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REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME

October 21, 2005

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER05-150-____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ submits six copies of the present filing in compliance with the Commission's September 23, 2005 order in the captioned docket, 112 FERC ¶ 61,324 ("September 23 Order").

The September 23 Order directed the ISO to include, in the Small Utility Distribution Company ("SUDC") Operating Agreement between the ISO and Trinity Public Utility District ("Trinity") that was filed and approved (subject to modification) in the captioned proceeding, the provisions contained in Section 4.7 of the *pro forma* Utility Distribution Company Operating Agreement concerning Critical Protective Systems. September 23 Order at P 25. The ISO and Trinity

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

have entered into Amendment No. 1 to the SUDC Operating Agreement to comply with the Commission's directive, and have additionally revised the listing of contacts for notices in Schedule 3.

Included in a separate volume along with the enclosed SUDC Operating Agreement, pursuant to Commission Order Nos. 630 and 630-A,² is a sealed copy of the non-public portions of the SUDC Operating Agreement, specifically, the operational contacts portions of Schedule 3. The ISO is seeking privileged treatment for this portion of Schedule 3 under 18 C.F.R. § 388.112 because it contains confidential telephone numbers of operating personnel, the public disclosure of which could unnecessarily reveal sensitive information. Therefore, the ISO submits that these materials should be exempt from public exposure and should be granted privileged treatment.

Amendment No. 1 to the SUDC Operating Agreement is provided in Attachment A to the present filing. The changes described above are incorporated into the public version of the revised version of the SUDC Operating Agreement provided in Attachment B to the present filing, and are shown in black-line format in the public version in Attachment C to the present filing.

The filing also includes a separate volume that contains the non-public portions of the SUDC Operating Agreement described above.

² *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. and Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. and Regs. ¶ 31,147 (2003).

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Two additional copies of this filing are enclosed to be date-stamped and returned to our messenger. If there are any questions concerning the filing, please contact the undersigned.

Respectfully submitted,

Charles F. Robinson
General Counsel
John Anders
Corporate Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
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ATTACHMENT A

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR
AND
TRINITY PUBLIC UTILITIES DISTRICT**

**AMENDMENT NO. 1 TO THE
SMALL UTILITY DISTRIBUTION COMPANY OPERATING AGREEMENT**

THIS AMENDMENT NO. 1 is dated this 19th day of October, 2005 and is entered into, by and between:

(1) **Trinity Public Utilities District**, a California public utilities district having its registered and principal place of business located at P.O. Box 1216, Weaverville, California 96093 ("Trinity");

and

(2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

Trinity and the ISO are hereinafter referred to individually as "Party" or collectively as the "Parties."

Whereas:

- A. The Parties are signatories to the Small Distribution Company Operating Agreement dated May 19, 2005 (the "Agreement"), which Agreement became effective in accordance with its terms on May 26, 2005.
- B. The Parties desire to amend the Agreement to add a new Section 4.7, as directed in the order of the Federal Energy Regulatory Commission ("FERC") issued September 23, 2005 in FERC Docket No. ER05-150-000, and to revise the "Contacts for Notices" information in Schedule 3.
- C. In all other respects, the Parties intend that the Agreement remain in full force and effect in accordance with its terms.

NOW THEREFORE, **THE PARTIES AGREE** as follows:

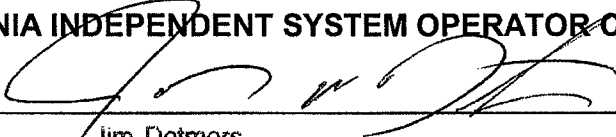
- 1. **Effective Date.** This Amendment No. 1 shall be effective on the date made effective by FERC.

2. **Termination.** The provisions of this Amendment No. 1 shall remain in full force and effect, unless subsequently amended, until the termination of the Agreement.
3. **Amendment to the Agreement.** The Agreement shall be amended as follows:
 - 3.1 Existing Section 4.7 is renumbered to Section 4.8 and a new Section 4.7 is added to the Agreement to read as follows:


