



March 4, 2009

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

Re: Docket Nos. EL02-18, *NEO California Power LLC*
EL00-95-000; EL00-98-000

Dear Secretary Bose:

Pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2008), the California Independent System Operator Corporation ("CAISO"), California Power Holdings, LLC ("CPH"), Harbor Cogeneration Company ("Harbor"), and MMC Energy North America, LLC ("MMC") (collectively, "Settling Parties") hereby submit for the Commission's approval a Settlement Agreement (the "Settlement Agreement") and Explanation in Support of Settlement Agreement (the "Explanatory Statement"). The Settlement Agreement is the product of extensive negotiations among the Settling Parties under the guidance of Administrative Law Judge Joseph R. Nacy. It resolves all disputes raised in Docket No. EL02-18-000 related to payments made by CAISO under Summer Reliability Agreements ("SRAs") between CAISO and NEO California Power LLC ("NEO").¹ It also provides for payments to Harbor and MMC² (along with NEO, the "SRA Owners") related to service Harbor and RAMCO provided under SRAs.

This settlement allows the SRA Owners to finally get paid for the reliability services they provided to CAISO during the summer of 2001, when they were unwittingly caught up in the bankruptcy of the California Power Exchange ("the PX")

¹ On January 3, 2007, CPH acquired all NEO's interests in the SRAs and associated generating plants, including NEO's claims against CAISO under the SRAs. *See NEO California Power LLC, NRG Power Marketing Inc., and Wayzata California Power Holdings, LLC*, 117 FERC ¶ 62,247 (2006) (order authorizing the disposition and acquisition of jurisdictional and generating facilities in connection with the sale of NEO California to California Power Holdings).

² On January 9, 2006, MMC acquired from Disbursed Generating Co. all of RAMCO's interests in the SRAs and associated generating plants, including any claims that RAMCO may have against CAISO under the SRAs.

and the EL00-95 refund case (which has delayed disbursements from the PX). The Settlement Agreement is essentially identical to other global settlements designed to help parties get paid, with the exception that it contains no refund provisions, because the SRA Owners do not owe refunds for sales during the crisis. Under the settlement, the SRA Owners will receive only their unpaid principal balance, with interest to be paid later. It thus provides them payment on precisely the same basis as the Commission found appropriate for governmental suppliers, who also have no refund obligation.³ Yet, unlike the governmental entities, there is no reason to make the SRA Owners wait any longer for payment because they do not owe anything in the preparatory re-run.⁴ Moreover, the SRA Owners fulfilled their contracts by providing critical capacity at a time when it was needed most.

I. Background

To ensure the reliability of the CAISO Control Area during the 2001, 2002 and 2003 summer periods, on August 24, 2000, CAISO issued a request for bids seeking proposals from new generation facilities to provide peaking capability (up to 3,000 MW). In response, (1) NEO submitted a proposal to construct a 48 MW unit located in Chowchilla, California and a 44 MW unit in Red Bluff, California;⁵ (2) Harbor submitted a proposal to add two steam turbines to an 80 MW combined-cycle unit located in Wilmington, California; and (3) RAMCO submitted a proposal to construct a 44 MW unit located in Escondido, California and a 44 MW unit in Chula Vista, California. Subsequently, CAISO executed a SRA for each unit, which entitled CAISO to dispatch capacity from each of these units for up to 500 hours during the summer periods of 2001, 2002, and 2003.

Under the SRAs, the CAISO's obligation to pay the SRA Owners was expressly conditioned on the CAISO's recovery of the costs from its Scheduling Coordinators pursuant to the CAISO Tariff. To facilitate this recovery, the CAISO established a trust account (the "SRA Trust Account") to receive payment through its markets. SRA owners were then paid from the SRA Trust Account.

The SRA Owners did not receive full payment in 2001 because there was a default in the CAISO markets. The unpaid invoices included adjustments to settlements from December 2000, including additional charges to the PX. The PX did not pay its invoices, however, having declared bankruptcy.⁶ Consequently, all market creditors, including the SRA Trust Account were paid only a portion of their receivables for July

³ See, e.g., *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Servs.*, 121 FERC ¶ 61,067 at P 57 (2007).

⁴ The preparatory rerun is the CAISO system recalculation for every day of the Refund Period (October 2, 2000 to June 20, 2001) to provide an appropriate baseline against which to complete the rerun of settlement statements to reflect the mitigated market clearing price, as required by the Commission in the Refund Proceeding (Dockets EL00-95, *et al.*).

⁵ The original complaint filed in this proceeding incorrectly identified the capacity of the Chowchilla and Red Bluff units as a 49 MW and 45 MW, respectively.

⁶ The PX had filed for Chapter 11 bankruptcy protection on March 9, 2001.

and August 2001. Under the PX's confirmed plan of reorganization, the SRA Trust Account is a creditor in Class 7, which is defined to include "all claims of CalISO."

On November 13, 2001, NEO filed a complaint against the CAISO in Docket No. EL02-18-000 asserting non-payment of invoiced amounts under the SRAs. CAISO responded to NEO's complaint, explaining that it would be unable to pay NEO (or the other SRA Owners) until the funds controlled by the PX were distributed by the Commission pursuant to its authority under the PX's confirmed plan of reorganization.

On May 20, 2003, the Commission issued an order on NEO's complaint, establishing hearing procedures, but holding the hearing in abeyance pending settlement judge procedures.⁷ On June 2, 2003, Chief Administrative Law Judge Curtis L. Wagner assigned the settlement proceedings to The Honorable Joseph R. Nacy. The first settlement conference took place on June 20, 2003. NEO and CAISO participated in several settlement conferences on this matter from June 2003 through March 2004.

On January 24, 2005, CAISO and NEO filed a Joint Status Report in Docket No. EL02-18 informing the Commission that the PX bankruptcy and the Commission's ongoing investigation of the rates charged to California's ratepayers, along with the anticipated refunds in Docket Nos. EL00-95 and EL00-98 ("Refund Proceedings") were the key impediment to satisfying the CAISO's obligation to NEO under the SRAs. Since the Joint Status Report was filed, a number of settlements in the Refund Proceedings have been filed and approved by the Commission authorizing the distribution of funds held by the PX.

The CAISO and the SRA Owners worked together to resolve issues related to NEO's complaint in Docket No. EL02-18 under the framework of a global settlement (including all SRA Owners), similar to the settlements accepted by the Commission relating to the Refund Proceedings. The Settlement Agreement filed herewith is the result of these efforts.

The Commission has on many occasions authorized the release of funds held by the PX to creditors who have, through agreement or otherwise, resolved their overall financial position with respect to the CAISO and PX markets during the refund period of October 2, 2000 through June 21, 2001.⁸ The SRA Owners and the SRA Trust Account are not involved in the Refund Proceedings because they do not owe, and are not owed, refunds. They are, however, creditors of the PX, and the Settlement Agreement resolves their financial position with respect to the CAISO and PX. Indeed, the SRA Owners responded to the reliability and capacity needs identified by CAISO during the energy crisis, but as a result of the PX's default were never paid for the services they provided

⁷ *NEO California Power LLC*, 103 FERC ¶ 61,206 (2003).

⁸ The Commission has approved global settlements with numerous suppliers that involve distributions from the PX. Recent examples include settlements involving the City of Azusa, approved June 4, 2008 in Docket No. EL00-95-211, the City of Riverside, approved June 4, 2008 in Docket No. EL00-95-209, Public Utility District No. 2 of Grant County, Washington, approved May 23, 2008 in Docket No. EL00-95-206, and PPM Energy Inc., approved October 4, 2007 in Docket No. EL00-95-195.

under the Commission approved SRAs.⁹ It is thus appropriate that the Commission authorize the release of funds from the PX to resolve this proceeding.

II. The Settlement

Upon Commission approval of the Offer of Settlement in the total principal amount of \$571,666.33, the Commission will direct the PX to release funds out of the PX Settlement Clearing Account to the individual SRA Owners as full payment for the critical reliability services they provided to CAISO during the 2001 summer period under the SRAs (the “SRA Principal Receivable Settlement Amount”) in the following amounts:

California Power Holdings, LLC:	\$485,996.88
MMC Energy North America, LLC:	\$ 38,356.26
Harbor Cogeneration Company:	\$ 47,313.19

These amounts represent only the principal balances still owed to the SRA Trust Account, and ultimately the SRA Owners, but not paid due to the PX’s bankruptcy and default on its market obligations. In this respect, the Settlement Agreement is consistent with the Commission’s previous determinations that parties (like the SRA Owners) that do not owe refunds should receive principal amounts owed by the PX, with interest to be paid later.¹⁰ The Settlement Agreement also provides that the PX shall pay to the SRA Trust Account interest (the “SRA Interest Receivable Settlement Amount”) owed on the SRA Principal Receivable Settlement Amount after final refund calculations are complete and the CAISO/PX calculate the *pro rata* allocation of any interest shortfall resulting from the fact that the PX may have earned a rate of interest less than the interest rate specified in FERC’s regulations.¹¹

III. Potential Questions Regarding the Settlement

Although the settlement is similar to other global settlements, the unique circumstances of the SRAs highlights certain minor issues that have not been raised in the other settlements, in light of the more important issues. As a result of these issues the CAISO has answered several questions for the PX in the course of finalizing this

⁹ CAISO filed the SRAs with the Commission on January 10, 2001. The Commission accepted the filing in Docket No. ER01-929-000 by letter order dated February 8, 2001.

¹⁰ See e.g., *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Servs.*, 121 FERC ¶ 61,067 at P 57 (2007).

¹¹ *Id.* at P 58. See also, *San Diego Gas & Elec. Co. v. Sellers of Energy and Ancillary Servs.*, 110 FERC ¶ 61,336 at P 41, 56, *reh'g denied*, 112 FERC ¶ 61,226 (2005) (allocating the interest shortfall based upon the final net interest position for each participant in relation to the total amount of the interest shortfall) and 18 C.F.R. § 35.19(a). The Settlement provides that within thirty (30) Business Days after receipt of the SRA Interest Receivable Settlement Amount, CPH withdraw its Complaint.

agreement.¹² These questions and answers may be helpful to the Commission and the other parties.

