

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

California Independent System Operator Corp.) **Docket No. EL24-____-000**
)

**PETITION FOR APPROVAL OF
UNCONTESTED SETTLEMENT AGREEMENT**

Pursuant to Rule 207(a)(5) of the Rules of Practice and Procedure¹ of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), the California Independent System Operator Corporation (“CAISO”) (“the Applicant”) respectfully files this petition (“Petition”) for approval of an uncontested settlement (the “Settlement Agreement”) between the Applicant and PacifiCorp. In order to promptly implement the enclosed settlement terms, the CAISO respectfully requests that the Commission issue an order accepting or approving the Settlement Agreement appended hereto as Exhibit A *no later than* August 10, 2024. The CAISO is requesting an order by this date in order to allow sufficient time to place the adjustments on CAISO settlement statements before the final scheduled recalculation of the relevant trading days.

I. COMMUNICATIONS

The CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following individuals who should be included on the official service list in this proceeding:

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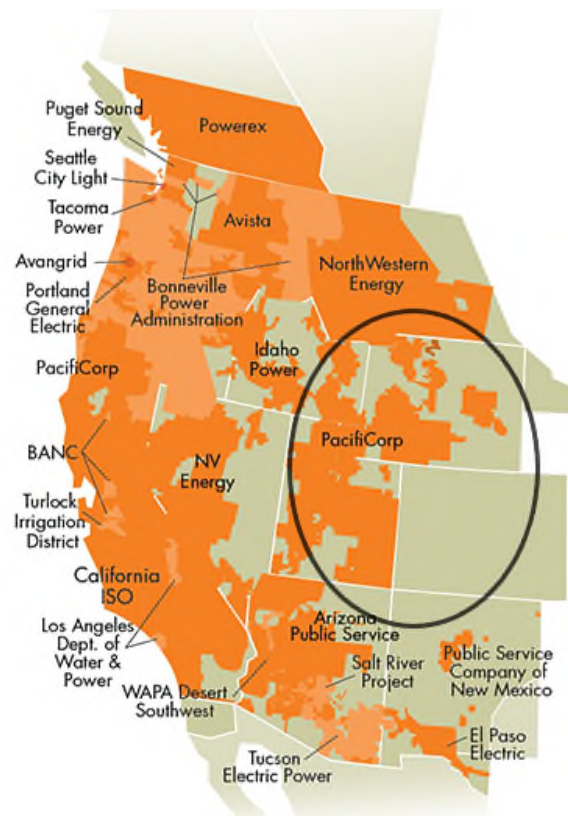
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¹ 18 C.F.R. § 385.207(a)(5).

II. BACKGROUND

The enclosed Settlement Agreement between CAISO and PacifiCorp resolves billing disputes PacifiCorp lodged with the CAISO regarding the market impacts of certain unscheduled flows, and any other claims related to the billing disputes.

PacifiCorp participates in the western Energy Imbalance Market (“WEIM” or “western EIM”) managed by the CAISO. PacifiCorp’s eastern Balancing Authority Area (“PACE”) represents the eastern seam between the WEIM and various neighbors.



In late 2022, PacifiCorp began detecting large volumes of unscheduled flows into the PACE BAA from points beyond the WEIM footprint. The unscheduled flows were detected in a constrained eastern Wyoming area of PACE, which is a location of substantial wind generation and comparatively little load to absorb the unscheduled flows.

The WEIM responded to the unscheduled flows by decrementing significant volumes of wind and thermal generation behind the relevant constraint, and dispatching in its place generation on the other side of the constraint. Most of the resources decremented, and the more distant resources dispatched in their places, are owned or under contract to PacifiCorp. The result of this redispatch by the market was a significant amount of Real-Time Imbalance Energy Offset and Real-Time Congestion Offset charges (collectively referred to herein as the “Net Offset Charges”), and generally represents the costs of the market’s redispatch. Under the CAISO Tariff, the Net Offset Charges are allocated to PacifiCorp as the applicable EIM Entity. In turn under Section 4.1.5 of the PacifiCorp OATT, these charges are sub-allocated to transmission customers.

PacifiCorp and the CAISO discussed the Net Offset Charges. During these discussions, CAISO took the position that, regardless of the source of the unscheduled flow, the market responded appropriately, the Net Offset Charges were correctly calculated, and the charges had to be recovered through normal market settlements.