“4.7 The SUDC shall (in accordance with Section 11.2 of this Operating Agreement) notify the ISO as soon as is reasonably practicable of any condition that it becomes aware of that may compromise the ISO Controlled Grid Critical Protective Systems.”
 - 3.2 The listing of “Contacts for Notices” in Schedule 3 of the Agreement is deleted in its entirety and the listing of “Contacts for Notices” attached to this Amendment No. 1 is substituted in its place.
4. This Amendment No. 1 constitutes the complete and final agreement of the Parties with respect to the purpose of this Amendment No. 1 as described in the Recitals hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter.
5. Except as expressly modified in this Amendment No. 1, the Agreement shall remain in full force and effect in accordance with its terms, and the unmodified provisions of the Agreement shall apply to any new rights and/or obligations established by this Amendment No. 1.
6. This Amendment No. 1 may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: 
Name: Jim Detmers
Title: Vice President, Grid Operations
 Acting Chief Operations Officer
Date: 10/19/05

TRINITY PUBLIC UTILITIES DISTRICT

By: 
Name: Rick Coleman
Title: General Manager
Date: October 18, 2005

CONTACTS FOR NOTICES**SUDC**

Name of Primary

Representative: Rick Coleman
Title: General Manager
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: rcoleman@trinitypud.com
Phone: (530) 623-4564
Fax No: (530) 623-5549

Name of Alternative

Representative: Andy Lethbridge
Title: Electric Superintendent
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: alethbridge@trinitypud.com
Phone: (530) 623-4564
Fax No: (530) 6923-5549

ISO**Name of Primary**

Representative: Michael D. Dozier
Title: Lead Contracts Negotiator
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: mdozier@caiso.com
Phone: (916) 608-5708
Fax No: (916) 351-2487

Name of Alternative

Representative: Philip D. Pettingill
Title: Manager of Infrastructure Policy & Contract Negotiation
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: ppettingill@caiso.com
Phone: (916) 608-7241
Fax No: (916) 351-2264

ATTACHMENT B

**SMALL UTILITY DISTRIBUTION COMPANY OPERATING AGREEMENT
WITH
TRINITY PUBLIC UTILITY DISTRICT**

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

TRINITY PUBLIC UTILITIES DISTRICT

**SMALL UTILITY DISTRIBUTION
COMPANY OPERATING AGREEMENT**

**SMALL UTILITY DISTRIBUTION COMPANY
OPERATING AGREEMENT**

THIS OPERATING AGREEMENT is dated this 19th day of May, 2005 and is entered into, by and between:

- (1) **Trinity Public Utilities District**, a California public utilities district having its registered and principal place of business located at P.O. Box 1216, Weaverville, California 96093 (the "SUDC");
and
- (2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

The SUDC and the ISO are hereinafter referred to individually as "Party" and collectively as "Parties".

Whereas:

- A. The purpose of this Operating Agreement is to establish the rights and obligations of the SUDC and the ISO with respect to the SUDC's Facilities interconnected with the ISO Controlled Grid and the SUDC's cooperation and coordination with the ISO regarding reliability and the operational control of the ISO Controlled Grid and the SUDC's Distribution System.
- B. The SUDC owns and operates a small Distribution System within the ISO Control Area subject to the authority of a Local Regulatory Authority.
- C. The SUDC wishes to receive and transmit Energy and/or Ancillary Services to and/or from the ISO Controlled Grid under the terms and conditions set forth in the ISO Tariff.
- D. The ISO has certain statutory obligations under California law to maintain the reliability of the ISO Controlled Grid.
- E. The Parties recognize that while a single SUDC has little or no ability to materially, adversely affect reliability of the ISO Controlled Grid or the ISO Control Area, the SUDC agrees to support and be part of the coordinated response to System Emergencies and to reliability concerns relating to the ISO Control Area as set forth in this Operating Agreement.
- F. This Operating Agreement obligates the SUDC to comply with the sections of the ISO Tariff, the ISO Operating Procedures and the ISO Specifications specified in this Operating Agreement.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATION**

1.1 Master Definitions Supplement. Unless defined in Section 1.2 of this Operating Agreement, all defined terms and expressions used in this Operating Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

1.2 Special Definitions for this Operating Agreement. In this Operating Agreement, the following words and expressions shall have the meanings set opposite them:

“ISO Specifications” means those standards pertaining to the areas of operation listed in Article IV of this Operating Agreement and listed in Schedule 6, approved by the ISO to establish detailed technical performance and reliability parameters at the ISO Controlled Grid and SUDC Interconnection, associated with the ISO Tariff, as those standards may be amended from time to time.