First, the PX asked why its debt to the SRA Trust Account is pre-petition, given that the SRA Owners did not begin to supply energy until after the PX filed for bankruptcy in March 2001. The reason is that the debts arise from pre-petition November and December 2000 transactions.¹³ The settlements were complicated, and despite its best efforts, CAISO did not settle the costs correctly. Consequently, the PX was inadvertently under-charged in certain pre-petition settlements. CAISO corrected this allocation in July and August 2001. As a result of these reruns, the PX received its full share of the charges – including amounts owed to the SRA Trust Account, and ultimately the SRA Owners. The PX did not dispute the final charges, yet it defaulted on the invoice, as it had filed for bankruptcy in March 2001. This resulted in, among other things, ISO Creditors from July 2001 – including the SRA Trust Account – becoming creditors of the PX.¹⁴

Second, the PX has asked whether Sections 11.12.5 and 11.16.2 of the CAISO Tariff require a different payment priority than provided under the settlement. These Sections simply do not apply to payments to the SRA Trust Account, or to the Settlement here. Rather, these sections, generally, specify that CAISO will apply “*collections of defaulted receivables*” to the oldest unpaid trade month. The Settlement Agreement, however, will not involve the receipt by CAISO of defaulted receivables, because it does not contemplate a payment to the CAISO. This is consistent with the other global settlements approved by the Commission to date, each of which involved payment in full (to one party or another) of CAISO market receivables, including receivables from July and August 2001. In the present case, the CAISO is a creditor of the PX with respect to the amounts owed under the SRAs and is seeking to ensure that the SRA Owners receive payment for the reliability service they provided during the energy crisis.

Previous global settlements illustrate both of the preceding points. For example, the settlement with the City of Vernon, which was approved on October 23, 2008, directed the PX to disburse funds that included more than \$200,000 owed through the

¹² A prior draft of this submission, including the Settlement Agreement, this Transmittal Letter and the Explanatory Statement, has been provided to the PX’s counsel. The PX has advised that it is still considering its position on the settlement.

¹³ For additional information about July and August 2001, see Twenty-Second Status Report Of The California Independent System Operator Corporation On Settlement Re-Run Activity Including Important Information Regarding Processing Of Offsets And Schedule For Completion Of Financial Adjustment Phase, at pp. 9-10 (submitted November 10, 2005).

¹⁴ This settlement requires the PX to disburse only the amounts due the SRA Owners, which is \$571,666.33. The CAISO can wait until the ultimate disbursement to collect the remaining amounts due to the SRA Trust from July 2001.

We also note that this situation cannot recur after Amendment 51 to the CAISO Tariff. Amendment 51 enabled the CAISO to “wall off” reruns of past periods. Thus, since Amendment 51, a rerun can be invoiced separately from the current market, so that the creditors are limited to entities that participated in the initial markets reflected in the rerun. This prevents the possibility that new market participants might be required to collect from debtors who declared bankruptcy prior to their entry into the market.

CAISO markets for July and August 2001.¹⁵ Though not indicated explicitly in the documents filed with the Commission, the amounts owed for these two months are indicated clearly on the CAISO data underlying the agreement. Many of the approved settlements involved disbursement of previously unpaid balances from July and August 2001. Other recent examples include Automated Power Exchange (approved 3/1/07, ordered PX to disburse nearly \$700,000 from July and August) and National Energy Gas & Transmission (approved 1/7/09, ordered PX to disburse nearly \$70,000 from July and August). Here, the Settlement simply provides for payment of the principal amounts owed to the SRA Owners.

Finally, the PX has questioned why the SRA Owners should be paid ahead of the remaining PX participants – i.e., those that have not yet settled their refund obligations. Whether or not the SRA Owners were PX participants, however, is irrelevant. The Commission should not favor PX participants (or parties that owe refunds) over other PX creditors. *See, e.g., Begier v. IRS*, 496 U.S. 53, 58 (1990) (“Equality of distribution among creditors is a central policy of the Bankruptcy Code.”); 11 U.S.C. § 1123(a)(4) (plan of reorganization shall “provide the same treatment for each claim or interest of a particular class . . .”).

The funds in the PX’s settlement clearing account are held for the benefit of all PX creditors – which includes the SRA Trust Account. The PX’s confirmed plan of reorganization vests the Commission with the authority to determine the allocation of funds to PX creditors in accordance with that plan, and to order disbursements. Indeed, the Commission has approved orders releasing funds to creditors of the PX who were not PX participants, because they participated in CAISO markets only, such as P.U.D. # 2 of Grant County (approved May 23, 2008), and the Eugene Water and Electric Board (approved April 26, 2007). Moreover, it is entirely appropriate for the SRA Owners to finally be paid because they (1) provided needed capacity during a crisis in California; and (2) did not sell energy into the markets at extremely high prices, giving rise to any refund obligations. The Settlement is consistent with previous Commission orders and reflects the fact that the SRA Owners should be paid for the reliability service they provided over seven years ago during the energy crisis.

Accordingly, the CAISO and the Settling Parties urge the Commission to approve the Settlement Agreement as drafted.¹⁶ As the Commission can appreciate, the Settlement Agreement reflects the fact that it is necessary and appropriate to ensure that the SRA Owners are fully compensated in accordance with the terms and conditions of the SRAs. As the Commission is aware, the SRA Owners responded to California’s severe energy problems by entering into SRAs under which they collectively constructed five new electric generation facilities to provide much needed peaking capacity in order to ensure the reliability of the California electric transmission grid. The Settlement Agreement reflects that the SRA Owners honored their obligations to ensure the

¹⁵ *See San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services*, 125 FERC ¶ 61,085, (2008).

¹⁶ As with previous settlements filed and approved in the Refund Proceedings, the Settlement Agreement provides that the PX and the CAISO shall be held harmless for actions taken to implement the Settlement.

reliability of the California transmission grid and that the CAISO remained committed to honoring its obligations. Moreover, the Settlement accomplishes two objectives the Commission has long recognized: (i) promoting market stability and (ii) reducing litigation.¹⁷ Specifically, it benefits customers by resolving claims for refunds and other remedies as between the SRA Owners and the CAISO relating to the provision of reliability services in the summer of 2001. Approval of the Settlement Agreement will avoid the need for further litigation, provide monetary consideration, eliminate regulatory uncertainty, and enhance financial certainty.

IV. Compliance

Pursuant to Rule 602 of the Commission's Rules, a copy of this Offer of Settlement has been served on individuals identified on the Service List maintained by the Secretary for this Docket, in accordance with the Provisions of Rule 2010 of the Commission's Rules of Practice and Procedure. A copy of this filing has also been provided to the Honorable Joseph Nacy as Presiding Settlement Judge and has been filed in and served on individuals identified on the Service List for Dockets EL00-95 and EL00-98, as well. The Settling Parties note for all interested parties that initial comments must be filed within twenty (20) days of this filing, which would be March 24, 2009. Reply comments may be filed not later than ten (10) days after the date for filing of initial comments, or by April 3, 2009.

Consistent with Commission rules and regulations, included with this filing are the following:

1. An Explanatory Statement in Support of Offer of Settlement and Offer of Settlement.
2. Comprehensive Settlement Agreement Resolving All Claims.
3. A Draft Order approving the Settlement.
4. A Certificate of Service.

Respectfully submitted on it own behalf and
on behalf of the Settling Parties,

/s/Roger E. Collanton

Daniel J. Shonkwiler
Assistant General Counsel – Corporate
Roger E. Collanton, Senior Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
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¹⁷ *Cities of Newark v. FERC*, 763 F.2d 533, 546 (3rd Cir. 1985); *Cities of Bethany v. FERC*, 727 F.2d at 1139; *Tejas Power Corp. v. FERC*, 908 F.2d 998, 1003 (DC Cir. 1990).

ATTACHMENT 1

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

NEO California Power LLC

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Docket No. EL02-18-000

EXPLANATORY STATEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.602 (2008), the California Independent System Operator Corporation ("CAISO"), California Power Holdings, LLC ("CPH"), Harbor Cogeneration Company ("Harbor"), and MMC Energy North America, LLC ("MMC") (collectively, "Settling Parties") hereby submit this Explanatory Statement in support of the concurrently filed Settlement Agreement.

The Settling Parties submit that the Settlement Agreement resolves all issues set for hearing in Docket No. EL02-18-000. The Parties further assert that the Settlement Agreement is in the public interest, and urge the Commission to approve the Settlement Agreement on its terms, without modification or condition. This Explanatory Statement summarizes the Settlement Agreement, but is not intended to modify or alter any provision of the Settlement Agreement.

**I.
BACKGROUND**

To ensure the reliability of the CAISO Control Area during the 2001, 2002 and 2003 summer periods, on August 24, 2000, CAISO issued a request for bids seeking proposals from new generation facilities to provide peaking capability (up to 3,000 MW).

In response, (1) NEO California Power LLC (“NEO”) submitted a proposal to construct a 48 MW unit located in Chowchilla, California and a 44 MW unit in Red Bluff, California; (2) Harbor submitted a proposal to add two steam turbines to an 80 MW combined-cycle unit located in Wilmington, California; and (3) RAMCO submitted a proposal to construct a 44 MW unit located in Escondido, California and a 44 MW unit in Chula Vista, California. Subsequently, CAISO executed a Summer Reliability Agreement (“SRA”) for each unit, which entitled CAISO to dispatch capacity from each of these units for up to 500 hours during the summer periods of 2001, 2002, and 2003.

Under the SRAs, the CAISO’s obligation to pay the SRA Owners was expressly conditioned on the CAISO’s recovery of the costs from its Scheduling Coordinators pursuant to the CAISO Tariff. To facilitate this recovery, the CAISO established a trust account (the “SRA Trust Account”) to receive payment through its markets. The SRA owners were then paid from the SRA Trust Account.

The SRA Owners did not receive full payment on invoices for July and August 2001, because there was a default in the CAISO markets. The invoices for these months included adjustments to settlements from December 2000, including additional charges to the California Power Exchange Corporation (the “PX”). The PX did not pay its invoices, however, having declared bankruptcy.¹ Consequently, all market creditors, including the SRA Trust Account, were paid only a portion of their receivables for July and August 2001. Under the PX’s confirmed plan of reorganization, the SRA Trust Account is a creditor in Class 7, which is defined to include “all claims of CalISO.”

¹ The PX filed for Chapter 11 bankruptcy protection on March 9, 2001.

On November 13, 2001, NEO filed a complaint against the CAISO in Docket No. EL02-18-000 asserting non-payment of invoiced amounts under the SRAs. CAISO responded to NEO's complaint, explaining that it would be unable to pay NEO (or the other SRA Owners) until the funds controlled by the PX were distributed by the Commission pursuant to its authority under the PX's confirmed plan of reorganization.

On May 20, 2003, the Commission issued an order on NEO's complaint, establishing hearing procedures, but holding the hearing in abeyance pending settlement judge procedures.² On June 2, 2003, Chief Administrative Law Judge Curtis L. Wagner assigned the settlement proceedings to The Honorable Joseph R. Nacy. The first settlement conference took place on June 20, 2003. NEO and CAISO participated in several settlement conferences on this matter from June 2003 through March 2004.

