

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

California Independent System Operator
Corporation

Docket No. ER05-150-000

ORDER CONDITIONALLY APPROVING CONTESTED SETTLEMENT

(Issued September 23, 2005)

1. In this order, we conditionally approve a contested settlement between the California Independent System Operator Corporation (CAISO) and the Trinity Public Utilities District (Trinity PUD). The settlement resolves all issues that were set for hearing in the above-captioned docket relating to a Utility Distribution Company Operating Agreement (UDC Operating Agreement) between the CAISO and Trinity PUD. As discussed below, we find that the settlement is in the public interest and should be approved, with the modifications discussed below.

Background

2. In accordance with the terms of a 1967 power integration/wheeling agreement between the Western Area Power Administration (Western) and PG&E, commonly known as Contract 2948A, power from Western was delivered to Trinity PUD¹ over certain transmission facilities owned by Western and others owned by PG&E but

¹ Trinity PUD is a public utility district, organized and existing under the California Public Utility District Law, which operates distribution systems in Trinity County that are connected to grid facilities, which are owned by PG&E but controlled by the CAISO. Trinity PUD is a relatively small utility, encompassing approximately 2,200 square miles serving approximately 16,000 people and has a peak load of approximately 17 MW.

currently controlled and operated by the CAISO. On March 31, 2004, PG&E provided notice of cancellation of Contract 2948A, which was scheduled to expire on January 1, 2005.

3. The pending termination of Contract 2948A prompted the CAISO to commence negotiations with Trinity PUD on the contractual arrangement necessary for Trinity PUD to receive service from the CAISO effective January 1, 2005. The CAISO argued that, under the terms of its Open Access Transmission Tariff (CAISO Tariff), a UDC Operating Agreement was necessary and prudent in order for Trinity PUD to receive service from the CAISO.² Trinity PUD objected to the provisions of the proposed UDC Operating Agreement. When the parties could not reach an agreement, on November 1, 2004, in Docket No. ER05-150-000, the CAISO unilaterally filed a UDC Operating Agreement with Trinity PUD, which Trinity PUD protested.

4. On December 30, 2004, the Commission issued an order conditionally accepting the UDC Operating Agreement, suspending it for a nominal period, making it effective January 1, 2005, subject to refund, and setting the matter for hearing and settlement judge procedures.³

5. On May 19, 2005, the CAISO and Trinity PUD (collectively, the Sponsoring Parties) filed an Offer of Settlement and Settlement Agreement (Settlement). Western, Trinity PUD and Trial Staff each filed comments supporting the Settlement. PG&E filed comments in opposition to the Settlement and a request for clarification and consolidation.⁴ Trinity PUD, the CAISO and Trial Staff filed reply comments. On

² The UDC Operating Agreement establishes the rights and obligations of the UDC and the CAISO with respect to the UDC's interconnection with the CAISO-controlled grid and the UDC's cooperation and coordination with the CAISO to aid in the reliability and the operational control of the CAISO control area and the UDC's distribution system.

³ *California Indep. Sys. Operator Corp.*, 109 FERC ¶ 61,391, at P 74-77.

⁴ PG&E's contends that the Sponsoring Parties did not notify it that they had begun negotiations regarding a UDC Operating Agreement in the summer of 2004 and that it did not receive a copy of the Small Utility Distribution Company (SUDC) Operating Agreement until after it was virtually complete. PG&E claims that the Sponsoring Parties refused to accommodate PG&E's concerns before filing the Settlement. Trial Staff and Trinity PUD respond that, as an intervenor, PG&E could have attended the settlement discussions because it received all notices and reports regarding the settlement discussions. Trinity PUD adds that, before the Settlement was filed, all of

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June 24, 2005, the Settlement Judge presented a report on the contested Settlement to the Commission.

Details of the Settlement

6. The proposed Settlement includes: (1) a SUDC Operating Agreement between the CAISO and Trinity PUD, (2) new CAISO Tariff language concerning the relationship between the CAISO and SUDCs, and (3) new CAISO Tariff language to include in the CAISO Tariff a *pro forma* SUDC Operating Agreement.