PacifiCorp lodged billing disputes with the CAISO as a result of the exposure for its customers due to the Net Offset Charges that PacifiCorp asserted were driven by non-market forces due to the unscheduled flow from neighboring non-WEIM areas. In particular, PacifiCorp argued that, simply by virtue of PACE’s location on the eastern seam of the WEIM and experiencing the unscheduled flow, its customers should not bear the financial consequences of unscheduled flow from outside the western EIM.

The billing disputes having been lodged, the CAISO and PacifiCorp approached the problem from two angles. First, the CAISO and PacifiCorp began engaging various relevant entities inside and outside of the western EIM to explore the root causes of, and potential solutions to, the unscheduled flows. The affected entities have put in place an interim coordinated operating

plan that, pending a permanent solution, has improved the detection of unscheduled flows and enhanced their ability to mitigate the impact of these flows. These measures have significantly reduced the inefficient dispatch and congestion-related charges to PacifiCorp resulting from the unscheduled flows. Additionally, the RC West has been working with PacifiCorp and other entities to develop a permanent solution to the unscheduled flow issues in WECC. These efforts are ongoing, and the parties continue to coordinate and seek to better understand the sources of unscheduled flow patterns so as to inform the permanent solution.

Second, the CAISO and PacifiCorp explored solutions to mitigate the impact of the Net Offset Charges that would otherwise have to be sub-allocated to PacifiCorp's transmission customers. Through these efforts, it became apparent that PacifiCorp is the owner of the generating units that were dispatched in place of the curtailed wind. This fact presented the ability to consider a financial re-settlement that will involve only PacifiCorp and will not impact any third parties (excepting those third party OATT customers on the PacifiCorp system whose sub-allocation of such charges would be mitigated by such a re-settlement). Those discussions resulted in the enclosed Settlement Agreement.

III. PETITION

The CAISO respectfully requests that the Commission approve the enclosed Settlement Agreement as a just and reasonable resolution of PacifiCorp's billing disputes with the CAISO.

To resolve the billing disputes, the CAISO and PacifiCorp have agreed to a financial re-settlement to attempt to best restore the settlement of Net Offset Charges as PacifiCorp believes they would have happened absent the market redispatch driven by the unscheduled flows. As explained above, the redispatch costs and resulting Net Offset Charges were largely the result of having to redispatch more expensive distant generation in place of the wind capacity that was

curtailed as a result of the unscheduled flows. Because the units that were dispatched are owned by PacifiCorp, the CAISO has the ability to effectively reverse certain payments made to PacifiCorp generation and re-allocate that revenue to the PacifiCorp EIM Entity to mitigate the Net Offset Charges that would otherwise have to be sub-allocated by PacifiCorp to PacifiCorp's OATT customers.

PacifiCorp, with support from the CAISO, identified the hours from September 2022 to April 2023 in which PacifiCorp-owned generating units were dispatched due to the unscheduled flows. September 2022 – April 2023 is the period during which PacifiCorp experienced consistently higher levels of Net Offset Charges due to unscheduled flows. After identifying the generating units that were dispatched, PacifiCorp calculated the energy and congestion offset impacts resulting from the redispatch associated with the unscheduled flows. That analysis provided a counterfactual that permitted an estimation of revenues to be reallocated. The total of revenues to be reallocated is approximately \$16.9 million and is provided as Attachment A to the Settlement Agreement.

As explained in the Settlement Agreement, the CAISO will issue settlement charges to PacifiCorp BAID 1006, and equal, offsetting settlement credits to PacifiCorp BAID 8029, using Charge Code 8989 on Recalculation Settlement Statements corresponding to each day and hour of the Settlement Period in the amounts detailed in Attachment A to this Settlement Agreement. The net effect of this calculation is simple and limited solely to PacifiCorp -- PacifiCorp's power production function will incur settlement charges to reflect a reversal of the payments paid during the impacted hours and the PacifiCorp EIM Entity will receive such revenues to mitigate the sub-allocation of these offset charges to its OATT customers. While PacifiCorp's production function risks incurring a loss during those hours because its units were dispatched and ran, PacifiCorp

nonetheless agreed to the reallocation to avoid having to sub-allocate significant Net Offset Charges to its OATT customers. The CAISO agreed to this solution in significant part because this resettlement proposal does not require resettling or otherwise adjusting any past charges for any other WEIM market participant. Thus, the CAISO's resettlement here is effectively just assisting in a market-based re-allocation from PacifiCorp's production function to the PacifiCorp EIM Entity (and benefiting the OATT customers to whom the Net Offset Charges would otherwise be allocated under the OATT) and will not impact any other CAISO market participant.