On January 24, 2005, CAISO and NEO filed a Joint Status Report in Docket No. EL02-18 informing the Commission that the PX bankruptcy and the Commission's ongoing investigation of the rates charged to California's ratepayers, along with the anticipated refunds in Docket Nos. EL00-95 and EL00-98 ("Refund Proceedings") was the key impediment to satisfying the CAISO's obligation to NEO under the SRAs. Since the Joint Status Report was filed, a number of settlements in the Refund Proceedings have been filed and approved by the Commission authorizing the distribution of funds held by the PX.

The CAISO and the SRA Owners worked together to resolve issues related to NEO's complaint in Docket No. EL02-18 under the framework of a global settlement (including all SRA Owners), similar to the settlements accepted by the Commission

² *NEO California Power LLC*, 103 FERC ¶ 61,206 (2003).

relating to the Refund Proceedings. The Settlement Agreement filed herewith is the result of these renewed efforts.

II. SUMMARY OF SETTLEMENT AGREEMENT

The various sections of the Settlement Agreement are summarized as follows:

SECTION 1 sets forth the definition of certain terms used throughout the Settlement Agreement.

SECTION 2.1 provides that upon Commission approval of the Offer of Settlement, the Commission will direct the PX to release funds out of the PX Settlement Clearing Account to the individual SRA Owners as full payment for the critical reliability services they provided to CAISO during the 2001 summer period under the SRAs (the “SRA Principal Receivable Settlement Amount”).

SECTION 2.2 provides that upon the distribution of the SRA Principal Receivable Settlement Amount by the PX, interest will cease accruing on the unpaid principal balances, but will continue to compound on unpaid SRA Interest. This Section also states that the PX shall pay to the SRA Trust Account an amount of interest to be subsequently determined by the Commission (“SRA Interest Receivable Settlement Amount”), but no later than the date on which the PX makes the distribution of interest to suppliers that are not public utilities as contemplated in the Commission’s order issued on October 19, 2007 in Docket No. EL00-95-164 (*San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Servs.*, 121 FERC ¶ 61,067 at PP 57-58 (2007)).

SECTION 2.3 provides that Commission approval of the Settlement Agreement and subsequent payment of the SRA Principal Receivable Settlement Amount and SRA Interest Receivable Settlement Amount resolves all issues with respect to NEO’s

November 13, 2001 complaint against CAISO in Docket No. EL02-18. This Section further provides that within thirty (30) Business Days after receipt of the SRA Principal Receivable Settlement Amount, CPH will request the Complaint be held in abeyance. Within thirty (30) days after receipt of the SRA Interest Receivable Settlement Amount, CPH will cause the Complaint to be dismissed.

SECTIONS 2.3, 2.4 and 2.5 provide that the SRA Principal Receivable Settlement Amount and the SRA Interest Receivable Settlement Amount will be the only payments made under the Settlement Agreement and that all issues between the Parties as to the matters discussed in the Agreement will be fully and completely resolved.

SECTION 2.6 provides that the Parties acknowledge and agree that it is their intention that the releases granted pursuant to Sections 2.3 through 2.5 shall be effective as a bar to all causes of action and demands for additional relief.

SECTION 2.7 provides that the releases set forth in Sections 2.3 through 2.5 shall run to, benefit and be enforceable by any individual who, as an officer, director, agent or employee of a corporate or organizational party that receives the benefits of such releases, participated as an officer, director, agent or employee in or might be claimed to be liable for any of the actions or events of potential liability for which a party is released by Sections 2.3 through 2.5.

SECTION 3.1 provides that the Settlement Agreement shall become effective when the Commission by order accepts or approves the Agreement in its entirety without modifications or conditions or with such modifications or changes as are agreed to by the Settling Parties. The Agreement further provides that if the Commission accepts the

Settlement without modification with respect to one SRA Owner, the Settlement shall be binding on such SRA Owner.

SECTION 4.1 provides that upon Commission approval, CAISO and PX will conform their books and records to reflect the payment of the SRA Principal Receivable Settlement Amount to the SRA Owners.

SECTION 4.2 provides that each Party shall reasonably and in good faith cooperate and take all reasonable steps to secure (i) the release of funds to the SRA Owners as contemplated by the Agreement, (ii) the accounting treatment contemplated under Section 4 of the Agreement, and (iii) any other acts of the PX or CAISO necessary to effectuate the terms of the Agreement.

SECTION 4.4 provides that the PX and the CAISO shall be held harmless for actions taken to implement the Settlement.

SECTION 4.5 provides FERC approval of the Agreement will constitute a grant of such waivers of the CAISO and the PX tariffs as may be necessary for the CAISO and the PX to disburse such funds as required by the Agreement.

SECTION 5.1 provides that the Agreement represents a fair and reasonable negotiated settlement that is in the public interest and that its terms shall not limit or restrict the arguments that the Parties may take in any future proceeding before the Commission, except as to the matters explicitly described in the Agreement.

SECTION 5.2 provides that the Settlement does not establish any principles or precedent.

SECTION 5.3 provides that the discussions among the Parties that produced the Agreement have been conducted on the explicit understanding, pursuant to Rule 602(e)

of the Commission's Rules of Practice and Procedures, that all offers of settlement and any comments on these offers are privileged and not admissible as evidence against any participant who objects to their admission and that any discussion of the Parties with respect to offers of settlement is not subject to discovery or admissible in evidence.

SECTION 5.4 provides that the Commission's review of any modifications to the Settlement Agreement, regardless of who proposes the modification, shall be based on the just and reasonable standard and not the public interest standard.

SECTION 6.1 provides that the Agreement constitutes the Parties' complete and exclusive statement of the terms of the Settlement.

SECTION 6.2 provides that the Agreement may be executed in any number of counterpart signature pages.

SECTION 6.3 provides that Commission acceptance of the Agreement shall constitute the requisite waiver of any and all otherwise applicable Commission regulations, to the extent necessary, to permit implementation of the Agreement.

SECTION 6.4 provides that to the extent not governed by federal law, the Agreement will be governed by the law of the State of California, without giving effect to principles of conflicts of laws that would require the application of laws of another jurisdiction.

SECTION 6.5 provides that the Agreement shall be binding upon and inure to the benefit of the Parties hereto and their permitted successors and assigns.

SECTION 6.6 provides that the Agreement is not intended to confer upon any person or entity that is not a Party any rights or remedies under the Agreement.

III. RESPONSES TO STANDARD SETTLEMENT QUESTIONS

In accordance with the October 15 and 23, 2003 orders of Chief Administrative Law Judge Curtis L. Wagner, Jr., the Parties address the Commission's five questions in order to assist the Commission in its determination as to whether the Settlement should be accepted. The Parties make the following responses to the Commission's questions:

- a. There are no issues or major implications for the Commission underlying the Settlement Agreement. The Settlement is a complete settlement as among CAISO and the SRA Owners (CPH, Harbor, and MMC) as to the matters addressed therein. The SRA Owners fulfilled their critical reliability capacity contracts and are not subject to any market re-runs or refunds.
- b. The Settlement Agreement does not raise any policy implications for the Commission. The Agreement specifically states in Section 5.2 that it does not establish any principles or precedent, and in Section 5.1 that it does not constitute a determination as to the merits regarding any issue in the proceeding. The Settlement Agreement provides for payments from the CAISO through the release of PX funds to resolve disagreements among the Parties concerning payments for past reliability services.
- c. The Settlement Agreement does not affect any other pending cases before the Commission. None of the SRA Owners are parties to the Refund Proceedings, nor are the SRA payments subject to refund.
- d. The Settlement Agreement does not involve matters of first impression and does not involve any previous reversals on the issues involved.
- e. The Commission's review of any modifications to the Settlement Agreement proposed by the Settling Parties, the Commission or third parties shall be based on the just and reasonable standard.
- f. The Settlement accomplishes two objectives the Commission has long recognized: (i) promoting market stability and (ii) reducing litigation.

IV. CONCLUSION

For the foregoing reasons, the Parties state that the Settlement serves each of their own interests and also serves important overriding public interest purposes, that the Settlement should be approved by the Commission in accordance with its terms as filed, without change or modification, and that the public interest would further be served by the Commission acting on the Settlement as soon as it is able.

Dated: March 4, 2009

ATTACHMENT 2

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and among California Power Holdings, LLC ("CPH"), Harbor Cogeneration Company ("Harbor"), MMC Energy North America, LLC ("MMC") and the California Independent System Operator Corporation ("CAISO"). CPH, Harbor, MMC and CAISO are each a "Party," and collectively they are "Parties" to this Agreement.

RECITALS

Whereas, on August 24, 2000, CAISO issued a Request for Bids seeking proposals from new generation facilities to provide peaking capability in order to ensure the reliability of the CAISO's Control Area during the 2001, 2002 and 2003 summer periods;

Whereas, in response to CAISO's Request for Bids, NEO California Power LLC ("NEO"), Harbor, and RAMCO, Inc. ("RAMCO") submitted proposals to construct new generating units and/or add generating capability to existing units;

Whereas, the CAISO accepted proposals from NEO and RAMCO to build two generating units each, and a proposal from Harbor to add to an existing generating unit. CAISO executed two separate Summer Reliability Agreements ("SRAs") each with NEO and RAMCO, and one with Harbor. The contract terms of each of the SRAs extended through October 31, 2003.

