 | Self-provided Load and site host thermal loads are subject to inadvertent variations. Real-time generation delivered to the CAISO Controlled Grid may vary with limited notice in order to balance Self-provided Load and site host thermal energy requirements. |
| 8 | The Generating Facility is subject to real-time operational output deviations due to ambient conditions. |

SCHEDULE 2

CAISO IMPOSED PENALTIES AND SANCTIONS

[Section 5.1]

TO BE INSERTED UPON FERC APPROVAL

SCHEDULE 3**NOTICES****(Section 11.2)****Participating Generator**

Name of Primary

Representative: Bob Bond
Title: Elk Hills Power Team Leader
Company: Elk Hills Power, LLC
Address: 4026 Skyline Road
City/State/Zip Code: Tupman, CA 93276
Email Address: bob_bond@oxy.com
Phone: (661) 763-2727
Fax No: (661) 765-2946

Name of Alternative

Representative: Jim Terrell
Title: Asset Manager
Company: Occidental Power Services Inc.
Address: 5 Greenway Plaza, Suite 110
City/State/Zip Code: Houston, TX 77046
Email Address: jim_terrell@oxy.com
Phone: (713) 215-7960
Fax No: (713) 985-1622

Name of Alternative

Representative: Robert D. Hoffman
Title: Director, Business Development
Company: Occidental Energy Ventures Corp.
Address: 111 W. Ocean Blvd., Suite 800
City/State/Zip Code: Long Beach, CA 90802
Email Address: Robert_hoffman@oxy.com
Phone: (310) 373-8222
Fax No: (310) 373-8240

CAISO

Name of Primary Representative: Regulatory Contracts
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: RegulatoryContracts@caiso.com
Phone: (916) 351-4400
Fax: (916) 608-5063

Name of Alternative Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: csibley@caiso.com
Phone: (916) 608-7030
Fax: (916) 608-5063

Attachment B

Marked agreement showing changes against conforming version

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

ELK HILLS POWER, LLC

**NET SCHEDULED PARTICIPATING
GENERATOR AGREEMENT**

**NON-CONFORMING NET SCHEDULED PARTICIPATING
GENERATOR AGREEMENT (NS PGA)**

THIS AGREEMENT is dated this _____ day of _____, _____, and is entered into, by and between:

(1) **Elk Hills Power, LLC**, having its principal place of business located at 4026 Skyline Road, Tupman, California 93276 (the "Participating Generator");

and

(2) **California Independent System Operator Corporation ("CAISO")**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate.

The Participating Generator and the CAISO are hereinafter referred to as the "Parties".

Whereas:

- A.** The CAISO Tariff provides that the CAISO shall not accept Bids for Energy or Ancillary Services generated by any Generating Unit interconnected to the CAISO Controlled Grid, or to the Distribution System of a Participating TO or of a UDC or MSS Operator otherwise than through a Scheduling Coordinator.
- B.** The CAISO Tariff further provides that the CAISO shall not be obliged to accept Bids relating to Generation from any Generating Unit interconnected to the CAISO Controlled Grid unless the relevant Generator undertakes in writing to the CAISO to comply with all applicable provisions of the CAISO Tariff.
- C.** The Participating Generator wishes to be able to submit Bids, from a Net Scheduled Generating Unit to the CAISO through a Scheduling Coordinator and, therefore, wishes to undertake to the CAISO that it will comply with the applicable provisions of the CAISO Tariff, except as otherwise specified in this Agreement.

