

1 [Approving Settlement with the California Independent System Operator and adopting the
2 First Amended and Restated Operating Agreement.]

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4 **Ordinance authorizing settlement of proceedings initiated by the California**
5 **Independent System Operator before the Federal Energy Regulatory Commission in**
6 **Docket No. ER06-227-000 to establish operational, scheduling and settlement**
7 **requirements for certain City electrical transmission transactions and adopting the**
8 **First Amended and Restated Operating Agreement.**

9 Note: Additions are *single-underline italics Times New Roman*;
10 deletions are ~~*strikethrough italics Times New Roman*~~.
11 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

12 Be it ordained by the People of the City and County of San Francisco:

13 Section 1. The City Attorney and the General Manager of the San Francisco Public
14 Utilities Commission (PUC) are hereby authorized to settle the proceedings before the
15 Federal Energy Regulatory Commission ("FERC") in Docket No. ER06-227-000. The terms of
16 the settlement are set forth in the Offer of Settlement ("Settlement"). The Settlement adopts
17 the First Amended and Restated Operating Agreement ("OA"). The Settlement and OA are
18 on file with the Clerk of the Board of Supervisors in File No. 080136, and are declared to be
19 part of this ordinance as if fully set forth herein.

20 Section 2. Background to the Settlement.

21 A. The proceedings were initiated by the California Independent System Operator
22 ("CAISO") at FERC on November 17, 2005, when CAISO filed an Interim Operations
23 Agreement ("IOA") to establish the terms and conditions for the scheduling of the City's
24 electrical transmissions that interconnect with the Sacramento Municipal Utility District
25 ("SMUD") and the Turlock Irrigation District ("TID") control areas. On December 8, 2005, the

1 City intervened, protested and requested suspension of the proposed IOA. Pacific Gas and
2 Electric Company ("PG&E"), TID and Modesto Irrigation District ("MID") also intervened.

3 B. On January 13, 2006, FERC issued an order accepting the IOA, subject to
4 refund, and established an effective date for the IOA of December 1, 2005. On February 2,
5 2006, the initial settlement conference was held at FERC. In November 2007, the City,
6 CAISO and the other intervenors reached final settlement on the terms of the First Amended
7 and Restated Operating Agreement ("OA") between the City and CAISO.

8 C. If approved by the Board of Supervisors, the Settlement will resolve the issues in
9 Docket ER06-227-000.

10 Section 3. The First Amended and Restated Operating Agreement.

11 The OA is a comprehensive and technical operations agreement that describes how
12 the City's electrical transmissions that are not a part of the CAISO control grid will 1)
13 interconnect with the SMUD and TID control areas, and 2) be scheduled and accounted for.
14 The OA also clarifies the operational distinctions between the City's electrical transactions that
15 use a) the City's Interconnection Agreement with PG&E, b) City owned transmission facilities,
16 and c) the CAISO-controlled grid. The OA functions in conjunction with the City's
17 Interconnection Agreement with PG&E, which governs, among other things, the City's use of
18 PG&E-owned transmission facilities, which are under the control of CAISO, for delivery to the
19 City of power from City generation resources.

20 Additional terms of the OA are:

21 A. The OA is in effect until July 1, 2015, to coincide with the term of the City's
22 Interconnection Agreement with PG&E.

23 B. The OA provides that in the event of a system-wide emergency impacting the
24 delivery of electricity, CAISO may call upon the City's generation.

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1 C. The OA also contemplates further operational changes when CAISO
2 implements market redesign changes currently scheduled for the summer of 2008.

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4 APPROVED AS TO FORM AND
RECOMMENDED:

RECOMMENDED:

5 DENNIS J. HERRERA
6 City Attorney

SUSAN LEAL
General Manager

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8

Jacqueline P. Minor
Deputy City Attorney

Acting General Manager
Public Utilities Commission