Whereas, the SRA contracts expressly condition the CAISO's obligation to pay the SRA Owners on the CAISO's recovery of the costs from its Scheduling Coordinators under the terms of the CAISO tariff. To facilitate this recovery, the CAISO established the SRA Trust Account, treated the SRA Trust Account as a participant in its markets, and paid the SRA owners from the SRA Trust Account;

Whereas, under the terms of the SRAs, NEO, RAMCO, and Harbor issued invoices that were accepted by CAISO, which assessed corresponding credits to the SRA Trust Account and charges to Scheduling Coordinators. To the extent that any Scheduling Coordinators disputed the charges associated with the SRAs, those disputes have been resolved;

Whereas, the SRA Owners did not receive full payment on invoices that CAISO assessed to Market Participants for the trade months of July and August 2001, due to a default by the California Power Exchange Corporation (the "PX") on its market invoices. These trade months included retroactive adjustments correcting invoices originally issued for November and December 2000, including adjustments affecting the PX. Due to its bankruptcy filing, the PX did not pay its invoices and thus the SRA Trust Account and other CAISO Creditors were paid only a portion of their receivables for July and August 2001. As a result of the shortfall in the SRA Trust Account, the CAISO paid the SRA Owners only a portion of what they were owed for those trade months;

Whereas, on November 13, 2001, NEO filed a complaint against CAISO with the FERC in Docket No. EL02-18-000, stating that the CAISO had not paid NEO the full amount due on its invoices;

Whereas, in response to NEO's complaint, CAISO explained that it would be unable to pay NEO until the funds controlled by the PX were distributed by the Commission pursuant to its authority under the PX's confirmed plan of reorganization;

Whereas, on May 20, 2003, the Federal Energy Regulatory Commission established hearing procedures and held the hearing in abeyance pending settlement judge procedures;

Whereas, on January 24, 2005, the Parties informed the Commission that settlement negotiations are continuing and that the payment dispute should be resolved with the pending clearing of accounts from the PX Bankruptcy and Refund Proceedings;

Whereas, on January 3, 2007, CPH acquired all NEO's interests in the SRAs and associated generating plants, including NEO's claims against CAISO under the SRAs;

Whereas, on January 9, 2006, MMC acquired all of RAMCO's interests in the SRAs and associated generating plants, including any claims that RAMCO may have against CAISO under the SRAs;

Whereas, the Parties have been committed to settling the disputes addressed herein rather than litigate or continue to litigate, as the case may be;

Whereas, FERC has on several occasions authorized the release of funds held by the PX to creditors who have resolved through agreement or otherwise resolved their overall financial position with respect to the ISO and PX markets during the refund period of October 2, 2000 through June 21, 2001;

Whereas, the SRA Owners are not subject to any pending refund cases pending before the Commission;

Whereas, upon approval of this Agreement by the Federal Energy Regulatory Commission ("FERC" or the "Commission"), the SRA Owners and the SRA Trust Account would have no unresolved issues with respect to the ISO and PX markets during the refund period of October 2, 2000 through June 21, 2001;

Now, therefore, in consideration of the exchange of promises and covenants contained in this Settlement Agreement, the legal sufficiency of which the Parties acknowledge, the Parties agree, subject to approval by the Commission, as follows:

Section 1: Definitions

“Business Day” means a calendar day falling within Monday through Friday except for Federal holidays.

“CAISO” means the California Independent System Operator Corporation, a California nonprofit public benefit corporation.

“Effective Date” shall have the meaning set forth in Section 3.1 of this Agreement.

“FERC” or “Commission” means the Federal Energy Regulatory Commission.

“FERC Interest Rate” shall have the meaning set forth in 18 C.F.R. § 35.19a(a)(2)(iii) or any successor thereto.

“Harbor Cogeneration Company” refers to the owner and operator of a combined-cycle facility located in Wilmington, California that had an output capability of 80 MW in 2000 (“the Harbor plant”).

“NEO California LLC” refers to the owner and operator of (i) a 48 MW natural gas-fired generation facility located in Chowchilla, California (the “Chowchilla plant”) and (ii) a 44 MW natural gas-fired generation facility located in Red Bluff, California (the “Red Bluff plant”) before California Power Holdings purchased a 100 percent direct membership interest in NEO and merged NEO into California Power Holdings, LLC.

“Parties” means the CAISO, California Power Holdings, LLC, Harbor Cogeneration Company, and MMC Energy North America, LLC, including their successors and assigns.

“Complaint Proceeding” means the proceeding conducted at the Commission in Docket No. EL02-18 concerning amounts owed under the Summer Reliability Agreements between CAISO and NEO California Power LLC.

“PX” means the California Power Exchange Corporation, a California nonprofit public benefit corporation.

“PX Settlement Clearing Account” means any and all accounts of the PX or the reorganized PX holding funds in trust pursuant to the terms of the PX tariff, the CAISO tariff, or a FERC or court order.

“RAMCO” refers to the owner and operator of (i) a 44 MW natural gas-fired generation facility located in Escondido, California and (ii) a 44 MW natural gas-fired generation facility located in Chula Vista, California, before MMC Energy North America, LLC purchased all of its assets.

“Refund Proceeding” means the FERC proceeding conducted in Docket Nos. EL00-95, et al. and EL00-98, et al. and related appeals of orders in that proceeding and any proceedings upon remand.

“SRA Owners” means California Power Holdings, LLC, Harbor Cogeneration Company, and MMC Energy North America, LLC, including their successors and assigns.

“SRA Interest Receivable Settlement Amount” has the meaning set forth in Section 2.2 of this Settlement Agreement.

“SRA Principal Receivable Settlement Amount” has the meaning set forth in Section 2.1 of this Settlement Agreement.

“SRA Interest” means the interest that has accrued to the SRA Owners under the terms of the SRAs, but in no event shall be accrued at a rate in excess of the FERC Interest Rate.

“Summer Reliability Agreements or SRAs” mean the Agreements between NEO, RAMCO, or Harbor, on the one hand, and CAISO, on the other hand. The two SRAs between the CAISO and NEO were executed initially on November 27, 2000, and filed on January 10, 2001 in FERC Docket No. ER01-0929, with amended and restated versions executed December 5, 2001, and filed on February 4, 2002 in FERC Docket No. ER02-0978. The SRAs between the CAISO and Harbor was executed December 4, 2000, and filed on January 10, 2001 in FERC Docket No. ER01-0929. The CAISO and RAMCO executed SRAs for the Chula Vista and Escondido facilities on November 27, 2000, and filed on January 10, 2001 in FERC Docket No. ER01-0929. This does not include two other SRAs between the CAISO and RAMCO for Pleasanton and East Livermore facilities, because those facilities were never constructed.

Capitalized terms that are not otherwise defined shall have the meaning set forth in the CAISO Tariff.

Section 2: Payment and Release

2.1. No later than thirty (30) Business Days after the Effective Date, the PX shall distribute the SRA Principal Receivable Settlement Amount identified in Exhibit A, which represents the principal amounts yet unpaid under the SRAs, exclusive of accrued interest (“SRA Receivable”).

The calculation of the SRA Principal Receivable Settlement Amount is set forth in Attachment A to this Settlement Agreement. The PX will pay the SRA Principal Receivable Amount out of the PX Settlement Clearing Account to the individual SRA Owners, via wire transfer instructions provided by the SRA Owners. The CAISO will adjust its books to credit this same amount of funds to the PX, thereby reducing amounts payable by the PX to the CAISO.

2.2 The SRA Interest Receivable Settlement Amount is set forth in Exhibit B to this Settlement Agreement. Upon the distribution of the SRA Principal Receivable Settlement Amount by the PX, interest will cease accruing on the unpaid principal balances, but will continue to compound on unpaid SRA Interest. The PX shall pay to the SRA Trust Account an amount of interest to be determined by the Commission at a time to be determined by the Commission, but no later than the date on which the PX makes the distribution of interest to suppliers that are not public utilities as contemplated in the Commission's order issued October 19, 2007 in Docket No. EL00-95-164 (paragraph 58). Within 10 Business Days after receiving this payment, the CAISO shall distribute, on a pro rata basis such proceeds, to the SRA Owners.

2.3. The approval of this Settlement Agreement and subsequent payment of the SRA Principal Receivable Settlement Amount and SRA Interest Receivable Settlement Amount resolves all issues with respect to NEO's November 13, 2001 complaint against CAISO in Docket No. EL02-18 ("Complaint") relating to the sufficiency of payments made under the Summer Reliability Agreements. Within thirty (30) Business Days after receipt of the SRA Principal Receivable Settlement Amount, CPH will request the Complaint be held in abeyance. Within thirty (30) days after receipt of the SRA Interest Receivable Settlement Amount, CPH will withdraw the Complaint.

2.4. The Parties agree that the SRA Principal Receivable Settlement Amount and the SRA Interest Receivable Settlement Amount described in Section 2.1 and 2.2 above will be the only payments made under this Settlement Agreement. The Parties further agree that this Settlement Agreement resolves all issues that were raised or that could have been raised by any person in the Complaint Proceeding, whether or not they are signatories to this Settlement Agreement.

2.5 In return for the consideration specified elsewhere in this Settlement Agreement and full performance by the Parties of their respective obligations hereunder, and subject to the occurrence of the Settlement Effective Date, all claims as between the SRA Owners, on the one hand, and the CAISO, on the other hand, relating to Summer Reliability Agreements for monetary or non-monetary Remedies, including attorney's fees, shall be deemed settled and resolved, subject only to the right of SRA Owners to contest the calculation of SRA Interest, as calculated in Attachment B.

2.6 The Parties acknowledge and agree that it is their intention that the releases granted pursuant to Sections 2.3 through 2.5 shall be effective as a bar to all causes of action and demands for monetary relief, including costs, expenses, attorneys' fees, damages, losses, and liabilities of every kind, known or unknown, suspected or unsuspected. In furtherance of this intention, SRA Owners, on the one hand, and the CAISO, on the other hand, with respect to the specific matters released herein, each knowingly, voluntarily, intentionally, and expressly waives, as against each other, any and all rights and benefits conferred by California Civil Code Section 1542 and any law of any state or territory of the United States or principle of common law that is similar to Section 1542. Section 1542 provides:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

In connection with such waiver and relinquishment, the Parties each acknowledge that they are aware that they may hereafter discover facts in addition to or different from those that they know or believe to be true and with respect to the subject matter of this Agreement, but that it is their intention hereby to fully, finally, and forever settle and release all matters, disputes, differences, known or unknown, suspected or unsuspected, that are set forth in Sections 2.3 through 2.5. This Agreement is intended to include in its effect, without limitation, all claims encompassed within the settlement and releases set forth in Sections 2.3 through 2.5, including those that the Parties may not know or suspect to exist at the time of execution of this Agreement, and this Agreement contemplates the extinguishment of all such claims.

2.7 The releases set forth in Sections 2.3 through 2.5 shall run to, benefit and be enforceable by any individual who, as an officer, director, agent or employee of a corporate or organizational party that receives the benefits of such releases participated as an officer, director, agent or employee in or might be claimed to be liable for any of the actions or events of potential liability for which a party is released by Sections 2.3 through 2.5. The release and discharge of individuals effected by this Section 2.7 is not intended to expand the number or identity of corporate or organizational entities released or discharged by any of Sections 2.3 through 2.5.

Section 3: Effective Date and Termination

3.1. This Settlement Agreement shall become effective when the Commission by order accepts or approves this Settlement Agreement in its entirety without modifications or conditions or with such modifications or changes as are agreed to by the Settling Parties in accordance with the following provision (the "Effective Date"). If the Commission by order approves this Settlement Agreement conditioned on the modification of any of the terms of this Settlement Agreement (a "Conditional Approval Order"), the Settling Parties shall confer to determine whether they accept such modifications, and if so, make any necessary compliance filing. If one or more Parties do not accept such modifications, the Parties will negotiate in good faith, if necessary, to restore the balance of risks and benefits reflected in this Settlement Agreement as executed; and any such renegotiated Settlement Agreement shall be filed with the Commission. If, within thirty calendar days of the date of the issuance of the Conditional Approval Order, the Parties do not either accept and file the Settlement Agreement as modified or agree to and file a renegotiated Settlement Agreement and unless the Parties agree to extend the time period for such negotiations, this Settlement Agreement shall

terminate. Notwithstanding anything in this Section 3.1, if this Commission accepts this Settlement without modification with respect to one SRA Owner, the Settlement shall be binding on such SRA Owner.

