

ALSTON & BIRD LLP

601 Pennsylvania Avenue, N.W.
North Building, 10th Floor
Washington, DC 20004-2601

202-756-3300
Fax: 202-756-3333

Bradley R. Miliauskas

Direct Dial: 202-756-3405

Email: bradley.miliauskas@alston.com

November 17, 2005

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Rate Schedule FERC No. 64
Docket No. ER06-____-000**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("ISO") submits for Commission filing and acceptance this Interim Operations Agreement ("Interim Operations Agreement") between the ISO and the City and County of San Francisco ("CCSF").¹ The Interim Operations Agreement has been designated as Rate Schedule FERC No. 64.

The ISO is requesting a waiver of the 60-day prior notice requirement to allow the Interim Operations Agreement to be made effective on December 1, 2005. As explained further below, that is the date on which the ISO has requested, in Docket No. ER05-1533-000, that an amendment ("Amendment," submitted in the "Amendment Filing") to the Interconnected Control Area Operating Agreement between the ISO and the Sacramento Municipal Utility District ("SMUD") be made effective, and the date on which the ISO has requested, in Docket No. ER06-54-000, that an Interconnected Control Area Operating Agreement ("ICAOA," submitted in the "ICAOA Filing") between the

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

ISO and the Turlock Irrigation District ("Turlock") be made effective. Due to time constraints, the ISO is submitting the Interim Operations Agreement unilaterally (*i.e.*, without CCSF's signature).

I. Background

A. Docket No. ER05-1533-000

On September 30, 2005, the ISO submitted the Amendment in Docket No. ER05-1533-000. The purpose of the Amendment is to facilitate the transfer of the system of the Modesto Irrigation District ("Modesto") and the 500 kV California-Oregon Transmission Project ("COTP") transmission line from the ISO Control Area to the SMUD Control Area, as requested by Modesto and the COTP, and to facilitate the implementation of a pilot Pseudo Tie of a Generating Unit currently in the SMUD Control Area to the ISO Control Area, effective on December 1, 2005. Transmittal Letter for Amendment Filing at 1.

On November 7, 2005, in Docket No. ER05-1533-000, CCSF filed a motion to submit late filed supplemental comments and supplemental comments concerning the Amendment. CCSF raised the issues that (1) Modesto's Control Area change should not adversely affect CCSF or cause a change of Control Area for CCSF facilities; (2) Modesto's Control Area change should not result in an unauthorized and uncompensated use of CCSF facilities that have not been turned over to the ISO's operational control; (3) Modesto's Control Area change should not cause CCSF to incur additional ISO charges for existing transactions; and (4) the Commission should clarify that the Amendment does not govern the use or operation of CCSF facilities.

In an answer to CCSF being submitted today in Docket No. ER05-1533-000, the ISO explains that it is sympathetic to CCSF's concerns. The ISO also explains that, in order to address those concerns, the ISO proposes to make a unilateral filing of the Interim Operations Agreement between the ISO and CCSF. The ISO now submits that Interim Operations Agreement in the present proceeding.

B. Docket No. ER06-54-000

On October 19, 2005, the ISO submitted the ICAOA in Docket No. ER06-54-000. The purpose of the ICAOA is to facilitate the implementation of the new Turlock-operated Control Area, which is expected to become effective on December 1, 2005. Transmittal Letter for ICAOA Filing at 1.

On November 9, 2005, in Docket No. ER06-54-000, CCSF filed a motion to intervene, protest, and request for suspension concerning the ICAOA. CCSF

raised the issues that (1) the creation of a new Control Area by Turlock should not adversely affect CCSF or cause a change of Control Area for CCSF facilities; (2) the creation of a new Control Area by Turlock should not result in an unauthorized and uncompensated use of CCSF facilities that have not been turned over to the ISO's operational control; (3) the creation of a new Control Area by Turlock should not cause CCSF to incur additional ISO charges for existing transactions; and (4) the Commission should clarify that the ICAOA does not govern the use or operation of CCSF facilities.

