

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

San Diego Gas & Electric Company)	
)	
v.)	Docket No. EL00-95, et al
)	
Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange)	
)	
)	
Investigation of Practices of the California Independent System Operator and the California Power Exchange)	Docket No. EL00-98, et al
)	

**ADDENDUM TO THE REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON
OFFER OF SETTLEMENT AND SETTLEMENT AGREEMENT**

Pursuant to Rule 602(f) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. ¶ 385.602(f) (2003), and the Commission’s April 28, 2004 Notice Shortening Comment Period, the California Independent System Operator Corporation (“ISO”)¹ hereby submits an addendum to its reply comments with respect to the Offer of Settlement and Settlement Agreement (“ Settlement Agreement”) filed by The Williams Companies, Inc. Williams Power Company, Inc. (together “Williams”), Pacific Gas and Electric Company (“PG&E”) Southern California Edison Company (“SCE”) and San Diego Gas and Electric Company (“SDG&E”)

¹ Capitalized terms not otherwise defined herein are used as defined in Appendix A to the ISO Tariff.

(collectively, the “Settling Parties”), in the above captioned proceedings on April 27, 2004. This addendum supplements the ISO’s reply comments, as filed earlier on this same date.

I. ADDENDUM TO REPLY COMMENTS

In its comments on the Settlement and Agreement, the California Power Exchange (“PX”) noted that the Settlement and Agreement bilateralizes obligations in the pooled markets operated by the ISO and the PX, thus changing the manner in which the Commission has addressed the refund proceeding to date by providing for the early payout of funds by resolving the liability of one specific participant, rather than resolving the accounting of all participants at once. The PX also notes that because the Settlement Agreement has been filed prior to the final orders in the refund proceeding, it is not certain that the Settling Parties’ estimates of payable and receivables are accurate, and that due to the complexity of the settlement, there may be additional, unforeseen impacts to PX participants. For these reasons, the PX requests that the Commission, in any order approving the Settlement Agreement, state that the PX, along with its directors, officers, employees and professionals will be held harmless for implementing the settlement, as well as specifying that neither the PX, nor such individuals, shall be responsible for recovering any funds which are subsequently required to be repaid. The PX explains that such provisions would be appropriate because the PX is a non-profit public benefit corporation, and it would not be reasonable to subject its officers and employees to individual

liability for engaging in the accounting necessary to implement the settlement, and that the increase in the premiums for its insurance that would result in the absence of a hold harmless provision would have to be borne by its participants.

The concerns raised by the PX apply with equal force to the ISO. The ISO is also a non-profit public benefit corporation, and for the same reasons as expressed by the PX, the ISO, along with its directors, officers, and employees, should be held harmless with respect to the settlement and accounting activities that it will have to perform in order to implement the Settlement Agreement. The ISO requests that the Commission so state in any order approving the Settlement Agreement. Likewise, the Commission should state that neither the ISO, nor its directors, officers, or employees, will be responsible for recovering any funds disbursed pursuant to the Settlement Agreement, which are subsequently required to be repaid.

II. CONCLUSION

Wherefore, for the above-stated reasons, the ISO requests that the Commission accept this addendum to its reply comments, and, in any order approving the Settlement Agreement, state that the ISO, along with its directors, officers, and employees, will be held harmless for implementing the settlement, and will not be responsible for recovering any funds subsequently required to be repaid.

Respectfully submitted,

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Date: May 17, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have on this 17th day of May 2004, served copies of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

 /s/ Gene L. Waas
Gene L. Waas