

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

CITY AND COUNTY OF SAN FRANCISCO

**FIRST AMENDED AND RESTATED
OPERATING AGREEMENT**

Operating Agreement

THIS AGREEMENT is made this _____ day of _____, _____ and is entered into, by and between:

(1) The San Francisco Public Utilities Commission, a department of the **City and County of San Francisco**, a municipal corporation, operating under the laws of the State of California ("CCSF");

and

(2) **California Independent System Operator Corporation**, a California nonprofit public benefit corporation having a principal executive office located at such place in the State of California as the CAISO Governing Board may from time to time designate (the "CAISO"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

Whereas:

- A. CCSF owns and operates a number of Generating Units associated with its Hetch Hetchy Project ("Hetch Hetchy Units") interconnected to the transmission facilities of Pacific Gas and Electric Company ("PG&E"), Modesto Irrigation District ("MID"), and Turlock Irrigation District ("TID") through CCSF's 115 kV and 230 kV transmission facilities. The Hetch Hetchy Project is maintained and operated in compliance with the Raker Act. CCSF's 115 kV and 230 kV transmission facilities are an integral part of the Hetch Hetchy Project and are not part of the CAISO Controlled Grid. CCSF has not executed the Transmission Control Agreement ("TCA") with the CAISO and therefore retains all rights and obligations associated with ownership and operation of its transmission facilities.
- B. CCSF operates under the Interconnection Agreement between PG&E and CCSF, Federal Energy Regulatory Commission ("FERC") Rate Schedule FERC No. 114 ("CCSF IA").
- C. PG&E has executed the Transmission Control Agreement, thereby turning over Operational Control of its transmission facilities to the CAISO.
- D. As of December 1, 2005, TID has operated within its own Balancing Authority Area and MID operates within the Sacramento Municipal Utility District's ("SMUD") Balancing Authority Area.
- E. CCSF's Electric System remains within the CAISO Balancing Authority Area.
- F. CCSF and the CAISO desire to (i) establish the operational and Settlement requirements under which CCSF and the CAISO will coordinate and exchange

- information on schedules for CCSF's transactions with TID and MID now that they are no longer in the CAISO Balancing Authority Area, for schedules that do not use the CAISO Controlled Grid; (ii) establish provisions relating to telemetry and revenue metering data applicable to CCSF's facilities; and (iii) establish provisions for scheduling and Settlement of CCSF's non-CAISO Controlled Grid transactions in accordance with the Raker Act and respecting CCSF's Transmission Ownership Rights of non-CAISO Controlled Grid facilities. This Agreement is not intended to affect the scheduling, operation, assessment of charges or any other element of transactions that are currently performed using the CCSF IA, whether the transactions are scheduled by PG&E, CCSF, or some other entity acting as Scheduling Coordinator for CCSF.
- G.** This Agreement does not specify any special terms for the scheduling of CCSF transactions over CAISO Controlled Grid facilities; some of the transactions by CCSF that use the CAISO Controlled Grid are currently scheduled under the CCSF IA in accordance with the CAISO Tariff.
- H.** This Agreement recognizes that CCSF is a **Non-Participating Transmission Owner** in that CCSF owns and operates the 115kV and 230kV transmission facilities and has not executed the Transmission Control Agreement transferring Operational Control of those facilities to the CAISO. As such, the CAISO Tariff and the pending MRTU version of the CAISO Tariff provide that the rights and obligations of a Non-Participating Transmission Owner with respect to its own facilities are characterized as "Transmission Ownership Rights" ("TORs"). This Agreement is intended to form the bilateral agreement contemplated under the CAISO Tariff to uphold CCSF's TORs and to ensure reliable and economic operation of CCSF's transmission facilities within the CAISO Balancing Authority Area in conjunction with reliable and economic operation of the CAISO Controlled Grid.
- I.** The CAISO has executed an Interconnected Control Area Operating Agreement ("ICAOA") with SMUD, including Amendment No. 4, and has executed an ICAOA with TID.
- J.** Section 2.2.11 of the CAISO-SMUD ICAOA and Section 2.2.3 of the CAISO-TID ICAOA define the term "Interconnection" as "Transmission Facilities that connect one control area to another control area. The Interconnection for this Operating Agreement [ICAOA] is described in Service Schedule 1 [of the ICAOA]."
- K.** Section 5.1 of the CAISO-SMUD and CAISO-TID ICAOAs provides that the CAISO shall coordinate and exchange information with SMUD and TID respectively on schedules and Control [Balancing Authority] Area checkouts at the Interconnection – which includes the Standiford Interconnection in the CAISO-SMUD ICAOA and the Oakdale Interconnection in the CAISO-TID ICAOA, and further provides that "all energy and/or capacity schedules, as well as any transmission reservation(s) to or from the [CA]ISO Control Area, over any

facilities within the [CA]ISO Control Area shall be submitted via the [CA]ISO scheduling system as described in the [CA]ISO Tariff."

- L. CCSF has the right to provide Ancillary Services to, and to procure Ancillary Services from, entities with rights at the Standiford Interconnection and the Oakdale Interconnection.
- M. CCSF's transmission system is interconnected with the CAISO Controlled Grid at the point where PG&E's 230 kV transmission facilities physically connect with the 230 kV transmission facilities of CCSF's Warnerville Substation and the point where CCSF's 115 kV transmission facilities physically connect with PG&E's Newark Substation. These points are hereinafter referred to as the "CCSF-PG&E Interconnection."
- N. CCSF has not executed the Transmission Control Agreement; thus the 115 kV transmission lines between CCSF's Hetch Hetchy Units and the Standiford and Oakdale Substations and the 115 kV and 230 kV lines between CCSF's Hetch Hetchy Units and the CCSF-PG&E Interconnection are resident within the CAISO Balancing Authority Area but are not part of the CAISO Controlled Grid (CCSF's Transmission Ownership Rights pertain to these facilities).
- O. As of December 1, 2005, one point of interconnection exists between CCSF's Electric System and the SMUD Control Area, the Standiford Interconnection, and one point of interconnection exists between CCSF's Electric System and the TID Control Area, the Oakdale Interconnection.
- P. CCSF plans and operates its Electric System in accordance with the CCSF IA, which, among other things, provides for coordination to meet voltage control and transmission facility Outage requirements.
- Q. The Parties desire certainty to ensure that power transactions between CCSF's Hetch Hetchy Units in the CAISO Balancing Authority Area and the Standiford and Oakdale Substations in the SMUD and TID Balancing Authority Areas, respectively, are operated and scheduled in a reliable manner, and that, to the extent applicable, charges herein are appropriately settled with the CAISO.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein,

THE PARTIES AGREE as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Except as otherwise defined in Section 1.3 of this Agreement or elsewhere in this Agreement, all terms and expressions used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.

1.2 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if and to the extent a matter is specifically addressed by a provision of this Agreement, the provision of this Agreement shall govern notwithstanding any inconsistent provisions of the CAISO Tariff;
- (b) if and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern;
- (c) the singular shall include the plural and vice versa;
- (d) the masculine shall include the feminine and neutral and vice versa;
- (e) "includes" or "including" shall mean "including without limitation";
- (f) references to a Section or Schedule shall mean a Section or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (g) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (h) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (i) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (j) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (k) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (l) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

1.3 Special Agreement Definitions. In addition to terms defined in the beginning of this Agreement and in Section 1.1 of this Agreement, for purposes of this Agreement the following terms shall have the meanings set forth below.

"Balancing Authority" means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

"Balancing Authority Area" means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

"CAISO Tariff" means the transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission as it may be amended from time to time, specifically including changes to the CAISO Tariff to implement MRTU as may be approved by FERC in FERC Docket Nos. ER06-615, ER07-1257, and other dockets related to MRTU.

"Electric System" means all physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity's ownership interest in such asset or property shall be considered to be part of its Electric System.

"Hetch Hetchy Project" means the hydroelectric generating facilities in the Tuolumne River watershed and associated transmission facilities owned by CCSF, as now developed or as may be developed in the future, which are subject to the Raker Act.

"Hetch Hetchy Project Transmission Ownership Rights" or "HH TOR" represents CCSF's transmission capacity on the Hetch Hetchy Project transmission facilities as detailed in Schedule 1, and all other attendant ownership rights including but not limited to the rights of CCSF to exercise operational control over its facilities and to determine the manner in which its facilities are used.

"MRTU" means the CAISO's Market Redesign and Technology Upgrade project, the implementation of which is the subject of FERC Docket Nos. ER06-615, ER07-1257 and related dockets.

"Oakdale Interconnection" means the interconnection of the TID and CAISO Balancing Authority Areas, which consists of a physical point of interconnection at the points where CCSF's Moccasin-Newark 115 kV Lines #3 and #4 interconnect with the Turlock 115 kV bus at the Oakdale Switchyard as shown in Service Schedule 1 to the CAISO-TID ICAOA.

"Raker Act" means that act of Congress, 38 Stat. 242 (1913), which, in part, grants CCSF the rights to own and operate the Hetch Hetchy Project.

"SC Transition Date" means September 1, 2006.

"Standiford Interconnection" means the interconnection of the SMUD and CAISO Balancing Authority Areas which consists of a physical point of interconnection at disconnect switches 907C, 903C, 904C and 908C at the Standiford Substation, as shown in Service Schedule 1 to the CAISO-SMUD ICAOA. Breakers 903 and 904 are and will be open breakers, and if this configuration is proposed to be changed, the CAISO, CCSF, and SMUD will confer and agree on any change to the Interconnection point in advance of the change in this configuration.

"Transmission Control Agreement" ("TCA") means the agreement between the CAISO and Participating TOs establishing the terms and conditions under which transmission owners will become Participating TOs and how the CAISO and each Participating TO will discharge their respective duties and responsibilities, as may be modified from time to time.

2. SCOPE OF AGREEMENT

This Agreement governs the operational relationship between the CAISO and CCSF with respect to CCSF's power transactions that are delivered to the CCSF-PG&E Interconnection, that are delivered to, or received from, the SMUD Balancing Authority Area at the Standiford Interconnection and that are delivered to, or received from, the TID Balancing Authority Area at the Oakdale Interconnection over transmission facilities that are not part of the CAISO Controlled Grid, as detailed in Schedule 1, both under the pre-MRTU and post-MRTU versions of the CAISO Tariff. For reliable operation of the CAISO Balancing Authority Area, the CAISO requires a Scheduling Coordinator to provide Bids or Self-Schedules to the CAISO, and CCSF shall ensure the utilization of a Scheduling Coordinator for this function. This Agreement also addresses the creation of a logical meter arrangement that became effective on the SC Transition Date.

3. TERM AND TERMINATION

3.1 Term. This Agreement shall be effective as of the later of i) December 1, 2005, or ii) the date this Agreement is accepted for filing and made effective by FERC and shall continue in effect until terminated.

3.2 Termination. This Agreement will terminate at the earliest of:

(a) July 1, 2015;

- (b) CCSF executes the TCA;
- (c) CCSF becomes a Metered Subsystem, provided that the CAISO has been provided with 45 days advance written notice;
- (d) CCSF's Electric System is resident in a Balancing Authority Area other than that of the CAISO provided the CAISO has been provided with 45 days advance written notice; or
- (d) six months after mutual agreement of the Parties.

With respect to any notice of termination given pursuant to this Section, the CAISO must file a timely notice of termination with FERC, if this Agreement was filed with FERC, or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination by the CAISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met or the CAISO files the notice of termination in accordance with the requirements of FERC Order No. 2001. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, if filed with FERC, or thirty (30) days after the date of the CAISO's notice of termination, if terminated in accordance with the requirements of FERC Order No. 2001 and related FERC orders. Any termination by CCSF upon 45 days prior notice to the CAISO shall relieve CCSF of its obligation and cause CCSF to forego its rights herein as of the termination effective date, regardless of action or inaction by the CAISO or FERC, provided that CCSF shall cease taking any service provided under this Agreement by the CAISO as of the effective date of its termination. Any outstanding charges or settlements that arose under this Agreement shall survive until they are satisfied.

