



May 6, 2004

BY ELECTRONIC TRANSMISSION

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. EL00-95 *et al.* and EL00-98 *et al.***

Dear Secretary Salas:

Enclosed for electronic filing please find Comments of the California Independent System Operator Corporation on the Offer of Settlement and Settlement Agreement in the above-referenced dockets.

Thank you for your assistance in this matter.

Very truly yours,

Gene L. Waas

Counsel for the California Independent
System Operator Corporation

Enclosures

cc: All parties of record

**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.
)	

**COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION IN SUPPORT OF THE
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), the California Independent System Operator Corporation (“ISO”)¹ hereby submits its comments on the Offer of Settlement and Settlement Agreement and Release of Claims (“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”) (collectively, the “Settling Parties”), in the above captioned

¹ Capitalized terms not otherwise defined herein are used as defined in Appendix A to the ISO Tariff, or in the Settlement Agreement and Release of Claims referred to in the text.

proceedings on April 27, 2004. The ISO comments as follows on the Settlement Agreement as filed with the Commission.

I. COMMENTS

The ISO is a non-profit public benefit corporation organized under the laws of the state of California and is responsible for the reliable operation of the transmission grid comprising the transmission systems of SCE, SDG&E, PG&E, and various municipalities. The ISO is not a signatory to the settlement agreement. However, it is the ISO that will be responsible for the financial implementation of this settlement on its books of account and in the financial clearing phase of the market reruns that have been ordered by the Commission as a part of the Refund Proceeding.² The Settling Parties have made every effort to keep the ISO informed as to the basic outline and the financial contents of their Settlement Agreement to make it as certain as possible that the ISO would be capable of implementing what had been agreed to. The ISO thanks the Settling Parties for the degree of cooperation that they have shown, and agreed to show the ISO.

The ISO has always supported the general principle that the end to complex litigation through settlement is the preferred process as opposed to the continuation of that litigation for all litigants, or for even a selected subset of the litigants. In addition, this Commission has consistently encouraged parties to resolve disputes whenever possible through settlement.³ The refund proceeding has now been ongoing for

² See, in particular, 105 FERC ¶61,066 (2003), the Commission's Order on Rehearing, Docket EL00-95-081 et al.

³ Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California v. California Independent System Operator Corporation, 96 FERC ¶ 61,024, at 61,065 (2001).

approximately three years. Against this backdrop, the ISO feels compelled to state that it continues to support the general principle embodied in the Settlement Agreement offered by the Settling Parties and supports the settlement as filed. The approval of the proposed Settlement Agreement will allow certain amounts of cash to flow sooner⁴ than would otherwise be the case and will clearly benefit Market Participants.

The ISO also notes and supports the inclusion in the Settlement Agreement of a duty to cooperate on the part of Williams. This is a duty to cooperate with the on-going actions and investigations that cover the pre-refund and the refund periods.⁵ In addition, there is an explicit duty for the Settling Parties to continue to work with Commission Staff on matters that relate to these investigations, and for both Williams and the Settling Parties to cooperate with the ISO to ensure proper implementation of the settlement in ongoing reruns and market settlements. These provisions assure that while a settlement has been reached, the cooperation of Williams and the Settling Parties will not be lost. It will be absolutely essential that the cooperation of Williams and the Settling Parties be maintained from the ISO's perspective, so that the proper financial adjustments can be made at the end of the market reruns taking place in this proceeding to properly reflect this settlement.

Finally, the ISO wants to thank Williams and the Settling Parties for their efforts to work together and reach agreement as well as the concern they have shown in keeping the ISO involved in this process from an implementation feasibility perspective. It is the ISO's hope that the Commission will not have to become involved in any implementation disputes involving this Settlement Agreement. However, recognizing that it is not

⁴ See p. 14 of the Offer of Settlement and settlement Agreement.

⁵ Section 10.4 of the Agreement refers to Williams' general duty to cooperate and section 10.5 refers to their duty to cooperate with FERC.

possible to foresee every contingency that might arise, the procedural framework is in place to handle such disputes, if indeed, they do arise.

II. CONCLUSION

Wherefore, for the reasons stated above the ISO respectfully states that it supports the Settlement Agreement as filed and will work with the Parties to implement it.

Respectfully Submitted,

Gene L. Waas

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Date: May 6, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have on this 6th 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.

Gene L. Waas