

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404

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

October 2, 2008

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Notice of Termination of Scheduling Coordinator Agreement of
Lehman Brothers Commodity Services, Inc.**

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO"), pursuant to Section 4.5.4.5.1 of its Tariff, hereby files with the Commission the notice of termination of the Scheduling Coordinator Agreement of Lehman Brothers Commodity Services, Inc. ("LBCS").¹

On September 15, 2008, pursuant to Section 12.4 of the CAISO Tariff, the CAISO requested LBCS to post an additional Financial Security Amount to cover the CAISO's calculation of LBCS's Estimated Aggregate Liability. On September 18, 2008, LBCS informed the CAISO that LBCS would not post the requested additional Financial Security Amount. Therefore, on September 18, 2008, pursuant to Section 12.5 of the CAISO Tariff, the CAISO suspended the right of LBCS to participate in the CAISO markets effective as of the start of Trading Day September 19, 2008. On September 24, 2008, pursuant to Section 4.5.4.4(a)(i) of the CAISO Tariff, the CAISO notified LBCS that it was in default because it had failed to post the additional Financial Security Amount within five Business Days of the CAISO's request; the CAISO also indicated that unless the default was remedied by October 1, 2008, the CAISO would issue a notice of termination of LBCS's Scheduling Coordinator Agreement pursuant to Section 4.5.4.4(a)(i). LBCS has not remedied its default. Therefore, today the CAISO provided to

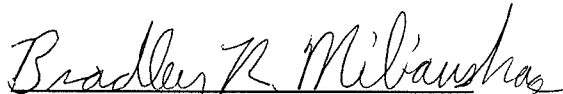
¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff.

The Honorable Kimberly D. Bose
October 2, 2008
Page 2

LBCS a notice of termination of LBCS's Scheduling Coordinator Agreement,² and also issued a market notice explaining that the CAISO has provided the notice of termination to LBCS.³

Please contact the undersigned with any questions.

Respectfully submitted,



Nancy Saracino
General Counsel
Sidney M. Davies
Assistant General Counsel –
Tariff & Compliance
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7296

Kenneth G. Jaffe
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 756-3300
Fax: (202) 654-4875

Attorneys the California Independent System Operator Corporation

² The notice of termination is provided as Attachment A to the instant filing.

³ The market notice is provided as Attachment B to the instant filing.

ATTACHMENT A

From: Siegel, Elaine

Sent: Thursday, October 02, 2008 12:05 PM

To: 'alexander.pliskin@lehman.com'

Cc: 'david.francis@lehman.com'; Leiber, Phil; King, Kevin; Almeida, Keoni; Snay, Charles; Davies, Sidney

Subject: NOTICE OF TERMINATION

Dear Alex

The failure to post additional security by October 1, 2008, as requested in my September 24, 2008 email to you, means that Lehman Brothers Commodity Services (LBCS) is subject to termination in accordance with Section 4.5.4.4 of the CAISO Tariff. Accordingly, the CAISO hereby provides LBCS with this notice of termination, which the CAISO intends to file with the Federal Regulatory Commission later today.

Please contact me with any questions or concerns.

Thank you
Elaine Siegel

Elaine Siegel
External Affairs
California ISO www.aiso.com

ATTACHMENT B

From: CAISO Communications [marketnotices@caisocommunications.com]
Sent: Thursday, October 02, 2008 3:46 PM
To: Miliauskas, Bradley
Subject: Notice of Termination of Lehman Brothers Commodity Services, Inc.

Market Notice

October 2, 2008



California ISO
Your Link to Power

10 Year Anniversary (1998-2008)

Categories

ISO News and Information
Legal/ Regulatory
Settlements and Market Clearing

Requested Client Action
Information Only

Notice of Termination of Lehman Brothers Commodity Services, Inc.

Summary

CAISO has taken final enforcement action by issuing a notice of termination to Lehman Brothers Commodity Services, Inc.

Main Text

The California ISO (CAISO) has taken final enforcement action by issuing a notice of termination to Lehman Brothers Commodity Services, Inc. on October 2, 2008 for its failure to remedy the default noticed on September 24, 2008 within five business days or by October 1, 2008, in accordance with Sections 4.5.4.4 of the CAISO Tariff. As required by Section 4.5.4.5.1, CAISO will file the notice of termination with the Federal Energy Regulatory Commission.

For more details concerning the circumstances leading to the CAISO's enforcement actions regarding Lehman Brothers Commodity Services, Inc. and a copy of this market notice, see the documents located on the CAISO website at <http://www.caiso.com/docs/2005/06/14/200506141656326466.html>.

For More Information Contact

Phil Leiber at (916) 351-2168 or PLeiber@caiso.com

The California ISO strives to be a world-class electric transmission organization built around a globally recognized and inspired team providing cost-effective and reliable service, well-balanced energy market mechanisms, and high-quality information for the benefit of our customers.

151 Blue Ravine Road, Folsom, CA 95630

[Update profile or unsubscribe](#)