ATTACHMENT F

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Pacific Gas and Electric Company	Docket No. ER01-2998-000 Docket No. ER02-358-000
Northern California Power Agency v. Pacific Gas and Electric Company and California Independent System Operator Corporation	Docket No. EL02-64-000

SETTLEMENT AGREEMENT AMONG
PACIFIC GAS AND ELECTRIC COMPANY,
NORTHERN CALIFORNIA POWER AGENCY,
THE CITY OF ROSEVILLE, CALIFORNIA,
THE CITY OF SANTA CLARA, CALIFORNIA AS SILICON VALLEY POWER,
AND THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

I. BACKGROUND AND INTRODUCTION

On August 30, 2001, Pacific Gas and Electric Company ("PG&E") filed a Notice of Termination of the Interconnection Agreement dated September 14, 1983 among it and the Northern California Power Agency ("NCPA") and ten of its member utilities, including the City of Roseville, ("the Current NCPA IA"), and a proposed replacement Interconnection Agreement ("Replacement NCPA IA") among PG&E, NCPA and ten of NCPA's member utilities. NCPA filed a Protest and Motion to Reject that filing on September 28, 2001.

On November 16, 2001, PG&E filed a Notice of Termination of the 1983 Interconnection Agreement between it and the City of Santa Clara, Silicon Valley Power ("SVP") (the "Current SVP IA") and a proposed replacement Interconnection Agreement ("Replacement SVP IA") between PG&E and SVP. SVP filed a Protest and Motion to Reject that filing on December 7, 2001 and an Amended Protest and Request for Rejection on December 10, 2001.

On February 27, 2002, NCPA filed an Emergency Petition For Declaratory Order ("Petition") against PG&E and the California Independent System Operator Corporation ("ISO") seeking, among other relief, a technical conference to resolve disputed issues regarding ongoing contractual rights under agreements other than the Current NCPA IA and operational questions related to the change to ISO Tariff requirements. PG&E and the ISO filed answers to that Petition on March 8 and 11, 2002, respectively.

On March 14, 2002, the Federal Energy Regulatory Commission ("Commission" or "FERC") issued an order conditionally accepting the Notices of Termination and the replacement IAs, suspending their effectiveness until September 1, 2002. That order directed that a technical conference be held to resolve issues regarding the effect of terminating the Current NCPA IA and the Current SVP IA on other agreements involving transmission service to NCPA, Roseville and SVP. On April 18, 2002, the Commission issued a Notice of Technical Conference. That Notice set the technical conference ordered by the Commission's March 14 Order for May 1-3 and May 21-23, 2002, and directed that a list of issues be filed by April 25, 2002.

The other agreements, which are affected or potentially affected by the termination of the Current NCPA and SVP IAs, are: (1) Contract 2948A; (2) the COA; (3) the SOTP; and (4) the Grizzly Agreement, as those agreements are defined in Section II below.

This Settlement Agreement resolves issues related to how NCPA, Roseville and SVP loads and resources will be scheduled following termination and replacement of the Current IAs by the Replacement NCPA IA and the Replacement SVP IA, including how Contract 2948A will continue to be implemented, the assignment of rights and obligations under the COA from PG&E to NCPA, SVP and Roseville regarding the COTP, and how the SOTP and Grizzly

Agreement will continue to be implemented.

II. CERTAIN DEFINITIONS

"Amendment No.4 to the Grizzly Agreement" shall mean the June 5, 2002 Amendment No.4 to the Grizzly Agreement between PG&E and SVP, attached hereto as Appendix A.

"Contract Rate of Delivery" or "CRD" shall mean each customer's allocation of Western resources under Contract 2948A.

"Contract 2948A" shall mean the 1967 contract between the Western Area Power Administration ("Western") and PG&E, as supplemented and amended, on file with the Commission as PG&E Rate Schedule FERC No. 79, for the sale, interchange and transmission of electric capacity and energy as it relates to deliveries to NCPA, SVP and Roseville.

"Coordinated Operations Agreement" or "COA" shall mean the rate schedule among PG&E, Southern California Edison Company, San Diego Gas & Electric Company and the Transmission Agency of Northern California ("TANC") that governs the coordinated operations of the Pacific Intertie and COTP, on file with the Commission as PG&E Rate Schedule FERC No. 146.