7. The SUDC Operating Agreement establishes Trinity PUD's rights and obligations to cooperate and coordinate with the CAISO in the reliable operation of the CAISO control area and Trinity PUD's distribution system. It includes: (1) a statement of Trinity PUD's facilities and responsibilities; (2) a requirement to comply with CAISO specifications and operating procedures; (3) a single point of contact for communications with the CAISO; (4) maintenance coordination procedures during system emergencies that require Trinity PUD to participate in voluntary load shedding in a Stage 1 System Emergency; (5) system disturbance load restoration responsibilities; (6) an obligation to cooperate in records, information and reports; (7) determination of access to facilities for both parties; and (8) cost obligations.

8. The Sponsoring Parties state in their explanatory statement that the main differences between the UDC Operating Agreement and the SUDC Operating Agreement include: (1) a UDC is required to have a control center that can communicate with the CAISO 24 hours a day, 7 days a week, while a SUDC must provide the CAISO with a single point of contact that can be reached 24 hours a day, 7 days a week; (2) a SUDC cannot shed load absent physically disconnecting each individual substation, while a UDC has remote systems and relays to disconnect substations automatically to shed load; and (3) a SUDC will be directed to reduce load on a voluntary basis when the CAISO reaches a Stage 1 System Emergency but shall not be called separately to manually shed load during a Stage 3 Emergency. However, a UDC is required to shed load when the CAISO reaches a Stage 3 System Emergency.⁵

PG&E's concerns were discussed and two of its concerns resulted in additional language being incorporated into the SUDC Operating Agreement.

⁵ According to the CAISO's White Paper concerning *Alerts, Warnings, and Emergencies*, as posted on the CAISO's website, a Stage One Emergency may be declared at any time it is clear that an Operating Reserve shortfall is unavoidable, or is forecast to occur in the next two hours, and indicates that the Operating Reserve is

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9. Section 5 of the Settlement provides that the CAISO will make a separate filing, pursuant to Section 205 of the Federal Power Act, requesting Commission acceptance of the new CAISO Tariff language concerning the relationship between the CAISO and SUDCs and new CAISO Tariff language to include in the CAISO Tariff the *pro forma* SUDC Operating Agreement.⁶ The Sponsoring Parties request that the Commission make the SUDC Operating Agreement effective as of the effective date of the new CAISO Tariff language and *pro forma* SUDC Operating Agreement. The Sponsoring Parties state that, once the SUDC Operating Agreement between the CAISO and Trinity PUD becomes effective, the SUDC Operating Agreement will supercede the UDC Operating Agreement between the CAISO and Trinity PUD originally submitted in this proceeding.

Discussion

A. Request for Clarification and Consolidation

10. PG&E requests that the Commission clarify that neither a UDC Operating Agreement nor a SUDC Operating Agreement is an Interconnection Agreement (IA) and that neither can be used to replace the requirement for entering into an IA with a transmission owner. If the Commission does not have a sufficient record to make such a finding or the Commission does not make the requested clarification, PG&E requests that the Commission set the matter for hearing in a consolidated proceeding with Docket No. ER05-130-002 (where the issue of the need for an IA between PG&E and Trinity PUD for the facilities at issue here is being disputed). PG&E argues that consolidation is needed because the CAISO, Trinity PUD and Trial Staff have argued in Docket No. ER05-130-002 that the different agreements at issue in the two dockets (*i.e.*, the SUDC Operating Agreement and IA) are redundant. If the Commission finds that the SUDC Operating Agreement could substitute for an IA, then PG&E requests that the

forecast to be below minimum criteria, but not so far below as to require interruption of service to customers. A Stage Three Emergency may be declared at any time it is clear that the Spinning Reserve portion of Operating Reserve has depleted below the required level, or is forecast to occur within the next two hours. Stage Three indicates that, without significant CAISO intervention, the electric system is in danger of imminent collapse and involuntary curtailment of service to consumers is required.

⁶ The CAISO submitted that filing on May 25, 2005 in Docket No. ER05-1025-000. The Commission is issuing an order in that proceeding contemporaneously with this order.

Commission require the CAISO to amend its CAISO Tariff to indicate that the CAISO will assume responsibility and liability for the physical and operational integrity of PG&E's electric system that otherwise would be the responsibility of an SUDC, such as Trinity PUD, under an IA.