In an answer to CCSF being submitted today in Docket No. ER06-54-000, the ISO explains that it is sympathetic to CCSF's concerns and that, to address those concerns, the ISO proposes to submit the Interim Operations Agreement contained in the present filing.

II. The Interim Operations Agreement

The Interim Operations Agreement is intended to accomplish the following:

- Establish the special operational and settlement requirements under which CCSF and the ISO will coordinate and exchange information on schedules for CCSF's transactions with Modesto and Turlock once Modesto and Turlock are no longer in the ISO Control Area, for Schedules that do not use the ISO Controlled Grid.
- Establish that CCSF's transactions with Modesto and Turlock across the non-ISO Controlled Grid facilities at the new Control Area interties will be scheduled by an ISO-certified Scheduling Coordinator in the ISO's scheduling system.
- Establish provisions for the provision of telemetry and revenue metering data from CCSF's facilities to the ISO.
- Establish that CCSF will coordinate outages of its facilities with the ISO and comply with the Reliability Management System of the Western Electricity Coordinating Council.
- Establish special treatment of CCSF's transactions with Modesto and Turlock across the non-ISO Controlled Grid facilities at the new Control Area interties for purposes of application of ISO charges – similar to the current treatment of Modesto and Turlock transactions across the non-ISO Controlled Grid facilities of the COTP at ISO Control Area interties previously approved by the Commission.

- Establish special provisions for scheduling and settlement of CCSF's transactions in accordance with the Raker Act.²

See Interim Operations Agreement, Sections 2, 4, 5, 6, and 7. The Interim Operations Agreement does not specify any special terms for the scheduling of CCSF transactions over ISO Controlled Grid facilities; all transactions by CCSF that use the ISO Controlled Grid are to be scheduled in accordance with the ISO Tariff. *Id.*, Recital (G).

The Interim Operations Agreement governs the operational relationship between the ISO and CCSF with respect to CCSF's power transactions that are delivered to the SMUD Control Area at the Standiford Interconnection and that are delivered to the Turlock Control Area at the Oakdale Interconnection over transmission facilities that are not part of the ISO Controlled Grid, as detailed in Schedule 1 to the Interim Operations Agreement. Interim Operations Agreement, § 2. For reliable operation of the Control Area, the ISO requires a Scheduling Coordinator to provide schedules to the ISO, and CCSF is required to ensure the utilization of a Scheduling Coordinator for this function. *Id.*

The ISO proposes that the Interim Operations Agreement be made effective as of the later of December 1, 2005, or the date the Interim Operations Agreement is accepted for filing and made effective by the Commission. Interim Operations Agreement, § 3.1. The Interim Operations Agreement may be terminated at the earliest of (a) two years after its effective date; (b) the date on which CCSF executes the Transmission Control Agreement; (c) the date on which CCSF's Electric System becomes resident in a Control Area other than that of the ISO, provided the ISO has been given 45 days' advance written notice; or (d) six months after mutual agreement of the ISO and CCSF. *Id.*, § 3.2. The ISO proposes to have the ability to terminate the Interim Operations Agreement after two years in order to provide an incentive for the ISO and CCSF to put an alternative arrangement in place with fewer special provisions after the implementation of the ISO's Market Redesign and Technology Upgrade.

² The Raker Act is a federal law, 38 Stat. 242 (1913), that grants CCSF certain rights of way in, over, and through certain public lands, and that imposes specified obligations on CCSF.

III. Request for Waiver

The ISO respectfully requests a waiver of the Commission's 60-day prior notice requirement, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, to allow the enclosed materials to become effective as of December 1, 2005. Granting the waiver will permit the Interim Operations Agreement to become effective on the same date that the ISO proposes that the Amendment in Docket No. ER05-1533-000 and the ICAOA in Docket No. ER06-54-000 be made effective. Granting the requested waiver, therefore, is appropriate.