"COTP" shall mean the California-Oregon Transmission Project.

"Deemed Delivered" shall mean that, for NCPA Members, Roseville and SVP, the Western CRD deliveries Scheduled by PG&E will be a specific number and will be included in the Logical Meter Calculation as a constant for each scheduling period based on the Final Real-Time Schedules as defined in Section IV.B.5 of this Settlement Agreement.

"Final Real Time Schedules" shall mean a schedule or schedule revision for delivery of energy submitted subsequent to the close of the ISO's deadline for submission of Preferred Schedules for the Hour-Ahead market.

"Grizzly Agreement" shall mean the March 8, 1990 Grizzly Development and

Mokelumne Settlement Agreement by and between Pacific Gas and Electric Company and City of Santa Clara, as amended, on file with the FERC as PG&E FERC First Revised Rate Schedule No. 85.

"Logical Meter Calculation" shall mean a calculation of a type currently accommodated by the ISO using Final Hour-Ahead Schedules, as adjusted for Existing Contracts in accordance with the MSS Agreement, MSS Aggregator Agreement and Settlement Agreement, and actual meter data to determine the net metered Demand (positive or negative) at the boundary of the MSS plus internal Generation less Final Real Time Schedules for Contract 2948A Western deliveries in accordance with the Settlement Agreement.

"MSS Agreements" shall mean the NCPA Metered Subsystem ("MSS") Aggregator Agreement, the Roseville Metered Subsystem Agreement and the SVP Metered Subsystem Agreement, entered into by NCPA, Roseville and SVP, respectively, with the ISO as part of this settlement and attached hereto, respectively, as Appendices B, C, and D.

"NCPA" shall mean the Northern California Power Agency. For purposes of this Settlement Agreement, NCPA is acting on behalf of itself and the ten of its members that are signatories to the Current NCPA IA, specifically the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville and Ukiah, and the Plumas Sierra Rural Electric Cooperative.

"NCPA Members" shall mean, for purposes of this Settlement Agreement, the ten members named in the definition of NCPA, with the exception of the City of Roseville, which is separately addressed in this Settlement Agreement. Under the Specific Agreements, it is the NCPA Members, rather than NCPA itself, which have various entitlements, and the references to NCPA Members are used where this Settlement Agreement discusses those entitlements. SVP, which has its own Current SVP IA and its own entitlements under the Specific Agreements, is also not treated as an NCPA Member for the limited purpose of this Settlement Agreement.

"Obligation" shall mean loads, exports, and inter-Scheduling Coordinator trades out of a Scheduling Coordinator's portfolio.

"Party" or "Parties" shall mean, individually or collectively, PG&E, NCPA, SVP, Roseville and the ISO.

"Resources" shall mean generation, imports, and inter-Scheduling Coordinator trades into a Scheduling Coordinator's portfolio.

"Scheduling Agent" shall mean, for purposes of this Settlement Agreement, the entity that provides Contract 2948A CRD schedules, including Final Real Time Schedules, to PG&E on behalf of NCPA Members, Roseville, and SVP. Initially, the Scheduling Agent for NCPA Members, Roseville and SVP shall be NCPA, which designation may change from time to time.

"SOTP" shall mean PG&E Rate Schedule FERC No. 143, the Principles for Tesla-Midway Transmission Service (SOTP) between PG&E and TANC.

"Specific Agreements" shall mean Contract 2948A, the COA, the SOTP, and the Grizzly Agreement.

Capitalized terms not otherwise defined in this Settlement Agreement shall have the meaning provided in the Master Definitions Supplement to the ISO Tariff, unless otherwise specifically provided herein.

III. EFFECTIVE TERM

A. Replacement IAs

The effective term of this Settlement Agreement, other than in its application to Specific Agreements, as to NCPA, Roseville and PG&E shall be from the date of termination of the Current NCPA IA and the effective date of the Replacement NCPA IA, and as to SVP and

PG&E from the date of termination of the Current SVP IA and the effective date of the Replacement SVP IA, until the termination of the Replacement NCPA IA and Replacement SVP IA, as determined by FERC.

