UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PacifiCorp	)	Docket No. ER07-882-000

MOTION FOR LEAVE TO INTERVENE, PROTEST,
AND REQUEST FOR SETTLEMENT PROCEDURES OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Rules 213 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.213, 385.214, and the Combined Notice of Filing issued on May 15, 2007, the California Independent System Operator Corporation ("CAISO")[1] submits this motion to intervene, protest, and request for settlement procedures concerning the "Notice of Termination of Agreement for Use of Transmission Capacity among Pacific Power & Light Company, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company dated August 1, 1967" ("Capacity Agreement"), filed by PacifiCorp as successor to Pacific Power & Light Company on May 10, 2007.

I. EXECUTIVE SUMMARY

For the reasons discussed below, the CAISO urges that the Commission not permit the proposed termination of the Capacity Agreement to become effective unless certain issues related to the impact of the termination on the operation of Control Area interties and on the rates, terms and conditions for

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

service on the Pacific AC Intertie ("PACI") have been resolved. The portion of the PACI owned by PacifiCorp has been leased to Pacific Gas and Electric Company ("PG&E") for 40 years and has been under the CAISO's Operational Control for nearly a decade. The proposed termination of the Capacity Agreement will result in this portion of the PACI being withdrawn from the CAISO's Operational Control. The proposed termination will also substantially alter the rates, terms, and conditions under which customers can obtain transmission service over the PACI.

PacifiCorp has not yet met its burden of demonstrating that the proposed termination is just and reasonable. In order to ensure that the proposed termination of the Capacity Agreement can be accomplished in a reliable manner that will not result in operational concerns or financial harm to customers, the CAISO has identified certain issues that must be resolved. Despite the impression created by PacifiCorp's Notice of Termination, these issues have not been resolved to date.

The CAISO's preferred approach for resolving these issues would be for PacifiCorp to become a "partial" Participating Transmission Owner ("PTO") by transferring its portion of the PACI to the CAISO's operational authority under the same terms that PG&E has transferred control of the PACI to the CAISO since 1998. To the extent that PacifiCorp is unwilling to pursue this option, the Commission should ensure that, before the termination becomes effective, the various open issues related to the termination are resolved and that agreements and modified arrangements be put into place to allow the termination to be implemented in a reliable manner.

At a minimum, to address the operational impacts of the proposed termination, PacifiCorp must become a party to the Owners' Coordinated Operations Agreement ("OCOA"), and the California-Oregon Intertie Path Operating Agreement (the "COI Path Operator Agreement") needs to be updated to reflect this additional Transmission Operator at the COI. These agreements provide for the coordinated operation of the COI.

Even once these conditions have been satisfied, the Commission should not permit the termination to become effective until after the end of summer 2007 to ensure that the transition to the post-termination arrangements does not create operational issues or adversely impact the ability of customers to enter into necessary transactions during the always-challenging summer season.

Lastly, the CAISO respectfully requests that the Commission establish settlement proceedings to allow interested parties to resolve the various issues created by the proposed termination of the Capacity Agreement.

II. BACKGROUND

This proceeding concerns changes to the rates, terms and conditions for service over the 47 mile segment of the PACI that is owned by PacifiCorp but that has been leased to California utilities for the past 40 years. The PACI comprises two parallel 500 kV AC lines that run from the Malin substation in Oregon to the Round Mountain substation in Northern California. Together with the California Oregon Transmission Project ("COTP"), a third 500 kV line that runs from the Captain Jack substation in Oregon to an interconnection in central California with the Pacific AC Intertie near PG&E's Tesla Substation, these lines constitute the California-Oregon Intertie ("COI").

The 47 miles of the eastern segment of the PACI from Malin to Indian Springs were built by and are owned by PacifiCorp. This portion of the eastern segment of the PACI is under lease to Pacific Gas and Electric Company pursuant to the contract that is the subject of this proceeding. The remainder of the eastern segment of the PACI is owned by PG&E. The western segment of the PACI is owned in part by PG&E and, in part, by the Western Area Power Administration ("Western"). All of the PACI facilities owned by PG&E or leased to PG&E by PacifiCorp have been placed under the operational control of the CAISO since 1998 pursuant to the Transmission Control Agreement. The CAISO also has transmission rights on Western's facilities pursuant to the Transmission Exchange Agreement, also on file with the Commission. *See generally Pacific Gas & Elec. Co.,* 109 FERC ¶ 61,255 (2004).

