

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

California Independent System Operator)
Corporation) Docket No. ER07-1188-000

**ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO MOTIONS TO INTERVENE**

Pursuant to Rule 213 of Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 385.213 (2006), the California Independent System Operator Corporation (“CAISO”) submits the following answer to the motions to intervene and comments submitted in response to the CAISO’s Notice of Termination of the SWPL Operations Agreement (“Operations Agreement”), Original Rate Schedule FERC No. 60, which was filed on July 23, 2007, in the above-identified docket.¹

I. Introduction & Background

As discussed in the transmittal letter for the Notice of Termination, the Operations Agreement effectuated a settlement between the CAISO and San Diego Gas & Electric Company (“SDG&E”) that resolved protracted litigation related to the CAISO’s assessment of rates and charges to certain transactions on the Southwest Powerlink (“SWPL”) transmission line. Subsequent to that settlement, a series of decisions by the U.S. Court of Appeals and the Commission resulted in SDG&E being

¹ Capitalized terms not otherwise defined herein have the same meaning as set forth in the CAISO Tariff, Appendix A, Master Definitions.

authorized to recover through its Transmission Revenue Requirement the SWPL cost differentials that had been addressed in the settlement. By the terms of the settlement, the authorization for SDG&E to recover the SWPL cost differentials caused the settlement to unwind and the Operations Agreement to expire by its own terms. The CAISO accordingly filed the Notice of Termination in this proceeding to terminate the Operations Agreement, effective at the end of the Trading Day, September 30, 2007.

On August 13, 2007, SDG&E and Modesto Irrigation District filed Motions to Intervene in this matter, and Arizona Public Service Company and Imperial Irrigation District, which are co-owners of the SWPL transmission line ("Co-owners") with SDG&E, filed a Joint Motion to Intervene and Comments.

II. Answer

None of the parties seeking intervention in this proceeding have protested or included comments in their motions that otherwise object to the CAISO's Notice of Termination. The CAISO does not oppose the intervention of these parties and submits this response only to clarify the two points discussed below. The CAISO requests that the absence of a substantive objection by the parties be taken into account by the Commission in accepting the Notice of Termination.

The first point of clarification relates to SDG&E's statement that it is reserving the right to review and verify adjustments related to reversal of the SWPL settlement once the CAISO makes its compliance filing applicable to Other Market Charges, FERC Fees, and interest.² No such compliance filing will be necessary in this proceeding. The Operations Agreement became effective on June 1, 2005 and will terminate on a

² Motion to Intervene of SDG&E, p.2.

future date, requested to be the end of the Trading Day of September 30, 2007. The Line Operator Charge that SDG&E paid under the Operations Agreement during its term will not be refunded or reversed, nor will termination of the agreement affect the other charges listed in SDG&E's motion. Termination will not result in any resettlement of these charges. As a consequence, the Commission's acceptance of the Notice of Termination will not give rise to the compliance obligation SDG&E assumes.

If SDG&E is instead reserving the right to review reversal of the SWPL settlement for the historic settlement period, those adjustments pre-date the effective date of the Operations Agreement and are not relevant to this proceeding. Further, the CAISO has already made its compliance filing for the historic settlement period. Pursuant to Paragraph 7 of the Commission's "Order Approving Uncontested Settlement," issued on September 22, 2005 in Docket No. ER04-115-007, the CAISO on July 2, 2007 submitted the necessary compliance report to the Commission.

The second point of clarification relates to the Co-Owners' reservation of rights to contest any attempt by the CAISO to assert operational control over the shares of SWPL they own or to pass through to the Co-Owners any charges that the CAISO levies on SDG&E as the Scheduling Coordinator for APS and IID transactions on their ownership shares. Although the CAISO is hopeful that a disagreement with the Co-owners will not occur, the Co-Owners are of course entitled at any time to challenge CAISO charges that they believe are outside the CAISO's authority. Nothing in the termination of the Operating Agreement affects that ability. The Co-Owners' unnecessary reservation of rights is simply not germane to this proceeding.

III. Conclusion

Consistent with the foregoing discussion, the CAISO requests that the Commission accept the Notice of Termination.

Respectfully submitted,

/s/Beth Ann Burns

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Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010). Dated this 28th day of August, 2007 at Folsom, California.

/s/ Beth Ann Burns

Beth Ann Burns