4. OPERATING REQUIREMENTS

4.1 CCSF Transactions Directly with Other Balancing Authority Areas. Hetch-Hetchy Project's associated transmission facilities will be used to export Energy and/or Ancillary Services to, and import Energy and/or Ancillary Services from the SMUD and TID Balancing Authority Areas. For Settlement treatment in accordance with Section 6.3 of this Agreement, the following transactions are delivered to MID at the Standiford Interconnection and to TID at the Oakdale Interconnection and do not use the CAISO Controlled Grid:

4.1.1 Transactions from the Hetch Hetchy Units to MID. CCSF shall schedule in the CAISO's scheduling system ("SI" or "SIBR") and the CAISO will implement the scheduling of all Energy transactions from CCSF's Hetch Hetchy Units to MID in the SMUD Balancing Authority Area using CCSF's transmission facilities; provided, however, interchange schedules may be adjusted in real time by direct communication between the CAISO and MID real time schedulers, as necessary to coordinate

dispatch of energy on the Standiford Interconnection, associated with the Ancillary Services schedules referenced in Section 4.1.3, below.

- 4.1.2 Transactions from the Hetch Hetchy Units to TID.** CCSF shall schedule in the CAISO's scheduling system ("SI" or "SIBR") and the CAISO will implement the scheduling of all Energy transactions from CCSF's Hetch Hetchy Units to the TID Balancing Authority Area using CCSF's transmission facilities; provided, however, interchange schedules may be adjusted in real time by direct communication between the CAISO and TID real time schedulers, as necessary to coordinate dispatch of energy on the Oakdale Interconnection, associated with the Ancillary Services schedules referenced in Section 4.1.3, below.
- 4.1.3 Exports of Ancillary Services.** CAISO will accommodate CCSF's export of Ancillary Services to MID and TID through implementation of a manual process, provided the CAISO continues to receive information from CCSF, MID and TID as reasonably necessary to do so.
- 4.1.4 Imports from MID at Standiford.** CCSF shall schedule in the CAISO's scheduling system ("SI" or "SIBR") and the CAISO will implement the scheduling of all Energy and Ancillary Services imports at the Standiford Interconnection using CCSF's Transmission Ownership Rights, subject to Section 7.3 of this Agreement.
- 4.1.5 Imports from TID at Oakdale.** CCSF shall schedule in the CAISO's scheduling system ("SI" or "SIBR") and the CAISO will implement the scheduling of all Energy and Ancillary Services imports at the Oakdale Interconnection using CCSF's Transmission Ownership Rights, subject to Section 7.3 of this Agreement.

- 4.2 Emergencies.** The provision attached to this Agreement as Schedule 3 shall be effective from December 1, 2005 until November 30, 2007. The following provision and its subsections shall be effective as of December 1, 2007.

The CAISO shall in the event of, and for the duration of, a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as the CAISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force, subject to Section 4.2.1 of this Agreement. Such action may include or result in, without limitation, curtailments in accordance with the CAISO Tariff as limited by Section 4.2.1 of this Agreement. CCSF shall be compensated by the CAISO for Energy provided pursuant to this Section 4.2 as described in Section 4.2.2 of this Agreement.

- 4.2.1 Energy Dispatch.** Hetch Hetchy Project generation shall not be dispatched to provide Energy unless: (1) a system contingency occurs that requires the Dispatch of Energy from Hetch Hetchy Project Operating

Reserves to meet applicable WECC Minimum Operating Reliability Criteria; or (2) a Stage Three System Emergency is imminent, thereby requiring the Dispatch of Hetch Hetchy Project generation to prevent involuntary Load curtailments. Hetch Hetchy Project generation shall be dispatched under these circumstances only after the CAISO has made best efforts to dispatch all other sources of Operating Reserves. Further, any Dispatch of Hetch Hetchy Project generation will be subject to the Hetch Hetchy Project's electrical supply, water supply, water quality, and operational constraints. In the event that Hetch Hetchy Project Energy is dispatched to address one of these events, CCSF may assign any resulting positive imbalance Energy to its Balancing Account Counterparty, pursuant to Section 6.5 of this Agreement.

- 4.2.2 Compensation.** CCSF will be compensated for the Energy pursuant to Section 4.2.1 for each Settlement Interval at the higher of: 1) the Resource-Specific Settlement Interval LMP, 2) the Energy Bid price, if applicable, or 3) the "Negotiated Opportunity Cost Proxy Price" described below.

The Negotiated Opportunity Cost Proxy Price is the product of a heat rate of 15,000 MMBTU/MWh and the Applicable Fuel Price for the Trading Day, plus \$5/MWh for variable operations and maintenance ("O&M") costs. For each emergency Dispatch pursuant to Section 4.2.1, CAISO shall pay to CCSF \$900 to cover administrative costs related to providing emergency assistance to the CAISO. The Applicable Fuel Price shall be the same for each hour of a given day and is calculated as the Commodity Price (\$/MMBTU) plus Intrastate Transportation Rate (\$/MMBTU), where the Commodity Price shall be the product of 1.02 and the Gas Daily, PG&E Citygate Index (midpoint). The index to be used for each Settlement Interval in a given day is shown in the table below. Where more than one day's index is shown for a Trading Day, the average of the two daily indices should be used. If an applicable index for a day, which is used to compute the index average for a Trading Day, is not published, then that index will not be used to compute the Commodity Price for that trading day. If no index for a day is published, then the average of applicable index on the Index Publication Date preceding and the Index Publication Date following such day will be substituted for the Index Publication Date index for that day in the table below. In the event that an index ceases to be published, Parties shall agree on a replacement index. The Intrastate Transportation Rate shall be the PG&E intrastate transportation rate charge stated in PG&E Rate Schedule G-EG, or any successor rate for electric generation service divided by one minus the applicable in-kind shrinkage allowance, if any.