B. MSS Agreements

The effective term of this Settlement Agreement as to the ISO shall be from the effective date of the NCPA MSS Aggregator Agreement, the SVP Metered Subsystem Agreement, and the Roseville Metered Subsystem Agreement, respectively, until the termination of the NCPA MSS Aggregator Agreement, the SVP Metered Subsystem Agreement, and the Roseville Metered Subsystem Agreement, respectively, as determined by FERC.

C. Specific Agreements

The effective term of this Settlement Agreement, as to all Parties, with respect to the implementation of the Specific Agreements described below is as described with respect to each of those Specific Agreements.

IV. DESCRIPTION OF TERMS OF SETTLEMENT AGREEMENT

A. Principles underlying this Settlement Agreement.

1. This Settlement Agreement is contingent upon Commission acceptance of the termination of the Current NCPA IA and Current SVP IA effective September 1, 2002. Further, this Settlement Agreement is contingent upon Commission acceptance of the NCPA MSS Aggregator Agreement, the SVP Metered Subsystem Agreement, the Roseville Metered Subsystem Agreement, and the Metered Subsystem-related provisions of the ISO Tariff, attached hereto as Appendix E, effective September 1, 2002.

2. Except as provided herein for Specific Agreements, NCPA, Roseville and SVP, through their respectively designated SCs, will schedule all Obligations and Resources for their own portfolios, and receive all FERC-approved ISO charges for such scheduling,

Obligations, and Resources, unless otherwise specified in this Settlement Agreement. NCPA Members, Roseville, and SVP SCs will schedule their COTP transactions. PG&E, through its designated SC, will provide schedules that account for the CRD and the associated load for NCPA Members, Roseville and SVP under Contract 2948A, and will receive all FERC-approved ISO charges for such scheduling, will be responsible for real time schedule changes under the terms of the Grizzly Agreement and Amendment No. 4 to the Grizzly Agreement and will act as the Existing Transmission Contract ("ETC") Facilitator for Path 15 for SOTP deliveries, as set out below.

3. This Settlement Agreement makes provision for the continued implementation of the Specific Agreements as between NCPA (and its Members) and PG&E and as between SVP and PG&E, upon the termination of the Current NCPA IA between NCPA and PG&E and the Current SVP IA between SVP and PG&E. This Settlement Agreement shall not affect the rights or entitlements of any other entity who is a signatory to or who receives service under the Specific Agreements, nor is it intended to affect the rights of any entity under any contract not among the Specific Agreements.

4. This Settlement Agreement may need to be revised in the event of ISO changes in its market design, congestion zones, or other changes affecting scheduling (including without limitation termination of the NCPA MSS Aggregator Agreement or either SVP's or Roseville's Metered Subsystem Agreement), or in the event any party to this Settlement Agreement elects to join a Regional Transmission Organization or another control area. In the event of such changes, the Parties will meet and confer to consider whether changes to this Settlement Agreement are required, and shall make necessary changes to the Settlement Agreement as mutually agreed. If agreement cannot be reached as to the need for or nature of

possible future revisions, any Party may seek arbitration of any resulting dispute under the dispute resolution provisions of the Replacement IAs or under the dispute resolution provisions of the ISO Tariff, to the extent applicable to the dispute.

B. Western Contract 2948A

1. There is a dispute between PG&E on the one hand and NCPA, Roseville, and SVP on the other regarding real-time scheduling rights under Western Contract 2948A following termination of the Current NCPA and SVP IAs. As a compromise and resolution of that dispute, PG&E agrees that NCPA Members, Roseville and SVP will have real time scheduling timeline rights only for the purposes of serving NCPA Member, SVP and Roseville loads, as described further below, through December 31, 2004.

2. Specifically, pursuant to this Settlement Agreement, NCPA Members, Roseville and SVP, through their designated Scheduling Agent(s), shall have the following real time scheduling timeline rights to adjust their Contract 2948A CRD schedules, through December 31, 2004. Once the active half hour has begun, NCPA Members, Roseville and SVP may adjust their Contract 2948A schedules one time during the first 20 minutes of the active half-hourly scheduling period and PG&E, NCPA, Roseville, and SVP shall agree upon operating and settlement procedures including, but not limited to, providing PG&E with Day-Ahead and Hour-Ahead Schedules for the Western CRD.

