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September 30, 2005

**REDACTED VERSION FOR PUBLIC RELEASE
PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME**

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation,
Docket Nos. ER04-115-000 and EL04-47-000
&
Pacific Gas and Electric Company,
Docket Nos. ER04-242-000 and EL04-50-000

Dear Secretary Salas:

In accordance with paragraph 11 of the Commission's "Order Approving Uncontested Partial Settlement and Terminating Related Dockets," issued on February 2, 2005, in the above-captioned proceedings, the California Independent System Operator ("CAISO") is filing its compliance refund report informing the Commission of the manner in which the ISO has calculated the refunds and surcharges due customers as ordered by the Commission in the orders in this proceeding.¹

Pursuant to Section 2.2 of the July 29, 2004 Offer of Partial Settlement ("Settlement"), the CAISO is required to provide adjustments of the Grid Management Charge ("GMC") to

¹ On September 22, 2005, the Commission issued an order approving a second settlement in this proceeding, which addressed the reserved issue in the July 29, 2004 Offer of Partial Settlement that the Commission approved on February 2, 2005. Adjustments to bills associated with implementation of that second settlement are not the subject of this report, but will be addressed in a future compliance report, to be submitted after those further adjustments are made, as ordered by the Commission. *California Independent System Operation Corporation, et al.*, Order Approving Uncontested Settlement, 112 FERC ¶ 61,329 (2005).

Scheduling Coordinators within 90 days of the effective date of the Settlement. Due to the provisions of the Settlement, the complete rebilling and refund for calendar year 2004 took place in two stages. A two stage process was necessary in order to effectuate Section 3.8 concerning the Modesto Irrigation District's ("MID") monthly fixed charge, because the information necessary to determine the applicable MID charge for 2004 was not available until after the Pacific Gas and Electric Company ("PG&E") processed the refund and passed that refund through to MID.²

The first stage of the adjustments was completed on April 28, 2005, when the CAISO made adjustments to the GMC paid by Scheduling Coordinators in the calendar year 2004. The CAISO issued invoices in which it credited Scheduling Coordinators' accounts the 2004 GMC that they had paid, and then billed Scheduling Coordinators the 2004 GMC based on the rates in the Settlement, resulting in either a net refund or charge for each Scheduling Coordinator. As provided in Section 2.2 of the Settlement, Scheduling Coordinators were charged or paid interest for the net adjustment calculated at the interest rate required by Section 35.19a of the Commission's regulations.

For calendar year 2004, Scheduling Coordinators initially paid a total GMC of \$226.7 million, based on the 2004 GMC rates filed on October 31, 2003. This amount was credited to Scheduling Coordinators on their February 2005 preliminary invoices. Application of the GMC rates under the Settlement resulted in a rebilling of \$220.7 million. The difference of \$6 million represents the original \$3 million refunded in accordance with Section 4.4 of the Settlement and an additional \$3 million due to variances of actual volumes from those forecast in the Settlement. A total of \$0.3 million was paid in interest, as required by the Settlement.

In the second stage, the fixed monthly payment due from MID as provided for in Section 3.8 was trued up. Pursuant to the Settlement, MID pays \$75,000 a month in lieu of a regular assessment of GMC for its transactions under the Scheduling Coordinator ID "PGAB." Because the Scheduling Coordinator for PGAB is the Pacific Gas and Electric Company ("PG&E"), the CAISO does not directly bill MID for its transactions under PGAB, nor does it have the information necessary to accurately bill MID. In order to effectuate Section 3.8 for 2004, the CAISO, MID and PG&E agreed to net GMC charges, so that MID would pay to the CAISO only the difference between its \$75,000 monthly obligation and its past payments to PG&E for MID transactions under PGAB. Further, the parties agreed to exchange the billing information necessary for the CAISO and MID to verify the amount. This amount was billed to MID on the June 2005 preliminary invoice issued on August 24, 2005 and paid on August 31, 2005.

The CAISO is attaching at Attachment 1 workpapers showing the GMC adjustments by Scheduling Coordinator and the calculation of the payment by MID under Section 3.8. Included

² A third stage will also be required, because the Settlement-level GMC was first reflected in Statements to Scheduling Coordinators for trade date June 1, 2005. Accordingly, further adjustments will be required to adjust GMC paid by Scheduling Coordinators during the first five months of 2005 to the Settlement levels. Those adjustments will be the subject of a future compliance refund report, after they are made.

in a separate volume along with this filing pursuant to Commission Order Nos. 630 and 630-A,³ is a sealed copy of the non-public portions of Attachment 1. The ISO is seeking privileged treatment for this information under 18 C.F.R. § 388.112, because it contains confidential information regarding the GMCs that individual Scheduling Coordinators incurred 2004. Because public disclosure of the charges would unnecessarily reveal sensitive information, the ISO submits that this information should be exempt from public exposure and should be granted privileged treatment. Each Scheduling Coordinator was provided with information necessary to validate the original GMC billed amount invoiced in 2004 and the calculation of the amount based on the rates in the Settlement at the time of the April 28, 2005 invoicing.