Prior to the formation of the CAISO, the operation of the COI was coordinated by PG&E pursuant to the Coordinated Operations Agreement. The CAISO assumed that coordination role when the CAISO commenced operations in 1998. On January 1, 2005, because of the expiration of various contracts, the execution of the Transmission Exchange Agreement, and the contemplated transfer of the COTP to a different control area, the Coordinated Operations Agreement was replaced by the Owners' Coordinated Operations Agreement ("OCOA") and the COI Path Operator Agreement. The CAISO is a party to the

COI Path Operator Agreement, but not a party to the OCOA.[2] The CAISO continues to coordinate operations of the COI consistent with the terms of the COI Path Operator Agreement, which incorporates operational terms directly from the OCOA. Both agreements, however, terminate if any of PG&E's facilities are withdrawn from the CAISO's Operational Control.

In early 2007, PacifiCorp indicated its intention to terminate the Capacity Agreement and to withdraw its facilities from the CAISO's Operational Control. PacifiCorp provided formal notice to the CAISO of its intentions on April 13, 2007. In various telephone conversations and correspondence, the CAISO has discussed with PacifiCorp the reliability, operational, and economic issues that would be raised by such actions, particularly if amendments to or successor agreements to the Owners' Coordinated Operations Agreement and the COI Path Operating Agreement are not in place prior to the proposed termination of the Capacity Agreement and the related withdrawal of the eastern segment of the PACI from the CAISO's Operational Control. These issues are discussed in detail in the protest below. To date, these issues have not been resolved.

III. BASIS FOR MOTION TO INTERVENE

The CAISO is a non-profit public benefit corporation organized under the laws of the State of California. The CAISO is responsible for the reliable operation of a grid comprising the transmission systems of Southern California Edison Company ("SCE"), San Diego Gas & Electric Company ("SDG&E"),

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[2] The other parties to the COI Path Operator Agreement are PG&E, San Diego Gas & Electric Company, participants in the COTP, and Western. These entities are also the parties to the OCOA.

Pacific Gas and Electric Company, and the Cities of Vernon, Pasadena, Anaheim, Azusa, Banning, and Riverside, California, and of Atlantic Path 15, LLC (formerly Trans-Elect NTD Path 15, LLC) and the Western Area Power Administration, Sierra Nevada Region, with regard to the Path 15 transmission lines in California.

As discussed above, the Capacity Agreement concerns major transmission facilities that currently are under the CAISO's Operational Control and are part of the COI, which the CAISO coordinates as the primary transmission path between California and the Pacific Northwest. Termination of the Capacity Agreement would remove the facilities from the CAISO's Operational Control and, as a result, trigger the termination of the agreement under with the CAISO fulfills its role as path coordinator for the COI. Accordingly, the CAISO has a unique interest in any Commission proceeding concerning the issues raised in this proceeding that cannot be adequately represented by any other party.

IV. PROTEST

A. PacifiCorp Has Not Met Its Burden of Demonstrating That the Proposed Termination Is Just and Reasonable

Under the Federal Power Act ("FPA"), PacifiCorp must demonstrate that the proposed termination of the Capacity Agreement is just and reasonable:

> [B]efore it can approve a notice of termination, the Commission must, under Section 205 of the FPA, determine that the proposed termination is not unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. We need to examine what the proposed termination does, and what harm, if any, it causes.

Allegheny Power System, Inc., 102 FERC ¶ 61,318 at P 9 (2003) (internal citation omitted).

The fact that the Capacity Agreement contains negotiated terms providing for that agreement to terminate on July 31, 2007, does not relieve PacifiCorp from the obligation to demonstrate that the termination, and the related changes to the rates, terms and conditions for service over the PACI, are just and reasonable:

> Because termination of transmission service constitutes a rate change requiring FERC approval under section 205(d) of the Federal Power Act (FPA), 16 U.S.C. § 824d(d), a transmission service provider must file with FERC before terminating service, *even if service is provided under a contract ending on its own terms*. See also 18 C.F.R. § 35.15(a).

Sacramento Mun. Util. Dist. v. FERC, 474 F.3d 797, 800 (D.C. Cir. 2007) (emphasis added).

Where the Commission finds that a proposed termination has not been shown to be just and reasonable, the Commission does not and should not permit the termination to become effective until issues related to the termination have been resolved. Although the Commission has the option to reject a notice submitted under Section 35.15 of the Commission's regulations,[3] the Commission more generally will suspend the proposed termination and order further procedures to address issues related to the proposed termination.[4]

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[3] *See, e.g., Automated Power Exchange*, 107 FERC ¶ 61,014 (2004)(rejecting APX's Notice of Cancellation without prejudice to APX re-filing the notice after the date on which APX settled all amounts owed an owing as part of the California refund proceeding).

[4] *See, e.g., Allegheny Power System, Inc.*, 102 FERC ¶ 61,318 at P 10 (setting for hearing and settlement judge proceedings a proposed termination where Allegheny Power had not provided "sufficient proof" to resolve questions concerning the proposed termination); *El Paso Elec. Co.*, 107 FERC ¶ 61,314 at P 11 (2004) (Setting for hearing a notice of cancellation

In the instant case, PacifiCorp has not met the burden of demonstrating that the proposed termination of the Capacity Agreement, and the related changes to the rates, terms and conditions for service over the PACI, are just and reasonable. As discussed below, there are a number of issues that must be resolved before FERC or the CAISO can be assured that the termination of the Capacity Agreement and the related changes to operations and service over the PACI can be accomplished in a reliable manner that will not result in operational concerns or financial harm to customers. The May 10 Notice of Termination filing creates the false impression that these issues have been resolved.

Specifically, the CAISO disagrees with the assertion that the CAISO and PacifiCorp "have identified workable solutions for all issues" raised by the CAISO related to the Capacity Agreement termination. May 10 Notice of Termination filing at p. 5. While it is true that conceptual solutions to *some issues* have been identified, many details of these solutions need to be developed. Moreover, parties need to agree on how these solutions will be implemented in order to ensure that the termination can be accomplished in a reliable manner.

PacifiCorp also has not supported its claim that the CAISO and other operators "will retain their current operating authorities and responsibilities" with respect to the PACI. May 10 Notice of Termination filing at p. 5. At a minimum, to address the operational impacts of the proposed termination, PacifiCorp must become a party to the OCOA, and the COI Path Operating Agreement needs to be updated to reflect this additional Transmission Operator at the COI. The

because "the notice of cancellation has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or preferential, or otherwise unlawful. ").

OCOA provides for coordinated operation of the COI, by agreement of the transmission owners and by way of instructions to the Path Operator. The CAISO had advised PacifiCorp of these needs. To date, the CAISO understands that the OCOA parties are continuing to negotiate potential changes in operating arrangements for COI, but these issues have not been resolved.

In addition, the scope of the CAISO's operating authority over the PACI after the proposed termination needs to be defined. Today the CAISO has extensive authority over the entire PACI because these transmission facilities are subject to the CAISO's operational authority under the Transmission Control Agreement. If the termination is permitted to become effective, it is at best uncertain what authority the CAISO will have over the PacifiCorp portion of the PACI. PacifiCorp has indicated that it intends to leave the PACI in the CAISO Control Area but that PacifiCorp does not intend to become a PTO, thereby removing its portion of the PACI from the CAISO Controlled Grid. The CAISO has proposed an "Interim Operating Agreement" as one alternative to address these operational issues, but the terms of this agreement have not been resolved.[5]

Operational issues related to the termination are complicated by the nature of PacifiCorp's portion of the PACI. The portion of the PACI that PacifiCorp owns, the 47 miles from Malin to Indian Springs, does not terminate at

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[5] This approach is consistent with the approach the Commission approved in comparable circumstances when a contract between PG&E and Western concerning the western segment of the PACI expired. In December 2004, the Commission accepted the PACI-W Operating Agreement, which provided a "mechanism by which the CAISO can ensure that Western's use of its Pacific Intertie facilities is consistent with the CAISO's reliability and scheduling requirements as embodied in the CAISO Tariff." 109 FERC ¶ 61,391 at P 24 (2004).

an existing substation. This unique circumstance makes resolution of the operational issues more challenging.

PacifiCorp is also incorrect in claiming that "Power will continue to flow between buyers and sellers *as it has in the past*." *Id.* First and foremost, the proposed termination of the Capacity Agreement will trigger the termination of the OCOA. This will create numerous operational issues affecting the flow of power at the COI. Absent the extreme and undesired outcome of opening the tie on PacifiCorp's portion of the PACI, which action would create its own operational issues, the CAISO cannot operate the path in a reliable manner without a clear understanding of the respective responsibilities of the affected parties and an agreement on operating guidelines. Thus, it is inaccurate to state that power can flow as it has in the past without resolving all of the operational issues that will need to be addressed upon termination of the OCOA.

In addition to these operational issues, the proposed termination will affect the terms and conditions under which power will flow in the future. Under PacifiCorp's proposed termination, "New Firm Use" on the COI available to customers under the CAISO Tariff will be reduced from 2,800 MW to 1,200 MW because 1,600 MW of capacity on the PACI would no longer be subject to the CAISO's Operational Control. Western has rights, under the Transmission Exchange Agreement, to 400 MW of PACI capacity at the COI.

There is also the potential for pancaked rates and "phantom" congestion as a result of the termination. Today service over the PACI can be obtained by paying a single transmission charge - the CAISO Transmission Access Charge.

It is possible that the termination would impose an additional charge for transactions over the same facility by requiring customers seeking to schedule service over the PACI to pay rates under the PacifiCorp OATT as well as the CAISO TAC. In addition, should PacifiCorp not fully sell its capacity on the PACI #2 line at COI, congestion could be created on the path, with customers competing for the limited 1,200 MW of PACI #1 line New Firm Use, up to the equivalent cost of the PacifiCorp pancaked wheeling charge. These issues should be resolved before the termination is permitted to become effective.

B. The CAISO's Preferred Approach For Addressing the Proposed Termination

The CAISO's preferred approach would be for PacifiCorp to become a party to the Transmission Control Agreement, thereby becoming a "partial" PTO by transferring control of the portion of the PACI that PacifiCorp owns to the CAISO under the same terms that have been in place for the past nine years.

The CAISO believes this approach is a just and reasonable alternative that minimizes adverse impacts on customers throughout the West because it maintains the *status quo* to the greatest extent possible. This approach will allow customers to continue to obtain service over the PACI under the same terms as service has been available for the past nine years.

Contrary to PacifiCorp's concerns, this approach would not be adverse to PacifiCorp or its retail customers because PacifiCorp would have the right to recover the costs of its portion of the PACI through the CAISO Transmission Access Charge. While the CAISO cannot compel PacifiCorp to adopt this approach, the CAISO urges PacifiCorp to consider the advantages of this approach as discussions on the proposed termination continue.

C. Issues That Must Be Resolved Before the Termination Can Become Effective

The CAISO recognizes PacifiCorp's desire to move forward with the termination of the Capacity Agreement and appreciates PacifiCorp's efforts to date to involve the CAISO in discussions concerning the termination. The Commission must recognize, however, that there are still critical issues that must be resolved in order to ensure that the proposed termination of the Capacity Agreement and the related withdrawal of a portion of the PACI from the CAISO's Operational Control can be accomplished in a reliable manner that will not result in operational concerns or financial harm to customers. The Capacity Agreement has been in place for 40 years, and the CAISO has been operating the PacifiCorp-owned portion of the PACI for almost a decade. In light of this long history, the CAISO does not believe it is unreasonable to expect PacifiCorp take the additional months necessary to resolve these issues. At a minimum, the Commission must ensure that the following issues must be addressed before the termination can become effective:

1. <u>Operations and Service Issues</u>

If the CAISO's preferred approach is not adopted, the CAISO has identified two options to address operational issues associated with the proposal to carve the PacifiCorp Malin-Indian Springs portion of the PACI out of the

CAISO Controlled Grid. There are certain conditions that must be satisfied under each of these options.