3. During such time that NCPA is designated as the Scheduling Agent for NCPA Members, Roseville and SVP for purposes of this Settlement Agreement, NCPA shall provide separate Day-Ahead and Hour-Ahead Schedules for scheduling the Western CRD into the ISO's markets. NCPA, as the Scheduling Agent for NCPA Members and Roseville, may manage real-time scheduling changes as one combined schedule in the same manner as has been the case since implementing real-time scheduling of Western CRD, and the NCPA Members and

Roseville shall be subject to the MW cap limitations and applicable charges specified in Section IV.B.6 on a combined basis.

4a. PG&E will provide schedules that account for NCPA Members', Roseville's and SVP's Western CRD and the load associated with that Western CRD to the ISO, in accordance with the then-applicable ISO Tariff timelines.

4b. PG&E, NCPA Members, Roseville and SVP, through their respectively designated Scheduling Coordinators ("SCs"), will arrange for delivery, through SC to SC trades, of all Western transactions other than Western CRD schedules in accordance with the then-applicable ISO timelines.

5. The NCPA Member, Roseville and SVP load associated with their CRDs under Contract 2948A remains in PG&E's scheduling portfolio and PG&E continues to pay all ISO charges with respect to this service without prejudice to its rights to seek recovery of any such charges, as set forth in Sections IV.B.7 and IV.B.8 below. The designated SCs for PG&E, NCPA Members, Roseville and SVP will submit Logical Meter Calculations to the ISO for approval. PG&E, Roseville, NCPA and SVP will utilize the Logical-Meter Calculation to permit the load met by Contract 2948A CRD power to be reported by PG&E to the ISO. Western CRD-related load values will be the Final Real-Time Schedules submitted by the Scheduling Agents of NCPA Members, Roseville, and SVP under this Settlement Agreement, and are Deemed Delivered.

5a. The ISO charges will be based on the ISO Tariff. For purposes of determining PG&E's ISO charges, any changes made by the designated Scheduling Agent for NCPA Members, Roseville and SVP associated with real-time scheduling will be considered deviations from PG&E's Final Hour-Ahead Schedules for ISO settlement purposes.

6. Subject to Section IV.B.3, PG&E, NCPA Members, Roseville and SVP agree to a cap on real-time schedule changes, as described below.

6a. PG&E, NCPA Members, Roseville and SVP agree to establish a scheduling change megawatt cap ("MW cap") for the real-time scheduling of their Contract 2948A CRDs. The MW cap does not prevent NCPA Members, Roseville or SVP from maximizing their use of their respective Western CRD allocations to follow their loads in real time. The MW cap addresses the allocation of ISO costs among PG&E, NCPA Members, Roseville and SVP.

6b. If NCPA Members, Roseville or SVP exceed their respective MW caps, then they will be responsible for ISO charges associated with that portion of the schedule change that exceeds the MW cap for the associated scheduling period(s), in accordance with Section IV.B.6e below. PG&E is responsible for all ISO charges associated with changes at or below the MW cap. The ISO will invoice PG&E for the real-time changes and PG&E will invoice, and NCPA Members, Roseville, SVP and PG&E will settle, the amounts associated with that portion of any real-time schedule change that exceeds the MW cap.

6c. During normal operations, the combined Western CRD MW cap for NCPA Members and Roseville for a real-time scheduling change is 40 MW.

6d. During normal operations, SVP's Western CRD MW cap for a real-time scheduling change is 17 MW.

6e. There is only one MW cap for SVP and one MW cap for NCPA Members and Roseville combined that applies to real time scheduling changes to their respective CRD deliveries. If the real-time scheduling changes exceed the agreed upon MW cap, to the extent the MW cap is exceeded, the Scheduling Agent for NCPA Members, Roseville and SVP and PG&E

will share proportionately in any payment from PG&E due to the ISO and any revenue due PG&E from the ISO as a result of the load imbalance (sharing agreement). In the event the real time change in the CRD schedules is due to Western curtailment orders, the Scheduling Agent must notify PG&E of any such order within 30 minutes of being notified by Western for the sharing agreement to be in effect.