IV. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

V. Service

Copies of this filing have been served upon CCSF, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service lists for Docket Nos. ER05-1533-000 and ER06-54-000. In addition, the filing has been posted on the ISO's website.

Enclosed for filing are six copies of each of the following:

- (1) this letter of transmittal;
- (2) the Interim Operations Agreement, provided in a format that complies with Order No. 614, *Designation of Electric Rate Schedule Sheets*, FERC Stats. and Regs. ¶ 31,096 (2000) (Attachment A).

Also enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

VI. Correspondence

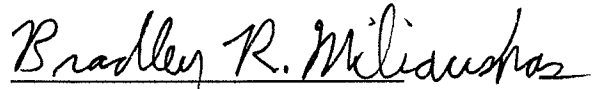
The ISO requests that all correspondence, pleadings and other communications concerning this filing be served upon the following:

John Anders*
Senior Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222

Bradley R. Miliauskas*
Alston & Bird LLP
601 Pennsylvania Avenue, NW
North Building, 10th Floor
Washington, DC 20004-2601
Tel: (202) 756-3300
Fax: (202) 756-3333

* Individuals designated for service pursuant to Rule 203(b)(3),
18 C.F.R. § 203(b)(3).

Respectfully submitted,



Kenneth G. Jaffe
Bradley R. Miliauskas
Alston & Bird LLP
601 Pennsylvania Avenue, NW
North Building, 10th Floor
Washington, DC 20004-2601

Charles F. Robinson
General Counsel
John Anders
Senior Counsel
California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Attorneys for the California Independent
System Operator Corporation

ATTACHMENT A

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

CITY AND COUNTY OF SAN FRANCISCO

INTERIM OPERATIONS AGREEMENT

Interim Operations Agreement

THIS AGREEMENT is made this _____ day of _____, _____ and is entered into, by and between:

(1) **City and County of San Francisco**, having its registered and principal place of business located at City Hall, #1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102-4682 ("CCSF");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate (the "ISO"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

Whereas:

- A.** CCSF operates a number of Generating Units associated with its Hetch Hetchy Project ("Hetch Hetchy Units") interconnected to the transmission facilities of Pacific Gas and Electric Company ("PG&E"), Modesto Irrigation District ("MID"), and Turlock Irrigation District ("TID") through CCSF's 115 kV and 230 kV transmission facilities.
- B.** CCSF operates under the Interconnection Agreement Between PG&E and CCSF, Federal Energy Regulatory Commission ("FERC") Rate Schedule FERC No. 114 ("PG&E IA") and the PG&E Scheduling Coordinator Services Tariff.
- C.** PG&E has executed the Transmission Control Agreement ("TCA"), thereby turning over Operational Control of its transmission facilities to the ISO.
- D.** As of December 1, 2005, TID will operate within its own Control Area and MID will operate within the Sacramento Municipal Utility District's ("SMUD") Control Area.
- E.** CCSF's Electric System will remain within the ISO Control Area.
- F.** CCSF and the ISO desire to (i) establish the operational and settlement requirements under which CCSF and the ISO will coordinate and exchange information on schedules for CCSF's transactions with TID and MID once they are no longer in the ISO Control Area, for Schedules that do not use the ISO Controlled Grid; (ii) establish provisions relating to telemetry and revenue metering data applicable to CCSF's facilities; and (iii) establish provisions for