- D. It is the intent of the Parties that this Agreement will harmonize the special operational characteristics of the Participating Generator's Net Scheduled Generating Unit with the CAISO's grid operation function. Nothing in this Agreement is intended to limit or restrict the rights of the Participating Generator under Section 4.6.3.24.6.3.4 of the CAISO Tariff except as otherwise set forth in this Agreement.
- E. The Parties are entering into this Agreement in order to establish the terms and conditions on which the CAISO and the Participating Generator will discharge their respective duties and responsibilities under the CAISO Tariff and as set forth in this Agreement.
- F. The purpose of this Non-conforming Net Scheduled Participating Generator Agreement is to improve the CAISO's ability to model the Participating Generator's Net Scheduled Generating Unit based on gross telemetry and information concerning the anticipated Demand of any Self-Provided Load while preserving the settlement and billing principles applicable to a Net Scheduled Generating Unit. Improved modeling will allow the Net Scheduled Generating Unit to participate more effectively in the CAISO Markets.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Unless defined in this Agreement, all capitalized terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.
- 1.2 Rules of Interpretation.** The following rules of interpretation and conventions shall apply to this Agreement:
- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, the CAISO Tariff will prevail to the extent of the inconsistency, except as expressly provided otherwise in this Agreement;
 - (b) the singular shall include the plural and vice versa;
 - (c) the masculine shall include the feminine and neutral and vice versa;

- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II

ACKNOWLEDGEMENTS OF PARTICIPATING GENERATOR AND CAISO

- 2.1 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Corporation and further acknowledges that the CAISO may not be able to satisfy fully these responsibilities if the Participating Generator fails to fully comply with all of its obligations under this Agreement.
- 2.2 Scope of Application to Parties.** The Participating Generator and CAISO acknowledge that all Qualifying Facility Generators (except those

specified in Section 2.2.1 of this Agreement) and CHP Resources wishing to submit Bids to the CAISO through a Scheduling Coordinator shall first execute this Agreement or the standard Participating Generator Agreement applicable to any Generator. The Parties acknowledge that execution of this Agreement by the Participating Generator satisfies the requirement set forth in Section 4.6 of the CAISO Tariff.

- 2.2.1 Exemption for Certain Generators.** A Generator with an Existing QF Contract with a UDC is not required to sign a Net Scheduled Participating Generator Agreement if: (a) the Generator sells all of its Energy (excluding any Energy consumed by auxiliary Load equipment electrically connected to the QF at the same point) and Ancillary Services to the UDC; (b) the Generator sells any Energy through "over the fence" arrangements as authorized under Section 218(b) of the California Public Utilities Code; or (c) the Generator employs landfill gas technology for the generation of electricity as authorized under 218(c) of the California Public Utilities Code.

ARTICLE III

TERM AND TERMINATION

- 3.1 Effective Date.** This Agreement shall remain in full force and effect until terminated pursuant to Section 3.2 of this Agreement and shall be effective as of the later of: (1) the date the Agreement is executed by the Parties; or (2) where the Participating Generator is a party to an existing Participating Generator Agreement, the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC, if such FERC filing is required; or (3) where the Participating Generator is a party to an existing Participating Generator Agreement and this Agreement is required to be filed with FERC for acceptance, the later of the date upon which termination of the existing Participating Generator Agreement is accepted for filing and made effective by FERC, or the date this Agreement is accepted for filing and made effective by FERC.
- 3.2 Termination**
- 3.2.1 Termination by CAISO.** Subject to Section 5.2, the CAISO may terminate this Agreement by giving written notice of termination in the event that the Participating Generator commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given, to the Participating Generator, written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X

of this Agreement. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within sixty (60) days after issuance of the notice of default; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

3.2.2 Termination by Participating Generator. In the event that the Participating Generator no longer wishes to submit Bids and transmit Energy or provide Ancillary Services through a Scheduling Coordinator over the CAISO Controlled Grid, it may terminate this Agreement, on giving the CAISO not less than ninety (90) days written notice, provided, however, that in accordance with Section 4.1.3, the Participating Generator may modify Schedule 1 to eliminate generating resources which it no longer owns or no longer has contractual entitlement to and such modification shall be effective upon receipt by the CAISO. With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement has been filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and the CAISO files the notice of termination within thirty (30) days of receipt of such request; or (2) the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if such notice is required to be filed with FERC, or upon ninety (90) days after the CAISO's receipt of the Participating Generator's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders.