11. Trinity PUD responds that the issue that PG&E seeks clarified is the core issue in Docket No. ER05-130 and therefore should not be decided here. The CAISO states that the issue in question has been addressed by the partial initial decision issued in Docket No. ER05-130-003.⁷ Trial Staff claims that the clarification PG&E seeks will not change the fact that the CAISO Tariff only requires IAs in response to new or upgraded interconnections.⁸ Trial Staff adds that the Settlement governs the CAISO's provision of transmission service to Trinity PUD.

12. With respect to the request for consolidation, Trinity PUD states that all parties had agreed that consolidation of the instant proceeding with the proceeding in Docket No. ER05-130 was not appropriate. Trinity PUD argues that consolidation at this late stage of the proceeding would needlessly create administrative complexities and would unfairly prejudice all parties involved. Trinity PUD, the CAISO and Trial Staff add that PG&E has indicated that, given the issuance of the initial decision in Docket No. ER05-130-003, it no longer seeks consolidation.

13. We find that the issue that PG&E seeks clarified is an issue in Docket No. ER05-130 and, thus, is outside the scope of this proceeding. Accordingly, we will not address that issue here. Furthermore, given the late stage of the proceeding in Docket No. ER05-130, as demonstrated by the issuance of a partial initial decision in Docket No. ER05-130-003 on the issue in question, and the representation that PG&E no longer seeks consolidation, we will not consolidate this proceeding with the proceeding in Docket No. ER05-130-002.

B. Differing Treatment for SUDCs

14. PG&E contends that the Settlement must be rejected as unjust, unreasonable and unduly preferential because Trinity PUD is not bound to all the applicable terms in the CAISO Tariff to which UDCs, such as PG&E, are bound.⁹ Trinity PUD responds that no

⁷ Citing *Pacific Gas and Elec. Co.*, 111 FERC ¶ 63,062 at P 1 (2005).

⁸ Citing CAISO Tariff section 10.2.

⁹ PG&E argues that the policy implications of the new requirements for a SUDC Operating Agreement should be discussed in this docket, where the actual SUDC

UDC is bound by all provisions of the CAISO Tariff, but rather only by those provisions that are applicable to it. Trinity PUD states that the Sponsoring Parties merely identified those provisions in the CAISO Tariff that are applicable to SUDCs and incorporated them into a single section of the CAISO Tariff for ease of reference. Trinity PUD explains that, given its small size, Trinity PUD does not have the resources to track the numerous CAISO Tariff amendments and, therefore, the SUDC Operating Agreement's format provides an efficient way for SUDCs to easily identify and track proposed changes to CAISO Tariff provisions that affect them.

15. PG&E also argues that, other than stating that Trinity PUD is a smaller entity, the Sponsoring Parties have not presented facts that justify such discriminatory treatment. PG&E asserts that Trinity PUD's claim that it has inadequate resources to be a UDC has not been shown to be an adequate reason to waive *pro forma* UDC requirements or to preferentially exempt Trinity PUD from the obligations for any prudently operated utility. PG&E states that, even though the Sponsoring Parties state that Trinity PUD's small size would require significant financial investment and a substantial increase in operational costs for it to become a UDC, the Sponsoring Parties have not defined "significant" costs or stated whether studies were conducted to quantify costs or benefits. PG&E claims that the SUDC Operating Agreement appears to allow Trinity PUD to avoid certain responsibilities, including load shedding and communications, which then become PG&E's responsibilities and cost obligations and, conversely, may create an unjust and unreasonable liability for PG&E. PG&E adds that the CAISO Tariff does not excuse other UDCs or any other kind of market participant from CAISO Tariff or contractual obligations because they claim economic infeasibility. PG&E claims that such exemptions are dangerous to the reliability of the CAISO-controlled grid.