- scheduling and settlement of CCSF's non-ISO Controlled Grid transactions in accordance with the Raker Act and respecting CCSF's transmission ownership rights of non-ISO Controlled Grid facilities. This Agreement is not intended to affect the scheduling, operation, assessment of charges or any other element of transactions that are currently performed using the PG&E IA and the SCS Tariff, whether the transactions are scheduled by PG&E, CCSF, or some other entity acting as Scheduling Coordinator for CCSF.
- G.** This Agreement does not specify any special terms for the scheduling of CCSF transactions over ISO Controlled Grid facilities; all transactions by CCSF that use the ISO Controlled Grid are currently scheduled under the PG&E IA and SCS Tariff in accordance with the ISO Tariff.
- H.** The ISO has executed an Interconnected Control Area Operating Agreement ("ICAOA") with SMUD, including Amendment No. 4, and has filed with FERC a proposed ICAOA with TID.
- I.** Section ICAA 2.2.11 of the ISO-SMUD ICAOA, and Section ICAA 2.2.3 of the ISO-TID ICAOA define the term "Interconnection" as "Transmission Facilities that connect one control area to another control area. The Interconnection for this Operating Agreement [ICAOA] is described in Service Schedule 1 [of the ICAOA]."
- J.** Section ICAA 5.1 of the ISO-SMUD and ISO-TID ICAOAs provides that the ISO shall coordinate and exchange information with SMUD and TID respectively on schedules and Control Area checkouts at the Interconnection – which includes the Standiford Interconnection in the ISO-SMUD ICAOA and the Oakdale Interconnection in the ISO-TID ICAOA, and further provides that "all energy and/or capacity schedules, as well as any transmission reservation(s) to or from the ISO Control Area, over any facilities within the ISO Control Area shall be submitted via the ISO scheduling system as described in the ISO Tariff."
- K.** CCSF's transmission system is interconnected with the ISO Controlled Grid at the point where CCSF's 230 kV transmission facilities physically connect with the double-circuit 230 kV transmission line of PG&E's Warnerville Substation and the point where CCSF's 115 kV transmission facilities physically connect with PG&E's Newark Substation. This point is hereinafter referred to as the "CCSF-PG&E Interconnection."
- L.** CCSF has not executed the Transmission Control Agreement; thus the 115 kV transmission lines between CCSF's Hetch Hetchy Units and the Standiford and Oakdale Substations and the 115 kV and 230 kV lines at the CCSF-PG&E Interconnection are resident within the ISO Control Area but are not part of the ISO Controlled Grid.

- M.** As of December 1, 2005, one point of interconnection will exist between CCSF's Electric System and the SMUD Control Area, the Standiford Interconnection, and one point of interconnection will exist between CCSF's Electric System and the TID Control Area, the Oakdale Interconnection.
- N.** CCSF plans and operates its Electric System in accordance with the PG&E IA, which, among other things, provides for coordination to meet voltage control and transmission facility outage requirements.
- O.** The Parties desire certainty to ensure that power transactions between CCSF's Hetch Hetchy Units in the ISO Control Area and the Standiford and Oakdale Substations in the SMUD and TID Control Areas, respectively, are operated and scheduled in a reliable manner, and that, to the extent applicable, charges herein are appropriately settled with the ISO.

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

1. DEFINITIONS AND INTERPRETATION

1.1 Master Definitions Supplement. Except as otherwise defined in Section 1.3 of this Agreement, all terms and expressions used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

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

- (a) if and to the extent a matter is specifically addressed by a provision of this Agreement, the provision of this Agreement shall govern notwithstanding any inconsistent provisions of the ISO Tariff;
- (b) if and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the ISO Tariff, the applicable provisions of the ISO Tariff shall govern;
- (c) the singular shall include the plural and vice versa;
- (d) the masculine shall include the feminine and neutral and vice versa;
- (e) "includes" or "including" shall mean "including without limitation";
- (f) references to a Section or Schedule shall mean a Section or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (g) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;

- (h) 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;
- (i) 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;
- (j) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (k) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (l) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

1.3 Special Agreement Definitions. In addition to terms defined in the beginning of this Agreement and in Section 1.1 of this Agreement, for purposes of this Agreement the following terms shall have the meanings set forth below.

"Electric System" means all physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity's ownership interest in such asset or property shall be considered to be part of its Electric System.

"Hetch Hetchy Project" means the hydroelectric generating facilities in the Tuolumne River watershed and associated transmission facilities owned by CCSF, as now developed or as may be developed in the future, which are subject to the Raker Act.

