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March 28, 2008

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER06-227-000**

Dear Secretary Bose:

On December 11, 2007, the California Independent System Operator Corporation ("CAISO") filed, on behalf of itself and the City and County of San Francisco ("CCSF") (together, the "Settling Parties"), an Offer of Settlement and related documents in connection with the above-captioned proceeding ("December 11 Filing"). As explained in the December 11 Filing, the Offer of Settlement and accompanying First Amended and Restated Operating Agreement between the CAISO and CCSF ("Operating Agreement") were approved in form and content by CCSF staff and legal counsel but approval was also required from the CCSF Board of Supervisors ("CCSF Board"). The December 11 Filing stated that notice of the CCSF Board's approval would be filed with the Commission.¹

As was discussed in the December 11 Filing, the Settling Parties now provide, in Exhibit 1 to the instant filing, an ordinance of the CCSF Board, dated March 14, 2008, that approves the Offer of Settlement and adopts the Operating Agreement in the form those documents were submitted to the Commission in the December 11 Filing. The Settling Parties request that the Commission include the ordinance provided in Exhibit 1 hereto as new Attachment F to the December 11 Filing. The Settling Parties also provide, in Exhibit 2 to the instant filing, the signature page for the Operating Agreement executed by CCSF. The

¹ See December 11 Filing, Attachment A (Explanatory Statement in Support of Offer of Settlement) at 1, 3 n.6, Attachment B (Offer of Settlement) at 1.

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Settling Parties request that the Commission include the signature page provided in Exhibit 2 hereto in Attachment C to the December 11 Filing, which already contains the signature page for the Operating Agreement executed by the CAISO.²

Two copies of this submission are provided to be date-stamped and returned to our messenger. Please contact me with any questions.

Respectfully submitted,


Bradley R. Miliauskas

Counsel for the California Independent
System Operator Corporation

Cc: The Honorable Karen V. Johnson
Service list

Enclosures

² Section 13.10 of the Operating Agreement permits the Operating Agreement to be executed in one or more counterparts at different times.

EXHIBIT 1

ATTACHMENT F

1 [Approving Settlement with the California Independent System Operator and adopting the
2 First Amended and Restated Operating Agreement.]

3
4 **Ordinance authorizing settlement of proceedings initiated by the California**
5 **Independent System Operator before the Federal Energy Regulatory Commission in**
6 **Docket No. ER06-227-000 to establish operational, scheduling and settlement**
7 **requirements for certain City electrical transmission transactions and adopting the**
8 **First Amended and Restated Operating Agreement.**

9 Note: Additions are *single-underline italics Times New Roman*;
10 deletions are *strikethrough italics Times New Roman*.
11 Board amendment additions are double underlined.
12 Board amendment deletions are ~~strikethrough normal~~.

13 Be it ordained by the People of the City and County of San Francisco:

14 Section 1. The City Attorney and the General Manager of the San Francisco Public
15 Utilities Commission (PUC) are hereby authorized to settle the proceedings before the
16 Federal Energy Regulatory Commission ("FERC") in Docket No. ER06-227-000. The terms of
17 the settlement are set forth in the Offer of Settlement ("Settlement"). The Settlement adopts
18 the First Amended and Restated Operating Agreement ("OA"). The Settlement and OA are
19 on file with the Clerk of the Board of Supervisors in File No. 080136, and are declared to be
20 part of this ordinance as if fully set forth herein.

21 Section 2. Background to the Settlement.

22 A. The proceedings were initiated by the California Independent System Operator
23 ("CAISO") at FERC on November 17, 2005, when CAISO filed an Interim Operations
24 Agreement ("IOA") to establish the terms and conditions for the scheduling of the City's
25 electrical transmissions that interconnect with the Sacramento Municipal Utility District
("SMUD") and the Turlock Irrigation District ("TID") control areas. On December 8, 2005, the

1 City intervened, protested and requested suspension of the proposed IOA. Pacific Gas and
2 Electric Company ("PG&E"), TID and Modesto Irrigation District ("MID") also intervened.

3 B. On January 13, 2006, FERC issued an order accepting the IOA, subject to
4 refund, and established an effective date for the IOA of December 1, 2005. On February 2,
5 2006, the initial settlement conference was held at FERC. In November 2007, the City,
6 CAISO and the other intervenors reached final settlement on the terms of the First Amended
7 and Restated Operating Agreement ("OA") between the City and CAISO.