16. Trinity PUD counters that its existing facilities, small load and limited resources support the conclusion that requiring Trinity PUD to comply with all UDC requirements in the CAISO Tariff would be unjust, unreasonable and unduly burdensome when applied

Operating Agreement is being addressed, rather than, as the Sponsoring Parties suggest, in Docket ER05-1025-000, where the CAISO has filed its proposed *pro forma* SUDC Operating Agreement and amendments to the CAISO Tariff. Trinity PUD states that the Settlement and *pro forma* SUDC Operating Agreement are both dependant on the Commission's approval of CAISO Tariff section 31 and the definition of SUDC proposed in Docket No. ER05-1025-000, so all SUDC policy implications should be addressed in that proceeding. However, Trinity PUD agrees that policy implications related to the Settlement are properly addressed in this proceeding.

to it.¹⁰ Trinity PUD states that, as a utility that receives revenues from only 6,600 primarily residential customers, it does not have the same resources as a larger distribution company, like PG&E. Trinity PUD adds that its service territory is spread out over more than 2,200 miles, it has a small customer base, it has a staff commensurate with its size (with its General Manager acting as its sole management person), and it does not have 24-hour capability or the computer or communication infrastructure available to larger UDCs.¹¹ Trinity PUD claims that its operational and capital costs would have to be increased enormously to hire additional staff and install new equipment to comply with the *pro forma* UDC Operating Agreement standards. The CAISO argues that quantification of costs is not needed because it is plain that, based upon Trinity PUD's characteristics, Trinity PUD would need to take on significant investment and costs to meet UDC requirements.¹² Trial Staff argues that a finding of discriminatory treatment is based upon circumstances in which parties that are similarly situated are treated differently.¹³ Trial Staff contends that, given the disparity in the number of customers and employees that PG&E and Trinity PUD have,¹⁴ such a finding is not possible because the two entities are not similarly situated.

¹⁰ The CAISO argues that Trinity PUD's small size and limited operating capacity are the reasons it is just and reasonable to subject Trinity PUD to the SUDC Operating Agreement, rather than the UDC Operating Agreement, which has obligations that are more appropriate for comparatively large UDCs, and to subject Trinity PUD to no more than the CAISO Tariff provisions that apply to SUDCs. *Citing* Explanatory Statement at 4-5, 9-10. It contends that the requirements in the SUDC Operating Agreement are derived from the UDC Operating Agreements, with a few exceptions to reflect difference in size and operating capacity. *Citing id.* at 5, 9.

¹¹ Trial Staff states that, although PG&E questions whether the investment in equipment is beyond Trinity PUD's means, it does not deny that Trinity PUD currently lacks equipment or that Trinity PUD has been operating without circuit breakers and without a 24-hour communications center for many years.

¹² *Citing* Explanatory Statement at 4.

¹³ *Citing California Indep. Sys. Operator Corp.*, 111 FERC ¶ 61,360 at P 19 (2005); *Columbia Gas Transmission Corp.*, 111 FERC ¶ 61,338 at P 15, 17 (2005).

¹⁴ Trial Staff states that PG&E has 14 million gas and electricity customers in California and has 20,300 employees, while Trinity PUD serves 16,000 customers. *Citing* www.pge.com; Explanatory Statement at 1.

17. The CAISO asserts that PG&E's concerns that the SUDC Operating Agreement will have operational impacts that will burden other UDCs are unfounded. The CAISO states that small utilities, like Trinity PUD with a peak demand of 17 MW and SUDCs that have an annual peak demand of no more than 25 MW, are unlikely to cause a material adverse impact on the CAISO-controlled grid, and, if they do, the CAISO would have recourse under the SUDC Operating Agreement.¹⁵ Trial Staff adds that, given the CAISO's responsibilities to ensure the safe and reliable operation and proper management and protection of all facilities that make up the grid, the CAISO would not sponsor a settlement that endangers the reliability of the CAISO-controlled grid.

18. We find that, as a result of the disparity in the number of customers and employees that PG&E and Trinity PUD have, the two entities are not similarly situated. Therefore, PG&E's claim of discriminatory treatment is unfounded. Regarding PG&E's claims that the SUDC Operating Agreement appears to allow Trinity PUD to avoid certain responsibilities such as load shedding which may adversely affect the reliability of the CAISO-controlled grid, we note that section 4.5.3.3 of the CAISO Tariff¹⁶ states that if a Load curtailment is required to manage System Emergencies, the CAISO will determine the amount and location of Load to be reduced and to the extent possible, will allocate a portion to each UDC based on the ratio of its Demand to total Control Area annual peak Demand. Thus, small utilities such as Trinity PUD would have a very small share of any required load shedding. Therefore, we find that mandatory load shedding for Trinity PUD under a Stage 3 Emergency is not necessary given that, as a small utility, it is unlikely to cause a material adverse impact on the grid and given the expense associated with Trinity PUD having to manually shed load. Finally, we believe that the CAISO, with the responsibility to ensure safe and reliable operation of the Grid, and the historical knowledge of how small systems like Trinity PUD impact its operations, would not enter into a settlement if it believed that reliability would be endangered.

¹⁵ *Citing* section 3.1 of the SUDC Operating Agreement.

¹⁶ This section is for all curtailments except for curtailment due to resource deficiency. Under section 4.5.3.2 of the CAISO Tariff, if curtailment is necessary due to a resource deficiency, the CAISO will determine the amount and location of Load to be curtailed and will allocate a portion of that required Load curtailment to each UDC or MSS Operator whose Service Area has been identified as being resource-deficient based on the ratio of its resource deficiency to the total Control Area resource deficiency.

C. **SUDC Operating Agreement Provisions that Differ from *Pro Forma* UDC Operating Agreement**

1. **Section 4.1**

19. PG&E argues that the SUDC Operating Agreement has fewer provisions than the *pro forma* UDC Operating Agreement concerning interconnection and the rights and responsibilities of the SUDC to the transmission owner. In particular, PG&E asserts that, while section 4.1 of the SUDC Operating Agreement appears to require coordination with the Participating Transmission Owner (PTO), there is no assurance that Trinity PUD will cooperate or that PG&E will not incur liabilities related to Trinity PUD's failure.

20. Trinity PUD responds that section 4.1, which states that "the SUDC shall coordinate its SUDC Facilities Outage requirements with the [PTO] with which it is interconnected," obligates Trinity PUD to cooperate with PG&E. Trinity PUD notes that, if Trinity PUD fails to cooperate as required, PG&E could file a complaint with the Commission. Trinity PUD adds that, under section 3.1 of the SUDC Operating Agreement, Trinity PUD must operate and maintain its SUDC facilities in accordance with applicable reliability standards, statutes and regulations and Good Utility Practice, as defined in the CAISO Tariff, to avoid any material adverse impact on the reliability of the CAISO control area and CAISO-controlled grid, including PG&E's facilities. Trinity PUD states that it is willing to amend its current Operating Agreement with PG&E to accommodate PG&E's concerns.

21. We find that section 4.1 of the proposed SUDC Operating Agreement obligates Trinity PUD to cooperate and coordinate with PG&E and is therefore reasonable. We also find Trinity PUD's proposal to amend its current Operating Agreement with PG&E reasonable, and therefore, PG&E should make a filing with the Commission to reflect Trinity PUD's commitments.

2. **Section 4.7**

22. PG&E claims that there are several provisions in the SUDC Operating Agreement that differ in a material respect from the *pro forma* UDC Operating Agreement, making the SUDC Operating Agreement inadequate for its proposed purpose. Specifically, PG&E states that the SUDC Operating Agreement omits section 4.7 of the *pro forma* UDC Operating agreement, which would protect PG&E's electric system in cases where modification of Trinity PUD's facilities (*e.g.*, fuses or transformers) could compromise critical protective systems and lead to possible improper tripping with consequent load interruption and possible damage to PG&E's facilities.

23. Trinity PUD argues that it would be unjust, unreasonable, unduly discriminatory and unduly burdensome upon any SUDC to include section 4.7, and related schedule 13, of the UDC Operating Agreement in the SUDC Operating Agreement. It explains that section 4.7 requires a UDC to comply with schedule 13 of the UDC Operating Agreement, which requires a UDC to have protective relay schemes affecting the CAISO-controlled grid, including high side overcurrent relays, differential overcurrent relays, sudden pressure relays, low oil relays and neutral ground overcurrent relays. Trinity PUD states that its substations do not have such equipment and it would be prohibitively expensive to purchase and install such equipment, which Trinity PUD contends does little or nothing to increase reliability or protection of the CAISO-controlled grid. Trinity PUD adds that its substations were originally designed, installed and operated by PG&E, PG&E has similarly equipped substations in the surrounding area that have not been upgraded, and the CAISO has not asserted that PG&E's substations are a threat to reliability. Trinity PUD also states that (1) its substations were built consistent with Good Utility Practice and (2) pursuant to section 3.1 of the SUDC Operating Agreement, Trinity PUD must continue to operate and maintain its SUDC facilities in accordance with applicable reliability standards, statutes and regulations and Good Utility Practice, as defined in the CAISO Tariff, to avoid any material adverse impact on the reliability of the CAISO control area and CAISO-controlled grid, including PG&E's facilities.