Natural Gas Price Index

Index Publication Date*

| <u>Trading Day</u> | <u>Gas Daily **</u> |
|--------------------|---------------------|
| Tuesday | Tuesday/Wednesday |
| Wednesday | Wednesday/Thursday |
| Thursday | Thursday/Friday |
| Friday | Friday/Monday |
| Saturday | Monday/Tuesday |
| Sunday | Monday/Tuesday |
| Monday | Monday/Tuesday |

* *The Index Publication Date is the date of the publication which contains the prices for the applicable Trading Day.*

** *Where more than one day's index is shown for a Trading Day, the average of the two daily indices should be used. The "Flow Date(s)" column should match the Trading Day.*

- 4.3 Voltage Control and Reactive Support.** CCSF or its operating agent shall make available the necessary status and telemetry information to the CAISO consistent with the requirements of the CCSF IA and operate the associated voltage control and reactive facilities on its portion of CCSF's Electric System to meet voltage control standards under the CCSF IA. The CAISO shall coordinate and direct the use of the available voltage control and reactive support devices to maintain the reliable operation of the CCSF Electric System and the CAISO Balancing Authority Area in accordance with Good Utility Practice.
- 4.4 Coordination of Operations.** CCSF will act in accordance with all the operational requirements of the CCSF IA, including Outage coordination, Load Shedding and Load restoration.
- 4.5 Telemetry and Revenue Metering.** As of the effective date of this Agreement, CCSF has elected not to enter into arrangements with the CAISO for the participation of its Hetch Hetchy Units in the CAISO's markets or other arrangements that would require telemetry and revenue metering for the Hetch Hetchy Units in accordance with the provisions of the CAISO Tariff. However, CCSF agrees to provide telemetry and revenue metering data from the Hetch Hetchy Units to the CAISO in accordance with this Section 4.5. CCSF agrees to maintain in effect arrangements for telemetry from the Hetch Hetchy Units to the CAISO's EMS system to provide real-time data from the Hetch Hetchy Units to the CAISO, provided that the specific nature and extent of the telemetry arrangements and real-time data points will be as mutually agreed by CAISO and

CCSF representatives consistent with the telemetry arrangements in place on the effective date of this Agreement. The rights and obligations of the Parties with respect to revenue metering for the Hetch Hetchy Units shall be subject to the provisions of the CAISO Tariff applicable to the Scheduling Coordinator for CCSF's transactions as an SC Metered Entity, taking into account the provisions of Section 6.4 of this Agreement. CCSF shall have the ability to aggregate the Hetch Hetchy Units for purposes of provision of telemetry and revenue metering data as a single unit, or in a manner agreed between CCSF and the CAISO.

4.6 Real Time Operating Limits. The real time operating limits for the CCSF-PG&E Interconnection, the Oakdale Interconnection and the Standiford Interconnection will be specified in the Transmission Rights and Transmission Curtailment ("TRTC") Instructions provided by CCSF to the CAISO. As of the effective date of this Agreement, the thermal limits at these interconnections are as shown in Schedule 2. CCSF may schedule or have scheduled up to the total Inertie operating limits between the CAISO Balancing Authority Area and the SMUD and TID Balancing Authority Areas at the Standiford Interconnection and the Oakdale Interconnection, respectively, as those limits are determined from time to time in accordance with applicable agreements as described below. Any disagreement related to TRTC Instructions using CCSF's Existing Contract transmission rights at the CCSF-PG&E Interconnection will be resolved pursuant to the CCSF IA as an Existing Contract in accordance with the CAISO Tariff. Any disagreement related to TRTC Instructions with respect to real time operating limits for the Standiford Interconnection and the Oakdale Interconnection will be resolved in accordance with this Agreement, the ICAOA between the CAISO and SMUD, the ICAOA between the CAISO and TID, and the CCSF TRTC Instructions. The CAISO will work with CCSF, TID, MID, SMUD and PG&E, as needed, if the thermal limits identified in Schedule 2 of this Agreement require further information or action by those entities.

4.7 Transmission Rights and Transmission Curtailment Instructions. CCSF shall provide TRTC Instructions to the CAISO for its Hetch Hetchy Project facilities pursuant to Section 17.1 of the CAISO Tariff. The CAISO will honor the TRTC Instructions provided by CCSF consistent with the HH TOR rights described and referenced in this Agreement and Section 17.1 of the CAISO Tariff.

4.7.1 Treatment of Losses. As contemplated by Section 17.3.3(2) of the CAISO Tariff, CCSF may in the future propose a specific loss percentage for the Hetch Hetchy Project. In the event the CAISO does not agree with CCSF's specific loss percentage, the Parties shall negotiate in good faith for a period of at least ninety (90) days in an effort to reach resolution. If the Parties are unable to reach resolution on the specific loss percentage, the matter shall be resolved in accordance with Section 8 of this Agreement. Nothing in this Section 4.7 shall be considered a waiver of CCSF's objections filed with FERC regarding the assessment or allocation

of losses to transactions occurring under this Agreement, or to any of FERC's orders on such objections.

5. RELIABILITY STANDARDS

5.1 CCSF Reliability Standards Compliance. CCSF represents and warrants that it complies with the applicable WECC reliability standards, pursuant to Section 9620 of the California Public Utilities Code and the CCSF IA. CCSF will continue to comply with applicable WECC reliability standards as they may be modified from time to time, and to provide CAISO with non-confidential information demonstrating such compliance. However, aside from the right to receive such non-confidential information, this Agreement will not alter, enlarge, enhance or otherwise modify any CAISO right (if such right now exists) to enforce such requirements against or upon CCSF beyond such right as CAISO may currently possess outside this Agreement, or which it may receive from WECC in future. Unless expressly provided otherwise by written agreement between the CAISO and CCSF, CCSF will be responsible for payment directly to the WECC of any monetary sanction assessed against CCSF by the WECC with respect to CCSF's compliance with the WECC reliability standards. The CAISO and CCSF will enter into an agreement as appropriate to satisfy CCSF's reliability standards compliance responsibilities consistent with WECC requirements.