8 C. If approved by the Board of Supervisors, the Settlement will resolve the issues in
9 Docket ER06-227-000.

10 Section 3. The First Amended and Restated Operating Agreement.

11 The OA is a comprehensive and technical operations agreement that describes how
12 the City's electrical transmissions that are not a part of the CAISO control grid will 1)
13 interconnect with the SMUD and TID control areas, and 2) be scheduled and accounted for.
14 The OA also clarifies the operational distinctions between the City's electrical transactions that
15 use a) the City's Interconnection Agreement with PG&E, b) City owned transmission facilities,
16 and c) the CAISO-controlled grid. The OA functions in conjunction with the City's
17 Interconnection Agreement with PG&E, which governs, among other things, the City's use of
18 PG&E-owned transmission facilities, which are under the control of CAISO, for delivery to the
19 City of power from City generation resources.

20 Additional terms of the OA are:

21 A. The OA is in effect until July 1, 2015, to coincide with the term of the City's
22 Interconnection Agreement with PG&E.

23 B. The OA provides that in the event of a system-wide emergency impacting the
24 delivery of electricity, CAISO may call upon the City's generation.
25

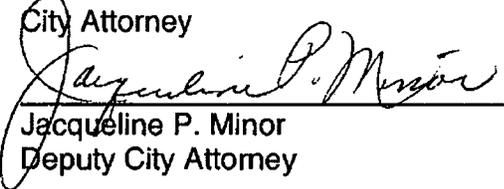
1 C. The OA also contemplates further operational changes when CAISO
2 implements market redesign changes currently scheduled for the summer of 2008.

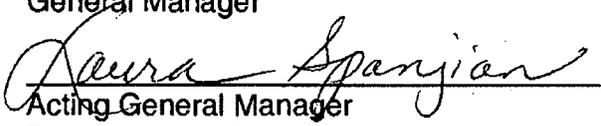
3
4 APPROVED AS TO FORM AND
RECOMMENDED:

RECOMMENDED:

5 DENNIS J. HERRERA
6 City Attorney

SUSAN LEAL
General Manager

7 
8 _____
Jacqueline P. Minor
Deputy City Attorney

9 
10 _____
Acting General Manager
Public Utilities Commission



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails

Ordinance

File Number: 080136

Date Passed:

Ordinance authorizing settlement of proceedings initiated by the California Independent System Operator before the Federal Energy Regulatory Commission in Docket No. ER06-227-000 to establish operational, scheduling and settlement requirements for certain City electrical transmission transactions and adopting the First Amended and Restated Operating Agreement.

February 26, 2008 Board of Supervisors — PASSED, ON FIRST READING

Ayes: 10 - Alioto-Pier, Ammiano, Chu, Daly, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

Excused: 1 - Dufty

March 4, 2008 Board of Supervisors — FINALLY PASSED

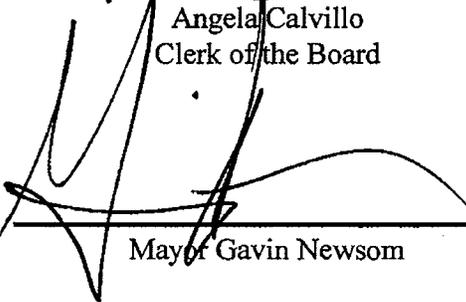
Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

File No. 080136

I hereby certify that the foregoing Ordinance was **FINALLY PASSED** on March 4, 2008 by the Board of Supervisors of the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



Mayor Gavin Newsom

3/4/08

Date Approved

EXHIBIT 2

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

California Independent System Operator Corporation:

By: _____
Name: _____
Title: _____
Date: _____

City and County of San Francisco:

By: Anthony Irons / Am
Anthony Irons
Acting General Manager
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, 94103

APPROVED AS TO FORM:

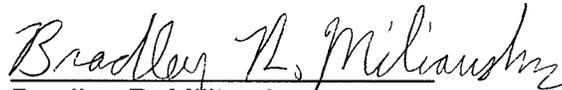
DENNIS J. HERRERA
CITY ATTORNEY

Tom Melle
Deputy City Attorney

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents upon all parties listed on the official service list for the above-referenced 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 Washington, D.C. this 28th day of March, 2008.


Bradley R. Miliauskas