* * *

One original and fourteen copies of this compliance report are enclosed for the Commission's use. Two additional copies have been included to be date/time stamped and returned to our messenger. Thank you for your assistance with this matter.

Respectfully submitted,



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Counsel to the
California Independent System
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Date: September 30, 2005

³ *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. & Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. & Regs. ¶ 31,147 (2003).

Attachment 1

Public Version

GMC Adjustment Workpapers



CALIFORNIA ISO

**GMC Refunded/Rebilled for Calendar Year 2004
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.**

Contents: Workpapers showing rebilled/refunded GMC amounts for 2004

Dated: 09/27/2005

Last updated: 09/27/2005

/ISO/Finance/BTA

**California Independent System Operator
GMC Refunded/Rebilled for Calendar Year 2004
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.**

Business Associate ID	Scheduling Coordinator ID	NAME	Total GMC billed in 2004	Total GMC rebilled per Settlement	Refund amount	Interest on Refund Amount
	PAC1	PacificCorp				
	SDGE	San Diego Gas and Electric Company				
	VERN	City of Vemon				
	NCPA	Northern California Power Agency				
	APS1	Arizona Public Service Company-APS1				
	SRP1	Salt River Project				
	SCE1	Southern California Edison Company				
	PORT	Portland General Electric Company				
	APX1	Automated Power Exchange, Inc-APX1				
	DETM	Duke Energy Trading and Marketing, L.L.C.				
	SETC	Sempra Energy Trading Corporation				
	ECH1	Dynegy Power Marketing, Inc.				
	NES1	Reliant Energy Services, Inc.				
	CDWR	California Department of Water Resources				
	RVSD	City of Riverside				
	WAMP	Western Area Power Administration				
	WESC	Williams Energy Marketing and Trading				
	TO02	San Diego Gas & Electric Co.				
	TO03	Southern California Edison Co.				
	BPA1	Bonneville Power Administration				
	SCE2	Southern California Edison-SCE2				
	MID1	Modesto Irrigation District				
	PNM1	Public Service Company of New Mexico				
	GLEN	City of Glendale				
	SNCL	City of Santa Clara, dba Silicon Valley Power				
	AEI1	Avista Energy Inc				
	PASA	City of Pasadena				
	ANHM	City of Anaheim				
	AZUA	City of Azusa				
	BAN1	City of Banning				
	CFE1	Comision Federal de Electricidad				
	AEPS	American Electric Power Service Corporation				
	MIEC	Mieco, Inc.				
	EMMT	Edison Mission Marketing & Trading, Inc.				
	CRLP	Coral Power, LLC - CRLP				
	SEL1	Strategic Energy, LLC				
	MSCG	Morgan Stanley Capital Group, Inc.				
	KET3	Koch Energy Trading				
	NEI1	NewEnergy Inc.				
	PWRX	British Columbia Power Exchange				
	PCPM	PPM Energy, Inc.				
	CAL1	Cargill Alliant, LLC				
	PSCO	Public Service Company of Colorado				
	CPSC	Constellation Power Source Inc.				
	SPPC	Sierra Pacific Power Company				
	AZCO	Arizona Electric Power Cooperative, Inc.				
	SDG3	San Diego Gas & Electric, Merchant				
	SEES	Sempra Energy Solutions				
	CALP	Calpine Energy Services - CALP				
	CERS	California Department of Water Res.				
	APX3	Automated Power Exchange Inc-APX3				

**California Independent System Operator
GMC Refunded/Rebilled for Calendar Year 2004
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.**

