

Date: April 25, 2008

Item No. 4

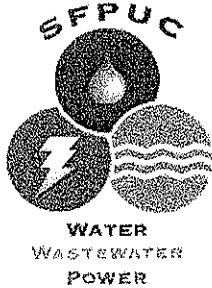
LOCAL AGENCY FORMATION COMMISSION
AGENDA PACKET CONTENTS LIST*

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|--------------------------|---|
| <input type="checkbox"/> | <u>Letter from SFPUC to California ISO regarding the proposed</u> |
| | <u>construction and operation of the cycle combustion turbine</u> |
| | <u>peaking power generation units</u> |
| <input type="checkbox"/> | <u>Letter from California ISO responding to SFPUC's inquiries</u> |
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Completed by: Linda Wong

Date: 4/23/08

***This list reflects the explanatory documents provided**



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



April 2, 2008

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Armando Perez, Vice President
Planning and Infrastructure Development
California Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630

Dear Mr. Perez:

The City and County of San Francisco (the "City"), acting through its Public Utilities Commission (the "SFPUC"), has negotiated agreements and other arrangements relating to its proposed construction and operation of four simple cycle combustion turbine peaking power generation units (collectively, the "Project"). Three of these units are planned to be sited within the City along its eastern waterfront (the "In-City Project") and the fourth is planned to be sited at San Francisco International Airport (the "Airport Project").

The SFPUC anticipates submitting the Project and the related legal documents to the City's Board of Supervisors for their consideration in the near future. The key consideration for the City in pursuing the Project is ensuring that CAISO will remove the Reliability/Must Run designation from Potrero Power Plant Units 3, 4, 5 and 6 (collectively, the "Potrero Units") as described in the San Francisco Action Plan (the "Plan").

As a related matter, the SFPUC is also interested in limiting the City's costs associated with the Project to the extent it can do so while still achieving the removal of the RMR designation from the Potrero Units. With significant progress being made on the Trans-Bay Cable it has been suggested that certain resources proposed to be devoted to the Project could be repurposed for other uses that would also help address the City's energy challenges while reducing the financial, environmental and/or opportunity costs associated with the Project in its current form.

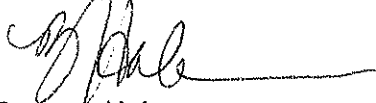
By way of this letter we ask that you provide us with your current understanding of whether the successful commercial operation of the full Project is required in order to remove the RMR designation from the Potrero Units while still satisfying federal reliability standards as described in the Plan. Specifically, we seek a statement from you as to the following questions:

1. Whether construction and operation of the Airport Project is required to achieve removal of the Potrero Units' RMR designation, or alternatively if such removal can be achieved through the construction and operation of the In-City Project alone.

2. Whether in the absence of one or both components of the Project the reasonably foreseeable development of the SFPUC's in-City renewable energy generation portfolio would nevertheless allow for the removal of the Potrero Units' RMR designation in the near future. (For your information, current SFPUC plans for developing in-City generation are comprised of photovoltaic generation facilities of various operating capacities.)

In view of our intention to move this forward in the approval process in the near future, we would greatly appreciate a response as soon as you are able.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Hale', followed by a horizontal line.

Barbara Hale
Assistant General Manager
SFPUC Power Enterprise

c: Karen Edson, CAISO
Gary DeShazo, CAISO



California ISO

Your Link to Power

California Independent System Operator Corporation

Armando J. Perez
Vice President
Planning & Infrastructure Development

April 7, 2008

Ms. Barbara Hale
Assistant General Manager
San Francisco Public Utilities Commission Power Enterprise
1155 Market St., 11th Floor
San Francisco, CA 94103

Dear Ms. Hale,

The California Independent System Operator ("California ISO") is pleased to hear that the City and County of San Francisco (the "City") is nearing completion of its process to successfully site the four simple cycle combustion turbine peaking power generation units (the "Project") within the City and the San Francisco International Airport

Regarding your letter of April 2, 2008 asking for our "current understanding" of the need for the Project to meet Federal reliability standards as described in the San Francisco Action Plan ("Action Plan"), the California ISO continues its support for the Plan as the best mechanism for achieving the City's goals and maintaining electric system reliability within San Francisco. As such, the California ISO provides the following responses to your questions.

Question 1

"Whether construction and operation of the Airport Project is required to achieve removal of the Potrero Units' RMR designation, or alternatively if such removal can be achieved through the construction and operation of the In-City Project alone?"

Answer 1

Per the Action Plan, the "In-City Project" and the "Airport Project", as defined in your April 2, 2008 letter, are required to achieve removal of the Potrero Units' RMR designation.

Question 2

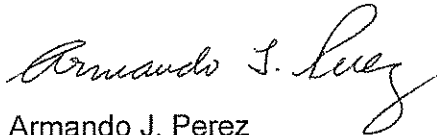
"Whether in the absence of one or both components of the Project the reasonably foreseeable development of the SFPUC's in-City renewable energy generation portfolio would nevertheless allow for the removal of the Potrero Units' RMR designation in the near future. (For your information, current SFPUC plans for developing in-City generation are comprised of photovoltaic generation facilities of various operating capacities.)"

Answer 2

The California ISO's ability to remove the RMR designation from the Potrero Units is based on the ability of the Project to provide the same characteristics and generating capacity as is currently provided by the existing Potrero Units, including "around the clock" availability. However, it should be noted that around the clock availability is a characteristic that is not provided by photovoltaic generation.

If you have any questions, please do not hesitate in contacting Mr. Gary DeShazo at (916-608-5880).

Sincerely yours,

A handwritten signature in cursive script, reading "Armando J. Perez".

Armando J. Perez
Vice President of Planning & Infrastructure Development

cc: Karen Edson
Gary DeShazo