

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	
v.)	Docket No. EL00-95-114
)	
Sellers of Energy and Ancillary Services)	
)	
)	
)	
)	
)	
Investigation of Practices of the California)	Docket No. EL00-98-101
Independent System Operator and the)	
California Power Exchange)	

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
CONCERNING STATUS OF FUEL COST ALLOWANCE CLAIMS**

Pursuant to Rules 212 and 213 of the Rules of Practice and procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. §§ 385.212 and 385.213 (2005) the California Independent System Operator Corporation (“ISO”)¹ submits the following comments in concerning the status of fuel cost allowance claims. Specifically, these comments respond to the comments filed on July 15, 2005 by the California Parties on the “Fourth Interim Status Report on Testing of Fuel Cost Allowance (FCA) Claims” submitted by

¹ Capitalized terms not otherwise defined herein are defined in the master Definitions Supplement, ISO Tariff Appendix A, as filed August 15, 1997, and subsequently revised.

Ernst and Young (“E&Y”) on June 30, 2005 (“E&Y Status Report”) in the above-captioned dockets, and the E&Y Status Report itself.

I. COMMENTS

The ISO agrees with the California Parties’ that the E&Y Status Report raises significant questions which the report does not answer. In addition, the ISO believes the E&Y Status Report provides an incomplete and potentially misleading explanation of any discrepancies between sales price data included in the claimant’s models and electricity price data provided by the ISO. Specifically, the ISO notes that, with the exception of uninstructed energy transactions with the PX, the discrepancies reported by E&Y involve a relatively small portion of records for sales of energy in the ISO markets, and that the ISO has provided data to E&Y specifically identifying all ISO transactions that may involve such discrepancies, and therefore might require further review by E&Y. Moreover, the ISO is concerned that many of the potential discrepancies in ISO settlement data referenced by E&Y may be due to the fact that some claimants may be seeking to include in their fuel cost claim uninstructed energy associated with individual schedules or transactions submitted through the California Power Exchange (“PX”), despite previous Commission orders requiring that fuel cost claims for uninstructed energy be done on a net portfolio level for each Scheduling

Coordinator (“SC”)², and prohibiting disaggregation of ISO transactions within the portfolio of any single SC.³

The ISO has provided extensive assistance to E&Y in order to facilitate E&Y’s ability to verify FCA claims against ISO settlement data. In addition to explaining how actual final transactions prices and quantities must be extracted and, in some cases, “reconstructed” from ISO settlement data, ISO staff have provided calculations of these quantities and prices to E&Y. The ISO has expended significant staff time writing computer routines to incorporate manual adjustment settlement records that must be combined with other settlement records in order to accurately “reconstruct” settlement prices and quantities. In addition, the ISO has developed computer routines to verify which specific transaction are accurately extracted or “reconstructed,” and to flag specific transaction records that may require further verification on a case-by-case basis using manual processes.

As a result of this effort, the ISO was ultimately able to verify the accuracy of approximately 98.5% of the claimants’ total instructed energy records provided by the ISO to E&Y. With respect to claimants’ non-PX uninstructed energy transactions, the ISO was ultimately able to verify the accuracy of approximately 93% of the total records provided by the ISO to E&Y. Finally, with respect to uninstructed energy transactions by the PX, the ISO was able to verify only 53% of the transaction prices and quantities provided by the ISO to E&Y.

² *San Diego Gas & Electric Co., et al.*, 110 FERC ¶ 61,293 (2005) at P 37.

³ *San Diego Gas & Electric Co., et al.*, 109 FERC ¶ 62,297 (2005) (“December 20 Order”) at P 58.

The lower verification rate for uninstructed energy sales appears to be primarily the result of the fact that manual adjustments for uninstructed energy are made on a portfolio level for each SC, and are not identified as being associated with any specific resource. Moreover, the difficulty in verifying uninstructed energy sales with respect to the PX is compounded by the fact that not only can the ISO not tie these sales to specific resources, but it also can not match these sales to individual PX participants.

Finally, the ISO notes that in discussions with E&Y on the matter of uninstructed energy sales to the ISO made as part of the PX's portfolio with respect to which claimants may seek to recover fuel costs, the ISO expressed the opinion that pursuant the Commission's December 20 Order⁴ any such claims must be made by the PX, which is the entity that bought or sold this uninstructed energy in the ISO markets. Moreover, the ISO stated that claims for fuel costs associated with uninstructed energy provided through the PX as the SC should be aggregated and reviewed by either E&Y and/or PX to ensure that the sum of these uninstructed energy claims does not exceed the amount of net positive uninstructed energy (if any) provided to the ISO system from the PX's overall portfolio during each time period.

⁴ See December 20 Order at P 58.

II. CONCLUSION

Wherefore, the ISO requests that the Commission accept these comments concerning the status of fuel cost allowance claims.

Respectfully submitted,

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July 18, 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 18th day of July, 2005 at Folsom in the State of California.

/s/ Katherine Corradetti

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