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January 8, 2010

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

**Re: Agreement for Engagement of Study Services for SGIP
between San Diego Gas & Electric Co. and the California
Independent System Operator Corporation
Service Agreement No. 1432
Docket No. ER10-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation ("ISO") submits for Federal Energy Regulatory Commission ("Commission") filing and approval an original and five copies of an "Agreement for the Engagement of Study Services for SGIP" ("Study Services Agreement") between San Diego Gas & Electric Company ("SDG&E") and the ISO. The basis for filing is Section 205 of the Federal Power Act and Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13.

The Study Services Agreement between the ISO and SDG&E contains the terms by which SDG&E will provide certain study-related services as part of the centralized interconnection study process set forth in the ISO's Small Generator Interconnection Procedures, and provisions regarding payment to SDG&E for such services.

The ISO is requesting a waiver of the 60-day prior notice requirement in order to allow the Study Services Agreement to be made effective as of January 11, 2010, the next business day following this filing, in order to allow immediate implementation of the Agreement, so that a formal framework for procuring

study-related services from SDG&E for SGIP interconnection requests is in place as soon as possible.

I. **Background and Need for the Study Services Agreement**

Section 3 of the ISO's Small Generator Interconnection Procedures ("SGIP") (which is based on the Commission's pro forma SGIP)¹ sets forth the study process which applies to customers seeking interconnection to the ISO Controlled Grid for projects up to 20 MW, but which do not qualify for or elect to utilize the fast track review process set forth in Section 2 of the SGIP or the 10kW inverter review process set forth in Attachment 5 to the SGIP. The Section 3 study process is similar to the study process set forth in the ISO's Large Generator Interconnection Procedures ("LGIP"),² insofar as it includes a scoping meeting, feasibility study, system impact study, and facilities study.

The Section 3 study process in the SGIP is a centralized process, in that the ISO serves as the single point of contact for the interconnection customer, and is responsible for executing study agreements with interconnection customers and collecting and disbursing monies from interconnection customers. However, the ISO can elect to utilize one or more of the applicable Participating Transmission Owners ("PTOs") -- *i.e.* Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE") and SDG&E -- to perform studies or portions of studies under the ISO's direction, and subject to the ISO's approval. This centralized process is also a feature of the LGIP study process.

With respect to the LGIP, as part of the Order No. 2003 compliance process, the ISO and PTOs negotiated and filed for Commission approval a *pro forma* "Roles and Responsibilities" agreement,³ which set forth the division of responsibilities between the ISO and PTOs with respect to the LGIP study process and the terms by which the PTOs would provide study-related services to the ISO under the LGIP. The decision to include these provisions in a separate agreement, rather than in the LGIP itself, was made in accordance with *Southwest Power Pool*, 106 FERC ¶ 61,254 (2004), in which the Commission recognized that the *pro forma* LGIP and interconnection study agreements do not allocate responsibilities for provision of interconnection service between transmission owners and transmission providers, and suggested that those parties enter into a separate agreement in order to allocate those responsibilities.

¹ ISO Tariff, Appendix S.

² ISO Tariff, Appendix U

³ ISO Tariff, Appendix U, Sheet Nos. 1665-1671, "Agreement for the Allocation of Responsibilities With Regard to Large Generator Interconnection Procedures and Interconnection Study Agreements."

To date, there has been no similar framework for allocating study responsibilities for the SGIP. The lack of such a framework will make it more difficult for the ISO to utilize the relevant knowledge and experience of the PTOs in performing studies under Section 3 of the SGIP, which, ultimately, will impede the orderly and efficient functioning of the overall SGIP process. Therefore, in order to rectify this situation, the ISO has negotiated with SDG&E and the two other PTOs in order to develop appropriate agreements governing the activities that the PTOs will be able to perform as part of the SGIP study process pursuant to the ISO's direction and oversight. This agreement with SDG&E represents the first fruits of this effort, although the ISO expects that it will be able to finalize and file nearly identical agreements with PG&E and SCE in the very near future.