Section 4: PX and CAISO Accounting

4.1 Upon approval of this Settlement, CAISO and PX will conform their books and records to reflect the payment of the SRA Principal Receivable Settlement Amount to the SRA Owners.

4.2 Upon distribution of the SRA Interest Receivable Settlement Amount, CAISO and PX will conform their books and records to reflect the payment of SRA interest to the SRA Owners.

4.2 Each Party shall reasonably and in good faith cooperate and take all reasonable steps to secure (i) the release of funds to the SRA Owners as contemplated by this Agreement, (ii) the accounting treatment contemplated under this Section 4, and (iii) any other acts of the PX or CAISO necessary to effectuate the terms of this Agreement. This duty of cooperation shall include making individual or joint requests to the PX, executing appropriate waivers, providing data, and providing other assistance to the PX and the CAISO as necessary to implement this Agreement.

4.4 The PX and the CAISO shall be held harmless for actions taken to implement the Settlement.

4.5 FERC approval of this Agreement shall constitute a grant of such waivers of the CAISO and the PX tariffs as may be necessary for the CAISO and the PX to disburse such funds as required by this Agreement, to account for transfers, allocations, and distributions of funds as required by this Agreement, and to otherwise implement this Agreement.

Section 5: Scope and Limitations

5.1. For the sole purpose of settling the matters described herein, this Settlement Agreement represents a fair and reasonable negotiated settlement that is in the public interest. The terms of this Settlement Agreement shall not limit or restrict the arguments that the Parties may put forth or the positions that the Parties may take in any future proceeding before FERC, except as to the matters explicitly described herein. Nor shall the Parties be deemed to have approved, accepted, agreed, or consented to any concept, theory or principle underlying or supposed to underlie any of the matters provided for herein or to be prejudiced thereby in any future proceeding except as to the extent relied upon to settle the matters explicitly described herein.

5.2. This Settlement Agreement is made upon the express understanding that it constitutes a negotiated settlement and, except as otherwise expressly provided for herein, no settling Party shall be deemed to have approved, accepted, agreed to, or

consented to any principle or policy relating to rate design, rate calculation, or any other matter affecting or relating to any of the rates, charges, classifications, terms, conditions, principles, issues or tariff sheets associated with this Settlement Agreement. This Settlement Agreement shall not be cited as precedent, nor shall it be deemed to bind any settling Party (except as otherwise expressly provided for herein) in any future proceeding, including, but not limited to, any FERC proceeding, except in any proceeding to enforce this Settlement Agreement or in the Complaint Proceeding.

5.3. The discussions among the Parties that have produced this Settlement Agreement have been conducted on the explicit understanding, pursuant to Rule 602(e) of the Commission's Rules of Practice and Procedures, that all offers of settlement and any comments on these offers are privileged and not admissible as evidence against any participant who objects to their admission and that any discussion of the Parties with respect to offers of settlement is not subject to discovery or admissible in evidence.

5.4 The Commission's review of any modifications to this Settlement Agreement, regardless of who proposes the modification, shall be based on the just and reasonable standard and not the public interest standard.

Section 6: Miscellaneous

6.1 This Settlement Agreement constitutes the Parties' complete and exclusive statement of the terms of this Settlement. All prior written and oral understandings, offers or other communications of every kind pertaining to the terms of this Settlement are hereby superseded.

6.2. This Settlement Agreement may be executed in any number of counterpart signature pages, each having the same force and effect as the original.

6.3. Commission acceptance of this Settlement Agreement shall constitute the requisite waiver of any and all otherwise applicable Commission regulations, to the extent necessary, to permit implementation of the provisions of this Settlement Agreement. This Settlement Agreement constitutes the full and complete agreement of the Parties with respect to the subject matter addressed herein and supersedes all prior negotiations, understandings, and agreements, whether written or oral, between the Parties with respect to the subject matter described herein.

6.4 To the extent not governed by federal law, this agreement and the rights and duties of the Parties hereunder will be governed by and construed, enforced, and performed in accordance with the law of the State of California, without giving effect to principles of conflicts of laws that would require the application of laws of another jurisdiction.

6.5 This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their permitted successors and assigns.

6.6 This Agreement is not intended to confer upon any person or entity that is not a Party any rights or remedies hereunder, and no one, other than a Party, is entitled to rely on any representation, warranty, covenant, release, waiver or agreement contained herein.

IN WITNESS WHEREOF, the Parties hereto, as of March 4, 2009, through their respective representatives who represent that they are fully authorized to execute on behalf of their principals, have hereunto set their hands and seals.

[COUNTERPART SIGNATURE PAGES APPEAR ON FOLLOWING PAGES]

SIGNATURE PAGE FOR OFFER OF
SETTLEMENT IN DOCKET NO. EL02-18-000

**California Independent System Operator
Corporation**

Date: 3.4.09

By 
Title VP OPERATIONS

Jim Detmers
Vice President/Operations

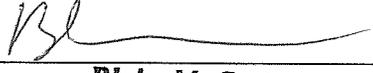
Date: 3/4/09



SIGNATURE PAGE FOR OFFER OF
SETTLEMENT IN DOCKET NO. EL02-18-000

Date: 3/2/09

California Power Holdings, LLC

By 

Title *Blake M. Carlson*
Authorized Signer

CONFIDENTIAL DRAFT

SIGNATURE PAGE FOR OFFER OF
SETTLEMENT IN DOCKET NO. EL02-18-000

MMC Energy North America, LLC

Date: 3/3/09

By 
Title CEO

SIGNATURE PAGE FOR OFFER OF
SETTLEMENT IN DOCKET NO. EL02-18-000

Date: March 3, 2009

Harbor Cogeneration Company

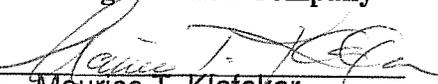
By 
Title Maurice T. Klefeker
President & CEO

Exhibit A

SRA Principal Receivable Settlement Amount

The SRA Principal Receivable Amount is comprised of principal Capacity Payments owed under the SRA and does not include any accrued interest.

California Power Holdings, LLC: \$485,996.88

MMC Energy North America, LLC: \$38,356.26

Harbor Cogeneration Company: \$47,313.19

Attachment A
SRA Principal Receivable Settlement Amount Calculation

California Power Holdings, LLC:

Chowchilla	\$ 449,348.98
Red Bluff	<u>\$ 36,647.90</u>
	\$ 485,996.88

MMC Energy North America, LLC:

Chula Vista	\$ 25,377.80
Escondido	<u>\$ 12,978.46</u>
	\$ 38,356.26

Harbor Cogeneration Company: **\$47,313.19**

See Spreadsheet – Attachment B

Exhibit B

SRA Interest Receivable Settlement Amount

The SRA Interest Receivable Amount is comprised of the SRA Interest amount, accrued as of June 30, 2009, as calculated with the SRA Settlement Interest Rate.

California Power Holdings, LLC:

Chowchilla	\$390,350.43
Red Bluff	<u>\$ 65,127.25</u>
	\$455,477.68

MMC Energy North America, LLC:

Chula Vista	\$ 25,602.98
Escondido	<u>\$ 13,071.66</u>
	\$ 38,674.64

Harbor Cogeneration Company: **\$49,233.79**

See Spreadsheet – Attachment B

Attachment B
SRA Principal and Interest Summary

** Payment from interest charged to Market

Attachment B
SRA Principal and Interest Summary

California Power Holdings, LLC -- Chowchilla -- Interest Calculation

Invoice #	Start Date	End Date	#days	#	Charges	Interest	Payment	Balance	Qtr	Interest Rate	FERC Interest	Interest to be Compounded
CHOW062001	8/9/2001	9/7/2001	29	Invoice Due	524,966.40			524,966.40	3Q01	7.79%	3,249.18	3,249.18
CHOW072001	9/7/2001	9/14/2001	7	Invoice Due	874,944.00			1,399,910.40	3Q01	7.79%	2,001.43	5,340.61
	9/14/2001	9/30/2001	16	Market Payment			(81,177.95)	1,318,732.45	3Q01	7.79%	4,503.20	9,843.81
	9/30/2001	10/6/2001	6	3rd Quarter End				1,328,576.26	4Q01	6.80%	1,485.09	1,485.09
CHOW082001	10/6/2001	10/11/2001	5	Invoice Due	874,944.00	9,843.81		2,203,520.26	4Q01	6.80%	2,052.59	3,537.69
	10/11/2001	10/11/2001	0	Market Payment			(2,840.96)	2,200,679.30	4Q01	6.80%	0.00	3,537.69
	10/11/2001	10/24/2001	13	Market Payment			(439,391.30)	1,761,288.00	4Q01	6.80%	4,265.69	7,803.38
	10/24/2001	11/7/2001	14	Market Payment			(274,834.57)	1,486,453.43	4Q01	6.80%	3,877.00	11,680.38
CHOW092001	11/7/2001	12/5/2001	28	Invoice Due	874,944.00			2,361,397.43	4Q01	6.80%	12,318.08	23,999.46
CHOW102001	12/5/2001	12/14/2001	9	Invoice Due	874,944.00			3,236,341.43	4Q01	6.80%	5,426.41	29,424.88
	12/14/2001	12/14/2001	0	Market Payment			(55,359.74)	3,180,981.69	4Q01	6.80%	0.00	29,424.88
	12/14/2001	12/26/2001	12	Market Payment			(254,831.03)	2,926,150.66	4Q01	6.80%	6,541.75	35,966.63
	12/26/2001	12/31/2001	5	Market Payment			(1,458,240.00)	1,467,910.66	4Q01	6.80%	1,367.37	37,334.00
CHOW112001	12/31/2001	1/13/2002	13	4th Quarter End		37,334.00		1,505,244.66	1Q02	5.64%	3,023.69	3,023.69
	1/13/2002	1/15/2002	2	Invoice Due	408,240.00			1,913,484.66	1Q02	5.64%	591.35	3,615.03
	1/15/2002	1/30/2002	15	Market Payment			(450,285.26)	1,463,199.40	1Q02	5.64%	3,391.42	7,006.45
	1/30/2002	1/30/2002	0	Market Payment			(341,771.88)	1,121,427.52	1Q02	5.64%	0.00	7,006.45
	1/30/2002	2/7/2002	8	Market Payment			(1,074,249.71)	47,177.81	1Q02	5.64%	58.32	7,064.77
CHOW2001F	2/7/2002	3/31/2002	52	**Market Interest Payment			(54,477.68)	-7,299.85	1Q02	5.64%	0.00	7,064.77
	3/31/2002	3/31/2002	0	Invoice Due	3,898,309.42			3,891,009.56	2Q02	5.64%	0.00	7,064.77
	3/31/2002	4/10/2002	10	1st Quarter End		7,064.77		3,898,074.33	2Q02	4.78%	5,104.88	12,169.65
	4/10/2002	6/30/2002	81	Market Payment			(2,276,723.24)	1,621,351.09	2Q02	4.78%	17,189.76	22,303.63
	6/30/2002	9/30/2002	92	2nd Quarter End		22,303.63		1,643,654.73	3Q02	4.75%	19,678.83	19,678.83
	9/30/2002	10/2/2002	2	3rd Quarter End		19,678.83		1,663,333.55	4Q02	4.75%	432.92	432.92
	10/2/2002	11/5/2002	34	Market Payment			(28,947.66)	1,636,385.89	4Q02	4.75%	7,240.45	7,673.37
	11/5/2002	12/31/2002	56	Market Payment			(698,959.13)	937,426.76	4Q02	4.75%	6,831.66	14,505.03
	12/31/2002	3/31/2003	90	4th Quarter End		14,505.03		951,931.79	1Q03	4.62%	10,844.20	10,844.20
	3/31/2003	6/19/2003	80	1st Quarter End		10,844.20		962,775.99	2Q03	4.25%	8,968.32	8,968.32
	6/19/2003	6/30/2003	11	Market Payment			(221,544.04)	741,231.95	2Q03	4.25%	949.39	9,917.71
	6/30/2003	8/1/2003	32	2nd Quarter End		9,917.71		751,149.66	3Q03	4.25%	2,798.80	7,508.52
	8/1/2003	9/30/2003	60	**Market Interest Payment			(77,014.31)	674,135.35	3Q03	4.25%	4,709.71	7,508.52
	9/30/2003	12/31/2003	92	3rd Quarter End		7,508.52		681,643.86	4Q03	4.07%	6,992.73	6,992.73
	12/31/2003	3/31/2004	91	4th Quarter End		6,992.73		688,636.60	1Q04	4.00%	6,867.50	6,867.50
	3/31/2004	6/30/2004	91	1st Quarter End		6,867.50		695,504.10	2Q04	4.00%	6,935.99	6,935.99
	6/30/2004	9/30/2004	92	2nd Quarter End		6,935.99		702,440.08	3Q04	4.00%	7,082.14	7,082.14
	9/30/2004	12/31/2004	92	3rd Quarter End		7,082.14		709,522.22	4Q04	4.22%	7,546.98	7,546.98
	12/31/2004	3/31/2005	90	4th Quarter End		7,546.98		717,069.20	1Q05	4.75%	8,398.55	8,398.55
	3/31/2005	6/30/2005	91	1st Quarter End		8,398.55		725,467.75	2Q05	5.30%	9,586.11	9,586.11
	6/30/2005	8/5/2005	36	2nd Quarter End		9,586.11		735,053.86	3Q05	5.77%	4,183.16	4,183.16
	8/5/2005	8/31/2005	26	Market Payment			(54,727.99)	680,325.90	3Q05	5.77%	2,798.23	6,976.39
	8/31/2005	9/30/2005	30	Market Payment			(38,568.44)	641,758.46	3Q05	5.77%	3,043.52	10,022.82
	9/30/2005	12/31/2005	92	3rd Quarter End		10,022.82		651,782.38	4Q05	6.23%	10,234.95	10,234.95
	12/31/2005	3/31/2006	90	4th Quarter End		10,234.95		662,017.33	1Q06	6.78%	11,067.48	11,067.48
	3/31/2006	6/30/2006	91	1st Quarter End		11,067.48		673,084.81	2Q06	7.30%	12,255.74	12,255.74
	6/30/2006	9/30/2006	92	2nd Quarter End		12,255.74		685,340.54	3Q06	7.74%	13,384.58	13,384.58
	9/30/2006	12/31/2006	92	3rd Quarter End		13,384.58		698,705.12	4Q06	8.17%	14,394.22	14,394.22
	12/31/2006	3/31/2007	90	4th Quarter End		14,394.22		713,099.34	1Q07	8.25%	14,508.20	14,508.20
	3/31/2007	6/30/2007	91	1st Quarter End		14,508.20		727,605.54	2Q07	8.25%	14,985.75	14,985.75
	6/30/2007	9/30/2007	92	2nd Quarter End		14,985.75		742,571.29	3Q07	8.25%	15,441.41	15,441.41
	9/30/2007	12/31/2007	92	3rd Quarter End		15,441.41		758,012.70	4Q07	8.25%	15,762.51	15,762.51
	12/31/2007	3/31/2008	91	4th Quarter End		15,762.51		773,775.21	1Q08	7.76%	14,970.11	14,970.11
	3/31/2008	6/30/2008	91	1st Quarter End		14,970.11		788,745.33	2Q08	6.77%	13,312.94	13,312.94
	6/30/2008	9/30/2008	92	2nd Quarter End		13,312.94		802,058.27	3Q08	5.30%	10,714.82	10,714.82
	9/30/2008	12/31/2008	92	3rd Quarter End		10,714.82		812,772.89	4Q08	5.00%	10,243.17	10,243.17
	12/31/2008	3/31/2009	90	4th Quarter End		10,243.17		823,016.05	1Q09	4.52%	9,172.68	9,172.68
	3/31/2009	6/30/2009	91	1st Quarter End		9,172.68		832,188.73	2Q09	3.62%	7,510.67	7,510.67
	6/30/2009			2nd Quarter End		7,510.67						
					8,331,291.82	390,350.43	(7,981,942.84)					
						Principle	449,348.68					

California Power Holdings, LLC -- Red Bluff -- Interest Calculation

Invoice #	Start Date	End Date	#days	#	Charges	Interest	Payment	Balance	Qtr	Interest Rate	FERC Interest	Interest to be Compounded
REDB082001	10/6/2001	10/24/2001	18	Invoice Due	674,709.68			674,709.68	4Q01	6.80%	2,262.59	2,262.59
	10/24/2001	11/7/2001	14	Market Payment			(211,937.62)	462,772.06	4Q01	6.80%	1,207.01	3,469.60
REDB092001	11/7/2001	12/5/2001	28	Invoice Due	996,000.00			1,458,772.06	4Q01	6.80%	7,609.59	11,079.19
REDB102001	12/5/2001	12/14/2001	9	Invoice Due	996,000.00			2,454,772.06	4Q01	6.80%	4,115.95	15,195.14
	12/14/2001	12/26/2001	12	Market Payment			(140,385.69)	2,314,406.38	4Q01	6.80%	5,174.12	20,369.27
	12/26/2001	1/30/2002	30	4th Quarter End		20,978.85		654,406.38	4Q01	6.80%	609.58	20,978.85
	1/30/2002	2/13/2002	14	Market Payment			(507,935.44)	675,385.23	1Q02	5.64%	3,130.83	3,130.83
	2/13/2002	3/31/2002	46	**Market Payment & Interest			(171,036.79)	167,449.79	1Q02	5.64%	362.24	3,493.07
REDB2001F	3/31/2002	3/31/2002	0	Invoice Due	1,223,569.39			-3,587.00	1Q02	5.64%	0.00	3,493.07
	3/31/2002	4/10/2002	10	1st Quarter End		3,493.07		1,220,002.40	1Q02	5.64%	0.00	3,493.07
	4/10/2002	6/30/2002	81	Market Payment			(1,059,885.14)	1,223,495.47	2Q02	4.78%	1,602.28	1,602.28
	6/30/2002	9/30/2002	92	2nd Quarter End		3,337.80		163,610.33	2Q02	4.78%	1,735.52	3,337.80
	9/30/2002	10/2/2002	2	3rd Quarter End		1,998.80		166,948.13	3Q02	4.75%	1,998.80	1,998.80
	10/2/2002	11/5/2002	34	Market Payment			(49,200.77)	168,948.93	4Q02	4.75%	43.97	43.97
	11/5/2002	12/31/2002	56	Market Payment			(5,009.48)	119,746.16	4Q02	4.75%	529.84	573.81
	12/31/2002	3/31/2003	90	4th Quarter End		1,409.97		114,738.68	4Q02	4.75%	836.16	1,409.97
	3/31/2003	6/19/2003	80	1st Quarter End		1,323.12		116,146.65	1Q03	4.62%	1,323.12	1,323.12
	6/19/2003	6/30/2003	11	Market Payment			(27,729.02)	117,469.77	2Q03	4.25%	1,094.24	1,094.24
	6/30/2003	8/1/2003	32	2nd Quarter End		1,209.18		89,740.75	2Q03	4.25%	114.94	1,209.18
	8/1/2003	9/30/2003	60	**Market Interest Payment			(9,220.16)	80,949.93	3Q03	4.25%	338.88	338.88
	9/30/2003	12/31/2003	92	3rd Quarter End		909.87		81,729.77	3Q03	4.25%	570.99	909.87
	12/31/2003	3/31/2004	91	4th Quarter End		847.77</						

