

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	Docket No. EL00-95-164
)	
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 No. EL00-98-184
Independent System Operator and the)	
California Power Exchange)	

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR TO
REQUEST FOR REHEARING OF SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND POWER DISTRICT**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure,¹ the California Independent System Operator Corporation (“CAISO”) submits this answer to Salt River Project Agricultural Improvement and Power District’s (“SRP”) request for rehearing of the Commission’s October 19, 2007 Order on Remand² (the “SRP Request for Rehearing”). The CAISO’s response is limited to ensuring that regardless of the Commission’s decision on SRP’s request, that the Commission not upset its finding in the October 19 Order that the shortfall in refunds associated with its inability to order refunds from non-public utilities will be allocated through a simplified financial clearing process, as opposed to a full-system rerun.

¹ 18 C.F.R. § 385.213 (2007).
² 121 FERC ¶ 61,067 (“October 19 Order”)

The CAISO recognizes that, unless authorized by the Commission, the Commission's Rules of Practice and Procedures precludes an answer to requests for rehearing. However, the Commission has accepted answers that are otherwise prohibited if such answers clarify the issues in dispute, *Southwest Power Pool, Inc.*, 89 FERC ¶¶61,284 at 61,888 (2000); *Eagan Hub Partners, L.P.*, 73 FERC ¶¶ 61,334 at 61,929 (1995), or assist the Commission, *El Paso Electric Co.*, 72 FERC ¶¶ 61,292 at 62,256 (1995). The CAISO submits that this answer does both, and therefore respectfully requests that the Commission accept this answer.

I. ANSWER

In its request for rehearing of the October 19 Order, SRP argues that the Commission, for various reasons, erred in requiring that refund shortfalls resulting from the inability of the Commission to require non-public utilities to pay refunds be allocated to refund recipients in the CAISO and California Power Exchange ("PX") markets based on their final net refund position in relation to total net refunds. SRP contends that all buyers, not just "net" buyers, should be allocated a fair share of the costs associated with refund shortfalls. SRP requests that the Commission grant its request for rehearing and adopt an allocation methodology "applicable to both 'gross' and 'net' buyers."

The CAISO does not take a position on the merits of SRP's argument. The CAISO suggests only that, in the event the Commission does accept SRP's request for rehearing and revises its allocation methodology accordingly, it should, in doing so, make clear that it is *not* modifying its ruling that the appropriate mechanism for allocating the non-public utility refund shortfall is through a "simplified financial clearing in which refund recipients receive a *pro rata* reduction in their refunds" and not one that requires the CAISO to do a settlements system rerun. October 19 Order at P 39. There

is nothing in SRP's request for rehearing that suggests that SRP has any quarrel with the Commission's finding that the refund shortfall should be allocated through a simplified financial clearing. Instead, SRP's challenge focuses on the Commission's conclusion that the *pro rata* reduction in refunds will accrue entirely to net buyers in the CAISO and PX markets during the Refund Period. Even if the Commission were to reverse this finding, based on SRP's argument that both "gross" and "net" buyers should be allocated a share of the costs associated with the non-public utility refund shortfall, it does not follow that a settlements system rerun would be necessary. Indeed, the CAISO believes that one methodology that would allocate the refund shortfall in a manner consistent with SRP's request would be to do so based on an entity's proportionate share of load and exports in the CAISO and PX markets during the Refund Period. Such a calculation would approximate the concept of "gross" buyers used by SRP closely enough that the additional work of a full-system rerun could not be justified.

Regardless, the rationale for not requiring the CAISO to do a full settlements system rerun continues to be valid. As the CAISO explained in its April 17, 2007 response to the California Parties' Motion for Procedures Following Remand, such a process would be very expensive, in terms of both manpower and money, and would take no less than ten to eighteen months to complete. Therefore, if the Commission were to grant SRP's request for rehearing and adopt an alternative methodology for allocating refund shortfalls associated with non-public utilities, it should do so in a manner that makes clear that regardless of which entities are responsible for paying the shortfall, it will continue to be implemented through a simplified financial clearing.

II. CONCLUSION

The ISO respectfully requests that the Commission permit it to make the enclosed answer, and, if the Commission were to grant SRP's request for rehearing, to make clear that any methodology for allocating the refund shortfall associated with non-public utilities will continue to be implemented by means of a simplified financial clearing.

Respectfully submitted,

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Dated: December 4, 2007

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 4th day of December, 2007 at Folsom in the State of California.

/s/ Charity Wilson
Charity Wilson