"Oakdale Interconnection" means the interconnection of the TID and ISO Control Areas which consists of a physical point of interconnection at the points where CCSF's TID 115 kV tap line sections connect CCSF's Moccasin-Newark 115 kV Lines #3 and #4, respectively, to the Turlock 115 kV bus at the Oakdale Switchyard as shown in Service Schedule 1 to the ISO-TID ICAOA. There is currently some question between CCSF and TID over the ownership of the tap lines off of the Moccasin-Newark 115 kV Lines # 3 and #4.

"Raker Act" means that act of Congress, 38 Stat. 242 (1913), which, in part, grants CCSF the rights to own and operate the Hetch Hetchy Project.

“SC Transition Date” means December 30, 2005 or such date as CCSF transitions to a Scheduling Coordinator other than PG&E.

“Standiford Interconnection” means the interconnection of the SMUD and ISO Control Areas which consists of a physical point of interconnection at disconnect switches 907C, 903C, 904C and 908C at the Standiford Substation, as shown in Service Schedule 1 to the ISO-SMUD ICAOA. Breakers 903 and 904 are and will be open breakers, and if this configuration is proposed to be changed, the ISO, CCSF, and SMUD will confer and agree on any change to the Interconnection point in advance of the change in this configuration.

“WECC RMS Agreement” means the Reliability Management System Agreement between the WECC and the ISO requiring the ISO to comply with the reliability criteria contained in the WECC Reliability Criteria Agreement, as such may be amended from time to time.

2. SCOPE OF AGREEMENT

This Agreement governs the operational relationship between the ISO and CCSF with respect to CCSF's power transactions that are delivered to the SMUD Control Area at the Standiford Interconnection and that are delivered to the TID Control Area at the Oakdale Interconnection over transmission facilities that are not part of the ISO Controlled Grid, as detailed in Schedule 1. For reliable operation of the Control Area, the ISO requires a Scheduling Coordinator to provide schedules to the ISO, and CCSF shall ensure the utilization of a Scheduling Coordinator for this function. This Agreement also addresses the creation of a logical meter arrangement that would become effective on the SC Transition Date.

3. TERM AND TERMINATION

3.1 Term. This Agreement shall be effective as of the later of i) December 1, 2005, or ii) the date this Agreement is accepted for filing and made effective by FERC and shall continue in effect until terminated.

3.2 Termination. This Agreement will terminate at the earliest of:

- (a) Two (2) years after the effective date of this Agreement;
- (b) CCSF executes the TCA;
- (c) CCSF becomes a Metered Subsystem, provided that the ISO has been provided with 45 days advance written notice;

- (d) CCSF's Electric System is resident in a Control Area other than that of the ISO provided the ISO has been provided with 45 days advance written notice; or
- (d) six months after mutual agreement of the Parties.

With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the ISO will be considered timely if (1) the filing of the notice of termination is made after the preconditions for termination have been met, or (2) the ISO files the notice of termination within sixty (60) days after issuance of the notice of default. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the ISO's notice of default, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders. Any termination by CCSF upon 45 days prior notice to the ISO shall relieve CCSF of its obligation and forego its rights herein as of the termination effective date, regardless of action or inaction by the ISO or FERC, provided that CCSF shall cease taking any service provided under this Agreement by the ISO as of the effective date of its termination, and provided further that any outstanding charges or settlements that arose under this Agreement shall survive until they are satisfied.

4. OPERATING REQUIREMENTS

4.1 CCSF Transactions Directly to Other Control Areas. Hetch-Hetchy Project's associated transmission facilities will be used to export Energy to the SMUD and TID Control Areas. For settlement treatment in accordance with Section 6.3 of this Agreement, the following transactions are delivered to MID at the Standiford Interconnection and to TID at the Oakdale Interconnection and do not use the ISO Controlled Grid:

4.1.1 Transactions from the Hetch Hetchy Units to MID. CCSF shall have scheduled in the ISO's scheduling system and the ISO will implement the scheduling of all Energy transactions from CCSF's Hetch Hetchy Units to MID in the SMUD Control Area using CCSF's transmission facilities.

