120 FERC ¶ 61,294
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 28, 2007

In Reply Refer To:
California Independent System Operator Corporation
Docket No. ER07-1188-000

Alston & Bird LLP
The Atlantic Building
950 F Street, N.W.
Washington, DC 20004-1404

Attention: Michael E. Ward
Attorney for the California Independent System Operator Corporation

Reference: Termination of Southwest Powerlink Operations Agreement

Dear Mr. Ward:

1. On July 23, 2007, you submitted, on behalf of the California Independent System Operator Corporation (CAISO), a Notice of Termination of the Southwest Powerlink (SWPL) Operations Agreement (Operations Agreement),[1] to become effective September 30, 2007. The CAISO states that the Operations Agreement terminates if (1) San Diego Gas & Electric Company (SDG&E) prevailed in its petition for review of Commission Opinion Nos. 458 and 458-A[2] and (2) SDG&E received permission to recover cost differentials associated with SWPL transactions through its transmission revenue requirement.[3] Because these conditions have been satisfied, the CAISO states

[1] FERC Electric Rate Schedule No. 60.

[2] *S. Cal. Edison Co. v. FERC*, 415 F.3d 17 (D.C. Cir. 2005).

[3] *San Diego Gas & Electric Co.*, Docket No. ER06-818-000 (May 31, 2006, August 7, 2006, and September 27, 2006) (unpublished letter orders).

that the Operations Agreement terminates under its own terms.[4] This order accepts the CAISO's filing, and makes it effective as requested.

2. The SWPL is a 500 kV transmission line that runs from Palo Verde/Hassayampa Substation in Arizona to the Miguel Substation in San Diego County, California. The entire SWPL line is located within the CAISO Control Area. SDG&E, Arizona Public Service Company (APS) and Imperial Irrigation District (IID) jointly own the SWPL. As the majority owner, SDG&E operates the line and serves as the scheduling agent for APS and IID on the SWPL, and is responsible for submitting schedules for such transactions to the CAISO. In 1998, SDG&E transferred operational control of the SWPL line to the CAISO through the signing of a Transmission Control Agreement. Thereafter, the CAISO and SDG&E became involved in a dispute regarding CAISO's assessment of charges to certain transactions on the SWPL. In order to settle ensuing litigation, the CAISO and SDG&E entered into the SWPL Settlement Agreement and the Operations Agreement (collectively, SWPL Settlement). The SWPL Settlement addressed numerous issues regarding the historic charges for transmission losses, uninstructed deviations, and the Grid Management Charge (GMC), among other things. Both the Operations Agreement and SWPL Settlement Agreement also contained provisions for termination of the agreements in the event that SDG&E prevailed in *S. Cal. Edison Co. v. FERC*,[5] pending before the U.S. Court of Appeals for the D.C. Circuit, and obtained cost recovery of the SWPL cost differentials. The U.S. Court of Appeals ruled in favor of SDG&E and, as a result, the participating transmission owners shall recover the cost differentials for the SWPL, consistent with the CAISO Tariff, through either bilateral negotiation between the parties to the existing contracts or through the Transmission Revenue Balancing Account.

3. Notice of CAISO's Notice of Termination of the SWPL Operations Agreement was published in the *Federal Register*, 72 Fed. Reg. 43,266 (2007), with protests and interventions due on or before August 13, 2007. On August 13, 2007, APS and IID filed a joint motion to intervene and comment. Also, on August 13, 2007, motions to intervene were filed by Modesto Irrigation District and SDG&E. SDG&E's motion contained comments. On August 28, 2007, CAISO filed an answer. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Further, pursuant to Rule 213(a) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a) an answer is prohibited unless otherwise permitted by the decisional authority. Accordingly, we will not accept CAISO's answer.

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[4] See section 2.2.5 of the Operations Agreement.

[5] 415 F.3d 17 (D.C. Cir. 2005).

4. APS/IID state that they do not object to the CAISO's filing of the Notice of Termination of the Operations Agreement. Rather, they explain that their comments seek to correct inaccuracies in the CAISO's transmittal letter which may imply that once the SWPL Agreement terminates, the APS/IID owned portions of the SWPL may be included within the CAISO Controlled Grid. APS/IID state that they reserve all rights to contest any future attempt by the CAISO to pass through any charges that the CAISO may impose on SDG&E as the Scheduling Coordinator for IID and APS.

5. SDG&E states that the Operations Agreement is directly related to the SWPL Settlement Agreement between the CAISO and SDG&E, which addresses rates and charges assessed by the CAISO on certain transactions on portions of the SWPL transmission line owned by third parties. SDG&E states that the reversal of refunds and payments for the historic portion of the SWPL Settlement Agreement are complete. However, SDG&E asserts that there is an outstanding compliance filing applicable to Other Market Charges and FERC Fees plus the related interest related to such reversals and refunds, and that SDG&E reserves the right to review and verify the amounts once the CAISO makes the appropriate filing.

Commission Determination

6. We note that no party has raised issues with respect to the Notice of Termination for the Operations Agreement. Rather, issues raised by APS/IID and SDG&E address perceived mischaracterizations in the CAISO's transmittal and suggest an additional filing is necessary under a separate proceeding. We find these comments do not address the merits of the Notice of Termination and therefore are beyond the scope of the proceeding. The Commission's acceptance of this Notice of Termination is not an affirmation of the particular protested statements, implied or otherwise, contained in CAISO's transmittal letter. These statements do not limit the parties' rights or obligations with respect to other filings under sections 205 and 206 of the Federal Power Act.[6] Therefore, we accept the Notice of Termination, which terminates by its own terms, effective on September 30, 2007, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary

[6] 16 U.S.C. §§ 824d, 824e (2000).