

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

California Independent System)
Operator Corporation) Docket No. EL06-44-004

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION TO REQUEST FOR CLARIFICATION OR,
IN THE ALTERNATIVE, REQUEST FOR WAIVER AND COST JUSTIFICATION
OF CONOCOPHILLIPS COMPANY**

Pursuant to Section 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2006), and the Commission’s March 1, 2007, Notice of Filing, the California Independent System Operator Corporation (“CAISO”)¹ submits its answer to the “Request for Clarification or, in the Alternative, Request for Waiver and Cost Justification of ConocoPhillips Company” (“Request”), filed by ConocoPhillips Company (“ConocoPhillips”) on February 15, 2007, in the captioned docket.

I. Answer

In its Request, ConocoPhillips asks the Commission to provide clarification of the order issued in the captioned docket on February 13, 2006.² ConocoPhillips requests that the Commission clarify whether and to what extent the soft bid cap established by the February 13 Order applies to wholesale sales that result from the trading of basis differentials or spreads on the Intercontinental

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

² *California Independent System Operator Corp.*, 114 FERC ¶ 61,135 (2006) (“February 13 Order”).

Exchange (“ICE”). In the alternative, ConocoPhillips seeks to justify certain wholesale sales made in July 2006 at prices that exceeded the soft bid cap established by the February 13 Order.

The CAISO opposes the request for clarification because there is an inadequate record, and inadequate notice to potentially interested parties, for the Commission to find that the described transactions are or should be exempt from the application of the “soft cap.” The Commission should undertake a thorough review of all transactions reported on ICE that exceeded the \$400 soft bid cap before making any determination. Such a review would assist the Commission in determining the relationship (if any) between ConocoPhillips’ basis differential bids and the trading point prices. Additionally, if the prices established on ICE above the \$400 soft bid cap are determined not to be just and reasonable by the Commission, it calls into question whether any “spreads” associated with these prices are just and reasonable.

The CAISO neither supports nor opposes ConocoPhillips’ request for waiver of the requirement that requests for cost justification be submitted within seven days from the end of the month the transactions occurred.

II. Conclusion

For the reasons explained above, the Commission should thoroughly investigate the type of transaction in issue before granting the requested clarification.

Respectfully submitted,

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Dated: March 12, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the official service list maintained by the Secretary in this proceeding in accordance with Rules 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Washington, D.C. this 12th day of March, 2007.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas