

March 10, 2008

VIA OVERNIGHT MAIL, E-MAIL AND FAX

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Participating Transmission Owners
(See Attached Addresses)

California ISO
151 Blue Ravine Road
Folsom, California 95630

Re: Startrans IO L.L.C./ Application To Become Participating
Transmission Owner

Dear CAISO Representatives:

This letter is intended to provide comments, on behalf of Southern California Edison Company ("SCE"), with respect to the application ("Application") of Startrans IO L.L.C. ("Startrans") to become a Participating Transmission Owner ("PTO") in the California ISO ("CAISO") by acquiring the minority ownership rights currently held by the City of Vernon ("Vernon") on the Mead transmission facilities.

First, as CAISO and Startrans are well aware, SCE and various other parties have raised many serious concerns with Startrans' proposed acquisition of Vernon's Mead entitlements, and have filed protests at the Federal Energy Regulatory Commission ("FERC" or "Commission")¹ to reflect these concerns. There are many substantial problems, such as for example, the impact of the proposed acquisition on the CAISO ratepayers, the ongoing Transmission Revenue Requirement ("TRR") overcollection dispute between CAISO and Vernon, and the lack of an updated Vernon TRR that directly bear on the CAISO's ability to accept Startrans' Application, particularly in the expedited fashion now being proposed by Startrans and CAISO. To date, the Commission has not approved the proposed transfer of Vernon's entitlements to Startrans, and has not resolved the numerous concerns raised by the parties in connection with such a transfer. SCE does not believe that Startrans can become a PTO without a resolution of these key issues raised by the parties. Certainly, in addressing Startrans' desire to become a PTO, CAISO must take steps to protect its ratepayers from the problems associated with the Application.

Second, SCE is surprised that the CAISO is considering the Application, under the deadlines proposed by Startrans, because CAISO cannot act within such deadlines without violating its own Tariff. Startrans submitted its Application to the CAISO, under Section 4.3 of the CAISO Tariff, on

¹ See Dockets Nos. ER08-413; EC08-33; ES08-24.

January 10, 2008. In the Application, Startrans was seeking to become a PTO by March 10, 2008. Clearly, that arbitrary date has passed. Nevertheless, CAISO has suggested allowing Startrans to become a PTO at the end of March – months ahead of the deadline mandated in the CAISO Tariff.

Section 4.3.1.1 of the CAISO Tariff provides:

In any year, a Participating TO applicant must declare its intent in writing to the ISO to become a New Participating TO by January 1 or July 1, and provide the ISO with an application within 15 days of such notice of intent. Applicable agreements will be negotiated and filed with the Federal Energy Regulatory Commission as soon as possible for the New Participating TO, such that the Agreements can be effective the following July 1 or January 1.

In other words, the CAISO Tariff requires that a PTO applicant submit its application over six months before it can become a PTO. The reason for this Tariff requirement is self-evident – CAISO and the existing PTOs require time to consider any PTO application, evaluate its impacts, and seek the appropriate regulatory action. Under the CAISO Tariff, Startrans cannot become a PTO before January 1, 2009. It is unclear on what basis the CAISO can attempt to expedite the Startrans Application in violation of the application timelines set forth in its Tariff.

Third, there are also problems with the TO Tariff included in Startrans' Application. While Startrans has proposed to make revisions to several aspects of that tariff in its February 27, 2008 Response to Deficiency Letter in FERC Docket Nos. ER08-413, et al., the Transmission Revenue Credit definition continues to contain erroneous references to ISO Tariff sections 7.3.1.6 and 7.3.1.7. The proper citations are to sections 27.1.2.1.6(ii) and 27.1.2.1.7, respectively.

Finally, in SCE's view, the CAISO Tariff, as currently structured, has no procedures for TRR recovery by an entity such as Startrans, *i.e.*, a no-load serving utility that owns only Existing Facilities. Without a CAISO Tariff modification, Startrans would have no means to recover its TRR from CAISO ratepayers, even if its acquisition of Vernon's Mead entitlements is approved by FERC. To date, however, SCE has not seen any proposal for modifications to the CAISO Tariff.

SCE looks forward to working with all parties to achieve an equitable and speedy resolution of the outstanding issues. Please do not hesitate to call me if you have questions or concerns.

Very truly yours,



Anna J. Valdborg

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