“ISO Operating Procedures” means those procedures pertaining to the areas of operation listed in Article IV of this Operating Agreement and listed in Schedule 9, created by the ISO to establish detailed operating procedures at the ISO Controlled Grid and SUDC Interconnection, associated with general provisions required in the ISO Tariff, as those standards may be amended from time to time.

“SUDC Facilities” shall have the meaning accorded to such term as provided in Section 3.2 of this Operating Agreement.

1.3 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Operating Agreement:

- (a) if there is any inconsistency between this Operating Agreement and the ISO Tariff, the ISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Operating Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference in this Operating Agreement to a given agreement, instrument or the ISO Tariff shall be a reference to that agreement, instrument or the ISO Tariff as modified, amended, supplemented or restated through the date as of which such reference is made;

- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and the captions and headings in this Operating Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Operating Agreement.

ARTICLE II TERM AND TERMINATION

2.1 Effective Date. This Operating Agreement shall be effective as of the date it is accepted for filing and made effective by the FERC and shall remain in full force and effect until the earlier of the termination date, the termination of the Transmission Control Agreement or such other date as the Parties shall mutually agree. With respect to any such termination, the ISO must file a timely notice of termination with FERC, and this Operating Agreement shall terminate on the date FERC permits such a notice of termination to be effective.

2.2 Termination Date.

2.2.1 Termination by Default. Either Party (the terminating Party) may terminate this Operating Agreement by giving written notice in the event that the other Party (the defaulting Party) commits any default under this Operating Agreement and/or the ISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article X of this Operating Agreement.

2.2.2 Failure To Meet SUDC Definition. Failure of a SUDC to satisfy the ISO Tariff definition of a SUDC shall be grounds for the ISO to terminate this Operating Agreement. In the event the ISO believes the SUDC no longer satisfies the ISO Tariff definition of a SUDC, the ISO shall provide written notification of the same to the SUDC and the SUDC shall have 60 days to respond. Following the 60-day response period and regardless of the position of the SUDC, if the ISO believes the SUDC no longer satisfies the ISO Tariff definition of a SUDC regardless of

the response, the ISO may file a notice of termination with FERC in accordance with Section 2.2.3.

- 2.2.3 Filing.** With respect to any notice of termination given pursuant to this Section 2.2, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request by either Party to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request. This Operating Agreement shall terminate on the date FERC permits such a notice of termination to be effective.

ARTICLE III GENERAL TERMS AND CONDITIONS

- 3.1 SUDC Responsibilities.** The SUDC will be responsible to operate and maintain its SUDC Facilities in accordance with applicable reliability standards, statutes, and regulations and Good Utility Practice so as to avoid any material adverse impact on the reliability of the ISO Control Area and the ISO Controlled Grid.
- 3.2 Interconnection and SUDC Facilities.** Schedule 1 sets forth the SUDC's Generating Units, if any, and those facilities that comprise the interconnection of the SUDC Distribution System and the ISO Controlled Grid. These facilities will be considered the "SUDC Facilities" and, except as otherwise expressly provided, the provisions of this Operating Agreement shall apply only to such SUDC Facilities.
- 3.3 Non-SUDC Facilities.** To assist the ISO in cataloging non-SUDC facilities located in the ISO Control Area and for information purposes only, Schedule 2 sets forth any non-SUDC Generating Units or other facilities that are interconnected to the SUDC Distribution System. Such non-SUDC facilities are not owned or operated by the SUDC.
- 3.4 Agreement Subject to ISO Tariff.** Notwithstanding anything to the contrary herein, the Parties agree that they will comply with Section 31 of the ISO Tariff, and any other applicable provisions of the ISO Tariff specifically referenced in this Operating Agreement. This Operating Agreement shall be subject to such provisions of the ISO Tariff, which shall be deemed to be incorporated to the extent referenced herein, as the same may be changed or superseded from time to time pursuant to Sections 16.1 and 20.1.3 of the ISO Tariff. Nothing in this Operating Agreement shall affect in any way the authority of the ISO to unilaterally make application to FERC for a change in the ISO Tariff under Section 205 of the Federal Power Act, nor shall anything in this Operating Agreement affect the right of either Party to file a complaint under Section 206 of the Federal Power Act regarding the ISO Tariff.

