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June 26, 2006

VIA ELECTRONIC FILING

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

Re: California Independent System Operator Corporation
Docket Nos. ER06-700-____

Dear Secretary Salas:

Attached please find the Answer of the California Independent System Operator Corporation to Motion for Clarification or, in the Alternative, for Temporary Stay and Request for Expedited Treatment, submitted today in the captioned docket.

Please contact the undersigned with any questions regarding this matter.

Respectfully submitted,

/s/ Bradley R. Miliauskas
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Counsel for the California Independent
System Operator Corporation

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)** **Docket No. ER06-700-____**

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO MOTION FOR CLARIFICATION OR, IN THE
ALTERNATIVE, FOR TEMPORARY STAY AND REQUEST FOR EXPEDITED
TREATMENT**

On June 19, 2006, the Northern California Power Agency (“NCPA”)¹ submitted its “Motion for Clarification or, in the Alternative, for Temporary Stay and Request for Expedited Treatment” (“NCPA Motion”) in the captioned docket. Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213, the CAISO hereby submits its answer to the NCPA Motion. As represented in the motion, the CAISO does not oppose NCPA’s request for clarification that it not be subject to the revised creditworthiness standards that have been filed and accepted by the Commission pending the outcome of ongoing discussions to develop alternatives that are better suited for entities such as NCPA. As described below, the CAISO believes that this clarification request should also be extended to Local Publicly Owned Electric Utilities, including NCPA’s members, among others, and unrated governmental entities, such as the Western Area Power Administration.

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

NCPA notes that, “[p]ursuant to the Commission’s May 12 Order in this docket, NCPA and the CAISO have been working together to develop creditworthiness standards that would be appropriate for entities such as NCPA.” NCPA Motion at 1. In the May 12, 2006, Order that NCPA references, the Commission “strongly encourage[d] the CAISO to work with its stakeholders to develop an alternative measure to calculate the financial strength of non-profits’ unsecured credit limits, to be included in the [CAISO’s] Credit Guide.”² Consistent with this directive, the CAISO is working on developing alternative creditworthiness standards specifically for Local Publicly Owned Electric Utilities, including NCPA’s members and unrated governmental entities, such as the Western Area Power Administration, as it appears that the creditworthiness of these classes of entities are not accurately captured in the proposals developed to date. Accordingly, these classes of entities are similarly situated with NCPA and should be treated similarly.

The CAISO intends to post today on the ISO Home Page a proposal for such alternative creditworthiness standards and has scheduled a conference call for July 5, 2006, to discuss the proposal (as well as revisions to the CAISO’s Credit Guide) with stakeholders. The CAISO plans to include the proposal regarding alternative creditworthiness standards in the compliance filing that the CAISO will submit in the captioned docket on July 11, 2006.³

² *California Independent System Operator Corp.*, 115 FERC ¶ 61,170, at P 35 (2006).

³ To the extent that the CAISO’s compliance filing contains any changes that were not directed by the Commission in its May 12 Order, the CAISO would have no object to the Commission’s treating the compliance filing as a filing under Section 205 of the Federal Power Act. See Motion for Extension of Time to Submit Compliance Filing, Docket No. ER06-700-000 (May 31, 2006), at 6.

Although the CAISO intends to be very diligent in enforcing its credit requirements, the CAISO generally does not plan to exercise its enforcement authority against those entities that would be subject to the proposed alternative creditworthiness standards until such time as the Commission acts on those proposed standards, unless specific circumstances lead the CAISO to believe that it must exercise its enforcement authority while the proposals are pending.⁴

Respectfully submitted,

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⁴ See ISO Tariff, Section 12.5 (describing the enforcement actions the CAISO is authorized to take regarding under-secured Market Participants).

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all parties on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 26th day of June, 2006.

/s/ Sidney M. Davies
Sidney M. Davies