

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

Pacific Gas and Electric Company) Docket No. ER02-04-000

**STATUS UPDATE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

As stated in its Motion to Intervene and Protest filed on October 22, 2001, in this proceeding, the California Independent System Operator ("ISO") hereby provides an update on its discussions with the Pacific Gas and Electric Company ("PG&E") regarding the Notice of Cancellation of a Reliability Must-Run ("RMR") Service Agreement ("RMR Agreement") between PG&E and the ISO for the FMC Synchronous Condenser/Emergency Gas Turbine ("FMC Unit"), a designated RMR facility.

On October 1, 2001, PG&E submitted a Notice of Cancellation of the RMR Agreement between PG&E and the ISO for the FMC Unit. The ISO protested the PG&E Notice of Cancellation, indicating that termination of the FMC Unit's RMR Agreement could mean that the ISO would have insufficient resources to satisfy reliability criteria in the San Jose area under some conditions during summer 2002, absent upgrades to the San Jose area transmission system, or the addition of new generation in the area by June 2002. The ISO indicated in its protest that it would discuss issues associated with the termination of the FMC Unit RMR Agreement with PG&E and update the Commission regarding the outcome of these discussions by November 22, 2001.

Unfortunately, the ISO has not yet resolved outstanding issues associated with termination of the FMC Unit RMR Agreement with PG&E. The ISO has communicated to PG&E the actions that must be taken by PG&E to assure reliable service in the San Jose area in the absence of the FMC Unit RMR Agreement. The ISO has indicated to PG&E that it would withdraw its protest to termination of the FMC Unit RMR Agreement upon obtaining agreement from PG&E to complete the following projects by June 2002:

- Facilitate the interconnection of Calpine's Los Esteros Critical Energy Facility
- Complete installation of a fourth 230-115kV transformer at Newark Substation
- Complete the reconductor of the San Jose-FMC 115kV line tap
- Develop and initiate a project to mitigate overloading of the Metcalf-Evergreen and Metcalf-El Patio 115kV lines by June 2003

To date, while it has had a cordial discussion with PG&E, the ISO has not received a firm commitment from PG&E to undertake these projects.

Accordingly, the ISO's October 21, 2001, protest cannot yet be withdrawn.

Respectfully submitted,

J. Phillip Jordan
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Counsel for the California Independent
System Operator Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, on this 13th day of December, 2001.

Rebecca A. Blackmer
Swidler Berlin Shereff Friedman, LLP
3000 K Street, NW
Washington, DC 20007

December 13, 2001

VIA MESSENGER

The Honorable Linwood A. Watson, Jr.
Acting Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: **Pacific Gas and Electric Company**
Docket No. ER02-04-000

Dear Secretary Watson:

Enclosed for filing in the above-captioned proceeding are an original and six copies of a Status Update of the California Independent System Operator Corporation. Two additional copies of the filing are also enclosed. I would appreciate your stamping the additional copies with the date filed and returning it to the messenger.

Respectfully submitted,

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