- 3.5 Operation of ISO Controlled Grid.** The ISO shall operate the ISO Control Area and the ISO Controlled Grid in accordance with the ISO Tariff and the Transmission Control Agreement to which it is a party.
- 3.6 ISO Specifications and ISO Operating Procedures.**
- 3.6.1 Compliance with ISO Specifications and ISO Operating Procedures.** The SUDC will abide by and will perform all of the obligations under the ISO Specifications identified in Schedule 6 and ISO Operating Procedures identified in Schedule 9 in respect of all matters set forth therein as the same may be changed or superseded from time to time pursuant to the procedures set forth in Sections 16.1 and 20.1.3 of the ISO Tariff. In the event of any conflict or dispute over interpretation, those sections of the ISO Tariff identified herein shall, at all times, take precedence over such ISO Specifications and ISO Operating Procedures. The ISO shall not implement any reliability requirements, operating requirements or performance standards that would impose increased costs on the SUDC without giving due consideration to whether the benefits of such requirements or standards are sufficient to justify such increased costs. In any proceeding concerning the cost recovery by the SUDC of capital and operation and maintenance costs incurred to comply with ISO Specifications and ISO Operating Procedures, the ISO shall to the extent practicable, at the request of the SUDC, provide specific information in a form that may be readily understood by the general public regarding the nature of, and need for, the ISO-imposed requirements or standards to enable the SUDC to use this information in public hearings in support of cost recovery through rates and tariffs.
- 3.6.2 Review of ISO Specifications and ISO Operating Procedures.** The ISO shall periodically review with the SUDC the ISO Specifications identified in Schedule 6 and ISO Operating Procedures identified in Schedule 9 and shall modify such ISO Specifications and/or ISO Operating Procedure as provided in Section 3.6.1. If a new ISO Specification or ISO Operating Procedure applicable to the SUDC is adopted pursuant to Section 3.6.1, the ISO shall provide a revised version of Schedule 6 or Schedule 9 to the SUDC. Any changes to Schedule 6 or Schedule 9 will not constitute an amendment to this Operating Agreement.
- 3.6.3 Periods When Compliance is Required.** While awaiting dispute resolution or regulatory review, the SUDC shall not be required to comply with changes to the ISO Specifications and ISO Operating Procedures, except where compliance is necessary in order to prevent or remedy an imminent System Emergency.
- 3.7 Utilization of Certified Scheduling Coordinator.** The SUDC shall utilize an ISO-certified Scheduling Coordinator to schedule Energy and Ancillary Services to or from the ISO Controlled Grid. At the time when the SUDC retains such Scheduling Coordinator, the SUDC shall confirm that the Scheduling Coordinator has entered into a Scheduling Coordinator Agreement with the ISO that is currently in effect.

- 3.8 Single Point of Contact.** The ISO and the SUDC shall each provide a single point of contact for the exchange of operational procedures and information. Details of requirements relating to and the identity of the initial points of contact are set forth in Schedule 3.
- 3.9 SUDC Compliance.** In the event the ISO believes that the SUDC has failed to comply with any provision of the ISO Tariff created after the effective date applicable to the SUDC in accordance with this Operating Agreement, the ISO shall notify the SUDC of such alleged failure and, if requested, shall meet with the SUDC regarding such alleged failure to comply. If the Parties cannot reach agreement on the alleged failure to comply, then the ISO may, if applicable, invoke Section 2.2.1 of this Operating Agreement.

ARTICLE IV OPERATIONAL COORDINATION

- 4.1 Maintenance Coordination.** The SUDC shall coordinate its SUDC Facilities Outage requirements with the Participating TO with which it is interconnected. The SUDC will provide the ISO with copy of any written information regarding Outages of the SUDC Facilities that could cause a material adverse impact on the reliability of the ISO Controlled Grid. To the extent the SUDC schedules maintenance of SUDC Facilities that has a reasonable potential to cause a material adverse impact to reliability of the ISO Controlled Grid, the SUDC shall notify the ISO of such maintenance when it becomes known, and that information will be updated quarterly or as changes occur to the proposed schedule. Consistent with the SUDC's normal record generation and retention practices, the SUDC will record the details for all such work and shall provide available records when it is known, quarterly, or upon written request by the ISO.
- 4.2 System Emergencies.** The responsibilities of the Parties in relation to System Emergencies are stated in Sections 31.4, 31.5 and the Dispatch Protocol of the ISO Tariff, the ISO Operating Procedures identified in Schedule 9, and in Schedule 4.
- 4.3 System Emergency Response.** The SUDC will participate in Load Shedding by reducing Load on a voluntary basis when the ISO declares a Stage 1 System Emergency. The SUDC will use any available local communication infrastructure to request that its customers curtail their electricity usage. The SUDC will not be called separately in Stage 3 System Emergencies to manually shed Load. Load restoration of any voluntary Load reduction may not commence until such time as the ISO declares that a System Emergency no longer exists. The responsibilities of the Parties to direct and to accept direction for Load reduction or other emergency plans are stated in Sections 31.4 and 31.5 of the ISO Tariff, and the

