

2007 - 2008 Firm Transmission Rights Release Quantity Assumptions

This notice is to advise all Participating Transmission Owners and participants in the 2007/2008 Firm Transmission Rights (FTR) Auction that the term of FTRs sold in the auction will be from April 1, 2007 to January 31, 2008. Thereafter, until MRTU implementation, FTRs will be auctioned in one (1) month intervals.

The information below is intended to provide additional details about the release assumptions made on Branch Groups where the ISO was required to make an adjustment in the calculation of the Firm Transmission Rights (FTR) release amounts. The standard methodology that the ISO uses for calculating FTR release amounts is as follows:

- Determine the Available Transmission Capability (ATC) for all Branch Groups, by direction, for each hour over the past year. The historical reference period for the 2007 FTR auction was 10/1/2005 through 9/30/2006
- Take the 8760 hours of ATC and rank them from highest value to lowest value.
- Determine the ATC at the 99.5% availability level (special consideration is given for unplanned maintenance hours not expected to occur on an annual basis)
- The value at 99.5% is the number of FTRs for Sale, if this number is zero then no FTRs are released on that branch group.
- $OTC - ETC = ATC$ (NFU & FTRs)

Blythe SP15 to LC2

The release amounts for the Blythe inbound were calculated using the methodology described above. 657 hours were excluded in calculating the final value due to unplanned outages, which occurred during the past year

Blythe LC2 to SP15

The release amounts for the Blythe inbound were calculated using the methodology described above. 627 hours were excluded in calculating the final value due to unplanned outages, which occurred during the past year

PACI NP15 to NW1 and NW1 to NP15

The PG&E – PacifiCorp Agreement is set to terminate on 7/31/07. The CAISO does not have any definitive direction as to what will happen so the CAISO is taking a conservative approach and adjusting the release amounts on the assumption that the contract does not get extended. PACI is also impacted by the possible termination of the LDWP PACI/NOB exchange agreement. If this contract terminates it will decrease the release amounts on NOB by 500MW but increase the release amounts on PACI by 320MW. For the 2007 – 2008 FTR auction, the PACI Branch Group will have two terms; April 1, 2007 to July 31, 2007 and August 1, 2007 to January 31, 2008.

MEAD SP15 to LC1 and LC1 to SP15

The release amounts on this Branch Group were adjusted in the import direction by 70MW and the export direction by 34MW to account for transmission rights retained by the Southern PTOs.

NOB SP15 to NW3 and NW3 to SP15

Release amounts on the NOB branch group were calculated using the methodology described above. An additional 317 hours were taken out in the import direction and 31 hours in the export direction due to forced outages due to the facilities upgrade. Due to the possible termination of the PACI/NOB exchange agreement on July 31, 2007, the term of the FTRs auctioned on the NOB Branch Group will be from April 1, 2007 to July 31, 2007, thereafter, no FTRs will be released into the FTR auction.

PALO VERDE AZ3 to SP15 and SP15 to AZ3

Release amounts on the Palo Verde Branch Group are consistent with the methodology described above with the following exceptions. When calculating the 99.5% point on the ATC duration curve the CAISO removed 706 hours from the import direction data and 680 hours from the export direction data due to unusual events that occurred during the historical reference period that would not be expected to happen on an annual basis. There was also an adjustment made for a transmission upgrade project that was energized in July of 2006. This upgrade added 505MW to the OTC for the Palo Verde Branch Group. To determine how much of this added capacity should be included in the 2007 FTR release amount the CAISO looked at the historical based ATC value at the 99.5% (adjusted for the unusual events noted above) level and determined the percentage of OTC that this represents. We then took this percentage and multiplied it by the 505MW increase in OTC and added this amount to the historical based release amount. The ATC value was 1513 at an OTC level of 2113, the percentage of 1513/2113 (71.6%) times 505MW added 362MW. Additional information can be found on the Palo Verde Branch Group upgrade by going to the following url:

<http://www.caiso.com/docs/2004/06/15/2004061515530917633.html>

In addition, due to the termination of existing contracts, in the amount of 25MW, on July 31, 2007, the PALO VERDE Branch Group will have a split term of April 1, 2007 to July 31, 2007 and August 1, 2007 to October 31, 2007 with different FTR release amounts.

PARKER LC3 to SP15

Release amounts on the Parker branch group were calculated using the methodology described above with an adjustment made by removing an additional 84 hours from the duration calculation due to forced outages.

PATH15 ZP26 to NP15

Release amounts on the PATH15 increase by 320 MWs on 8/1/07 due to the possible termination of the LDWP exchange agreement.

PATH26 ZP26 to SP15

Release amounts on the PATH26 will be adjusted as follows: The release amounts will increase by 320 MWs and decrease by 121 MWs due to the possible termination of the LDWP and Vernon exchange agreements on 7/31/07.

TRACYCOTP NP15 to SMDH and SMDH to NP15

This Branch Group did not become effective until 12/1/2005 so our historical reference period of 10/1/2005 through 9/30/2006 only had 7295 hours used in calculating the 99.5% exceedance level on the ATC duration curve. Due to the possible termination of the PG&E – Vernon exchange agreement on July 31, 2007, the term of the FTRs auctioned on the TRACYCOPT Branch Group will be from April 1, 2007 to July 31, 2007, thereafter, no FTRs will be released into the auction.

TRACYPGAE NP15 to SMDL and SMDL to NP15

This Branch Group did not become effective until 12/1/2005 so our historical reference period of 10/1/2005 through 9/30/2006 only had 7295 hours used in calculating the 99.5% exceedance level on the ATC duration curve.