

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	Docket Nos. EL00-95-000, <i>et al.</i>
)	
v.)	
)	
Sellers of Energy and Ancillary Services)	
Into Markets Operated by the California)	
Independent System Operator and the)	
California Power Exchange,)	
Respondents)	
)	
Investigation of Practices of the California)	Docket Nos. EL00-98-000, <i>et al.</i>
Independent System Operator and the)	
California Power Exchange)	

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR TO
MOTION OF THE LOS ANGELES DEPARTMENT OF WATER AND POWER FOR
ORDER REQUIRING PAYMENT OF PRINCIPAL AMOUNTS OWED TO
GOVERNMENTAL ENTITIES**

Pursuant to Rule 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2008), the California Independent System Operator Corporation (“CAISO”) hereby submits the following answer to the City of Los Angeles Department of Water and Power’s (“LADWP”) “Motion for Order Requiring Payment of Principal Amounts Owed to Governmental Entities” (“LADWP Motion”) as filed with the Commission in the above-captioned docket on May 13, 2008.

I. ANSWER

In its Motion, LADWP requests that the Commission act expeditiously to “resolve the few outstanding issues relating to the payment of past due principal amounts to governmental entities and other non-public utilities (“Governmental Entities”) for sales made in [CAISO] and California Power Exchange Corporation (“PX”) spot markets from October 2, 2000 through June 20, 2001 (the “Refund Period”), and to order the immediate payment of such principal amounts to the Governmental Entities”¹ in accordance with the Commission’s October 19, 2007 Order on Remand.²

As part of the relief requested in its motion, LADWP asks that the Commission require the CAISO and PX to make compliance filings within 15 days of a Commission order addressing which entities are non-public utilities for purposes of the Order on Remand, showing the “adjusted, pre-mitigation net account balances past due to each designated non-public utility that was a market participant in the PX markets or a scheduling coordinator in the CAISO markets during the Refund Period.”³

The CAISO agrees with LADWP that, whenever they are submitted, the compliance filings “should be based on the preparatory rerun data and adjusted to include the results of any alternative dispute resolution proceedings [(“ADRs”)], as required by the Commission.”⁴ This is required by the Order on Remand. There is, however, a potential issue regarding timing if LADWP’s motion is granted. As the CAISO informed the Commission and parties to this proceeding in its last Status Report on Rerun Activity, filed on May 16, 2008, there are three ADR matters still pending: one

¹ LADWP Motion at 1.

² *San Diego Gas & Electric Co., et al.*, 121 FERC ¶ 61,067 (2007) (“Order on Remand”).

³ LADWP Motion at 4.

⁴ *Id.*

brought by the Southern Cities, which is pending rehearing, and two brought by PG&E, one of which was the subject of a recent Commission order that the CAISO expects to implement shortly, and one of which remains in settlement discussions. Depending on when the Commission issues its order regarding the designation of non-public utilities, these matters may not be finally resolved in the timeframe requested by LADWP. In that case, the CAISO proposes that it make a compliance filing of the sort requested by LADWP using the most current data. If there are further adjustments based on negotiated resolutions or additional Commission orders relating to these ADR matters (as well as orders on other issues that impact the CAISO's preparatory rerun data), the CAISO will issue updated data to reflect the necessary adjustments. If the updated data results in additional amounts owed to non-public utility entities, such amounts should be paid promptly by the Scheduling Coordinator that receives the charges, which may or may not be the PX (and the Commission should issue any further orders necessary for the PX to make any payment).⁵ On the other hand, if the updated data results in amounts owed back to the CAISO markets, then the CAISO will setoff such obligations against the next payments owed to non-public entities. For non-public entities that are not Scheduling Coordinators, this could be the interest payments for transactions during the Refund Period. The CAISO requests that the Commission take note of this information, and, in the event that it accepts LADWP's request for relief, adopt this proposal.

⁵ See California Power Exchange Corporation's Motion for Clarification of the October 19, 2007 Order on Remand, at 5-7 (filed Nov. 19, 2007); Response of the California Independent System Operator to California Power Exchange Corporation's Motion for Clarification of the October 19, 2007 Order on Remand (filed Dec. 4, 2007)

II. CONCLUSION

The ISO requests that the Commission accept the foregoing answer, and in any order accepting LADWP's request for relief, adopt the CAISO's proposal, as articulated above, for resolving any potential issues regarding the finality of its preparatory rerun data.

Respectfully submitted,

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Dated: May 28, 2008

Certificate of Service

I hereby certify that I have this day served a copy of this document upon the email listserv established by the Commission for this proceeding.

Dated this 28th day of May, 2008 at Washington, D.C.

/s/ Michael Kunselman

Michael Kunselman