**Attachment B
SRA Principal and Interest Summary**

Harbor Cogeneration Company - Interest Calculations

Invoice #	Start Date	End Date	#days	#	Charges	Interest	Payments	Balance	Qtr	Interest Rate	FERC interest	Interest to be Compounded
HARB062001	8/10/2001	8/11/2001	1	Market Payment			(17,520.22)	-17,520.22	3Q01	7.79%	0.00	0.00
HARB072001	8/11/2001	9/9/2001	29	Invoice Due	113,477.76			85,957.54	3Q01	7.79%	593.91	593.91
	9/9/2001	9/30/2001	21	Invoice Due	212,770.80			308,728.34	3Q01	7.79%	1,383.70	1,977.61
HARB082001	9/30/2001	10/6/2001	6	3rd Quarter End		1,977.61		310,705.95	4Q01	6.80%	347.31	347.31
	10/6/2001	10/11/2001	5	Invoice Due	212,770.80			523,476.75	4Q01	6.80%	487.62	834.93
	10/11/2001	10/11/2001	0	Market Payment			(613.93)	522,862.82	4Q01	6.80%	0.00	834.93
	10/11/2001	10/24/2001	13	Market Payment			(106,852.14)	416,010.68	4Q01	6.80%	1,007.54	1,842.48
HARB092001	10/24/2001	11/2/2001	9	Market Payment			(86,934.87)	349,175.81	4Q01	6.80%	585.47	2,427.94
HARB102001	11/2/2001	12/2/2001	30	Invoice Due	212,770.80			561,946.61	4Q01	6.80%	3,140.74	5,568.69
	12/2/2001	12/6/2001	4	Invoice Due	212,770.80			774,717.41	4Q01	6.80%	577.32	6,146.01
	12/6/2001	12/14/2001	8	Market Payment			(52,993.76)	721,723.65	4Q01	6.80%	1,075.66	7,221.67
	12/14/2001	12/14/2001	0	Market Payment			(18,581.41)	703,142.24	4Q01	6.80%	0.00	7,221.67
HARB112001	12/14/2001	12/15/2001	1	Market Payment			(94,801.78)	608,340.48	4Q01	6.80%	113.33	7,335.01
	12/15/2001	12/26/2001	11	Invoice Due	99,293.04			707,633.52	4Q01	6.80%	1,450.16	8,785.17
	12/26/2001	12/31/2001	5	Market Payment			(354,618.00)	353,015.52	4Q01	6.80%	328.84	9,114.01
	12/31/2001	1/15/2002	15	4th Quarter End		9,114.01		362,129.53	1Q02	5.64%	839.35	839.35
	1/15/2002	1/23/2002	8	Market Payment			(97,339.66)	264,789.87	1Q02	5.64%	327.32	1,166.67
	1/23/2002	1/23/2002	0	Market Payment			(73,878.06)	190,911.81	1Q02	5.64%	0.00	1,166.67
	1/23/2002	1/30/2002	7	Market Payment			(658,025.55)	-467,113.74	1Q02	5.64%	0.00	1,166.67
	1/30/2002	1/31/2002	1	Market Payment			(419,897.38)	-887,011.12	1Q02	5.64%	0.00	1,166.67
	1/31/2002	2/13/2002	13	Market Payment			142,825.71	-744,185.41	1Q02	5.64%	0.00	1,166.67
HARB2001F	2/13/2002	3/24/2002	39	Market Payment			173,963.82	-570,221.59	1Q02	5.64%	0.00	1,166.67
	3/24/2002	3/31/2002	7	Invoice Due	335,642.40			-234,579.19	1Q02	5.64%	0.00	1,166.67
	3/31/2002	4/3/2002	3	1st Quarter End		1,166.67		-233,412.52	2Q02	4.78%	0.00	0.00
	4/3/2002	6/30/2002	88	Market Payment			359,124.00	125,711.48	2Q02	4.78%	1,448.75	1,448.75
	6/30/2002	9/30/2002	92	2nd Quarter End		1,448.75		127,160.22	3Q02	4.75%	1,522.44	1,522.44
	9/30/2002	10/2/2002	2	3rd Quarter End		1,522.44		128,682.66	4Q02	4.75%	33.49	33.49
	10/2/2002	11/5/2002	34	Market Payment			(5,208.34)	123,474.32	4Q02	4.75%	546.33	579.82
	11/5/2002	12/31/2002	56	Market Payment			(741.23)	122,733.09	4Q02	4.75%	894.44	1,474.26
	12/31/2002	3/31/2003	90	4th Quarter End		1,474.26		124,207.35	1Q03	4.62%	1,414.94	1,414.94
	3/31/2003	6/19/2003	80	1st Quarter End		1,414.94		125,622.30	2Q03	4.25%	1,170.18	1,170.18
	6/19/2003	6/30/2003	11	Market Payment			(29,661.18)	95,941.12	2Q03	4.25%	122.88	1,293.06
	6/30/2003	8/1/2003	32	2nd Quarter End		1,293.06		97,234.18	3Q03	4.25%	362.30	362.30
	8/1/2003	9/30/2003	60	**Market Interest Payment			(19,568.14)	77,666.04	3Q03	4.25%	542.60	904.90
	9/30/2003	12/31/2003	92	3rd Quarter End		904.90		78,570.94	4Q03	4.07%	806.03	806.03
	12/31/2003	3/31/2004	91	4th Quarter End		806.03		79,376.97	1Q04	4.00%	791.59	791.59
	3/31/2004	6/30/2004	91	1st Quarter End		791.59		80,168.56	2Q04	4.00%	799.49	799.49
	6/30/2004	9/30/2004	92	2nd Quarter End		799.49		80,968.05	3Q04	4.00%	816.34	816.34
	9/30/2004	12/31/2004	92	3rd Quarter End		816.34		81,784.39	4Q04	4.22%	869.92	869.92
	12/31/2004	3/31/2005	90	4th Quarter End		869.92		82,654.30	1Q05	4.75%	968.07	968.07
	3/31/2005	6/30/2005	91	1st Quarter End		968.07		83,622.38	2Q05	5.30%	1,104.96	1,104.96
	6/30/2005	8/5/2005	36	2nd Quarter End		1,104.96		84,727.34	3Q05	5.77%	482.18	482.18
	8/5/2005	8/31/2005	26	Market Payment			(6,307.92)	78,419.42	3Q05	5.77%	322.31	804.49
	8/31/2005	9/30/2005	30	Market Payment			(4,633.19)	73,786.23	3Q05	5.77%	349.93	1,154.42
	9/30/2005	12/31/2005	92	3rd Quarter End		1,154.42		74,940.65	4Q05	6.23%	1,176.79	1,176.79
	12/31/2005	3/31/2006	90	4th Quarter End		1,176.79		76,117.45	1Q06	6.78%	1,272.52	1,272.52
	3/31/2006	6/30/2006	91	1st Quarter End		1,272.52		77,389.96	2Q06	7.30%	1,409.14	1,409.14
	6/30/2006	9/30/2006	92	2nd Quarter End		1,409.14		78,799.10	3Q06	7.74%	1,536.63	1,536.63
	9/30/2006	12/31/2006	92	3rd Quarter End		1,536.63		80,335.74	4Q06	8.17%	1,655.02	1,655.02
	12/31/2006	3/31/2007	90	4th Quarter End		1,655.02		81,990.75	1Q07	8.25%	1,667.89	1,667.89
	3/31/2007	6/30/2007	91	1st Quarter End		1,667.89		83,658.65	2Q07	8.25%	1,720.73	1,720.73
	6/30/2007	9/30/2007	92	2nd Quarter End		1,720.73		85,379.38	3Q07	8.25%	1,775.42	1,775.42
	9/30/2007	12/31/2007	92	3rd Quarter End		1,775.42		87,154.80	4Q07	8.25%	1,812.34	1,812.34
	12/31/2007	3/31/2008	91	4th Quarter End		1,812.34		88,967.15	1Q08	7.76%	1,721.23	1,721.23
	3/31/2008	6/30/2008	91	1st Quarter End		1,721.23		90,688.38	2Q08	6.77%	1,530.70	1,530.70
	6/30/2008	9/30/2008	92	2nd Quarter End		1,530.70		92,219.08	3Q08	5.30%	1,231.95	1,231.95
	9/30/2008	12/31/2008	92	3rd Quarter End		1,231.95		93,451.02	4Q08	5.00%	1,177.74	1,177.74
	12/31/2008	3/31/2009	90	4th Quarter End		1,177.74		94,628.76	1Q09	4.52%	1,054.66	1,054.66
	3/31/2009	6/30/2009	91	1st Quarter End		1,054.66		95,683.42	2Q09	3.62%	863.56	863.56
	6/30/2009			2nd Quarter End		863.56						
Total Harbor Cogeneration Company						1,399,496.40	49,233.79	(1,352,183.21)				
							Principle					47,313.19

**Attachment B
SRA Principal and Interest Summary**

MMC Energy North America, LLC - Chula Vista

Invoice #	Start Date	End Date	#days	#	Charges	Interest	Payment to Escrow	Balance	Qtr	Interest Rate	FERC Interest	Interest to be Compounded
CHUL082001	12/6/2001	12/9/2001	3	Market Payment			(34,095.81)	(34,095.81)	4Q01	6.80%	0.00	0.00
CHUL092001	12/9/2001	12/9/2001	0	Invoice Payment due (rec'd 1	247,694.86			213,599.25	4Q01	6.80%	0.00	0.00
CHUL102001	12/9/2001	12/9/2001	0	Invoice Payment due (rec'd 1	853,171.20			1,066,770.45	4Q01	6.80%	0.00	0.00
	12/9/2001	12/14/2001	5	Invoice Payment due (rec'd 1	853,171.20			1,919,941.65	4Q01	6.80%	1,788.44	1,788.44
	12/14/2001	12/26/2001	12	Market Payment			(19,595.94)	1,800,345.71	4Q01	6.80%	4,248.44	6,036.88
	12/26/2001	12/31/2001	5	Market Payment			(2,843,904.00)	(943,558.29)	4Q01	6.80%	0.00	6,036.88
	12/31/2001	1/30/2002	30	4th Quarter End		6,036.88	(100,706.80)	(637,521.40)	1Q02	5.64%	0.00	0.00
	1/30/2002	2/13/2002	14	Market Payment			(185,920.67)	(1,038,228.20)	1Q02	5.64%	0.00	0.00
	2/13/2002	2/23/2002	10	Market Payment				(1,224,148.87)	1Q02	5.64%	0.00	0.00
CHUL2001F	2/23/2002	3/31/2002	36	Invoice Payment due (rec'd 1	(250,087.81)			(1,474,236.69)	2Q02	5.64%	0.00	0.00
	3/31/2002	4/3/2002	3	1st Quarter End		0.00		(1,474,236.69)	1Q02	4.78%	0.00	0.00
	4/3/2002	6/30/2002	88	Market Payment			1,544,698.50	70,461.81	2Q02	4.78%	812.03	812.03
	6/30/2002	9/30/2002	92	2nd Quarter End		812.03		71,273.84	3Q02	4.75%	853.33	853.33
	9/30/2002	10/2/2002	2	3rd Quarter End		853.33		72,127.18	4Q02	4.75%	18.77	18.77
	10/2/2002	11/5/2002	34	Market Payment			(6,960.78)	65,166.40	4Q02	4.75%	288.34	307.11
	11/5/2002	12/31/2002	56	Market Payment			(1,151.43)	84,014.97	4Q02	4.75%	466.52	773.63
	12/31/2002	3/31/2003	90	4th Quarter End		773.63		84,788.80	1Q03	4.62%	738.06	738.06
	3/31/2003	6/19/2003	80	1st Quarter End		738.06		85,526.65	2Q03	4.25%	610.39	610.39
	6/19/2003	6/30/2003	11	Market Payment			(15,482.19)	50,044.46	2Q03	4.25%	64.10	674.48
	6/30/2003	8/1/2003	32	2nd Quarter End		674.48		50,718.95	3Q03	4.25%	188.98	188.98
	8/1/2003	9/30/2003	60	**Market Interest Payment			(9,970.00)	40,748.95	3Q03	4.25%	284.68	473.86
	9/30/2003	12/31/2003	92	3rd Quarter End		473.86		41,222.81	4Q03	4.07%	422.89	422.89
	12/31/2003	3/31/2004	91	4th Quarter End		422.89		41,645.50	1Q04	4.00%	415.31	415.31
	3/31/2004	6/30/2004	91	1st Quarter End		415.31		42,060.81	2Q04	4.00%	419.46	419.46
	6/30/2004	9/30/2004	92	2nd Quarter End		419.46		42,480.27	3Q04	4.00%	428.29	428.29
	9/30/2004	12/31/2004	92	3rd Quarter End		428.29		42,908.66	4Q04	4.22%	456.41	456.41
	12/31/2004	3/31/2005	90	4th Quarter End		456.41		43,364.97	1Q05	4.75%	507.90	507.90
	3/31/2005	6/30/2005	91	1st Quarter End		507.90		43,872.87	2Q05	5.30%	579.72	579.72
	6/30/2005	8/5/2005	36	2nd Quarter End		579.72		44,452.80	3Q05	5.77%	252.98	252.98
	8/5/2005	8/31/2005	26	Market Payment			(3,309.48)	41,143.12	3Q05	5.77%	189.10	422.08
	8/31/2005	9/30/2005	30	Market Payment			(2,173.25)	38,969.87	3Q05	5.77%	184.81	806.90
	9/30/2005	12/31/2005	92	3rd Quarter Partial		422.08		39,391.95	4Q05	6.23%	618.57	803.39
	12/31/2005	3/31/2006	90	4th Quarter End		608.60		39,998.84	1Q06	6.78%	688.69	865.18
	3/31/2006	6/30/2006	91	1st Quarter End		803.39		40,802.23	2Q06	7.30%	742.94	804.74
	6/30/2006	9/30/2006	92	2nd Quarter End		865.18		41,667.41	3Q06	7.74%	812.54	752.10
	9/30/2006	12/31/2006	92	3rd Quarter Partial		804.74		42,472.15	4Q06	8.17%	874.98	822.34
	12/31/2006	3/31/2007	90	4th Quarter End		822.34		43,294.49	1Q07	8.25%	880.72	880.72
	3/31/2007	6/30/2007	91	1st Quarter End		880.72		44,175.21	2Q07	8.25%	908.62	908.62
	6/30/2007	9/30/2007	92	2nd Quarter End		908.62		45,083.82	3Q07	8.25%	937.50	937.50
	9/30/2007	12/31/2007	92	3rd Quarter End		937.50		46,021.32	4Q07	8.25%	956.99	956.99
	12/31/2007	3/31/2008	91	4th Quarter End		956.99		46,978.31	1Q08	7.76%	808.88	808.88
	3/31/2008	6/30/2008	91	1st Quarter End		808.88		47,887.19	2Q08	6.77%	808.27	808.27
	6/30/2008	9/30/2008	92	2nd Quarter End		808.27		48,695.46	3Q08	5.30%	650.52	650.52
	9/30/2008	12/31/2008	92	3rd Quarter End		650.52		49,345.98	4Q08	5.00%	621.89	621.89
	12/31/2008	3/31/2009	90	4th Quarter End		621.89		49,867.88	1Q09	4.52%	556.90	556.90
	3/31/2009	6/30/2009	91	1st Quarter End		556.90		50,524.78	2Q09	3.62%	456.00	456.00
	6/30/2009			2nd Quarter End		456.00						
					1,703,949.45	25,602.98	(1,678,571.65)					
						Principle	25,377.80					

