

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	Docket Nos. EL00-95-000
)	
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
Independent System Operator and the)	
California Power Exchange)	

**ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION TO THE CALIFORNIA PARTIES' MOTION FOR EXPEDITED
CLARIFICATION RELATING TO COST FILINGS AND REQUEST FOR
SHORTENED REPLY PERIOD**

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2005), the California Independent System Operator Corporation ("ISO"),¹ hereby makes the following response to the California Parties' Motion for Expedited Clarification Relating to Cost filings and Request for Shortened Answer Period ("Cal Parties Motion"), as filed on August 19, 2005. The ISO's answer is limited to one issue raised by the California Parties in their motion, that is, their request that the Commission clarify that the ISO and PX will be required to verify and validate the cost filings and the data

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

sets used in those filings. As explained below, the Commission should not require the ISO to do this. There is no compelling reason to require the ISO to verify the cost recovery filings. Moreover, the ISO does not possess sufficient resources, either financial or human, to devote to such an undertaking; if the ISO were required to perform the role requested by the California Parties, the ISO would need to hire and train additional staff, which, along with the time required to actually perform the validation, would result in a significant delay to completion of the rerun process and impose substantial costs on the ISO.

I. DISCUSSION

In their Motion, the California Parties request that the Commission clarify the role that they expect the ISO and PX to play in the cost filing process. Specifically, the California Parties request that the ISO and PX be required to “verify and validate any data sets used for cost filings to ensure that they are accurate and reflect appropriate adjustments consistent with the adjustments made during the preliminary and refund re-run processes.” Although the ISO is committed to providing interested parties with the necessary ISO transaction data, as explained below, the ISO does not believe that there is a compelling need for the ISO to perform a role in the verification and validation of the cost recovery filings. Moreover, an extensive verification effort of the sort apparently contemplated by the California Parties would require an enormous amount of effort, and the ISO simply does not have adequate financial or staff resources to perform such a task. If the ISO were, nevertheless, required to verify and

validate the cost recovery filings, the ISO would need to hire and train additional personnel, and the time required to do this, along with time needed to perform the verification effort itself, would result in a significant delay to the schedule for completing the refund process.

The ISO agrees with the California Parties that the cost recovery filings will rely heavily on ISO and PX data. Nevertheless, the ISO does not see how it would add any value to this process to have the ISO itself, in addition to or in lieu of other parties and the Commission, compare that data against the data presented in the cost-recovery filings.² In particular, the ISO does not understand the rationale for the California Parties' suggestion that "validation of ISO and PX revenues . . . cannot be adequately accomplished without the active involvement of the ISO and PX in the cost filing process." Cal Parties Motion at 11. The ISO submits that, provided all parties have access to the necessary ISO transactional data, those parties are entirely capable themselves of determining whether the data used in the cost-based filings aligns with the data submitted by the ISO. The ISO has made this data available to all the parties to this proceeding, so there is no reason for the ISO to perform this function. Any possible need for ISO oversight is further diminished because the Commission will directly review all of the cost-recovery filings, and parties will have the

² The ISO notes that as part of the audit of fuel cost allowance claims, the ISO did assist Ernst and Young in its effort to verify that claimants' own sales data matched the data provided by the ISO. However, this verification effort, which involved a comparison of claimants' own data to ISO data, is different than the verification process described by the California Parties, which appears to focus on whether sellers have accurately reported the transactional data provided by the ISO. The ISO also notes that as part of its efforts to assist Ernst and Young, it did prepare data files that incorporate manual adjustment settlement records that must be combined with other settlement records in order to "reconstruct" settlement prices and quantities relating to certain ISO transactions. The ISO has already made these files available to the California Parties, and is prepared to make these files available to any other interested parties.

opportunity to submit comments to the Commission addressing any potential discrepancies between the ISO's data and the data presented in the cost recovery filings.

In addition, the ISO believes that the verification and validation effort described by the California Parties will be a massive undertaking. The California Parties appear to contemplate a transaction-by-transaction verification to ensure that the data submitted by the parties filing for cost recovery matches the data provided by the ISO. Given the tens of thousands of intervals during the refund period and the millions of individual transactions consummated during those intervals, a verification process of this magnitude would require an enormous dedication of resources, both human and financial. The ISO simply does not have sufficient staff or budgeted financial resources to devote to such a project. As the Commission is aware, ISO personnel are already heavily committed in the effort to complete the financial adjustment phase of the refund proceeding as quickly as possible, as well as in other ongoing projects, such as the redesign of the ISO's markets and settlements systems as part of the Market Redesign and Technology Upgrade project. All of this is in addition to fulfilling responsibilities associated with the day-to-day operations of producing invoices and statements at the ISO.

Therefore, if the Commission were to require the ISO to verify and validate the accuracy of the ISO data used in the cost recovery filings as requested by the California Parties, it would be necessary for the ISO to hire and train additional personnel for this purpose, which would take time and impose substantial

additional costs on the ISO. In addition, the process of validating the data, in and of itself, would require a significant amount of time. Combined with the time required to perform the actual verifications, the result would be a lengthy delay in the completion of the rerun process. Given that there appears to be no compelling reason for the ISO to separately verify the data used in the cost recovery filings, the ISO does not believe that such a delay is warranted.

II. CONCLUSION

Wherefore, for the reasons set forth above, the ISO respectfully requests that the Commission deny the California Parties' request that the ISO be required to verify and validate the data used in the cost recovery filings.

Respectfully submitted,

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Dated: September 6, 2005

Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 6th day of September, 2005 at Folsom in the State of California.

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