6. COSTS, CHARGES AND PAYMENT

- 6.1 Operating and Maintenance Costs.** CCSF shall be responsible for all its costs incurred in connection with operating and maintaining its Electric System. The CAISO shall not be responsible for paying any operating and maintenance charges from CCSF for costs so incurred.
- 6.2 Charges Not Generally Affected.** Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of the CAISO for use of the CAISO Controlled Grid. Customers of the CAISO using the CAISO's markets or the CAISO Controlled Grid shall pay rates and charges in accordance with the CAISO Tariff.
- 6.3 Pre-MRTU Charges for Non-CAISO Controlled Grid Facilities.** Prior to the effective date of the MRTU version of the CAISO Tariff, if a Scheduling Coordinator for CCSF transactions from the Hetch Hetchy Units schedules transactions from the CAISO Balancing Authority Area which do not use the CAISO Controlled Grid, then that Scheduling Coordinator shall be responsible for procuring or self-providing: (1) Ancillary Services consistent with the requirements of the CAISO Tariff; (2) Imbalance Energy; and (3) losses consistent with the requirements of the CAISO Tariff. For the transactions scheduled under this Agreement, the CAISO shall apply charges for Ancillary Services, Imbalance Energy, and losses, but only to the extent that such services and losses are not self-provided by the Scheduling Coordinator for the

transactions. In addition, the CAISO will charge the Grid Management Charge to these transactions in accordance with the CAISO Tariff. The CAISO shall not charge the responsible Scheduling Coordinator for any other charge types outside of this Section 6.3, if such transactions do not use the CAISO Controlled Grid.

- 6.4 Post-MRTU Charges for Transmission Ownership Rights.** On and after the effective date of the MRTU version of the CAISO Tariff, if a Scheduling Coordinator for CCSF transactions from the Hetch Hetchy Units submits Bids, or Self-Schedules, for transactions from the CAISO Balancing Authority Area which do not use the CAISO Controlled Grid, then that Scheduling Coordinator shall be responsible for procuring or self-providing: (1) Ancillary Services consistent with the requirements of the CAISO Tariff; (2) Imbalance Energy; and (3) losses consistent with the requirements of the CAISO Tariff and this Agreement. For the transactions using Transmission Ownership Rights submitted as Self-Schedules under this Agreement, the CAISO shall: apply charges for Ancillary Services, Imbalance Energy and Transmission Losses only to the extent they are not self-provided; and will not assess charges for neutrality, UFE, transmission Access Charges, Minimum Load Costs or other charges that might otherwise be applicable to the Demand or exports served solely over CCSF's HH TOR. In addition, the CAISO will charge the Grid Management Charge to these transactions in accordance with the CAISO Tariff. CCSF reserves the right to address cost causation issues in the CAISO filing required to determine the post-MRTU Grid Management Charge. The CAISO shall not charge the responsible Scheduling Coordinator for any other Charge Codes outside of this Section 6.4, if such transactions do not use the CAISO Controlled Grid.
- 6.5 CCSF Balancing Account.** In recognition of the provisions of the Raker Act and the CCSF IA, CCSF shall have the right to enter into an arrangement with PG&E or a third party ("Balancing Account Counterparty") for a balancing account for the purpose of assuring that power from the Hetch Hetchy Units is not delivered in contravention of the Raker Act or the CCSF IA. CCSF's arrangements with the Balancing Account Counterparty for this CCSF balancing account, and the CAISO's implementation of this CCSF balancing account, shall have the following provisions. CCSF shall have the right to report its Meter Data for scheduled Generation and Load using logical Generation and/or Load meters. CCSF shall determine the amount of Energy to report to the CAISO using a combination of the CCSF portfolio logical Generation and Load meters and the Balancing Account Counterparty logical Generation and Load meters. The logical meter amounts reported for each meter must be greater than or equal to zero and must be equal in aggregate to the CCSF actual physical Generation and Load meter amounts.
- 6.6 Payment.** All payments to the CAISO or CCSF will be made by or to CCSF's Scheduling Coordinator in accordance with the Scheduling Coordinator Agreement, this Agreement, and Section 11 of the CAISO Tariff. Nothing in this

Section 6.6 shall be construed to limit CCSF's Scheduling Coordinator's obligations under its Scheduling Coordinator Agreement with the CAISO.

7. SCHEDULING

7.1 Scheduling. CCSF or its designee shall act as the Scheduling Coordinator for CCSF's rights described in this Agreement. Scheduling of all transactions using CCSF's rights in this Agreement shall be performed by CCSF's Scheduling Coordinator, including TOR Self-Schedules, in accordance with the Scheduling Coordinator Agreement and the bidding and scheduling provisions of the CAISO Tariff; provided, however, CCSF's Scheduling Coordinator shall be entitled to all related rights under this Agreement, and CCSF shall have post-HASP scheduling rights on the two non-CAISO Controlled Grid Interties at the Standiford Interconnection and the Oakdale Interconnection associated with CCSF's Hetch Hetchy Transmission Ownership Rights. Nothing in this Section 7.1 shall be considered a waiver of CCSF's objections filed with FERC in ER06-615.

7.2 Scheduling Points. The CAISO will establish Scheduling Points and PNodes at the Oakdale Interconnection and the Standiford Interconnection, as well as PNodes at the CCSF-PG&E Interconnection, for post-MRTU transactions using CCSF's rights under this Agreement and operating limits identified in Schedule 2 of this Agreement.

7.3 No Use of CCSF Facilities by Others. Nothing in this Agreement will allow use of CCSF-owned facilities not turned over to CAISO Operational Control by any other entity, without the express consent of CCSF. The CAISO will only accept Bids or Self-Schedules at the Oakdale Interconnection, the Standiford Interconnection, or the CCSF-PG&E Interconnection from CCSF's designated Scheduling Coordinator or from the designated Scheduling Coordinator of either MID or TID. Nothing in this provision is intended to alter, modify, enlarge, reduce, or otherwise affect any rights MID or TID may have pursuant to other agreements or arrangements to schedule across the CCSF-PG&E Interconnection. CCSF's ETC rights to schedule across the CCSF-PG&E Interconnection are identified in the CCSF IA.