7. PG&E reserves any Federal Power Act Section 205 rights it may have against Western to seek recovery of any and all charges PG&E receives from the ISO under Contract 2948A.

8. PG&E agrees not to exercise any Section 205 rights it may have to terminate the real-time scheduling rights afforded through December 31, 2004 under this Settlement Agreement.

9. The effective term of this Settlement Agreement for Contract 2948A shall be through December 31, 2004.

C. COTP

1. Following termination of the Current NCPA IA and Current SVP IA, the designated SC for NCPA Members, Roseville and SVP, which shall be an entity other than PG&E, will schedule their COTP entitlements and any related load or exports as described in this Settlement Agreement. COTP transactions will be scheduled in the portfolios of the designated SCs for NCPA Members, Roseville, and SVP and applicable ISO charges will be settled in accordance with the NCPA MSS Aggregator Agreement, the Roseville Metered Subsystem Agreement and the SVP Metered Subsystem Agreement, respectively. The Parties recognize that applicability of ISO fees, costs, and protocols to schedules that use contract rights over transmission facilities, including COTP, that are in the ISO Control Area but that are not part of

the ISO Controlled Grid, are matters on which the Parties do not agree. The Parties also recognize that decisions may be issued in the future that may resolve these matters. The Parties will comply with any such applicable decisions where FERC or a court of competent jurisdiction renders them. Nothing in this Settlement Agreement is intended to prejudice the positions of the parties, including the Parties to this Settlement Agreement, in FERC Docket No. EL02-45 or any other proceedings with respect to the issue of the applicability or allocation of ISO charges for transactions using non-ISO Controlled Grid facilities.

2. The COA is an Encumbrance that the ISO will honor for the remainder of its term, in accordance with the ISO Tariff and Commission orders. PG&E represents that since the COA was developed and filed with FERC, NCPA Members, Roseville, and SVP were permitted under the COA to make schedule changes up until thirty (30) minutes before the active hour.

3. PG&E will transfer its practice of providing, and any associated rights to provide, to the ISO transaction information under the COA regarding NCPA Members, Roseville, and SVP use of the COTP to NCPA Members, Roseville, and SVP, or their designated SCs. PG&E is not conceding by this Settlement Agreement that it has any obligation to provide COTP transaction information to the ISO.

4. PG&E and the ISO will transfer or assign COTP contract reference numbers ("CRNs") from PG&E's PGAB scheduling portfolio to the portfolio of NCPA Members', Roseville's and SVP's designated SC.

5. The Parties, in conjunction with Section IV.C.8 below, shall cooperate with each other regarding layoffs, in the short and long term, of COTP participants' COTP allocations. This obligates the Parties to effectuate layoffs by either (a) adjustments to CRNs

according to ISO procedures for long term layoffs or (b) by the Parties' SC's scheduling the import or export on the existing CRN and performing the SC to SC trades of both energy and ancillary services to effectuate such layoffs in the short term. The ISO will continue to provide PG&E with the ISO's understanding of the shares of COTP rights for NCPA Members, Roseville and SVP being laid off among those entities. In addition, NCPA Members, Roseville and SVP will notify PG&E of all such layoffs effectuated under this Section IV. C.5. Layoffs among COTP participants using the same CRN shall not require such procedures.

6. The ISO, pursuant to the transfer of PG&E's practice of providing scheduling information, and any associated rights under the COA, and in accordance with the ISO Tariff and Commission orders, agrees to permit the designated SC for NCPA Members, Roseville and SVP to make schedule changes up to thirty (30) minutes before the active hour and the ISO, NCPA, Roseville, and SVP will agree on protocols to continue such closer to real time scheduling.

7. The designated SC for NCPA Members, Roseville and SVP shall assume responsibility for all applicable ISO charges related to the scheduling of their COTP transactions on the ISO Controlled Grid. The Parties agree that Section IV.C.1 of this Settlement Agreement sets forth how responsibilities for charges related to non-ISO Controlled Grid transactions will be assumed. In any event, the designated SC for NCPA Members, Roseville and SVP shall be responsible, as provided in this Section IV.C.7, from the effective date of this Settlement Agreement.