24. Trial Staff contends that (1) PG&E does not deny that Trinity PUD currently lacks equipment or that Trinity PUD has been operating without circuit breakers and without a 24-hour communications center for many years and (2) PG&E does not allege that it has been harmed by Trinity PUD's inability to shed load, even during the California energy crisis of 2000-01 when calls for load shedding were frequent. Trial Staff claims that the requirements of section 4.7 of the UDC Operating Agreement have merely been moved to, and perhaps expanded in, section 4.1 of the SUDC Operating Agreement. According to Trial Staff, section 4.1 requires the SUDC to notify the CAISO of anything that could cause a material adverse impact to reliability of any part of the CAISO grid, not just the critical protective systems.

25. We find that the CAISO's removal of section 4.7, Critical Protective Systems, from the SUDC Operating Agreement is not reasonable. Section 3.1 of the SUDC Operating Agreement is only a general requirement of the SUDC to operate and maintain its facilities in a manner as to avoid creating an adverse impact, while section 4.7 of the UDC Operating Agreement specifically requires the SUDC to immediately notify the CAISO of any condition that it becomes aware of that may compromise the CAISO-controlled grid Critical Protection Systems. Moreover, we do not believe that section 4.7 of the UDC Operating Agreement has been moved to, and perhaps expanded in, section 4.1 of the SUDC Operating Agreement. Section 4.1 of the SUDC Agreement relates

strictly to maintenance/outages, not **any** condition that may compromise the CAISO Controlled Grid Critical Protective Systems as stated in section 4.7 of the UDC Operating Agreement. However, we also disagree with Trinity PUD that section 4.7 requires UDCs to have distribution protective relay schemes. Specifically, our review of Schedule 13 finds that there is no requirement that UDCs have the protective relay schemes listed on Schedule 13. Rather, Schedule 13 is merely a listing of protective relay schemes that could affect the CAISO Grid if activated. As such, Trinity PUD's concerns regarding the expenses related to the installation of this equipment is misplaced. Therefore, we will require section 4.7, Critical Protective Systems, to be included in the SUDC Operating Agreement to ensure protection of the CAISO facilities. The CAISO should therefore make a filing with the Commission within thirty days to include section 4.7 in Trinity PUD's SUDC Operating Agreement.

D. Impact on Reliability

26. PG&E disagrees with a clause in the SUDC Operating Agreement that states that Trinity PUD's system "has little or no ability to materially, adversely affect reliability of the CAISO Controlled Grid or the CAISO Control Area."¹⁷ PG&E claims that this statement is incorrect and appears to absolve Trinity PUD of any harm to interconnected systems on the CAISO-controlled grid. PG&E also argues that section 4.1 of the SUDC Operating Agreement¹⁸ appears to contradict this clause. PG&E contends that such internal contradictions must be clarified to avoid uncertainty and possible harm to third parties and their customers.

27. Trinity PUD responds that PG&E confuses reliability with accountability/liability. Trinity PUD contends that the statement that Trinity PUD has little or no ability to materially, adversely affect the reliability of the CAISO-controlled grid does not relate to absolving Trinity PUD of liability for its actions. Trinity PUD also does not agree that there is an inconsistency between Trinity PUD's belief that it is too small to adversely

¹⁷ *Citing* SUDC Operating Agreement at 1, clause E.

¹⁸ Section 4.1 requires, among other things, that: "The SUDC will provide the CAISO with [a] copy of any written information regarding Outages of the SUDC Facilities that could cause a material adverse impact on the reliability of the CAISO Controlled Grid. To the extent the SUDC schedules maintenance of the SUDC Facilities that has a reasonable potential to cause a material adverse impact to reliability on the CAISO Controlled Grid, the SUDC shall notify the CAISO of such maintenance when it becomes known, and that information will be updated quarterly or as changes occur to the proposed schedule."

affect reliability¹⁹ and the inclusion of section 4.1 in the SUDC Operating Agreement. Trinity PUD believes that it is prudent to include section 4.1 in the remote chance that Trinity PUD takes an action that might affect grid reliability.