4.1.2 Transactions from the Hetch Hetchy Units to TID. CCSF shall have scheduled in the ISO's scheduling system and the ISO will implement the scheduling of all Energy transactions from CCSF's Hetch Hetchy Units to the TID Control Area using CCSF's transmission facilities.

- 4.2 Emergencies.** The ISO shall in the event of, and for the duration of, a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as the ISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force. Such action may include or result in, without limitation, curtailments in accordance with Section 5.6 of the ISO Tariff, and directing the operation of CCSF facilities in a manner that is reasonable and practical under the circumstances.
- 4.3 Voltage Control and Reactive Support.** CCSF or its operating agent shall make available the necessary status and telemetry information to the ISO and shall, to the extent that such directions do not conflict with the requirements of the PG&E IA, operate under the direction of the ISO the associated voltage control and reactive facilities on its portion of CCSF's Electric System to meet voltage control standards under Applicable Reliability Criteria and the ISO Tariff. The ISO shall coordinate and direct the use of the available voltage control and reactive support devices to maintain the reliable operation of the CCSF Electric System and the ISO Control Area in accordance with Good Utility Practice.
- 4.4 Coordination of Operations:** CCSF will act in coordination with PG&E, in accordance with the all operational requirements of the PG&E IA, including outage coordination, Load shedding and Load restoration.
- 4.5 Telemetry and Revenue Metering.** As of the effective date of this Agreement, CCSF has elected not to enter into arrangements with the ISO for the participation of its Hetch Hetchy Units in the ISO's markets or other arrangements that would require telemetry and revenue metering for the Hetch Hetchy Units in accordance with the provisions of the ISO Tariff. However, CCSF agrees to provide telemetry and revenue metering data from the Hetch Hetchy Units to the ISO in accordance with this Section 4.5. CCSF agrees to maintain in effect arrangements for telemetry from the Hetch Hetchy Units to the ISO's EMS system to provide real-time data from the Hetch Hetchy Units to the ISO, provided that the specific nature and extent of the telemetry arrangements and real-time data points will be as mutually agreed by ISO and CCSF representatives consistent with the telemetry arrangements in place on the effective date of this Agreement. The rights and obligations of the Parties with respect to revenue metering for the Hetch Hetchy Units shall be subject to the provisions of the ISO Tariff applicable to the Scheduling Coordinator for CCSF's transactions as an SC Metered Entity, taking into account the provisions of Section 6.4. CCSF shall have the ability to aggregate the Hetch Hetchy Units for purposes of provision of telemetry and revenue metering data as a single unit, or in a manner agreed between CCSF and the ISO.

5. RELIABILITY MANAGEMENT SYSTEM

5.1 Purpose. In order to maintain the reliable operation of the transmission grid, the WECC RMS Agreement provides for commitment by transmission operators to comply with WECC standards that result in the reliable operation of the western interconnection, and the WECC Reliability Criteria Agreement sets forth reliability criteria adopted by the WECC with which the ISO shall be required to comply.

5.2 Compliance. The WECC requirements provide that both transmission paths and generators comply with the program.

5.2.1 Generating Unit Performance Standard. CCSF shall, in relation to each of its Generating Units, meet all applicable WECC standards including any standards regarding governor response capabilities, use of power system stabilizers, voltage control capabilities and hourly Energy delivery. CCSF shall operate under the voltage schedules issued by the ISO from time to time, to the extent that such directions do not conflict with the requirements of the PG&E IA.

5.2.2 Generating Unit Reliability Criteria. CCSF shall comply with the requirements of the WECC Reliability Criteria Agreement, including the applicable WECC Reliability Criteria set forth in Section IV of Annex A thereof. In the event that CCSF fails to comply, it will be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement. Each and all of the provisions of the WECC Reliability Criteria Agreement are hereby incorporated by reference into this Section 5.2.2 as though set forth fully herein, and CCSF shall for all purposes be considered Participants as defined in that agreement, and shall be subject to all of the obligations of Participants, under and in connection with the WECC Reliability Criteria Agreement. CCSF shall copy the ISO on all reports supplied to the WECC in accordance with Section IV of Annex A of the WECC Reliability Criteria Agreement.