Under Option 1, the CAISO would establish a PacifiCorp Transmission Ownership Right ("TOR") on the Malin-Indian Springs line. PacifiCorp has indicated that this is their preferred proposal. Key assumptions of this option are:

- The control area boundary between the CAISO and Bonneville will remain the same, and the related operating and path operator arrangements are finalized and effective upon the transfer.
- Malin would remain the scheduling point for transactions over the PACI and into and out of the CAISO.
- This option will result in the loss of 1600 MW "New Firm Use" under the CAISO Tariff at COI because PacifiCorp's 1600 MW of rights would be taken off and preserved as a TOR.
- No changes to the existing network model are needed for this approach.[6]

Under this approach, however, PacifiCorp must become a party to an amended Owners' Coordinated Operating Agreement which is modified to reflect post-termination arrangements. PacifiCorp also must become a party to an amended COI Path Operator Agreement with the CAISO which is modified to reflect post-termination arrangements. Among other arrangements, these agreements must provide clear operating instructions to the CAISO regarding the allocation of path curtailments among the parties and operating procedures for implementing such path curtailments, be they the result of facility outages, counterflows, loop flows, or other contingencies.

[6] The CAISO notes that, in order to appropriately model and implement Option 1 (which includes the creation of a PacifiCorp TOR) under the CAISO's MRTU design (effective January 31, 2008), there needs to be a nodal price at Malin (which is already part of the MRTU design)

This approach also requires the negotiation of an "Interim Operating Agreement" between PacifiCorp and the CAISO, which would be effective until, at the earliest, the CAISO's Market Redesign and Technology Upgrade ("MRTU") proposal is implemented. The CAISO anticipates that this operating agreement can be modified once MRTU goes into effect because provisions of the MRTU Tariff relevant to the treatment of TORs will then become effective. Certain provisions of the Interim operating Agreement may still be needed even after MRTU becomes effective. PacifiCorp may also have to make arrangements with the CAISO for loss compensation, which can be addressed in this Interim Operating Agreement. Similar to the Western Transmission Exchange Agreement, the CAISO believes customer interests support a requirement that the CAISO have the ability to use PacifiCorp unused transmission at Malin after the close of the hour-ahead market.

Under Option 1, PacifiCorp also must enter into a Scheduling Coordinator Agreement with the CAISO, as it would schedule the use of this line for those companies which purchased transmission from the PacifiCorp as the transmission provider, on its OASIS site. The Scheduling Coordinator certification process for PacifiCorp is already underway; however, PacifiCorp has not established the Energy Communications Network Interface ("ECN") with the CAISO. The ECN enables Scheduling Coordinators to submit schedules and download daily settlement statements. The connectivity process generally takes a minimum of 30 days.   Other requirements also need to be met, such as

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and a nodal price at the point of ownership change, which is Indian Springs. Thus, to implement this Option, the CAISO would need to create a "p-node" at Indian Springs.

financial security, Scheduling Infrastructure proficiency testing, and Electronic Data Interface establishment.

The CAISO also believes it is appropriate to obtain confirmation that this option would not adversely affect the ability of PG&E to recover its Transmission Revenue Requirements for the remaining portion of the eastern segment of the PACI. *See, e.g., City of Vernon*, 111 FERC ¶ 61,092 at P 83 (2005) (stating that "a Participating Transmission Owner may not be allowed to recover its TRR until the CAISO has established that the capacity is available to all market participants.").

Option 2 requires more extensive operational changes. Under Option 2, a new CAISO scheduling point would be established at Indian Springs or Round Mountain. This option would require a control area boundary change. Key assumptions of this option are:

- Creation of a new scheduling point at Indian Springs or Round Mountain for PACI 2.
- The PACI 1 scheduling point would remain at Malin.
- Control area boundary change - the control area boundary between the CAISO and Bonneville would be moved south to Indian Springs/Round Mountain.
- The CAISO would need to reconsider the implications for the existing COI Path Operator Agreement and its role as Path Operator.
- Indian Springs or Round Mountain would become a new intertie.
- The requisite dual path telemetry and interchange revenue metering would need to be installed at this new intertie scheduling point, which would define the new control area boundary between BPA and the CAISO.

Under Option 2, the CAISO would continue to offer 3,200 MW of "New Firm Use" at COI because the CAISO would have 1,600 MW of New Firm Use at Indian Springs/Round Mountain. This approach would avoid certain administrative issues related to Option 1 since PacifiCorp would not need to manage TORs within the CAISO. Under this approach, the existing network model would need to be modified. This would divert certain resources from MRTU implementation activities. The CAISO does not believe it is possible or appropriate to divert these resources from the critical MRTU implementation efforts taking place this year.