8. This resolution of the scheduling issues for NCPA Members, Roseville and SVP regarding their COTP transactions will have no impact on any other COTP participant or to PG&E in relation to such other COTP participants' COTP transactions. PG&E will not

report any load in any PG&E SC portfolio associated with NCPA Members, Roseville and SVP transactions using the COTP.

9. The effective term of this Settlement Agreement for the COTP transactions under the COA shall be for the term of the COA and, with respect to the ISO, for the term of the COA in accordance with the ISO Tariff and Commission orders.

D. SOTP

1. The SOTP will continue in effect beyond the termination of the Current NCPA IA and the Current SVP IA. Because of, in part, this continuity and because the SOTP was implemented in part by certain terms and conditions in the Current IAs, it is necessary to make provisions in this Settlement Agreement for, among other things, specific transmission paths, including points of receipt and delivery, and rates for transmission service provided to NCPA Members Roseville and SVP pursuant to the SOTP.

2. The term of the arrangements set forth herein for the use of South of Tesla transmission service by NCPA Members, Roseville and SVP shall be for the term of the SOTP.

3. Nothing in this Settlement Agreement will impair the rights, nor affect the obligations of the parties to the SOTP that are not Parties to this Settlement Agreement.

4. Nothing in this Settlement Agreement will affect the Existing Contract status of the SOTP, including the current exemption from ISO congestion charges for transmission service currently provided pursuant to the SOTP, or future SOTP transmission service as provided under this Settlement Agreement, provided that the ISO continues to exempt Existing Contracts from congestion charges in accordance with the ISO Tariff and Commission orders.

5. For NCPA Members, Roseville and SVP, this paragraph describes the service set out in Paragraph 2.4 of the SOTP entitled "Points of Receipt and Delivery". NCPA

Members, Roseville and SVP will continue to receive that firm bi-directional SOTP transmission service in the amount of their respective allocations of TANC's SOTP entitlement as follows:

a. From Midway to each NCPA Member, Roseville or SVP,
b. From each NCPA Member, Roseville or SVP to Midway,
c. From Midway to the COTP Southern Terminus/Tesla Substation for delivery onto the COTP,
d. From the COTP Southern Terminus/Tesla Substation to Midway for receipt from the COTP.

The simultaneous sum of a and c above for NCPA Members, Roseville or SVP, respectively, shall not exceed NCPA Members', Roseville's or SVP's allocation of TANC's SOTP entitlement. Similarly, the simultaneous sum of b and d above for NCPA Members, Roseville or SVP, respectively, shall not exceed NCPA Members', Roseville's or SVP's allocation of TANC's SOTP entitlement.

6. For the transmission services provided in Section IV.D.5, above, involving NCPA Members', Roseville's and SVP's loads, the ISO will bill, and NCPA Members, Roseville and SVP will pay the applicable Wheeling Access Charge(s) in accordance with Section 7.1 of the ISO Tariff as amended, provided that NCPA Members, Roseville and SVP are not Participating Transmission Owners.

7. NCPA Members, Roseville and SVP will provide to the ISO and PG&E an annual forecast for their next calendar year, by month, by October first of each year, of their expected SOTP allocations. Upon implementation of this Settlement Agreement, PG&E will bill TANC only for that portion of SOTP transmission service allocated to and used by TANC Members other than NCPA Members, Roseville and SVP. It is recognized by all parties hereto that the allocation of TANC's SOTP entitlement may be adjusted or reallocated among TANC's members on a monthly basis and that the allocation to NCPA Members, Roseville and SVP may

increase or decrease requiring adjustments to the bills for SOTP service provided to TANC, in accordance with Section IV.D.5 above, and provided further that the ISO must be notified of such adjustments fourteen days prior to implementation.