II. Description of the Study Services Agreement

As stated above, the Study Services Agreement between the ISO and SDG&E contains the terms by which SDG&E will provide study-related services as part of the centralized interconnection study process set forth in Section 3 of the SGIP, including performing studies, portions of studies, and undertaking other study-related activities.

The central construct of the Study Services Agreement is that the ISO will provide SDG&E, with respect to each interconnection customer for which SDG&E will perform study activities, an "engagement notification" form which specifies the services that the ISO is requesting from SDG&E. The engagement notification form is a pro forma document which is included with the Study Services Agreement as Attachment 1. SDG&E shall then complete the engagement notification form by including an estimate of the costs that it expects to incur in providing the indicated services, and its estimate as to the number of business days it will take to complete those activities.

The Study Services Agreement also provides that SDG&E will perform the requested services in accordance with the information provided by the interconnection customer to the ISO, such as technical information and study assumptions. The Agreement recognizes that it may be necessary for the ISO to direct SDG&E to stop work on the requested activities, and states that under such circumstances the ISO will provide SDG&E with written notice. The Agreement also clarifies that this provision does not operate to disallow reimbursable expenses that SDG&E has already irrevocably committed to at the time it receives direction to stop work.

With respect to payment, the Study Services Agreement provides that the interconnection customer shall make all payments for the services performed by SDG&E under this agreement directly to the ISO. SDG&E will remit invoices to the ISO reflecting the actual costs of performing the indicated services. If SDG&E's estimate of the costs to perform the services, as set forth in the

engagement notification form, changes at any point in time, SDG&E will immediately notify the ISO of the change and reasons therefor.

The Study Services Agreement also allows SDG&E to subcontract or sublet assigned work, provided that any sub-delegation by SDG&E shall be on the same terms as set forth in the Agreement, and shall not relieve SDG&E of any obligation undertaken pursuant to the Agreement.

IV. Effective Date

The ISO respectfully requests waiver of the Commission's 60-day notice period, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, to permit the Study Services Agreement provided in Attachment A to the present filing to become effective on January 11, 2010, the next business day after this filing. Good cause exists for this waiver because it will put in place as soon as possible a formal framework for the ISO to procure SGIP study services from SDG&E. This will result in a more orderly and efficient SGIP interconnection process, which benefits all market participants.

V. Communications

Communications regarding this filing should be addressed to the following individuals, whose names should be put on the official service list established by the Commission with respect to this submittal:

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VI. Service

The ISO has served copies of this transmittal letter, and all attachments, on the California Public Utilities Commission, the California Energy Commission, and all parties with effective scheduling coordinator agreements under the ISO tariff. In addition, the ISO is posting this transmittal letter and all attachments on

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the ISO's stakeholder initiative web page for demand response, which can be found at the following internet address:
<http://www.caiso.com/1893/1893e350393b0.html>.

VII. Attachments

The following attachments, in addition to this transmittal letter, support the instant filing:

Attachment A	Agreement for the Engagement of Study Services for SGIP Between the California Independent System Operator Corporation and San Diego Gas & Electric Company, designated as ISO Service Agreement No. 1432
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Respectfully submitted,

Nancy Saracino
General Counsel
Baldassaro "Bill" Di Capo
Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630


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Counsel for the California Independent System Operator Corporation

Attachment A

AGREEMENT FOR THE ENGAGEMENT OF STUDY SERVICES FOR SGIP
BETWEEN
The California Independent System Operator Corporation (CAISO)
AND
San Diego Gas and Electric Company ("PTO")

This "Agreement for Engagement of Study Services for SGIP" ("Agreement") is made and entered into this 15 day of ~~December~~ 2009, between the California Independent System Operator Corporation ("CAISO") and PTO, existing under the laws of the State of California (alternatively, the "PTO"). The CAISO and PTO each may be referred to as a "Party" or collectively may be referred to as the "Parties."