ARTICLE IV

GENERAL TERMS AND CONDITIONS

4.1 Net Scheduled Generating Units

- 4.1.1 Identification of Net Scheduled ~~Net-Scheduled~~ Generating Unit.** The Participating Generator has identified the Net Scheduled Generating Unit that it owns, operates or has a contractual entitlement to, in Schedule 1, as required by Section 4.6.4 of the CAISO Tariff.
- 4.1.2 Technical Characteristics.** The Participating Generator shall provide to the CAISO the required information regarding operating contacts, rated capacity, and operating characteristics of the Net Scheduled Generating Unit. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, and the Existing QF Contract or Amended QF Contract, if any, associated with that Net Scheduled Generating Unit, the CAISO may verify, inspect and test the capacity and operating characteristics of the Net Scheduled Generating Unit. The performance of such inspection or test shall be conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld.
- 4.1.3 Notification of Changes.** Sixty (60) days prior to changing any technical information in Schedule 1, the Participating Generator shall notify the CAISO of the proposed changes. Pursuant to Sections 8.9 and 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics; provided that the performance of such inspection or test is conducted at a time mutually agreed upon by the Parties, which agreement shall not unreasonably be withheld. The CAISO shall post on the CAISO Website a schedule showing, for at least one year in advance: (i) the proposed dates on which the CAISO's Master File will be updated, which dates shall occur at least every three months; (ii) the dates on which the information contained in the revised Master File will become effective; and (iii) the deadlines by which changed technical information must be submitted to the CAISO in order to be tested and included in the next scheduled update of the CAISO's Master File. Unless the Participating Generator fails to test at the values in the proposed change(s), the change will become effective upon the effective date for the next scheduled update of the Master File, provided the Participating Generator submits the changed information by the applicable deadline. Subject to such notification this Agreement shall not apply to any Net Scheduled Generating Unit identified in Schedule 1 which the Participating Generator no longer owns nor has contractual entitlement.
- 4.2 Agreement Subject to CAISO Tariff.** The Parties will comply with all applicable provisions of the CAISO Tariff except as expressly provided in Sections 4.2.1 through 4.2.5 of this Agreement.
- 4.2.1 Net Generation Metering for Settlement.** Notwithstanding Section 10.1.3 of the CAISO Tariff, the Participating Generator may net the value for the Generation produced by each Net Scheduled Generating Unit

listed in Schedule 1 and the value for the Demand of the Self-provided Load that is (i) served by the Net Scheduled Generating Unit and (ii) electrically located on the same side of the Point of Demarcation.

Participating Generator will provide the CAISO with its estimated Demand of Self-provided Load on a daily basis, which can be updated in the Real-Time Market and must be updated if the deviation is significant.

Information provided by the Participating Generator regarding the Demand of Self-provided Load shall be used solely for ISO scheduling, billing and settlement and shall be kept confidential pursuant to Section 20 of the CAISO Tariff.

4.2.24.2.1.1 Meter and Telemetry Location. The Participating Generator may satisfy the provisions of the CAISO Tariff for the installation of meters ~~and telemetry~~ by installing meters at the Point of Demarcation ~~meters and telemetry~~ for the purpose of recording the net ~~impact of the Net Scheduled Generating Unit upon the CAISO Controlled Grid~~ generation metering pursuant to Section 4.2.1 of this agreement; provided that the installed meters ~~and telemetry~~ satisfy the technical functional and performance requirements for meters ~~and telemetry~~ set forth in the CAISO Tariff.

4.2.1.2 Telemetry. The Participating Generator will provide gross rather than net telemetry for the Net Scheduled Generating Unit and satisfy the applicable telemetry requirements and standards that apply to a Generating Unit that is not a Net Scheduled Generating Unit.

4.2.32 Scheduling, Billing and Settlement. For ~~scheduling~~, billing, and settlement purposes regarding Net Scheduled Generating Unit Self-provided Load, measurements shall be made at the Point of Demarcation. The Participating Generator shall schedule and bid the Net Scheduled Generating Unit on a gross basis without regard to Self-provided Load.