The Settlement Agreement represents a good faith resolution of concerns between the CAISO and PacifiCorp without the time and expense of potential future litigation, both for the parties and for the Commission. The CAISO respectfully urges the Commission to approve the Settlement Agreement by no later than August 10, 2024. This will allow the CAISO to include these adjustments on its next settlements recalculation statement, which in turn means that PacifiCorp can mitigate the sub-allocation to its OATT customers as soon as possible and all parties to the Settlement Agreement will gain the certainty afforded by the Settlement Agreement.

IV. DOCUMENTS SUBMITTED WITH THIS PETITION

The following documents are included as attachments to this petition:

Exhibit A – Settlement Agreement

V. CONCLUSION

WHEREFORE, for the reasons discussed herein, the CAISO respectfully requests that the Commission approve this uncontested settlement by no later than August 10, 2024.

Respectfully submitted,

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Counsel for California Independent System Operator Corporation

Dated: April 3, 2024

EXHIBIT A
SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

This settlement agreement (“Settlement Agreement”) is entered into by the California Independent System Operator Corporation (“CAISO”) and PacifiCorp (together the “Settling Parties”). This Settlement Agreement arises from events that took place from September 2022 through April of 2023 (“Settlement Period”).

WHEREAS, PacifiCorp is a participant in the Energy Imbalance Market (“EIM”) managed by the CAISO;

WHEREAS, beginning in late 2022, PacifiCorp began detecting large volumes of unscheduled loop flows into its eastern system in Wyoming, known as the PacifiCorp-East Balancing Authority Area (“PACE”), which entered from the east (“Unscheduled Flows”);

WHEREAS, the eastern border of PACE is adjacent to service territories of the Western Energy Imbalance Services market (“WEIS”) managed by the Southwest Power Pool (“SPP”);

WHEREAS, the Unscheduled Flows occur in an already-constrained area of the PacifiCorp system, where significant amounts of wind generation are located;

WHEREAS, PacifiCorp enforces the constraints on the transmission lines that are relevant here using the Windstar TCOR procedure, which models the branch group;

WHEREAS, due to the Unscheduled Flows, large volumes of wind generation were decremented behind the relevant constraint in EIM, and generation on the other side of the constraint was dispatched up in its place, which in turn resulted in significant amounts of Real-Time Imbalance Energy Offset and Real-Time Congestion Offset charges (collectively referred to herein as the “Net Offset Charges”, and generally representing the costs of the market’s redispatch);

WHEREAS, under the CAISO Tariff, the Net Offset Charges are allocated to PacifiCorp in its role as EIM Entity for PACE;

WHEREAS, under PacifiCorp's Tariff, the Net Offset Charges related to PACE are to be sub-allocated to Metered Demand in PACE;

WHEREAS, PacifiCorp disputes certain Net Offset Charges that it believes are related to the Unscheduled Flows, lodged settlement disputes under the CAISO Tariff, and subsequently provided written notice to the CAISO, as required under the CAISO Tariff, to initiate the alternative dispute resolution process (the "Billing Dispute");

WHEREAS, PacifiCorp, the CAISO, and certain third parties are engaged in discussions about the causes of, and solutions for, the Unscheduled Flows;

WHEREAS, PacifiCorp and the CAISO have reached a resolution of the Billing Dispute and any other claims against the CAISO related to the Billing Dispute, as embodied in this Agreement, as follows:

TERMS

The terms of this Settlement Agreement are as follows:

ARTICLE 1

DEFINITIONS

1.1 All defined terms used in this Settlement Agreement and not defined herein have the meaning set forth in the CAISO Tariff or the PacifiCorp Tariff, as the case may be, as of the date hereof.

ARTICLE 2

PURPOSE

2.1 The purpose of this Settlement Agreement is to resolve the Billing Dispute and to avoid the time and expense of potential future litigation regarding the Billing Dispute or other claims against the CAISO related to the Billing Dispute.

