

January 31, 2005

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER05-155-____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ respectfully submits six copies of this filing in compliance with the Commission's December 30, 2004 order in Docket Nos. ER05-149-000 through ER05-155-000, 109 FERC ¶ 61,391 ("December 30 Order"), with regard to the compliance directives in Docket No. ER05-155-000.

In Docket No. ER05-155-000, the Commission accepted the PACI-W Operating Agreement between the ISO and Western, effective January 1, 2005.² December 30 Order at ordering paragraph (A). The Commission noted that the ISO, in its answer in the proceeding, proposed to modify Section 6.3 of the PACI-W Operating Agreement to read as follows: "Charges for Western's PACI, including its ownership right of 400 MW, shall be in accordance with the Transmission Exchange Agreement." *Id.* at P 33. The Commission stated that it found the ISO's proposed modification acceptable. *Id.* at P 34. The ISO has modified Section 6.3 accordingly.

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The PACI-W Operating Agreement is designated as ISO Original FERC Rate Schedule No. 56.

The Honorable Magalie R. Salas
January 31, 2005
Page 2

The changes to the PACI-W Operating Agreement described above are shown in the revised sheet provided in Attachment A to the present filing, and are shown in black-line format in Attachment B. Additionally, the ISO submits, in Attachment C, a form notice of filing suitable for publication in the Federal Register, along with a computer diskette containing the notice of filing.

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

Respectfully submitted,

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ATTACHMENT A

- 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. Transmission service 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 PACI-W.** Charges for Western's PACI, including its ownership right of 400 MW, shall be in accordance with the Transmission Exchange Agreement.
- 6.4 Payment.** All payments to the ISO will be made in accordance with the Settlement and Billing Protocol and the ISO Tariff.

7. SCHEDULING AND UNUSED CAPACITY

- 7.1 Scheduling.** Scheduling of all transactions using Western's rights to the System, as contained in the Transmission Exchange Agreement, shall be in accordance with the ISO Tariff, scheduling protocols, procedures and time lines. Western or its designee shall act as the Scheduling Coordinator for its rights to the System and shall meet all requirements with respect to Scheduling Coordinators in the ISO Tariff.
- 7.2 Unused Capacity.** If the Scheduling Coordinator for Western does not schedule its right to the PACI by the close of the Hour-Ahead Market, the ISO may use the unused capacity on the PACI, as provided in the Transmission Exchange Agreement.

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 Western 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 Western and references to the ISO Tariff shall be read as references to this Agreement.

10. UNCONTROLLABLE FORCES

ATTACHMENT B

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. Transmission service 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 PACI-W. Charges for Western's PACI, including its ownership right of 400 MW, shall be in accordance with the Transmission Exchange Agreement.

6.4 Payment. All payments to the ISO will be made in accordance with the Settlement and Billing Protocol and the ISO Tariff.

7. SCHEDULING AND UNUSED CAPACITY

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7.2 Unused Capacity. If the Scheduling Coordinator for Western does not schedule its right to the PACI by the close of the Hour-Ahead Market, the ISO may use the unused capacity on the PACI, as provided in the Transmission Exchange Agreement.

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10. UNCONTROLLABLE FORCES

ATTACHMENT C