ISO Operating Procedures identified in Schedule 9 and ISO Specifications identified in Schedule 6.

- 4.4 System Disturbance Load Restoration.** The responsibilities of the Parties for restoring Load following a system disturbance are stated in Section 31.5.2 of the ISO Tariff, the ISO Operating Procedures identified in Schedule 9 and ISO Specifications identified in Schedule 6, and in Schedule 5.
- 4.5 Interconnection Operation Standards.** The ISO and SUDC shall maintain stable established operating parameters and control power and reactive flow within standards stated in Schedule 6.
- 4.6 Records, Information and Reports.** The Parties are required to maintain such records, to share information, and to make such reports as are stated in Section 31.1.2, 31.6 and 31.8 of the ISO Tariff, and the ISO Operating Procedures identified in Schedule 9 and the ISO Specifications identified in Schedule 6. In accordance with Schedule 7, the SUDC will cooperate with the ISO regarding its collection, study and transmittal of system data, information, reports, and forecasts, provided that the SUDC need only provide available information to the ISO. Upon the request of the ISO, the SUDC will cooperate with the ISO regarding any ISO review following a major Outage and provide any requested information that is available.
- 4.7 Critical Protective Systems.** The SUDC shall (in accordance with Section 11.2 of this Operating Agreement) notify the ISO as soon as it is reasonably practicable of any condition that it becomes aware of that may compromise the ISO Controlled Grid Critical Protective Systems.
- 4.8 SUDC Distribution System.** The ISO shall (in accordance with Section 11.2 of this Operating Agreement) notify the SUDC as soon as is reasonably practicable of any condition which the ISO becomes aware that may compromise the operation and reliability of the SUDC Distribution System.

ARTICLE V ACCESS TO FACILITIES

- 5.1 Access Rights.** Pursuant to Section 31.9.1 of the ISO Tariff and Schedule 8 of this Operating Agreement, the ISO and the SUDC shall each have the right to install or to have installed equipment or other facilities, including metering equipment, on the electric utility property of the other necessary for the implementation of this Operating Agreement. The ISO's installation of equipment on the property of the SUDC shall comply with Local Regulatory Authority regulations, except where compliance with Local Regulatory Authority regulations would cause the ISO to violate the ISO Tariff, and with all relevant

safety standards. In such case, the SUDC and ISO will work together to resolve the conflict between the Local Regulatory Authority regulations and the ISO Tariff.

- 5.2 Meter Testing.** The SUDC shall, at the request of the ISO and upon reasonable notice, provide access to its facilities necessary to permit the ISO or an ISO-approved meter inspector to perform such testing as necessary in accordance with Section 31.9.2 or 31.9.4 of the ISO Tariff and the procedures set forth in Schedule 8. For meters that are not owned by the SUDC, the ISO will obtain approval from the meter owner in advance of accessing SUDC's Facilities. Such approval shall be provided to the SUDC upon request.
- 5.3 Emergency Access Rights.** The ISO shall have a right to access the SUDC's equipment or other facilities during a System Emergency in accordance with Section 31.9.3 of the ISO Tariff. In a System Emergency, the SUDC shall have a right of access to ISO equipment on SUDC property and SUDC equipment on ISO property without notice.

ARTICLE VI COSTS

- 6.1 SUDC Operating and Maintenance Costs.** The SUDC shall be responsible for all costs incurred in connection with procuring, installing, operating and maintaining its facilities identified in Schedule 1 for the purpose of meeting its obligations under this Operating Agreement.
- 6.2 ISO Operating and Maintenance Costs.** The ISO shall be responsible for the procurement, installation, operation and maintenance costs of ISO equipment set out in Article V of this Operating Agreement installed on SUDC property.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 Alternative Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Operating Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference, except that all reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to the SUDC and references to the ISO Tariff shall be read as references to this Operating Agreement.