RECITALS

1. **WHEREAS**, CAISO Tariff Appendix S "Small Generator Interconnection Procedures (SGIP)" (hereinafter "SGIP") sets forth the procedures and requirements for Small Generating Facility Interconnection to the CAISO Controlled Grid;
2. **WHEREAS**, under the SGIP, the CAISO has a Centralized Study Process in connection with Interconnection Requests, in which a Participating PTO will participate, by, among other things, conducting certain portions of any required studies, and other tasks, under the direction and oversight of, and approval by the CAISO (such PTO participation, undertaking of studies, portions of studies, and other activities shall be collectively referred to as the "PTO Work");
3. **WHEREAS**, the CAISO has entered into or will enter into any of the following Agreements with SGIP Interconnection Customers: an Interconnection Feasibility Study Agreement, and Interconnection System Impact Study Agreement, and/or Interconnection Facilities Study Agreement;
4. **WHEREAS**, PTO will perform PTO Work consistent with the SGIP as described in Engagement Notifications provided by the CAISO to the PTO, together with information provided by the Interconnection Customer to the CAISO such as technical information, study assumptions and other data provided in connection with the Interconnection Feasibility Study Agreement, Interconnection System Impact Study Agreement, and/or Interconnection Facilities Study Agreement, ("Interconnection Customer Detail Information"); and
5. **WHEREAS**, the CAISO and PTO desire to establish and document certain terms and conditions applicable to the carrying out of the PTO Work and payment for such work

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained in this Agreement, it is agreed:

1. **Scope of Authorization.** The CAISO shall request that PTO perform those services set forth in the pro forma "Engagement Notification" form included as Attachment 1 of this Agreement.

Agreement For Study Services

- 1.1. The CAISO shall provide an Engagement Notification to PTO for each Interconnection Customer, requesting/authorizing PTO to incorporate work for the Interconnection Customer into the PTO Work.
 - 1.2. PTO shall complete the Engagement Notification form by including the requested information, executing the document and returning it to the CAISO. The Engagement Notification shall not be effective and PTO shall not commence the PTO Work with respect to such Interconnection Customer until PTO has returned the completed, executed Engagement Notification, and it has been accepted by the CAISO.
 - 1.3. PTO shall include in the returned Engagement Notification the PTO's estimate for the PTO Work. Should the PTO's estimate of cost to complete the PTO Work for the Interconnection Customer change at any point in time after PTO's return of the executed Engagement Notification, then the PTO shall promptly notify the CAISO of the change in estimated costs and the reasons for such change.
2. **Conditions for Performance of PTO Work.** PTO shall perform such requested work in the Engagement Notification in accordance with all provisions of the Interconnection Customer Detail Information, a copy of which shall be provided to PTO).
 - 2.1. Direction to Stop Work. The Parties recognize that, from time to time, it may be necessary for the CAISO to direct PTO to stop all PTO Work or some portion thereof, for example, in the event of withdrawal of the Interconnection Customer's Interconnection Request. The CAISO shall provide PTO with such direction through written notice. Upon receipt of such notice, PTO shall promptly stop all PTO Work, or that portion of PTO work described in the notice, and shall incur no additional expenses. Nothing in this section shall disallow reimbursable expenses that are irrevocably committed at the time that the direction to stop work is issued.
3. **Conflicts.** In the event of a conflict between this Agreement and the Engagement Notification, the terms of this Agreement shall prevail.
4. **Effective Date, Term, and Termination.** The Agreement shall become effective on the date of Federal Energy Regulatory Commission order approving this Agreement, and shall remain in effect until the PTO Work contemplated by this Agreement is completed, unless this is otherwise terminated. A Party may terminate this Agreement by providing written notice of termination, which shall be effective no less than thirty (30) days subsequent to the date of such notice. In the event of termination of this Agreement, including termination by either Party, the terms of Section 2 [*Conditions for Performance of PTO Work*], Section 5 [*Payment*] and Section 6 [*Participating PTO as Independent Contractor*], and their subsections, shall nevertheless survive such termination.
5. **Payment.** The Parties acknowledge and agree that the SGIP Interconnection Customer(s) shall pay make all payments for PTO Work directly to the CAISO, regardless of whether charges and fees for the PTO's Work are characterized as being due to the CAISO and the PTO. PTO shall remit invoices for the PTO Work to the CAISO, which invoices shall set forth all of the actual costs of the PTO to complete the PTO Work.
 - 5.1. The PTO shall provide an invoice no later than 75 days after the following (i) completion of the scoping meeting; (ii) completion of each study report prepared for the interconnection customer; and (iii) following the withdrawal of an

Agreement For Study Services

interconnection request. The invoice shall contain a detailed and itemized accounting of all PTO work conducted and an itemized listing of expenses incurred within the invoice period, including expenses for which the reimbursement is requested.