5.2.3 Generating Unit Payment of Sanctions. CCSF shall be responsible for payment directly to the WECC of any monetary sanction assessed against CCSF by the WECC pursuant to the WECC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.

5.3 Publication. CCSF hereby provides consent to the release by the WECC of information related to CCSF's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.

5.4 Reserved Rights. Nothing in the WECC RMS Agreement or the WECC Reliability Criteria Agreement shall affect the right of the ISO, subject to any necessary regulatory approval, to take such other measures to maintain reliability, which the ISO may otherwise be entitled to take.

6. COSTS, CHARGES AND PAYMENT

6.1 Operating and Maintenance Costs. CCSF shall be responsible for all its costs incurred in connection with operating and maintaining its Electric System.

6.2 Charges Not Generally Affected. Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of the ISO for use of the ISO Controlled Grid. Customers of the ISO using the ISO's markets or the ISO Controlled Grid shall pay rates and charges in accordance with the ISO Tariff.

6.3 Charges for Non-ISO Controlled Grid Facilities. If a Scheduling Coordinator for CCSF transactions from the Hetch Hetchy Units schedules transactions from the ISO Control Area which do not use the ISO Controlled Grid, then that Scheduling Coordinator shall be responsible for procuring or self-providing: (1) Ancillary Services consistent with the requirements of the ISO Tariff; (2) Imbalance Energy; and (3) losses consistent with the requirements of the ISO Tariff. For the transactions scheduled under this Agreement, the ISO shall apply charges for Ancillary Services, Imbalance Energy, and losses, but only to the extent that such services and losses are not self-provided by the Scheduling Coordinator for the transactions. In addition, the ISO will charge the Grid Management Charge to these transactions in accordance with the ISO Tariff. The ISO shall not charge the responsible Scheduling Coordinator for any other charge types outside of this Section 6.3, if such transactions do not use the ISO Controlled Grid.

6.4 CCSF Balancing Account. In recognition of the provisions of the Raker Act and the PG&E IA, CCSF shall have the right to enter into an arrangement with PG&E or a third party, to be effective by the SC Transition Date, for a balancing account for the purpose of assuring that power from the Hetch Hetchy Units is not delivered in contravention of the Raker Act or the PG&E IA ("Balancing Account Counterparty"). CCSF's arrangements with the Balancing Account Counterparty for this CCSF balancing account, and the ISO's implementation of this CCSF balancing account, shall have the following provisions. CCSF shall have the right to report its Meter Data for scheduled Generation and Load using logical generation and/or load meters. CCSF shall determine the amount of energy to report to the ISO using a combination of the CCSF portfolio logical generation and load meters and the Balancing Account Counterparty logical generation and load meters. The logical meter amounts reported for each meter

must be greater than or equal to zero and must be equal in aggregate to the CCSF actual physical generation and load meter amounts.

- 6.5 Payment.** All payments to the ISO or CCSF will be made in accordance with the Settlement and Billing Protocol and the ISO Tariff.

7. SCHEDULING

- 7.1 Scheduling.** Scheduling of all transactions using CCSF's rights in Section 4.1 of this Agreement shall be in accordance with the scheduling provisions of the ISO Tariff, the ISO Scheduling Protocols, and other ISO procedures and time lines. CCSF or its designee shall act as the Scheduling Coordinator for CCSF's rights.

- 7.2 No Use of CCSF Facilities by Others:** Nothing in this Agreement will allow use of CCSF-owned facilities not turned over to ISO Operational Control by any other entity, without the express consent of CCSF. The ISO will only accept schedules at the Oakdale and Standiford Interties from CCSF's designated Scheduling Coordinator or from the designated Scheduling Coordinator of either MID or TID.

8. DISPUTE RESOLUTION

- 8.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this 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 any reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to CCSF and references to the ISO Tariff shall be read as references to this Agreement.