To implement Option 2, the CAISO and PacifiCorp would need to secure NERC/WECC approval of the new intertie and ensure continued compliance with all applicable reliability criteria. The CAISO and PacifiCorp would need to install appropriate metering/facilities at the new tie point. The CAISO also would need to modify arrangements associated with interconnected control area operations with Bonneville Power Administration.

Based on the timing and resource requirements of all of the above and the fact this modification would occur during summer operations and potentially complicate reliable operations of the system, the CAISO strongly believes that Option 2 should not be considered for implementation until after the MRTU operations date (January 31, 2008).

Under either of these options, certain transmission rate and service issues would need to be resolved. Specifically, the CAISO and PacifiCorp would need to have a common understanding of which tariffs and rates would apply to a given transaction over the PACI after the termination.

2. Timing of the Termination

Even if these operations and service conditions are satisfied, the CAISO urges the Commission not to permit the termination to become effective until after the 2007 summer season. The summer period is always challenging, and although the CAISO projects that sufficient supply should be available, demand for electricity in California continues to increase significantly. The CAISO's 2007 Summer Assessment (available at http://www.caiso.com/1b95/1b95abb649df4.pdf) shows that an estimated 700 MW in new generation will be added to the CAISO Control Area this year in addition to about 230 MW in new demand response programs. The new resources roughly equal the growth in electricity demand occurring since last summer. The CAISO nonetheless anticipates that margins will be tight on peak days. Substantial changes in operations that could affect the availability of supply, even in the short-term, should not occur during the summer season if they can be avoided. The proposed termination of the Capacity Agreement and the related changes to the terms and conditions for service over the PACI are such a change. As noted above, given the 40 years the Capacity Agreement has been in place, the CAISO believes it is reasonable to delay the proposed termination of that agreement a handful of additional months to ensure the termination can be accomplished in a reliable and non-disruptive manner.

D. Request for Settlement Proceedings

The CAISO has been working with PacifiCorp and other affected parties to consider the implications of the proposed termination and commits to continue discussions with these parties to identify solutions to the issues identified above. The CAISO hereby moves that the Commission initiate, as soon as practicable, settlement proceedings concerning the issues raised above in order to further resolution of those issues.

The Commission has, on numerous occasions, suspended notices of termination – where it has found that the termination has not been shown to be just and reasonable – and directed parties to resolve open issues concerning the proposed termination through settlement negotiations.[7] Moreover, there is precedent for settlement negotiations related to the terms under which the CAISO's Operational Control of control area interfaces have been terminated. In *Pacific Gas & Elec. Co.,* 109 FERC ¶ 61,255, the Commission approved a settlement related to the transfer of operational control of the COTP and the successor arrangements needed to ensure reliable operations and to provide customers with continued access to Pacific Northwest transmission capacity.

In order to ensure that the proposed termination of the Capacity Agreement and the related withdrawal of a portion of the PACI from the CAISO's Operational Control and changes to the terms and conditions for service over the PACI can be accomplished in a reliable manner that will not result in operational

[7] *See, e.g., Allegheny Power System, Inc.*, 102 FERC ¶ 61,318 at P 10 (setting for hearing and settlement judge proceedings a proposed termination where Allegheny Power had not provided "sufficient proof" to resolve questions concerning the proposed termination); *PacifiCorp*, 104 FERC ¶ 61,172 (2003).

problems or financial harm to customers, the Commission should order settlement procedures in the instant proceeding and direct the parties to resolve the issues identified above.

V. COMMUNICATIONS

Please address all communications concerning this proceeding to the following persons:

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VI. CONCLUSION

Wherefore, the CAISO respectfully requests that the Commission grant its motion to intervene, allow the CAISO to participate in the proceeding with full rights as a party thereto, and that the Commission not permit the proposed termination of the Capacity Agreement to become effective: (1) unless certain issues related to the impact of the termination on the operation of Control Area interties and on the rates, terms and conditions for service on the PACI have been resolved, and (2) until after summer 2007. The CAISO also respectfully requests that the Commission establish settlement proceedings to allow interested parties to resolve these issues.

Respectfully submitted,

/s/ Sean A. Atkins

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Dated: May 31, 2007

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed 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 this 31st day of May, 2007 at Folsom in the State of California.

*/s/ Charity Wilson*___________
Charity Wilson