8. DISPUTE RESOLUTION

8.1 Dispute Resolution. The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to CCSF and references to the CAISO Tariff shall be read as references to this Agreement.

9. LIABILITY

9.1 Liability. The provisions of Section 14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to the Scheduling Coordinator for CCSF and references to the CAISO Tariff shall be read as references to this Agreement.

10. UNCONTROLLABLE FORCES

10.1 Uncontrollable Forces. Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to CCSF and references to the CAISO Tariff shall be read as references to this Agreement.

11. NO DEDICATION OF FACILITIES

11.1 No Dedication of Facilities. Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of CCSF's facilities or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. CCSF's facilities shall at all times be, and remain, in the exclusive ownership, possession, and control of CCSF or such other entity as CCSF, in its sole judgment, may specify, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

12. REGULATORY AUTHORITY

12.1 FERC Jurisdiction. This Agreement is subject to acceptance for filing by, and with respect to the CAISO, the regulatory jurisdiction of, FERC.

12.2 Changes in Rates. Nothing contained herein shall be construed as affecting in any way the right of a Party furnishing services in accordance with this Agreement unilaterally to make application to FERC for a change in rates presently included in Sections 6.3 and 6.4 of this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder, nor shall it affect the right of any Party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act. The standard of review FERC shall apply when acting on proposed modifications of the rates included in Section 6.3 and 6.4 of this Agreement, either on FERC's own motion or on behalf of a signatory or non-signatory, shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The term "rates" as used herein shall mean a statement of electric services provided in accordance with the CAISO Tariff, rates and charges for, or in accordance with, those services, and all classifications, practices, rules,

regulations, or contracts which in any manner affect or relate to such services, rates and charges; provided, however, the definition of "rates" shall not, for this purpose, include additions to the list of CAISO Tariff charges specifically set forth in Sections 6.3 and 6.4 of this Agreement, which list of CAISO Tariff charges shall be considered a term or condition of this Agreement. Nothing contained herein shall be construed as affecting in any way the right of the CAISO unilaterally to make application for an amendment to the CAISO Tariff to the Federal Energy Regulatory Commission under Section 205 of the Federal Power Act and pursuant to FERC's Rules and Regulations promulgated thereunder.

13. MISCELLANEOUS

- 13.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 13.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that any reference therein to the CAISO Tariff or to Market Participant shall be understood to mean this Agreement or CCSF, respectively, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 4. A Party must update the information in Schedule 4 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 13.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 13.4 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

- 13.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 13.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 13.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 13.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective.
- 13.9 Settlement.** This Agreement is a settlement of FERC Docket No. ER06-227-000. Nothing in this Agreement shall be construed as waiving, modifying or withdrawing any position taken to date by either Party in any other pending FERC docket related to the rates, terms and conditions of the pre-MRTU or post-MRTU versions of the CAISO Tariff, whether before FERC or in any petition for review of such FERC orders by a court. Each Party remains free to pursue such positions as it deems appropriate.
- 13.10 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

California Independent System Operator Corporation:

By: _____
Name: _____
Title: _____
Date: _____

City and County of San Francisco:

By: Anthony Irons / Am
Anthony Irons
Acting General Manager
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, 94103

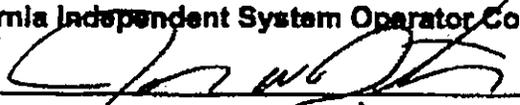
APPROVED AS TO FORM:

**DENNIS J. HERRERA
CITY ATTORNEY**

Chris Muelle
Deputy City Attorney

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

California Independent System Operator Corporation:

By: 
Name: JAMES W. DETMERS
Title: VP OPERATIONS
Date: 12/10/07

City and County of San Francisco:

By: _____
Susan Leal
General Manager,
San Francisco Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, 94103

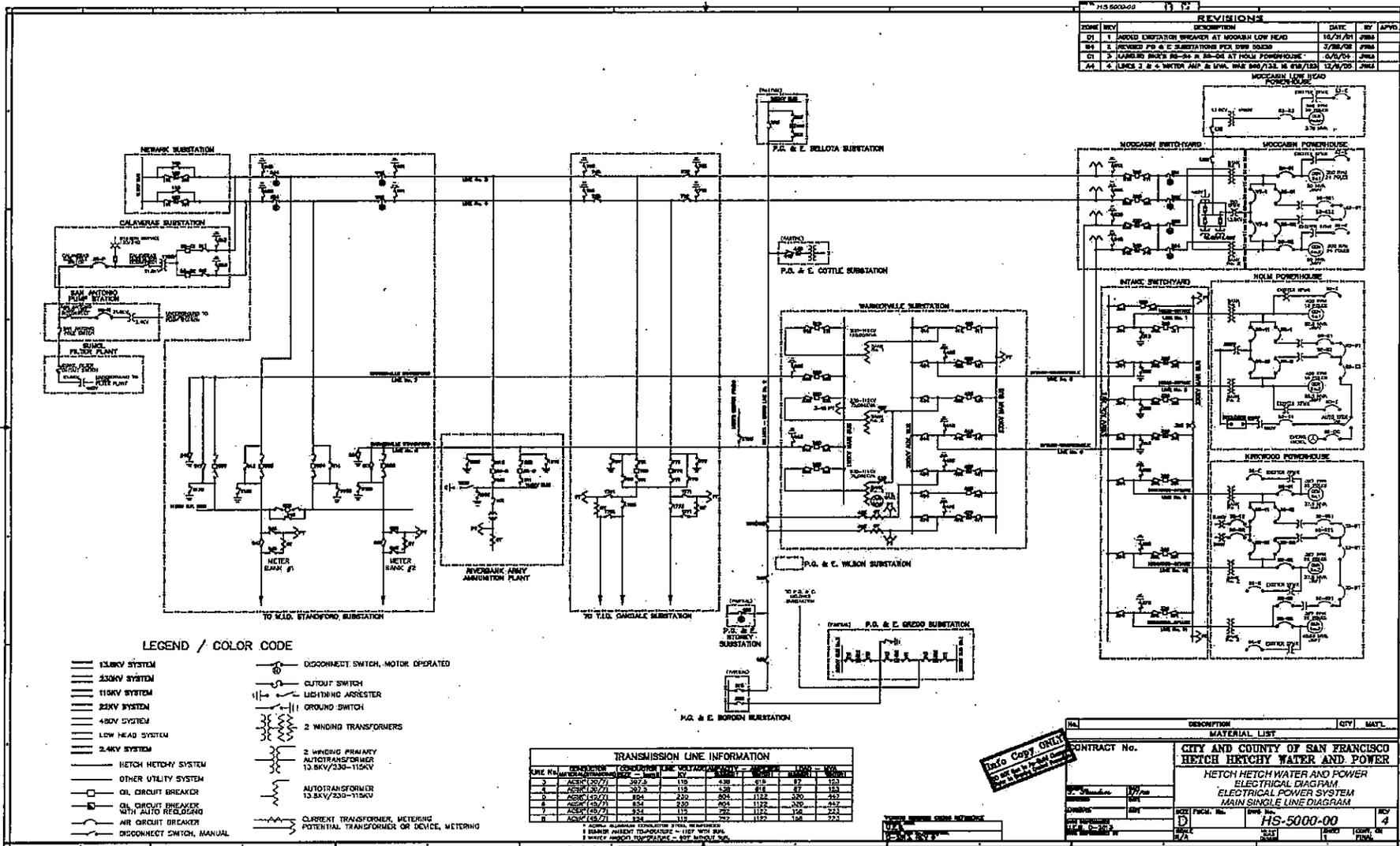
APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