4.2.43 Operating Limitations. Net Scheduled Generating Unit operating limitations shall be set forth in Schedule 1 of this Agreement, the resource data template used for transmittal of Participating Generator technical data to the CAISO pursuant to the CAISO Tariff, or as otherwise mutually agreed to by the Parties.

4.2.54 Limitations on CAISO Operating Orders. The CAISO will not knowingly issue an operating order that: (1) requires the Participating Generator to reduce its Generation below the delineated minimum operating limit, other than in a System Emergency; (2) conflicts with operating instructions provided by the Participating Generator; or (3) results in damage to the Participating Generator's equipment, provided that any such equipment

limitation has been provided to the CAISO and incorporated in the Participating Generator's operating instructions to the CAISO. If the Participating Generator: (1) receives a Schedule which requires operation below the minimum operating limit, and (2) deviates from that Schedule to continue to operate at the minimum operating limit, it will not be subject to any penalties or sanctions as a result of operating at the minimum operating limit. The Participating Generator's consequences for deviating from Schedules in Real-Time will be governed by the CAISO Tariff.

4.3 Obligations Relating to Ancillary Services

4.3.1 Submission of Bids. When the Scheduling Coordinator on behalf of the Participating Generator submits a Bid for Ancillary Services, the Participating Generator will, by the operation of this Section 4.3.1, warrant to the CAISO that it has the capability to provide that service in accordance with the CAISO Tariff and that it will comply with CAISO Dispatch Instructions for the provision of the service in accordance with the CAISO Tariff.

4.3.2 Certification. The Participating Generator shall not use a Scheduling Coordinator to submit a Bid for the provision of an Ancillary Service or submit a Submission to Self-Provide an Ancillary Service unless the Scheduling Coordinator serving that Participating Generator is in possession of a current certificate pursuant to Sections 8.3.4 and 8.4 of the CAISO Tariff.

4.4 Obligations relating to Major Incidents

4.4.1 Major Incident Reports. The Participating Generator shall promptly provide such information as the CAISO may reasonably request in relation to major incidents, in accordance with Section 4.6.7.3 of the CAISO Tariff.

4.5 Dispatch and Curtailment. The CAISO shall ~~only~~ dispatch or curtail a Net Scheduled Generating Unit of the Participating Generator: ~~(a) to the extent the Participating Generator bids Energy or Ancillary Services from on a gross basis, except that the ISO may not dispatch the Net Scheduled Generating Unit into the CAISO's markets or the Energy is otherwise available to the CAISO under Section 40 or 43 of the CAISO Tariff; or (b) if below its delineated minimum operating limit as specified in Schedule 1 of this Agreement, unless~~ the CAISO must dispatch or curtail the Net Scheduled Generating Unit in order to respond to an existing or imminent System Emergency or condition that would compromise CAISO Balancing Authority Area integrity or reliability as provided in Sections 7 and 7.6.1 of the CAISO Tariff.

- 4.6 Information to Be Provided by Participating Generator.** The Participating Generator shall provide to the CAISO (a) a copy of any existing power purchase agreement, if any, with a UDC or MSS for the Net Scheduled Generating Unit listed in Schedule 1, and (b) a copy or a summary of the primary terms of any agreement for standby service with a UDC or MSS Operator, a statement that the Net Scheduled Generating Unit is taking standby service pursuant to UDC tariff, or a statement that the Self-provided Load shall be curtailed concurrently with any Outage of the Generation serving that Self-provided Load in an amount sufficient to cover that Outage. The Participating Generator shall notify the CAISO promptly of any change in the status of any of the foregoing.

