

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. EL04-108-004

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued June 10, 2005)

1. On April 8, 2005, the California Energy Resources Scheduling Division (CERS) of the California Department of Water Resources, Calpine Energy Service, and Power Contract Financing, L.L.C. (together Sponsoring Parties) filed a Settlement Agreement with respect to two energy purchase agreements, both dated April 22, 2002, by and among the Sponsoring Parties in the Commission-established Federal Power Act section 206 proceeding.¹ 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.
2. The Settlement Agreement, together with the Commission's approval of the Physical Validation Procedures included in the CAISO's Inter-Scheduling Coordinator

¹ 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 respective energy purchase agreements between the Sponsoring Parties remained part of the section 206 proceeding.

Trade Proposal filed in Docket No. ER02-1656-025, resolves all delivery point issues under the energy purchase agreements among the Sponsoring Parties.²

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.

4. This order terminates Docket No. EL04-108-004.

By the Commission. Commissioner Kelly not participating.

(S E A L)

Magalie R. Salas,
Secretary.

² The Settlement Agreement and Amendment No. 1 and Amendment No. 2 to the Sponsoring Parties' energy purchase agreements resolves these issues by: (1) confirming that upon implementation of LMP, deliveries of energy at individual nodes under the energy purchase agreements between the Sponsoring Parties will be subject to the Physical Validation Procedures filed as part of the Inter-Scheduling Coordinator Trade Proposal and (2) providing for delivery of energy under the energy purchase agreements between the Sponsoring Parties, using the CAISO's Existing Zone Generation Hub as the replacement delivery point under the agreements.