Deputy City Attorney

CCSF's Hetch Hetchy Project Facilities

| REVISIONS | | | | | |
|-----------|------|--|----------|------|--------|
| NO. | REV. | DESCRIPTION | DATE | BY | APP'D. |
| 01 | 1 | ISSUED EXISTING BREAKER AT MOCCAN LOW HEAD | 12/27/51 | JFMS | |
| 02 | 2 | REVISED PD & C SUBSTATIONS FOR SHW DESIGN | 7/26/52 | JFMS | |
| 03 | 3 | LABORED BREAK'S 80-24 & 80-04 AT HOLM POWERHOUSE | 6/15/54 | JFMS | |
| 04 | 4 | UPD. LINES 3 & 4 WITHIN AMP & S.W. WAS 800/132. W. 670/120 | 12/21/55 | JFMS | |



LEGEND / COLOR CODE

- | | | | |
|--|---|--|--|
| | 13KV SYSTEM | | DISCONNECT SWITCH, MOTOR OPERATED |
| | 33KV SYSTEM | | CUTOFF SWITCH |
| | 115KV SYSTEM | | LIGHTNING ARRESTER |
| | 22KV SYSTEM | | GROUND SWITCH |
| | 480V SYSTEM | | 2 WINDING TRANSFORMERS |
| | LOW HEAD SYSTEM | | 2 WINDING PRIMARY AUTOTRANSFORMER 13.8KV/230-115KV |
| | 2.4KV SYSTEM | | AUTOTRANSFORMER 13.8KV/230-115KV |
| | HETCH HETCHY SYSTEM | | CURRENT TRANSFORMER, METERING |
| | OTHER UTILITY SYSTEM | | POTENTIAL TRANSFORMER OR DEVICE, METERING |
| | OIL CIRCUIT BREAKER | | |
| | AIR CIRCUIT BREAKER WITH AUTO RESETTING | | |
| | AIR CIRCUIT BREAKER | | |
| | DISCONNECT SWITCH, MANUAL | | |

TRANSMISSION LINE INFORMATION

| LINE No. | DESCRIPTION | CONDUCTOR | LINE VOLTAGE | LENGTH | AREA | WGT. | SPAN | INS. |
|----------|-------------|-----------|--------------|--------|------|------|------|------|
| 3 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |
| 4 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |
| 5 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |
| 6 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |
| 7 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |
| 8 | ACSR (30/7) | 307.5 | 115 | 4.38 | 616 | 87 | 123 | |

| NO. | DESCRIPTION | QTY. | MATL. |
|---|-------------|----------|-------|
| MATERIAL LIST | | | |
| CONTRACT No. CITY AND COUNTY OF SAN FRANCISCO HETCH HETCHY WATER AND POWER | | | |
| HETCH HETCHY WATER AND POWER ELECTRICAL POWER SYSTEM MAIN SINGLE LINE DIAGRAM | | | |
| DATE | BY | SCALE | NO. |
| 12/27/51 | JFMS | AS SHOWN | 4 |
| DRAWING No. HS-5000-00 | | | 4 |

Info Copy ONLY
 NOT TO BE USED FOR CONSTRUCTION

SCHEDULE 2
CCSF's Interconnection Operating Limits

[Section 2]

The real time operating limits for the CCSF-PG&E Interconnection, the Oakdale Interconnection and the Standiford Interconnection will be specified in the Transmission Rights and Transmission Curtailment ("TRTC") Instructions provided by CCSF to the CAISO. As of the effective date of this Agreement, the thermal limits at these interconnections are as shown below:

| CCSF HH TOR Facilities | Thermal Limits |
|---|------------------|
| Lines #3 and #4 (Oakdale and Newark) | |
| Summer Normal Rating (each line) | 87 MVA (438 A) |
| Summer Normal Operating Limit | 174 MVA |
| Summer Emergency Rating (each line) | 100 MVA (500 A) |
| Summer Emergency Operating Limit | 200 MVA |
| | |
| Winter Normal Rating (each line) | 123 MVA (616 A) |
| Winter Normal Operating Limit | 246 MVA |
| Winter Emergency Rating (each line) | 123 MVA (616 A) |
| Winter Emergency Operating Limit | 246 MVA |
| CCSF Connection to PG&E's line to Bellota Substation (Warnerville) | |
| Summer Normal Rating | 269 MVA (675 A) |
| Summer Emergency Rating | 316 MVA (794 A) |
| | |
| Winter Normal Rating | 415 MVA (1041 A) |
| Winter Emergency Rating | 443 MVA (1113 A) |
| CCSF Connection to PG&E's line to Gregg Substation (Warnerville) | |
| Summer Normal Rating | 269 MVA (675 A) |
| Summer Emergency Rating | 316 MVA (794 A) |
| | |
| Winter Normal Rating | 415 MVA (1041 A) |
| Winter Emergency Rating | 443 MVA (1113 A) |
| Lines #7 and #8 (Standiford) | |
| Summer Normal Rating (each line) | 153 MVA (768 A) |
| Summer Normal Operating Limit | 306 MVA |
| Summer Emergency Rating (each line) | 153 MVA (768 A) |
| Summer Emergency Operating Limit | 306 MVA |
| | |
| Winter Normal Rating (each line) | 223 MVA (1122 A) |
| Winter Normal Operating Limit | 446 MVA |
| Winter Emergency Rating (each line) | 223 MVA (1122 A) |
| Winter Emergency Operating Limit | 446 MVA |

Notes: The ETC contractual limits at Newark and at Warnerville (to Bellota and Gregg Substations) in the CCSF ETC TRTC Instructions provided by PG&E to CAISO may be exceeded for non-ETC use unless doing so would violate the Applicable Reliability Criteria. In addition, CCSF will coordinate with PG&E and CAISO configuration changes affecting CCSF's 115 kV and 230 kV system.

CCSF Summer Ratings June 1 to September 30

SCHEDULE 3

Emergencies Provision

[Section 4.2]

- 4.2 Emergencies.** The CAISO shall in the event of, and for the duration of, a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as the CAISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force. Such action may include or result in, without limitation, curtailments in accordance with Section 5.6 of the CAISO Tariff, and directing the operation of CCSF facilities in a manner that is reasonable and practical under the circumstances.

SCHEDULE 4

NOTICES

[Section 13.2]

CCSF

Name of Primary

Representative: William Gibson
Title: Utility Specialist
Address: P.O. Box 160
Moccasin, CA 95347
Email Address: wgibson@swater.org
Phone: (209) 989-2192
Fax No: (209) 989-2045

Name of Alternative

Representative: Camron Samii
Title: Power Purchasing and Scheduling Manager
Address: P.O. Box 160
City/State/Zip Code: Moccasin, California 95347
Email Address: csamii@swater.org
Phone: (209) 989-2191
Fax No: (209) 989-2045

CAISO

Name of Primary

Representative: Roni L. Reese
Title: Senior Contracts Analyst
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: reese@caiso.com
Phone: (916) 608-7027
Fax No: (916) 608-7292

Name of Alternative

Representative: Philip D. Pettingill
Title: Manager of Infrastructure Policy & Contracts
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: ppettingill@caiso.com
Phone: (916) 608-7241
Fax No: (916) 608-7292

ATTACHMENT F

ORIGINAL

ALSTON & BIRD LLP

The Atlantic Building
950 F Street, NW
Washington, DC 20004

202-756-3300
Fax: 202-756-3333

Bradley R. Miliuskas

Direct Dial: 202-756-3405

Email: bradley.miliuskas@alston.com

March 28, 2008

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

FILED
OFFICE OF THE
SECRETARY
2008 MAR 28 P 4: 55
FEDERAL ENERGY REGULATORY COMMISSION

**Re: California Independent System Operator Corporation
Docket No. ER06-227-000**

Dear Secretary Bose:

On December 11, 2007, the California Independent System Operator Corporation ("CAISO") filed, on behalf of itself and the City and County of San Francisco ("CCSF") (together, the "Settling Parties"), an Offer of Settlement and related documents in connection with the above-captioned proceeding ("December 11 Filing"). As explained in the December 11 Filing, the Offer of Settlement and accompanying First Amended and Restated Operating Agreement between the CAISO and CCSF ("Operating Agreement") were approved in form and content by CCSF staff and legal counsel but approval was also required from the CCSF Board of Supervisors ("CCSF Board"). The December 11 Filing stated that notice of the CCSF Board's approval would be filed with the Commission.¹

As was discussed in the December 11 Filing, the Settling Parties now provide, in Exhibit 1 to the instant filing, an ordinance of the CCSF Board, dated March 14, 2008, that approves the Offer of Settlement and adopts the Operating Agreement in the form those documents were submitted to the Commission in the December 11 Filing. The Settling Parties request that the Commission include the ordinance provided in Exhibit 1 hereto as new Attachment F to the December 11 Filing. The Settling Parties also provide, in Exhibit 2 to the instant filing, the signature page for the Operating Agreement executed by CCSF. The

¹ See December 11 Filing, Attachment A (Explanatory Statement in Support of Offer of Settlement) at 1, 3 n.6, Attachment B (Offer of Settlement) at 1.

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

3
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 C. The OA also contemplates further operational changes when CAISO
2 implements market redesign changes currently scheduled for the summer of 2008.

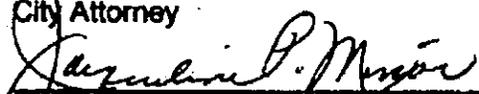
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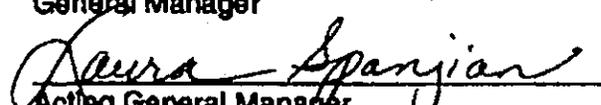
APPROVED AS TO FORM AND
RECOMMENDED:

RECOMMENDED:

DENNIS J. HERRERA
City Attorney

SUSAN LEAL
General Manager


Jacqueline P. Minor
Deputy City Attorney


Acting General Manager
Public Utilities Commission

Date Approved

3-17-08

Mayor Gavin Newsom

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing Ordinance
was FINALLY PASSED on March 4, 2008 by
the Board of Supervisors of the City and
County of San Francisco.