2.2 The Settlement Agreement shall be submitted to the Federal Energy Regulatory Commission (the “Commission”) for its approval and shall become effective as set forth in Article 4 below.

ARTICLE 3

AGREEMENT OF THE SETTLING PARTIES

3.1 The CAISO will re-settle the Net Offset Charges deemed by PacifiCorp to be the result of the Unscheduled Flows, for certain PacifiCorp-owned generators and for PacifiCorp load, which adjustments PacifiCorp will apply to mitigate the Net Offset Charges that would otherwise be suballocated to PacifiCorp’s customers under the PacifiCorp Tariff. Specifically, the CAISO will issue settlement charges to PacifiCorp BAID 1066 and equal, offsetting settlement credits to PacifiCorp BAID 8029 using Charge Code 8989 on Recalculation Settlement Statements corresponding to each day and hour of the Settlement Period in the amounts detailed in Attachment A to this Settlement Agreement.

3.2 The re-settlement of charges and credits shall be limited to PacifiCorp-owned resources and PacifiCorp load as specified in Section 3.1, and nothing in this Settlement Agreement may be construed to either require or authorize adjustments to settlements of other CAISO Market Participants, or to any other CAISO settlements of PacifiCorp.

3.3 Upon the issuance of the charges and credits as required by Section 3.1, the waiver in Section 3.4 shall become effective.

3.4 When this clause becomes effective, PacifiCorp waives the right to seek relief from the Commission, via section 206 complaint or otherwise, through the CAISO Dispute Resolution process, or through any other claims in law or equity, against the CAISO relating to the Billing Dispute, any transactions within the scope of the Billing Dispute, or any actions or inactions of the CAISO relating to the Billing Dispute.

3.5 For the avoidance of doubt, PacifiCorp agrees that the resettlement described in Section 3.1 of this Agreement is the sole relief provided for herein, and CAISO shall not be obligated to engage in any further resettlement of the Settlement Period arising out of the Billing Dispute, or any other resettlement of the Net Offset Charges arising from the Unscheduled Flows during the Settlement Period.

3.6 The issuance of the settlement charges and credits as described in Section 3.1 of this Settlement Agreement solely reflects a compromise by the Settling Parties to resolve the matters addressed herein and will not be considered precedent for any future adjustments.

ARTICLE 4

EFFECTIVENESS

4.1 Subject to Section 4.2, this Settlement Agreement will become binding on the Settling Parties on the date a Commission order accepting this Agreement becomes final (“Final Order”). For purposes of this Settlement Agreement, an order will be considered a “Final Order” as of the date it is issued by the Commission if no comments or protests were filed in opposition to this Settlement Agreement, or, if comments or protests in opposition were filed, as of the date

that rehearing is denied by the Commission by order or by operation of law, or, if rehearing was not sought, as of the date on which the right to seek Commission rehearing expires.

4.2 This Settlement Agreement is expressly conditioned upon the Commission's Final Order accepting all provisions hereof without condition or modification. If the Commission should, by order, make approval of this Settlement subject to condition or material modification, a Settling Party shall notify the other Settling Party by written notice within ten (10) business days of the issuance of such order if it no longer supports this Settlement as so conditioned or modified by the Commission, and thus withdraws from this Settlement Agreement. In the case such a written notice is tendered, the Settling Parties shall have thirty (30) days after such written notice is provided, unless such period is jointly extended by both Settling Parties, to negotiate in good faith regarding any modification and/or condition imposed by Commission order to restore the balance of the Settlement Agreement (the "Review Period"). If the Settling Parties reach agreement on a replacement settlement agreement during the Review Period, the Settling Parties will file the replacement settlement agreement with the Commission. In the absence of such written notice, all Settling Parties are deemed to have accepted this Settlement as modified and/or conditioned by the Commission.

4.3 If any Settling Party withdraws from this Settlement Agreement pursuant to Section 4.2 or in the absence of a replacement settlement agreement being filed with the Commission, then this Settlement Agreement shall not become effective. In such event, this Settlement Agreement shall be a nullity for all purposes and the rights, duties, and obligations of all persons affected by this Settlement Agreement shall be restored as if this Settlement Agreement had never been executed.