28. We find that the clause in the SUDC Operating Agreement which states that Trinity PUD's system "has little or no ability to materially, adversely affect reliability of the CAISO Controlled Grid or the CAISO Control Area" does not absolve Trinity PUD of any harm to interconnected systems on the CAISO-Controlled Grid. As stated by Trinity PUD, section 4.1 is included in the SUDC Operating Agreement given the chance that Trinity PUD, with its very small size, could take an action that could affect Grid reliability. Therefore, we find the proposed SUDC Operating Agreement includes protections for Grid reliability and is therefore reasonable.

E. Contact Information

29. PG&E contests the exclusion of Trinity PUD's contact information from the filing. PG&E states that the redaction of this information is contrary to the CAISO's insistence that Trinity PUD provide a contact person who is available 24 hours a day, 7 days a week. PG&E also claims that it needs this information to safely manage its system, particularly in an emergency and to comply with proposed SUDC Operating Agreement section 4.1, schedule 5 section 1 and propose CAISO Tariff sections 31.2 and 31.5.2. Trinity PUD states that PG&E is already in possession of this information; however, Trinity PUD is willing to update the existing Operating Agreement that has contact information for both parties. The CAISO states that its practice is not to release this kind of information to PTOs; however, it would have no objection if Trinity PUD were to decide to release its contact information to PG&E.

30. We find that the SUDC Operating Agreement which provides confidential treatment regarding the contact person to be reasonable. However, we also find reasonable Trinity PUD's willingness to inform PG&E of its current contact person.

F. Pro Forma SUDC Operating Agreement

31. PG&E argues that it was improper for the CAISO to file a *pro forma* SUDC Operating Agreement or the CAISO Tariff amendment because Trinity PUD appears to be the only entity that would qualify for the *pro forma* SUDC Operating Agreement,

¹⁹ Trinity PUD states that its peak load of 17 MWs represents 0.037 percent of the CAISO-controlled grid peak load of 45,000 MWs and that it controls no generation. Trinity PUD Reply Comments at 9.

which conforms to Trinity PUD's specific factual situation.²⁰ PG&E also claims that there has been no proof or findings of fact that the trimmed-down SUDC Operating Agreement adequately meets the just and reasonable responsibilities of a UDC Operating Agreement for a smaller utility and does not avoid operational impacts that will add unwanted burdens to other UDCs who have entered into the full UDC Operating Agreement.

32. Trinity PUD responds that the new municipal utilities that have recently been created in California and those under consideration may meet the definition of a SUDC as defined in the proposed agreement. Trinity PUD adds that PG&E's reliance on *Virginia Electric and Power Co.* is misplaced because, here, the proposed *pro forma* SUDC Operating Agreement will reduce or eliminate the need to negotiate individual agreements with these new municipal utilities and will ensure that customers are receiving non-discriminatory service. Trial Staff adds that the Commission's rejection of the *pro forma* agreement in *Virginia Electric and Power Co.* was based on several factors in addition to the number of entities, most notably the opposition by protestors who would be subject to the *pro forma* agreement,²¹ which is not present here. The CAISO claims that it is prudent to include the *pro forma* agreement in case entities other than Trinity PUD seek to become SUDCs in the future. The CAISO and Trial Staff argue that PG&E's objections to the *pro forma* SUDC Operating Agreement should be addressed in Docket No. ER05-1025-000, where the agreement was filed, rather than here.

33. Since the *pro forma* SUDC Operating Agreement was filed in Docket No. ER05-1025-000, we find that challenges to it are outside the scope of this proceeding. Accordingly, we will not address this issue here.²²

The Commission orders:

(A) The Settlement is hereby conditionally approved, as discussed in the body of this order.

²⁰ Citing *Virginia Elec. and Power Co.*, 110 FERC ¶ 61,348 at P 26 (2005).

²¹ 110 FERC ¶ 61,348 at P 26.

²² Issues related to the justness and reasonableness of the *pro forma* SUDC Operating Agreement will be addressed in an order in Docket No. ER05-1025-000 which is being issued concurrent with this order.

(B) The CAISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.