9. LIABILITY

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

10. UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces.** Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 15 of the ISO

Tariff to Market Participants shall be read as a reference to CCSF and references to the ISO Tariff shall be read as references to this Agreement.

11. NO DEDICATION OF FACILITIES

11.1 No Dedication of Facilities. Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of CCSF's facilities or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. CCSF's facilities shall at all times be, and remain, in the exclusive ownership, possession, and control of CCSF or such other entity as CCSF, in its sole judgment, may specify, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

12. REGULATORY AUTHORITY

12.1 FERC Jurisdiction. This Agreement is subject to acceptance for filing by, and with respect to the ISO, the regulatory jurisdiction of, FERC.

12.2 Changes in Rates. Nothing contained herein shall be construed as affecting in any way the right of a Party furnishing services in accordance with this Agreement unilaterally to make application to FERC for a change in rates presently included in Section 6 of this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgate thereunder, nor shall it affect the right of any Party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act. The term "rates" as used herein shall mean a statement of electric services provided in accordance with this Agreement, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts which in any manner affect or relate to such services, rates and charges. A change in rates may include, but not be limited to, changes in rates, charges and the underlying methodology by which such rates and charges are developed. A change in rates shall not include changes to the terms and conditions of this Agreement.

13. MISCELLANEOUS

13.1 Assignments. Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 17 of the ISO Tariff. Such consent shall not be

unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 13.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 20.1 of the ISO Tariff, provided that any reference therein to the ISO Tariff or to Market Participant shall be understood to mean this Agreement or CCSF, respectively. A Party must update the information in Schedule 3 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 13.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 13.4 Governing Law and Forum.** This 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 its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this 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.
- 13.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 20.8 of the ISO Tariff as if the references to the ISO Tariff were referring to this Agreement.
- 13.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 13.7 Severability.** If any term, covenant, or condition of this 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

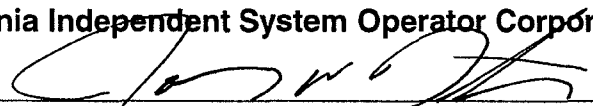
law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

13.8 Amendments. This 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.

13.9 Counterparts. This 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 Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

California Independent System Operator Corporation:

By: 
Name: JAMES W DETMERS
Title: VP OPERATIONS
Date: 11/17/05

City and County of San Francisco:

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 1

CCSF's Intertie Operating Limits

[Section 2]

CCSF may schedule or have scheduled up to the total intertie operating limits from the ISO Control Area to the SMUD and TID Control Areas at the Standiford and Oakdale Interconnections, as those limits are determined from time to time.

SCHEDULE 2

[INTENTIONALLY LEFT BLANK]

SCHEDULE 3

NOTICES

[Section 13.2]

CCSF

Name of Primary Representative: Sandra Rovetti
Title: Retail Services Manager
Address: 1155 Market Street, 4th Floor
City/State/Zip Code: San Francisco, California 94103
Email Address: srovetti@swater.org
Phone: (415) 554-3179
Fax No: (415) 554-1854

Name of Alternative Representative: Camron Samii
Title: Power Purchasing and Scheduling Manager
Address: P.O. Box 160
City/State/Zip Code: Moccasin, California 95347
Email Address: csamii@swater.org
Phone: (209) 989-2191
Fax No: (209) 989-2045

ISO

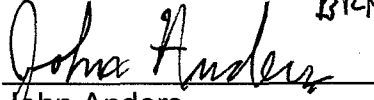
Name of Primary Representative: Michael D. Dozier
Title: Lead Contracts Negotiator
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: mdozier@caiso.com
Phone: (916) 608-5708
Fax No: (916) 351-2487

Name of Alternative Representative: Philip D. Pettingill
Title: Manager of Infrastructure Policy & Contracts
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 served the foregoing document upon all parties 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 at Washington, D.C. this 17th day of November, 2005.

 BRM
John Anders
John Anders