Business Associate ID	Scheduling Coordinator ID	NAME	Total GMC billed in 2004	Total GMC rebilled per Settlement	Refund amount	Interest on Refund Amount
	SDG4	San Diego Gas and Electric, Merchant				
	VSYN	VIASYN, INC - VSYN				
	PGAB	PACIFIC GAS & ELECTRIC COM.				
	TO05	Pacific Gas & Electric Com				
	CMWD	Calif. Department of Water Resources				
	WRDG	Western Area Power Admin.-Redding				
	SEL2	Strategic Energy LLC				
	WDOE	Western Area Power Admin-WDOE				
	EPME	El Paso Merchant Energy, L.P.				
	TEMU	TransAlta Energy Marketing (U.S.) Inc				
	UBSW	UBS AG				
	SCE5	Southern California Edison-SCE5				
	APX6	Automated Power Exchange-APX6				
	MWSC	Midway Sunset Cogeneration Company				
	APX7	Automated Power Exchange-APX7				
	RWET	RWE Trading Americas Inc.				
	HDPP	Constellation Power Source - HDPP				
	WCSL	Western Area Power Admin. - City of Shasta Lake				
	WEPA	Western Area Power Admin.-Eastside Power Authority				
	CNCO	ConocoPhillips Company				
	TO06	City of Azusa - PTO				
	TO07	City of Banning - PTO				
	TO09	City of Anaheim - PTO				
	TO10	City of Vernon - PTO				
	TO08	City of Riverside - PTO				
	WEMT	Williams Energy Marketing & Trading-WEMT				
	CEPL	Citadel Energy Products LLC				
	PCG2	Pacific Gas & Electric Company-PCG2				
	FPPM	FPL Energy Power Marketing, Inc.				
	TBEL	Tractebel Energy Marketing Inc.				
	MSG2	Morgan Stanley - MSG2				
	PCF1	Morgan Stanley - PCF1				
	CLTN	Coral Power, LLC - CLTN				
	CECO	Commonwealth Energy Corp.				
	OPSI	Occidental Power Services, Inc.				
	WLMD	Western Area Power Admin.-WLMD				
	MRNT	Mirant, Inc. - MRNT				
	MNEV	Mirant, Inc. - MNEV				
	CTID	Coral Power, LLC - CTID				
	BLYE	Blythe Energy, LLC				
	CROLL	Coral Power, LLC - CROLL				
	DEMA	Duke Energy Marketing America-DEMA				
	ARON	J. Aron & Company - ARON				
	BPEC	BP Energy Company - BPEC				
	PIPO	Pilot Power Group, Inc.				
	CPA1	Calpine Energy Services - CPA1				
	IVLY	Coral Power, LLC - IVLY				
	WAES	AES Pacific, LLC				
	OPS2	Occidental Power Services-OPS2				
	MVPP	Mountain View Power Partners, LLC				
	MLCI	Merrill Lynch Commodities, Inc.				
	PPMT	PPM Energy, Inc.-PPMT				
	OPPL	Calpine Energy Services - OPPL				
	TO13	Trans-Elect NTD Path 15, LLC				
		Totals	\$ 226,688,371	\$ 220,690,887	\$ (5,997,483)	\$ (189,066)

Notes

1. Sums may not add to totals due to rounding.
2. Total GMC in 2004 refers to collections under the rate structure filed on October 31, 2003.
3. Total GMC rebilled per Settlement refers to collections under the rate structure defined in the Partial Offer of Settlement.
4. The refunding and rebilling of 2004 GMC took place on the February preliminary GMC invoice issued on April 21, 2005.
5. Interest was charged or paid at the applicable rate from each month's initial preliminary invoice payment date to April 28, 2005, the payment date for the February preliminary invoice.

**California Independent System Operator
Fixed Payment Obligation of Modesto Irrigation District
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.**

Trade Month	Paid to PGAB	GMC Settlement Payment	Monthly Net	Interest Total*	Total
Jan-04		\$75,000			
Feb-04		\$75,000			
Mar-04		\$75,000			
Apr-04		\$75,000			
May-04		\$75,000			
Jun-04		\$75,000			
Jul-04		\$75,000			
Aug-04		\$75,000			
Sep-04		\$75,000			
Oct-04		\$75,000			
Nov-04		\$75,000			
Dec-04		\$75,000			
2004 refund (Jul-12-05)		\$0			
Totals		\$900,000			

1. Amounts paid to PGAB refer to MID payments to PG&E for MID transactions under PGAB.
2. Monthly net is the difference between the \$75,000 monthly payment and the amounts paid to PGAB.
3. The 2004 refund (Jul-12-05) refers to the amount of the PGAB GMC refund for 2004 passed through to MID.
4. Interest was charged or paid at the applicable rate from each month's initial preliminary invoice payment date to August 31, 2005, the payment date for the June preliminary invoice.

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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 30th day of September in the year 2005 at Folsom in the State of California.

/s/ Stephen A.S. Morrison
Stephen A.S. Morrison
(916) 608-7143