8. PG&E will maintain its role as ETC Facilitator for Path 15 as set forth in the Path 15 Operating Instructions. In this role, PG&E will receive and deliver energy under Sections IV.D.5.a., b., c. and d. above for NCPA Members, Roseville and SVP solely to transfer their energy across Path 15 using NCPA Members', Roseville's and SVP's respective allocations of TANC's SOTP entitlement. PG&E will take delivery of energy from, or deliver energy to, NCPA Members, Roseville and SVP, or their designated SCs, via an SC to SC trade in the zone in which Midway Substation is located (currently ZP26). PG&E will trade this energy back to, or take receipt from, NCPA Members, Roseville and SVP, or their designated SCs, via SC to SC trades at either: 1) the Zone(s) where NCPA Members, Roseville and SVP have a point of interconnection with PG&E; or 2) the zone where the COTP Southern Terminus/Tesla Substation is located (currently NP15). The determination of the zones, specified in 1) and 2) above, and the MW values to be traded shall be designated by NCPA Members, Roseville and SVP.

9. In the event that the ISO establishes new congestion zones which result in the COTP Southern Terminus/Tesla Substation and PG&E's points of interconnection with NCPA Members, Roseville and SVP being in different zones, the Parties will be obliged by this Settlement Agreement to negotiate in good faith in an attempt to make arrangements which enable the scheduling of these services to remain exempt from congestion charges (such as creating new Contract Reference Numbers, or "CRNs").

10. The designated SCs of NCPA Members, Roseville and SVP will be

responsible for applicable costs associated with providing SOTP transmission service; provided, however, that as long as the SOTP is recognized by the FERC as an Existing Contract, transactions conducted pursuant to the SOTP shall be exempt from any congestion charges; provided further, however, that nothing in this Settlement Agreement limits PG&E's rights under the SOTP or the ISO's rights under the ISO Tariff to seek changes in rates pursuant to a filing with FERC under Section 205 of the Federal Power Act.

11. The Parties recognize that the applicability of PG&E and ISO fees, costs, and protocols to schedules that use Existing Contract rights for transmission service under the SOTP and the scope of the obligation of PG&E to provide such services are matters on which the parties do not agree. Nothing in this Settlement Agreement is intended to result in a waiver of , or otherwise prejudice, the rights of any party to seek resolution of any dispute arising under the SOTP respecting the applicability of fees, costs and protocols imposed by either PG&E or the ISO or the scope of PG&E obligation to provide such service.

E. Other Matters

1. Roseville will not be a party to the NCPA Replacement IA, because Roseville is connected only to Western, not to PG&E.

2. Upon termination of the SVP IA, implementation of the Grizzly Agreement shall be accomplished through Amendment No. 4 to the Grizzly Agreement, which is attached hereto as Appendix A. The effective term of this arrangement for the Grizzly Agreement shall be for the term of the Grizzly Agreement, or for the term of Amendment No. 4 to the Grizzly Agreement, should such amendment terminate prior to the termination of the Grizzly Agreement.

3. This Settlement Agreement is one component of a comprehensive package

that includes: (1) this Settlement Agreement; (2) the Metered Subsystem Agreements between Roseville and the ISO and SVP and the ISO; (3) the MSS Aggregator Agreement between NCPA and the ISO; (4) the revised ISO Tariff language reflecting the changes in Metered Subsystem terms and conditions; (5) Amendment No. 4 to the Grizzly Agreement; and (6) the Replacement IAs between PG&E and NCPA and between PG&E and SVP. Each Party reserves its rights to withdraw its respective offer of settlement as set forth in this Settlement Agreement in the event any element of this comprehensive package is materially modified in a manner unacceptable to any such Party. The Parties agree, however, that they will attempt, in good faith, to negotiate changes to this settlement package in the event of any such unacceptable material modification. In the event the Parties cannot reach agreement on any such changes, each Party retains all of its rights and remedies as if this Settlement Agreement had not been executed.

4. Upon a showing that the circumstances with respect to the rights or obligations of the Parties under this Settlement Agreement or any of the Specific Agreements, extant as of the Effective Date of this Settlement Agreement, have significantly changed, any Party may seek revisions to the Settlement Agreement or any of the Specific Agreements pursuant to Section 206 of the Federal Power Act under the just and reasonable standard to reestablish the balance of burdens and benefits among the Parties which existed as of the Effective Date of this Settlement Agreement. In any such Section 206 complaint proceeding, the complaining Party may seek an effective date for its proposed revisions no earlier than seven months after the filing of its complaint and no Party will oppose such proposed effective date. Nothing in this Settlement Agreement shall affect in any way the authority of the ISO to modify unilaterally the ISO Tariff in accordance with Section 19 of the ISO Tariff.