**ARTICLE VIII
REPRESENTATIONS AND WARRANTIES**

- 8.1 Representations and Warranties.** Each Party represents and warrants that its execution, delivery and performance of this Operating Agreement has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** Each Party represents that all necessary approvals, permits, licenses, easements, right of way or access to install, own and operate its facilities subject to this Operating Agreement have been obtained prior to the effective date of this Operating Agreement.

**ARTICLE IX
LIABILITY**

- 9.1 Extent of Liability.** The provisions of Section 14 of the ISO Tariff will apply to liability arising under this Operating Agreement, except that all references in Section 14 of the ISO Tariff to Market Participants shall be read as references to the SUDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

**ARTICLE X
UNCONTROLLABLE FORCES**

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 15 of the ISO Tariff shall be incorporated by reference into this Operating Agreement, except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to the SUDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

**ARTICLE XI
MISCELLANEOUS**

- 11.1 Assignments.** Either Party may assign its obligations under this Operating Agreement, with the other Party's prior written consent, in accordance with Section 17 of the ISO Tariff, which is incorporated by reference into this Operating Agreement. Such consent shall not be unreasonably withheld.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in accordance with Section 20.1 of the ISO Tariff, which is incorporated by reference, except

that all reference in Section 20.1 to Market Participants shall be read as a reference to the SUDC. A Party must update the information in Schedule 3 of this Operating Agreement as that information changes in accordance with Section 20.1 of the ISO Tariff. Such changes will not constitute an amendment to this Operating Agreement.


- 11.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.
- 11.4 Governing Law and Forum.** This Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California except in its conflict of laws provisions. The Parties irrevocably consent that any legal action or proceeding arising under or in relation to this Operating Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 11.5 Consistency with Federal Laws and Regulations.**
- (a) Nothing in this Operating Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
 - (b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report

of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.


- 11.6 Integration.** This Operating Agreement constitutes the full agreement of the Parties with respect to the subject matter hereto and supercedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.7 Severability.** If any term, covenant, or condition of this Operating Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.
- 11.8 Penalties.** Any penalties to be levied under this Operating Agreement shall be established in accordance with the ISO Tariff and approved by the FERC. Nothing in this Operating Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the SUDC to oppose or protest any penalty proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty on the SUDC.
- 11.9 Section Headings:** Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.
- 11.10 Amendments.** This Operating Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.
- 11.11 Counterparts.** This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: 
Name: Randall T. Abernathy
Title: Vice President,
Market Services
Date: 5/19/05

Trinity Public Utilities District

By: 
Name: RICK COLEMAN
Title: GENERAL MANAGER
Date: MAY 6, 2005

SCHEDULE 1**SYSTEM INTERCONNECTION FACILITIES****System Interconnections:**

Mill Street, Weaverville - 60 kV Cottonwood - Humboldt

Douglas City - 60 kV Cottonwood - Humboldt

Hayfork - 60 kV Cottonwood - Humboldt

Hampton - 60 kV Cottonwood - Humboldt

Grouse Creek - 60 kV Cottonwood - Humboldt

Big Bar / Big Flat - 60 kV Cottonwood - Humboldt

Lewiston - 60 kV Cottonwood - Humboldt

Forest Glen - 115 kV Cottonwood - Humboldt

SCHEDULE 2

Non-SUDC FACILITIES

Generation Facilities:

Pan Pacific QF - power purchase agreement with Pacific Gas & Electric Company; approximately 600 kW

USBR Fish Hatchery - approximately 300 kW, which is used primarily to serve the load of such Fish Hatchery.

SCHEDULE 3

OPERATIONAL CONTACTS

**[PRIVILEGED MATERIAL REDACTED PURSUANT TO
18 C.F.R. § 388.112]**

CONTACTS FOR NOTICES**SUDC**

Name of Primary
Representative: Rick Coleman
Title: General Manager
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: rcoleman@trinitypud.com
Phone: (530) 623-4564
Fax No: (530) 623-5549

Name of Alternative
Representative: Andy Lethbridge
Title: Electric Superintendent
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: alethbridge@trinitypud.com
Phone: (530) 623-4564
Fax No: (530) 6923-5549

ISO**Name of Primary**

Representative: Michael D. Dozier
Title: Lead Contracts Negotiator
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: mdozier@caiso.com
Phone: (916) 608-5708
Fax No: (916) 351-2487

Name of Alternative

Representative: Philip D. Pettingill
Title: Manager of Infrastructure Policy & Contract Negotiation
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: ppettingill@caiso.com
Phone: (916) 608-7241
Fax No: (916) 351-2264

SCHEDULE 4**SYSTEM EMERGENCIES**

The ISO will notify the SUDC's operational contact, as identified in Schedule 2, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. The SUDC contact will then take such actions as are appropriate for the emergency.

