

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell and Joseph T. Kelliher.

California Independent System Operator  
Corporation

Docket No. EL04-108-003

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued June 10, 2005)

1. On April 7, 2005, the California Energy Resources Scheduling (CERS) Division of the California Department of Water Resources and Sempra Generation (together Sponsoring Parties) filed a Settlement Agreement and Amendment No. 1 to the Energy Purchase Agreement (Agreement), dated May 4, 2001, by and between the Sponsoring Parties in the Commission-established Federal Power Act (FPA) section 206 proceeding.<sup>1</sup> On April 27, 2005, the California Independent System Operator Corporation (CAISO) filed comments in support of the Settlement Agreement. No other comments were received. On May 18, 2005, the settlement judge certified the Settlement to the Commission as uncontested.

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<sup>1</sup> On June 17, 2004, the Commission issued an order on the CAISO's proposed Market Redesign and Technology Update (Market Redesign) proposal and instituted a section 206 proceeding before an Administrative Law Judge to investigate the feasibility of upholding certain CERS contracts without modification while implementing the CAISO's Locational Marginal Pricing (LMP)-based Market Redesign. *See California Independent System Operator Corporation*, 107 FERC ¶ 61,274 (2004). Subsequently, the Commission issued an order providing clarification on the scope of the section 206 proceeding and granting motions to dismiss contracts from the proceeding. *See California Independent System Operator Corporation*, 111 FERC ¶ 61,138 (2005). The Agreement between the Sponsoring Parties remained part of the section 206 proceeding.

2. The Settlement Agreement, together with the Commission's approval of the Physical Validation Procedures included in the CAISO's Inter-Scheduling Coordinator Trade Proposal filed in Docket No. ER02-1656-025, resolves all delivery point issues under the Agreement between the Sponsoring Parties.<sup>2</sup>

3. The subject Settlement Agreement is in the public interest and is hereby accepted. The Commission's acceptance of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission retains the right to investigate the rates, terms and conditions under the just and reasonable and not unduly discriminatory or preferential standard of section 206 of the FPA, 16 U.S.C. § 824e (2000). However, the Settlement Agreement contemplates specific parameters for the scope and process of review in the event of a Material Adverse Modification, as defined in the Settlement Agreement and Amendment No. 1.

4. This order terminates Docket No. EL04-108-003.

By the Commission. Commissioner Kelly not participating.

( S E A L )

Magalie R. Salas,  
Secretary.

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<sup>2</sup> Upon approval of Physical Validation Procedures included in the Inter-Scheduling Coordinator Trade Proposal (Docket No. ER02-1656-025), the Sponsoring Parties have agreed to amend the Agreement within 20 days to: (1) modify the definition of CAISO delivery points to include trading hubs; (2) reflect that deliveries of energy under the Agreement, other than deliveries to certain specified points, would be made as Scheduling Coordinator Trades settled by the CAISO; (3) reflect that deliveries of energy under the Agreement for settlement as Inter-Scheduling Coordinator Trades at individual nodes on the CAISO-controlled grid would be subject to the Physical Validation Procedures; and (4) indicate that certain other specified deliveries of energy under the Agreement would not be subject to the Physical Validation Procedures.