5. The Parties recognize that the ISO will, concurrent with the filing of this

Settlement Agreement, make a filing pursuant to Section 205 of the Federal Power Act with FERC of the NCPA MSS Aggregator Agreement (attached as Attachment "B"), the Roseville Metered Subsystem Agreement (attached as Attachment "C"), the SVP Metered Subsystem Agreement (attached as Attachment "D"), and the revised ISO Tariff language reflecting the changes in MSS terms and conditions (attached as Attachment "E"). The Parties to this Settlement Agreement agree to support or not oppose a filing that incorporates the ISO Tariff provisions and agreements in the form attached; however, the Parties may intervene and participate in any FERC or appellate proceeding regarding this filing.

6. The Parties recognize and acknowledge that PG&E is not a Party to the NCPA MSS Aggregator Agreement, the SVP Metered Subsystem Agreement or Roseville Metered Subsystem Agreement and nothing therein modifies the term of, or any other rights or obligations contained in, the Replacement NCPA IA or the Replacement SVP IA included as part of this settlement package. Similarly, the Parties recognize and acknowledge that the ISO is not a Party to the Replacement NCPA IA or the Replacement SVP IA or the Specific Agreements and nothing contained therein modifies the term of, or any other rights and obligations contained in, the NCPA MSS Aggregator Agreement, the SVP Metered Subsystem Agreement or the Roseville Metered Subsystem Agreement.

7. The Parties agree that nothing in this Settlement Agreement is intended to affect PG&E's rights to seek to allocate Reliability Must Run ("RMR") costs among its customers, including the Parties to this Settlement Agreement. All Parties reserve the right to challenge on any grounds any allocation of such RMR costs, but all Parties agree that neither this Settlement Agreement nor the MSS Agreements being filed herewith creates an exemption, express or implied, from responsibility for RMR costs for any entity. All Parties further agree

that they will not refer to, cite, rely upon, or use in any way, the MSS Agreements or this Settlement Agreement in any future FERC proceeding relating to the allocation of or responsibility for RMR costs.

8. Pursuant to Section 9.5.3(d)(ii)(A) of the Current NCPA IA and Section 9.5.3(b)(ii) of the Current SVP IA, NCPA and SVP were required to furnish "additional security" for the term of those agreements. Neither NCPA nor SVP is presently in default of any obligation under the Current NCPA or SVP IAs. Within three (3) business days of the date when the FERC issues an order establishing the date when the Current NCPA or SVP IA will terminate, PG&E shall provide to the trust account agent at US Bank, as to NCPA, and at the Bank of the West, as to SVP, a letter informing each bank of the date of the termination of the respective current IA and containing all necessary instructions, permissions or authorizations for each bank to release the security back to NCPA or SVP, as appropriate, as of that termination date (or on the earliest date thereafter that the transaction can be accommodated), in order to allow NCPA and SVP, to the extent possible, to transition between the Current NCPA and SVP IA security requirements and the security requirements of the NCPA MSS Aggregator Agreement and the SVP Metered Subsystem Agreement without duplication. All ISO MSS related security requirements shall be in accordance with the ISO Tariff.

9. This Settlement Agreement may be executed in counterpart.

V. CONDITIONS OF SETTLEMENT

A. This Settlement Agreement is made upon the express understanding that it constitutes a negotiated settlement, and it shall not be cited as precedent or be deemed to bind any Party (except as otherwise expressly provided for herein), in any future proceeding, including but not limited to, any FERC or California Public Utilities Commission proceeding.

B. This Settlement Agreement is intended to be accepted by the Commission as a binding agreement on the Parties.

C. The Parties request that FERC determine the procedure it would like the Parties to follow to resolve the issues that have been raised in these Dockets concerning the firmness of transmission rights and right to be exempted from congestion charges under the Stanislaus Commitments.

D. The parties request that FERC determine the procedure it would like the parties to follow to resolve the rate pancaking issue raised by Roseville in this proceeding provided, however, that as part of that procedure, all parties would be free to make any counter arguments, including contentions that this issue is in other dockets.

Respectfully Submitted,

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