

December 12, 2006

VIA ELECTRONIC SUBMISSION

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

RE: La Paloma Generating Company, LLC v. The California Independent System Operator, Docket No. EL05-54-000

Dear Secretary Salas,

The California Independent System Operator ("CAISO") submits this letter in response to the November 27, 2006 letter of La Paloma Generating Company (the "La Paloma Letter"). The CAISO apologizes for adding to the record in this matter. The CAISO would have had no objection to a letter that simply requested a ruling on the pending motion. The La Paloma Letter cannot go unanswered, however, because it characterizes the dispute in an argumentative manner, and thus impermissibly supplements the pending request for rehearing.

This is the second time in six months that La Paloma has sought to supplement its rehearing. On June 29, 2006, it introduced this dispute to the EL00-95 docket by re-arguing its case in response to a motion for release of collateral held by the PX. The CAISO continues to believe that such extra briefing is a waste of Commission resources, and refers the Commission to the arguments made in its "Motion to Strike or, In the Alternative, Request for Leave to File Answer and Answer of the California Independent System Operator With Respect To The Answer of La Paloma Generating Company, LLC To The Motion of Constellation NewEnergy, Inc. For the Release of Collateral Held By The California Power Exchange Corporation," filed in Docket No. EL00-95-000 on July 12, 2006 (with errata filed July 17, 2006 to include omitted exhibit).¹

To the extent that the Commission considers the substance of the La Paloma Letter, the CAISO's response is as follows: The La Paloma Letter suggests that the collateral in dispute was posted to cover obligations of complainant, the La Paloma Generating Company. This is the same argument that the Commission considered and rejected in its March 29, 2005 order. The Commission agreed with the CAISO that the collateral was posted by La Paloma's CAISO Scheduling Coordinator (NEGT ET), which is the entity that did business with the CAISO, to secure the obligations of NEG T ET – *not La Paloma*.

¹ The CAISO's motion was filed in response to an answer that La Paloma filed on June 29, 2006. La Paloma also filed a reply to the CAISO on July 27.

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Similarly, the La Paloma Letter states that "the issues are unique," where this is vigorously disputed. The CAISO submits that a ruling in favor of La Paloma would undermine the CAISO tariff's financial security protections for sellers. For additional information, please see the "Request for Leave to File Answer and Answer of the California Independent System Operator to the Request for Rehearing of La Paloma Generating Company, LLC," filed May 15, 2005, at p. 7.

Sincerely yours,

/s/ Daniel J. Shonkwiler

Daniel J. Shonkwiler

Cc: John S. Moot, Esq.
FERC Official Service List in EL05-54-000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned dockets.

Dated at Folsom, California, on this 12th day of December, 2006.

/s/ Daniel J. Shonkwiler
Daniel J. Shonkwiler