The SUDC will make requests for information from the ISO regarding emergencies through the ISO Operations Shift Manager, by the SUDC's operational contact, or the SUDC may coordinate public information with the ISO Communication Coordinator.

For transmission system caused outages the ISO Operations Shift Manager will notify the SUDC contact of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

Available SUDC information and ISO Grid Control Center logs, ISO Electric Switching Orders and ISO Energy Management System temporal database will be used in the ISO's preparation of outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching program, etc.

The SUDC will retain records in accordance with its record retention policy or practice, provided the records associated with this Operating Agreement are retained for a minimum of six years.

SCHEDULE 5

SYSTEM DISTURBANCE LOAD RESTORATION

If the SUDC is required to shed load, the SUDC will follow the procedures set forth below in this Schedule 5 in promoting orderly, coordinated restoration of electric systems after a major system disturbance has occurred which resulted in load shedding by frequency relays in California.

1. Immediately after load shedding has occurred in the SUDC, the SUDC will remain in contact with their respective Participating Transmission Owner (PTO) Area Control Center (ACC) until normal frequency has been restored throughout the ISO Control Area or the ISO Shift Manager has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the ISO Shift Manager and the senior dispatcher present at the affected PTO ACC(s).
2. Manual load restoration will not normally be initiated until the California ACC Hot Line is attended. No load is to be manually restored unless directed by the ISO, either directly or through its assignee, provided that the procedure for the ISO's designation of any assignee is agreed to by the SUDC, after the frequency has recovered and there is indication that the frequency can be maintained. The SUDC will await direction from the ISO or its assignee, who will be in contact with the ISO Shift Manager. The ISO Shift Manager will determine whether adequate generation resources are available on line to support the load to be restored.
3. If the ISO cannot meet the WECC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual load restoration will be permitted. If the frequency is such that automatic load restoration occurs under these conditions, if the SUDC has restored load automatically, it will manually shed an equivalent amount of load to offset the load which was automatically restored.

SCHEDULE 6

INTERCONNECTION OPERATION STANDARDS

The ISO and SUDC shall jointly maintain stable operating parameters and control power and reactive flow in accordance with the capabilities of the SUDC, the ISO Tariff and the following interconnection operation standards.

SUDC Responsibilities

1. The SUDC shall operate its SUDC Facilities at each point of interconnection with the ISO Controlled Grid in such manner as to avoid any material adverse impact on the reliability of the ISO Controlled Grid. In accordance with this performance goal, the SUDC shall: i) operate its SUDC Facilities at each point of interconnection with the ISO Controlled Grid in accordance with Good Utility Practice with respect to normal ratings, emergency ratings, voltage limits, and balance of load between electrical phases; and ii) maintain load power factor at each point of interconnection with the ISO Controlled Grid as close as reasonably possible to unity power factor and consistent with Good Utility Practice.

ISO Responsibilities

1. The ISO shall operate the ISO Controlled Grid at each point of interconnection with the SUDC in accordance with the ISO Tariff and in such manner as to avoid any material adverse impact on the SUDC Facilities. In accordance with this performance goal, the ISO shall:
2. At the request of the SUDC, participate with the SUDC and Participating TO in the development of joint power quality performance standards and jointly maintain compliance with such standards.
3. Observe SUDC grid voltage limits specified in Attachment 1 including requirements for reduced voltage on ISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover.
4. At the request of the SUDC, support SUDC investigation of power quality incidents, and provide related data to the SUDC in a timely manner.
5. Support installation of apparatus on the ISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate

power quality concerns caused by actions or events in neighboring systems or Control Areas.

6. Maintain, or cause to be maintained, load power factor at each SUDC Interconnection as close as reasonably possible to unity power factor and consistent with Good Utility Practice, pursuant to Section 2.5.3.4 of the ISO Tariff.