ARTICLE V

PENALTIES AND SANCTIONS

- 5.1 Penalties.** If the Participating Generator fails to comply with any provisions of this Agreement, the CAISO shall be entitled to impose penalties and sanctions on the Participating Generator. No penalties or sanctions may be imposed under this Agreement unless a Schedule or CAISO Tariff provision providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in the Agreement, with the exception of the provisions relating to the CAISO ADR Procedures, shall be construed as waiving the rights of the Participating Generator to oppose or protest any penalty proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty on the Participating Generator.
- 5.2 Corrective Measures.** If the Participating Generator fails to meet or maintain the requirements set forth in this Agreement and/or in the CAISO Tariff as limited by the provisions of this Agreement, the CAISO shall be permitted to take any of the measures, contained or referenced in the CAISO Tariff, which the CAISO deems to be necessary to correct the situation.

ARTICLE VI

COSTS

- 6.1 Operating and Maintenance Costs.** The Participating Generator shall be responsible for all its costs incurred in connection with operating and maintaining the Net Scheduled Generating Unit identified in Schedule 1 for the purpose of meeting its obligations under this Agreement.

ARTICLE VII

DISPUTE RESOLUTION

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** The Participating Generator represents that all necessary leases, approvals, permits, licenses, easements, rights of way or access to install, own and/or operate its Net Scheduled Generating Unit~~QF~~ have been or will be obtained by the Participating Generator prior to the effective date of this Agreement.
- 8.3 Specific Warranty.** The Participating Generator represents and warrants that: (1) the Net Scheduled Generating Unit listed in Schedule 1 is (a) a Qualifying Facility or is operated as an integral part of a Qualifying Facility, or (b) is a CHP Resource, and (2) (a) the Self-provided Load of the Participating Generator that is served by the Net Scheduling Generating Unit~~QF~~ either has, and continues to have through the term of this Agreement, standby service from a UDC or MSS Operator under terms approved by the Local Regulatory Authority or the Federal Energy Regulatory Commission, as applicable, or (b) the Self-provided Load shall be curtailed concurrently with any Outage of the Generation serving that Self-provided Load in an amount sufficient to cover that Outage.

ARTICLE IX

LIABILITY

- 9.1 Liability.** The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references

to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE X

UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE XI

MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to the Participating Generator and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 3. A Party must update the information in Schedule 3 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

- 11.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 11.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 11.8 [NOT USED]**
- 11.9 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information. Nothing contained herein shall be construed as affecting in any way the right of the CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant

to FERC's rules and regulations promulgated thereunder, and the Participating Generator shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the FPA and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement shall limit the rights of the Parties or of FERC under Sections 205 or 206 of the FPA and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

11.10 Counterparts. This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

11.11 Rights Reserved. Execution of this Agreement does not deprive the Participating Generator of any unexpressed legal right, either under law or under an existing power purchase agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Elk Hills Power, LLC

By: _____

Name: _____

Title: _____

Date: _____

[The following page is a placeholder for Schedule 1, Section 1.]

[The following page is a placeholder for Schedule 1, Section 2.]

SCHEDULE 2

CAISO IMPOSED PENALTIES AND SANCTIONS

[Section 5.1]

TO BE INSERTED UPON FERC APPROVAL

SCHEDULE 3**NOTICES****(Section 11.2)****Participating Generator**

Name of Primary Representative: Bob Bond
Title: Elk Hills Power Team Leader
Company: Elk Hills Power, LLC
Address: 4026 Skyline Road
City/State/Zip Code: Tupman, CA 93276
Email Address: bob_bond@oxy.com
Phone: (661) 763-2727
Fax No: (661) 765-2946

Name of Alternative Representative: Jim Terrell
Title: Asset Manager
Company: Occidental Power Services Inc.
Address: 5 Greenway Plaza, Suite 110
City/State/Zip Code: Houston, TX 77046
Email Address: jim_terrell@oxy.com
Phone: (713) 215-7960
Fax No: (713) 985-1622

CAISO

Name of Primary Representative: Regulatory Contracts
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: RegulatoryContracts@caiso.com
Phone: (916) 351-4400
Fax: (916) 608-5063

Name of Alternative Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email address: csibley@caiso.com
Phone: (916) 608-7030
Fax: (916) 608-5063