- 5.2. In the case of termination of this Agreement in accordance with Section 4, then, within 75 days, PTO shall submit invoices for PTO for each Engagement Notification, setting forth all costs incurred and any costs irrevocably committed to be incurred by PTO for performance of the specific services requested.
- 5.3. Should the estimate of cost to complete the requested products and services provided in the Engagement Notification change at any point in time, PTO shall immediately notify the CAISO of the change and the reasons for the change.

6. Participating TO as Independent Contractor. PTO acknowledges and agrees that, in performing its obligations under this Agreement, it is acting as an independent contractor and not an employee of the CAISO for any purpose, nor does PTO have authority, express or implied, to act as or represent itself as an agent for the CAISO.

7. Assignments and Subcontracting. PTO may subcontract or sublet assigned work, provided that, any sub-delegation by PTO under this Agreement shall be on the same terms as this Agreement and shall not relieve PTO of any obligation it has undertaken pursuant to this Agreement.

8. Modification. This Agreement may be amended only by written instrument signed by both Parties.

9. Partial Invalidity. If any term or provision of this Agreement or an Engagement Notification, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or Engagement Notification, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid, and shall be enforced to the fullest extent permitted by law.


10. Time of Essence. The Parties hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof.

11. Execution in Counterpart. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

Agreement For Study Services

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year written above.


**California Independent System
Operator Corporation**

By: 
Signature

Kevin Casey, Ph.D.
Printed Name

VP Market & Infrastructure
Development
Title

San Diego Gas and Electric Company

By: 
Signature

James P. Avery
Printed Name

SVP
Title

ATTACHMENT 1
ENGAGEMENT NOTIFICATION (SGIP)

Scope of Authorization Number _____ for the CAISO's Small Interconnection Process

Circle One:

- 1) Request for SGIP Scoping Meeting Services
- 2) Request for SGIP Interconnection Study Engineering Services for an Interconnection Feasibility Study
- 3) Request for SGIP Interconnection Study Engineering Services for an Interconnection System Impact Study
- 4) Request for SGIP Interconnection Study Engineering Services for an Interconnection Facilities Study

To: **Diego Gas and Electric Company [Name of Contact Person]**

The California Independent System Operator Corporation ("CAISO") the following completed Interconnection Request pursuant to the Appendix S of the CAISO Tariff.

Interconnection Request Summary

Project Sponsor:

Project Name:

Project Point of Interconnection:

Request for SGIP Small Generator Interconnection Study Engineering Services

The following Request for SGIP Interconnection Study Engineering Services as specified above is effective as of _____, 20__ and issued pursuant to the Agreement For the Engagement of Study Services, dated _____, 20__, between the CAISO and PTO.

1. The CAISO is requesting engineering services to perform engineering analyses and provide interconnection study products with the category specified above.

2. Other products and services requested,

None (Typical)

Agreement For Study Services

3. Requested product and service deviations:

None (Typical, assuming good performance)

The CAISO requests that your organization provide a cost estimate and estimated completion date to complete the analyses and deliverables as outlined in Section 1, 2 and 3 above.

[PTO to complete this information when signing and returning this document to the CAISO]

PTO provided cost estimate(s) (Please include estimates for Phase I work and Phase II work): _____

Estimated number of business days to complete work: _____

PTO estimates completed by: Name of PTO Representative _____
Title _____

Start date is established upon CAISO notification to the PTO that (i) the CAISO and the Interconnection Customer signed an Interconnection Study agreement associated with this request for services and that either (ii) the CAISO has designated a group for purposes of Group Study; or (iii) the CAISO has determined that this Interconnection Request shall be independently studied.

Authorizations

California Independent System Operator Corporation

San Diego Gas and Electric Company

By: _____
Signature

By: _____
Signature

Printed Name

Printed Name

Title

Title