The Parties may adopt additional operations standards for the interconnection provided such standards are in writing and are mutually agreed to.

SCHEDULE 6
ATTACHMENT 1

SUDC GRID VOLTAGE LIMITS

There are no SUDC grid voltage limitations at the present time.

SCHEDULE 7**RECORDS, INFORMATION, REPORTS**

The SUDC shall provide available information to the ISO relating to SUDC system operations reasonably related to system reliability of the ISO Controlled Grid. The Parties shall jointly develop any necessary forms and procedures for collection, study and transmittal of system data, information, reports and forecasts.

SCHEDULE 8

RIGHTS OF ACCESS TO FACILITIES

1. **Equipment Installation.** In order to give effect to this Operating Agreement, a Party that requires the use of particular equipment (the equipment owner) may require installation of such equipment on property owned by the other Party (the property owner), provided that the equipment is necessary to meet the equipment owner's service obligations and that the equipment shall not have a negative impact on the reliability of the service provided, nor prevent the property owner from performing its own obligations or exercising its rights under this Operating Agreement.
2. **Free Access.** The property owner shall grant to the equipment owner free of charge reasonable installation rights and rights of access to accommodate equipment inspection, maintenance, repair, upgrading, or removal for the purposes of this Operating Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.
3. **Notice.** The equipment owner shall provide reasonable notice to the property owner when requesting access for site assessment, equipment installation, or other relevant purposes. Such access shall not be provided unless the parties mutually agree to the date, time, and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld or delayed.
4. **Removal of Installed Equipment.** Following reasonable notice, the equipment owner shall be required, at its own expense, to remove or relocate equipment, at the request of the property owner, provided that the equipment owner shall not be required to do so if it would have a negative impact on the reliability of the service provided, or be prevented from performing its own obligations or exercising its rights under this Operating Agreement.
5. **Costs.** The equipment owner shall repair at its own expense any property damage it causes in exercising its rights and shall reimburse the property owner for any other reasonable costs that it may be required to incur to accommodate the equipment owner's exercise of its rights under Section 1 or Section 4.
6. **Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.
7. **Inspection of Facilities.** In order to meet their respective obligations under this Operating Agreement, the ISO may view or inspect SUDC

SCHEDULE 9**SUDC OPERATING PROCEDURES**

The following ISO Operating Procedures are applicable to SUDCs:

D-51	Reporting Requirements for the ISO and Other Operating Entities
E-502	Emergency Manual Load Shedding
E-508	Electrical System Emergency
N-703	Significant Event Notification, Reporting and Investigation
RC-902	Reliability Coordinator
T-113	Scheduled and Forced Outages

ATTACHMENT C

4.7 **Critical Protective Systems.** The SUDC shall (in accordance with Section 11.2 of this Operating Agreement) notify the ISO as soon as it is reasonably practicable of any condition that it becomes aware of that may compromise the ISO Controlled Grid Critical Protective Systems.

4.87 **SUDC Distribution System.** The ISO shall (in accordance with Section 11.2 of this Operating Agreement) notify the SUDC as soon as is reasonably practicable of any condition which the ISO becomes aware that may compromise the operation and reliability of the SUDC Distribution System.

* * *

SCHEDULE 3

* * *

CONTACTS FOR NOTICES

SUDC

Name of Primary Representative: Rick Coleman
Title: General Manager
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: rcoleman@trinitypod.com
Phone: (530) 623-4564
Fax No: (530) 623-5549

Name of Alternative Representative: Andy Lethbridge
Title: Electric Superintendent
Address: P.O. Box 1043
City/State/Zip Code: Trinity, California 96093
Email Address: alethbridge@trinitypod.com
Phone: (530) 623-4564
Fax No: (530) 6923-5549

ISO

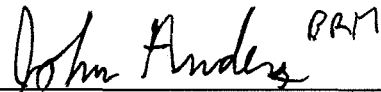
Name of Primary Representative: Michael D. Dozier
Title: Lead Contracts Negotiator
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: mdozier@caiso.com
Phone: (916) 608-5708
Fax No: (916) 351-2487

Name of Alternative Representative: Phillip D. Pettingill
Title: Manager of Infrastructure Policy & Contract Negotiation
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: ppettingill@caiso.com
Phone: (916) 608-7241
Fax No: (916) 351-2264

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents as described in those documents, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Folsom, California, on this 21st day of October, 2005.



John Anders