



May 17, 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 Reply Comments of the California Independent System Operator Corporation on the Offer of Settlement and Settlement Agreement in the above-referenced docket.

Thank you for your assistance in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Gene L. Waas', written over a horizontal line. The signature is fluid and cursive.

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, <i>et al</i>
)	
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, <i>et al</i>
)	

**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 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”) (collectively, the “Settling

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

Parties”), in the above captioned proceedings on April 27, 2004. The ISO’s reply comments are limited to one issue raised by the City of Pasadena, California (“Pasadena”) in its May 12, 2004 Comments on the Williams Settlement.

I. REPLY COMMENTS

In its Comments, Pasadena states that it has not had access to information regarding the payables and receivables of the Settling Parties in the ISO and PX markets, and the Settling Parties do not seem to be inclined to share that information. Pasadena maintains that it should benefit from some refunds Williams is required to make to the ISO, but no such refund to Pasadena is conferred by the Settlement Agreement. Therefore, Pasadena contends that the ISO should “produce data to show what the pro rata share of the Williams refunds would be for each buyer in the ISO markets,” because, according to Pasadena, without that information, Market Participants cannot properly evaluate the settlement.

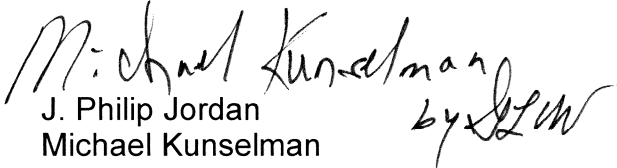
As noted in the ISO’s initial comments, the ISO is not a party to the Settlement Agreement. Although the ISO has worked with the Settling Parties to make it as certain as possible that the ISO will be capable of implementing the Settlement Agreement, consistent with the Commission’s orders in this proceeding, the ISO has not engaged in a financial analysis of this settlement vis-à-vis individual Market Participants, such as Pasadena. To the extent that Pasadena requires data on the manner in which funds are allocated pursuant to the Settlement Agreement, Pasadena should be required to seek such data from

the Settling Parties. Given that the ISO is not a Settling Party, it would be inappropriate to burden the ISO with attempting to resolve such issues. Moreover, the ISO is simply not in a position to provide the data that Pasadena believes it is entitled to. The ISO does not match distinct buyers and sellers of energy. Therefore, it is impossible to know what proportion of the refunds due from Williams would be attributable to Pasadena, or any other individual buyer in the ISO Markets.

II. CONCLUSION

Wherefore, for the reasons set forth above, the ISO requests that the Commission accept these reply comments, and decline to require the ISO to produce data of the sort requested by Pasadena.

Respectfully submitted,


J. Philip Jordan
Michael Kunselman

Charles F. Robinson
General Counsel
Gene Waas
Regulatory Counsel

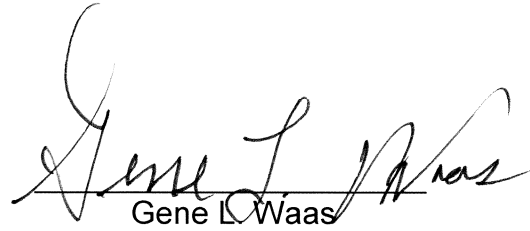
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Date: May 17, 2004

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.


Gene L. Waas