ARTICLE 5

STANDARD OF REVIEW

5.1 The standard of review for any proposed change sought by any of the Settling Parties to the terms of this Settlement Agreement shall be the “public interest” application of the just and reasonable standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956). Notwithstanding the foregoing applicability of the “public interest” standard of review, however, should all Settling Parties agree in writing that this Settlement may be modified, then the standard of review applicable to such a modification agreed upon by all Settling Parties shall be the ordinary “just and reasonable” standard. With respect to proposed changes to the terms of the Settlement Agreement sought by a third party other than a Settling Party or the Commission acting *sua sponte*, the standard of review shall be the ordinary just and reasonable standard.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

- 6.1 Each Settling Party represents and warrants to the other Settling Party that:
- a. it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
 - b. it has all regulatory authorizations necessary for it to legally perform its obligations as set forth under this Settlement Agreement;
 - c. the execution, delivery, and performance of this Settlement Agreement are within its powers, have been duly authorized by all necessary action, and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party, or any law, rule, regulation, order or the like applicable to it;

- d. this Settlement Agreement is a legally valid and binding obligation enforceable against it in accordance with its terms, subject to any equitable defenses; and
- e. there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under this Settlement Agreement.

ARTICLE 7

GENERAL TERMS AND CONDITIONS

7.1 *No Precedential Value.* Except as explicitly set forth herein, no Settling Party will be deemed to have approved, accepted, agreed to, or consented to (i) any principle or position in this proceeding or to have prejudiced positions taken or that may be taken in this or any other proceedings, nor (ii) any principle or policy related to the rates, charges, classifications, terms, conditions, principles, or issues associated with the Settlement Agreement. This Settlement Agreement will have no precedential value, will not be cited as precedent, and will not be deemed to bind any entity (except as otherwise expressly provided for herein) in any proceeding, including any Commission or court proceeding, except in any proceeding to enforce the Settlement Agreement. The Settlement Agreement will not be deemed to be a “settled practice” as that term was interpreted and applied in *Public Service Commission of the State of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), or a “long standing practice” as that term was used in *Columbia Gas Transmission Corp. v. FERC*, 628 F.2d 578 (D.C. Cir. 1979).

7.2 *Entire and Nonseverable Agreement.* This Settlement Agreement constitutes the full and complete agreement of the Settling Parties with respect to the subject matter addressed herein and supersedes all prior negotiations, understandings, and agreements, whether written or oral, between the Settling Parties with respect to the subject matter addressed herein, including,

but not limited to, any “Term Sheets” exchanged among the Settling Parties. The various provisions of the Settlement Agreement are not severable, and none of the provisions of the Settlement Agreement shall become operative unless and until the Settlement Agreement becomes effective in accordance with Section 4.1 hereof.

7.3 *Settlement Privilege.* All discussions among the Settling Parties related to this Settlement Agreement have been conducted with the explicit understanding and agreement, pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure and/or Federal Rule of Evidence 408, to the extent applicable, that all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the positions of any party or participant presenting any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding or otherwise, except to the extent of enforcing the terms and conditions of the Settlement Agreement.

7.4 *Support for Settlement Agreement/No Waiver of Rights.* The Settling Parties will support this Settlement Agreement and will cooperate in securing Commission approval and implementation of the Settlement Agreement. PacifiCorp agrees to intervene in the Commission proceeding seeking approval of this Settlement Agreement and to indicate that it supports approval of the Settlement Agreement. The Settling Parties hereby waive any and all rights to seek rehearing or judicial review of any Commission order(s) approving the Settlement Agreement without modification or condition.

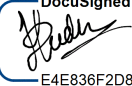
7.5 *Successors, Assigns, and Purchasers.* This Settlement Agreement shall be binding on and shall inure to the benefit of the successors, assigns, or purchasers for value of the stock or assets of all Settling Parties.

7.6 *Headings.* Headings in this Settlement Agreement are included for convenience only and are not intended to have any significance in interpretation of the Settlement Agreement.

7.7 *Governing Law.* This Settlement Agreement and the rights and duties of the Settling Parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of California, without regard to principles of conflicts of law.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

California Independent System Operator

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Dede Subakti

Vice President, System Operations

April 3, 2024

PacifiCorp

Richard Vail

Vice President, Transmission

April 2, 2024

California Independent System Operator

[Name]

[Title]

[Date]

PacifiCorp



Richard Vail

Vice President, Transmission

April 2, 2024

ATTACHMENT A

(Included as separate attachment to the settlement petition filing in Excel format)