

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corp.)

Docket No. ER13-351

**INFORMATIONAL FILING OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”) submits this informational filing to apprise the Commission that the ISO, AES Huntington Beach, L.L.C. (“AESHB”), Southern California Edison Company (“SCE”) and San Diego Gas & Electric Company (“SDG&E”) are exercising their rights pursuant to Schedule B of the Reliability Must-Run Agreement (“RMR Agreement”) and have agreed to a further extension of time for the satisfaction of the conditions precedent set forth in Section 2.1(a) of the RMR Agreement. No amendment to the RMR Agreement is required for this extension.

By its terms, the RMR Agreement was initially designed to terminate on January 7 if certain conditions precedent were not met. Among those conditions precedent was the receipt “of consent, confirmation or other acknowledgement as may be required from BE CA LLC (“BE CA”)” to AESHB’s conversion of Huntington Beach Units 3 and 4 to synchronous condensers as provided for by Section 2.1(a)(iii) of the RMR Agreement. To avoid termination of the RMR Agreement before all parties had the chance to consider their options in light of a Commission ruling on the ISO’s then pending Petition for a Declaratory Order, the ISO, AESHB, SCE and SDG&E agreed to extend the deadline for the effectiveness of that condition precedent to January 23. In addition, the ISO, AESHB, SCE and SDG&E agreed to extend the deadline in Section 2.1(a)(v) of the RMR Agreement to January 23 and the February 1 deadlines in Section 2.1(a)(iv) and (vi) to February 15. The ISO notified the Commission of these extensions in an informational filing.¹

¹ The informational filing was submitted to the Commission on January 4, 2013 in Docket EL13-21.

On January 4, 2013, the Commission issued its decision on the ISO's Petition for Declaratory Order, finding that BE CA, a subsidiary of JP Morgan Ventures Energy Corporation (collectively, "JP Morgan") "does not have contractual consent authority regarding the conversion of Huntington Beach Units 3 and 4 to synchronous condensers and, thus, JP Morgan's consent is not required under certain agreements for the RMR Agreement to become effective."² By letter dated January 18, 2013, the ISO requested AESHB's acknowledgment that the January 4, 2013 order satisfied the condition precedent set forth in section 2.1(iii) of the RMR Agreement relating to JP Morgan consent. By letter dated January 22, 2013, AES Southland Holdings, LLC ("AESSH"), indirect parent company of AESHB, advised the ISO that, despite the Commission's Declaratory Order, JP Morgan "has not provided AESHB with its consent for the full performance of AESHB's obligations under the RMR [Agreement]." AESHB further explained that JP Morgan "has informed AESHB in writing of its intention to seek rehearing, and if necessary appeal the FERC orders." A copy of the ISO's letter is attached hereto as Exhibit A. A copy of AESSH letter to the ISO is attached here to as Exhibit B.

AESHB is thus not willing to proceed at this point, but has advised that it is "working with JP Morgan to find a solution that will enable this condition to be satisfied in a reasonable time." See Appendix B. To preserve the possibility that the condition precedent in Section 2.1(a)(iii) may yet be satisfied, thus allowing the synchronous condenser conversion to proceed to conclusion and the RMR Agreement to become effective, the ISO, AESHB, SCE and SDG&E have agreed to a further extension of the deadline for the satisfaction of the condition precedent in Section 2(a)(iii) to February 15. In addition, they have agreed to also extend the deadline for the satisfaction of the condition precedent in Section 2.1(a)(v)³ to February 15, and the deadlines for Section 2.1(a)(iv) and (vi) to March 8.

² *California Indep. Sys. Operator Corp.*, 142 FERC ¶ 61,016, at P 1 (2013).

³ The January 22 letter from AESSH also informed the ISO that AESHB has not yet obtained the required consent from Edison Mission Huntington Beach, LLC. Section 2.1(a)(v) of the RMR Agreement

Respectfully submitted,

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Washington, D.C.
January 24, 2013

lists, as a condition precedent to the effectiveness of the RMR Agreement, the requirement that AESHB receive “consent to the Synchronous Condenser Transaction by Edison Mission Huntington Beach, LLC in respect of its existing lease arrangements in respect of certain components of Huntington Beach Units #3&4, and any amendment to such lease agreement as may be required to implement the same” by January 7, 2013. In order to allow more time to identify a solution that will enable the satisfaction of this condition, the ISO, AESHB, SCE and SDG&E have agreed to a further extension of this date.

Exhibit A

January 18, 2013

Mr. Eric Pendergraft
President
AES Southland, L.L.C.
690 N Studebaker Road
Long Beach, CA 90803-2221

Re: Request for information regarding status of JP Morgan consent

Dear Mr. Pendergraft,

On January 4, 2013, the Federal Energy Regulatory Commission issued a Declaratory Order that concluded that JP Morgan does not have contractual consent authority regarding the conversion of Huntington Beach Units 3 and 4 to synchronous condensers, and thus, JP Morgan's consent is not required under certain agreements for the Huntington Beach Units 3 and 4 RMR Agreement to become effective. The California Independent System Operator Corporation ("ISO") requests that AES Huntington Beach, L.L.C. ("AESHB") provide written acknowledgment that this order satisfies the condition precedent set forth in section 2.1(iii) of the RMR Agreement. If AESHB has determined that the order does not satisfy the conditions precedent, please provide the reasons for this determination and what, if any, response AESHB has received from BE CA, LLC, a subsidiary of JP Morgan Ventures Energy Corporation (collectively, "JP Morgan") relating to this issue.

The ISO requests that AESHB provide its response to this request no later than January 22, 2013.

Sincerely,

California Independent System Operator Corporation



Steve Berberich
President & Chief Executive Officer

Exhibit B



AES Southland
690 North Studebaker Road
Long Beach, CA 90803
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fax 562 493 7320

1/22/13

Mr. Steven Berberich
President and Chief Executive Officer
California ISO
250 Outcropping Way
Folsom, CA 95630

Dear Mr. Berberich:

Re: Request for information regarding status of JP Morgan consent

In response to your letter, dated January 18, 2013, regarding the FERC declaratory order and the conditions precedent to effectiveness of the RMR Agreement, AESHB has determined that the order does not satisfy all of the conditions precedent. In particular, section 2.1(iii) has not been and will not be satisfied by January 23, 2013, as JP Morgan Energy Ventures ("JPM") has not provided AESHB with its consent for the full performance of AESHB's obligations under the RMR. In addition, JPM has informed AESHB in writing of its intention to seek rehearing, and if necessary appeal the FERC orders. We are working with JPM to find a solution that will enable this condition to be satisfied within a reasonable period.

In addition, section 2.1(v) has not been and will not be satisfied by January 23, 2013, as AESHB has not obtained and will not obtain the required consent from Edison Mission Huntington Beach, LLC ("EMH") by that date. We are working with EMH to identify a solution that will enable this condition to be satisfied within a reasonable period.

Sincerely,


Eric Pendergraft
President

CERTIFICATE OF SERVICE

I hereby certify that, I have this day caused to be served by First Class Mail or electronic mail the foregoing documents upon the parties to the official service list compiled by the Secretary for this proceeding.

Dated at Washington, DC this 24th day of January 2013.

/s/ Claire M. Brennan
Claire M. Brennan
Senior Paralegal Specialist
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