MMC Energy North America, LLC - Escondido

Invoice #	Start Date	End Date	#days	#	Charges	Interest	Payment to Escrow	Balance	Qtr	Interest Rate	FERC Interest	Interest to be Compounded
ESCO102001	12/26/2001	12/27/2001	1	Market Payment			(309,120.00)	-309,120.00	4Q01	6.80%	0.00	0.00
	12/27/2001	12/31/2001	4	Invoice Payment due (rec'd 1	163,634.17			-145,485.83	1Q02	6.80%	0.00	0.00
	12/31/2001	1/31/2002	31	4th Quarter End		0.00		-145,485.83	1Q02	5.84%	0.00	0.00
	1/31/2002	2/23/2002	23	Market Payment			58,027.11	-87,458.72	1Q02	5.84%	0.00	0.00
ESCO2001F	2/23/2002	3/31/2002	36	Invoice Payment due (rec'd 1	110,515.45			23,056.73	1Q02	5.84%	128.26	128.26
	3/31/2002	6/30/2002	91	1st Quarter End		128.26		23,184.99	2Q02	4.78%	276.30	276.30
	6/30/2002	9/30/2002	92	2nd Quarter End		276.30		23,461.29	3Q02	4.75%	280.89	280.89
	9/30/2002	11/5/2002	36	3rd Quarter End		280.89		23,742.18	4Q02	4.75%	111.23	111.23
	11/5/2002	12/31/2002	56	Market Payment			(808.64)	23,073.54	4Q02	4.75%	169.15	279.38
	12/31/2002	3/31/2003	90	4th Quarter End		279.38		23,352.93	1Q03	4.62%	266.03	266.03
	3/31/2003	6/19/2003	80	1st Quarter End		266.03		23,616.96	2Q03	4.25%	220.01	220.01
	6/19/2003	6/30/2003	11	Market Payment			(5,580.53)	18,038.43	2Q03	4.25%	23.10	243.12
	6/30/2003	8/1/2003	32	2nd Quarter End		243.12		18,281.54	3Q03	4.25%	68.12	88.12
	8/1/2003	9/30/2003	60	**Market Interest Payment			(1,503.39)	16,778.15	3Q03	4.25%	117.22	185.33
	9/30/2003	12/31/2003	92	3rd Quarter End		185.33		16,963.49	4Q03	4.07%	174.02	174.02
	12/31/2003	3/31/2004	91	4th Quarter End		174.02		17,137.51	1Q04	4.00%	170.91	170.91
	3/31/2004	6/30/2004	91	1st Quarter End		170.91		17,308.42	2Q04	4.00%	172.61	172.61
	6/30/2004	9/30/2004	92	2nd Quarter End		172.61		17,481.03	3Q04	4.00%	176.25	176.25
	9/30/2004	12/31/2004	92	3rd Quarter End		176.25		17,657.27	4Q04	4.22%	187.82	187.82
	12/31/2004	3/31/2005	90	4th Quarter End		187.82		17,845.09	1Q05	4.75%	209.01	209.01
	3/31/2005	6/30/2005	91	1st Quarter End		209.01		18,054.10	2Q05	5.30%	238.56	238.56
	6/30/2005	8/5/2005	36	2nd Quarter End		238.56		18,292.65	3Q05	5.77%	104.10	104.10
	8/5/2005	8/31/2005	26	Market Payment			(1,361.88)	16,930.78	3Q05	5.77%	69.59	173.69
	8/31/2005	9/30/2005	30	Market Payment			(963.83)	15,966.95	3Q05	5.77%	75.72	249.41
	9/30/2005	12/31/2005	92	3rd Quarter End		249.41		16,216.36	4Q05	6.23%	254.65	254.65
	12/31/2005	3/31/2006	90	4th Quarter End		254.65		16,471.01	1Q06	6.78%	275.36	275.36
	3/31/2006	6/30/2006	91	1st Quarter End		275.36		16,746.37	2Q06	7.30%	304.78	304.78
	6/30/2006	9/30/2006	92	2nd Quarter End		304.78		17,051.15	3Q06	7.74%	332.65	332.65
	9/30/2006	12/31/2006	92	3rd Quarter End		332.65		17,383.80	4Q06	8.17%	357.98	357.98
	12/31/2006	3/31/2007	90	4th Quarter End		357.98		17,741.78	1Q07	8.25%	360.91	360.91
	3/31/2007	6/30/2007	91	1st Quarter End		360.91		18,102.70	2Q07	8.25%	372.35	372.35
	6/30/2007	9/30/2007	92	2nd Quarter End		372.35		18,475.04	3Q07	8.25%	384.18	384.18
	9/30/2007	12/31/2007	92	3rd Quarter End		384.18		18,859.22	4Q07	108.25%	5,145.73	5,145.73
	12/31/2007	3/31/2008	91	4th Quarter End		5,145.73		24,004.95	1Q08	7.76%	464.42	464.42
	3/31/2008	6/30/2008	91	1st Quarter End		464.42		24,489.37	2Q08	6.77%	413.01	413.01
	6/30/2008	9/30/2008	92	2nd Quarter End		413.01		24,882.38	3Q08	5.30%	332.40	

DRAFT

**FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426**

In reply to:
Docket Nos. EL02-18-000
EL00-95-000
EL00-98-000

Daniel J. Shonkwiler
California ISO
151 Blue Ravine Road
Folsom, CA 95630

Dear Mr. Shonkwiler:

(1). On March 4, 2009, pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2008), you filed a Settlement Agreement on behalf of the California Independent System Operator Corporation ("CAISO"), California Power Holdings, LLC ("CPH"), Harbor Cogeneration Company ("Harbor"), and MMC Energy North America, LLC ("MMC") (collectively, "Settling Parties") resolving all issues raised in Docket No. EL02-18-000.

(2). On _____, 2009, Commission Trial Staff filed timely comments [not opposing the Offer of Settlement.] [Additional comments were filed by _____.] The Settlement resolves all outstanding issues in the above-referenced proceeding that were set for hearing and settlement judge proceedings by the Commission in its May 20, 2003 Order, *NEO California Power LLC*, 103 FERC ¶ 61,206 (2003), issued in Docket No. EL02-18-000.

(3). On _____, 2009, the Presiding Settlement Judge [certified the Settlement as an uncontested settlement] [considered all comments in favor and in opposition of the settlement]

(4). The Settlement is in the public interest and is hereby approved. The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

(5). Consistent with the terms of the Settlement Agreement, the Commission directs the California Power Exchange Corporation ("PX") to release funds out of the PX Settlement Clearing Account to CPH, Harbor and MMC as full payment for the principal balance owed for the reliability services they provided to CAISO during the 2001

summer period under Summer Reliability Agreements in the amounts set forth in the Settlement Agreement (the “SRA Principal Receivable Settlement Amount”).

(6). Consistent with the terms of the Settlement Agreement, the PX is directed to pay interest owed on the SRA Principal Receivable Settlement Amount after final refund calculations are completed in Docket Nos. EL00-95 and EL00-98 *et al.* in accordance with the Commission’s Order, *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Servs.*, 121 FERC ¶ 61,067 at P 57 (2007). Within thirty (30) days after receipt of the interest owed, CPH will withdraw its Complaint filed in this proceeding and this Docket No. EL02-18-000 will terminate.

By the direction of the Commission.

Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this 4th day of March, 2009 served this Offer of Settlement and Explanatory Statement in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Anna Pascuzzo

Anna Pascuzzo