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September 10, 2004

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

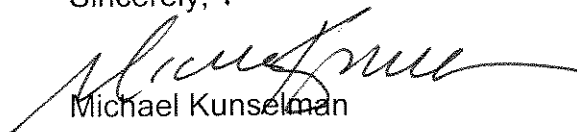
**Re: California Independent System Operator Corporation
Docket Nos. ER03-746-000, et al.
San Diego Gas & Electric Co., et al.
Docket Nos. EL00-95-081, et al.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Eighth Status Report of the California Independent System Operator Corporation on the Preparatory Re-Run and Other Re-Run Activity filed in the above-captioned dockets.

Also enclosed are two extra copies of this cover letter to be time/date stamped and returned to us by the messenger. Thank you for your assistance. Please contact the undersigned if you have any questions regarding this filing.

Sincerely, .



Michael Kunselman

Counsel for the California
Independent System Operator Corporation

Enclosures

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

California Independent System Operator Corporation)	Docket No. ER03-746-000
)	
)	
)	
San Diego Gas & Electric Company, Complainant,)	
)	
)	
v.)	Docket Nos. EL00-95-081
)	EL00-95-074
Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, Respondents.)	EL00-95-086
)	
)	
Investigation of Practices of the California Independent System Operator and the California Power Exchange)	Docket Nos. EL00-98-069
)	EL00-98-062
)	EL00-98-073

(not consolidated)

**EIGHTH STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON
SETTLEMENT RE-RUN ACTIVITY**

Pursuant to the Order Granting Clarification and Granting and Denying Rehearing of the Federal Energy Regulatory Commission ("Commission" or "FERC") Order issued on February 3, 2004, in the above captioned dockets ("February 3 Order"), the California Independent System Operator Corporation ("ISO") hereby provides its eighth regular monthly status report.¹

¹ The Commission's Order at paragraph 21 states, "The CAISO is hereby directed to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlement and billing process for calculating refunds, as discussed in the body of this order." 106 FERC ¶ 61,099 (2004).

I. BACKGROUND²

On April 15, 2003, the ISO³ filed Amendment No. 51 to its Tariff, to which the Commission assigned Docket No. ER03-746 (“Amendment No. 51 filing”). In the Amendment No. 51 filing, the ISO proposed to conduct a preparatory re-run in preparation for the Commission-mandated re-run in the California refund proceeding (Docket Nos. EL00-95-045, *et al.*) and requested approval of Tariff amendments to “wall off” that re-run from the settlement processes currently in use to clear the ISO Market.

On December 15, 2003, the ISO filed its request for rehearing of the Commission’s November 14 order in this proceeding. Therein, the ISO informed the Commission that it could not provide the ordered compliance filing by January 30th, but instead would make the filing as soon as practicable. In the February 3 Order, the Commission granted the ISO the additional time needed to make the compliance filing relative to the preparatory re-run, but also required the ISO “to submit to the Commission on a monthly basis, beginning on February 10, 2004, a report detailing the status of the preparatory adjustment re-runs and the dates that it expects to complete both the preparatory re-runs and the settlements and billing process for calculating refunds.” February 3 Order at

² In its October 16, 2003 Order on Rehearing, 105 FERC ¶ 61,066 (2003) the Commission ordered the ISO to file within five months of the date of the order the results of the re-runs along with the appropriate explanations. The ISO considers that this directive has been overtaken by FERC’s later recognition in this Amendment 51 proceeding that the ISO cannot possibly comply with the deadline in the October 16 Rehearing order, as well as the deadlines in the previous Amendment 51 orders. The ISO is endeavoring to comply, however, with FERC’s directive that the ISO work as fast as practicable, keep the parties well informed, and file monthly status reports. For this reason, in addition to the Amendment No. 51 docket, the ISO is also filing this report in the dockets associated with the California refund proceeding.

³ Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

P 21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the eighth such report required by that Commission Order. While the preparatory re-run is complete, the ISO will continue to provide monthly status reports throughout the refund rerun because the ISO believes they have been a valuable communication tool with FERC and Market Participants in addition to meeting the FERC mandated reporting requirement.

II. CURRENT STATUS OF RE-RUN ACTIVITY

The seventh status report filed on August 10th indicated that the ISO had begun work on the off-line calculations necessary to begin the refund re-run phase following the completion of the preparatory re-run on July 16th. This work was put on hold pending resolution of issues surrounding Energy Exchange transactions.

In the August 10th status report the ISO noted concerns regarding Energy Exchange transactions, following a finding from the internal ISO quality control measures. The Re-run Procedure Overview document on Energy Exchange (published on the ISO HomePage) discusses collection of charges and credits in BA ID 2970. This ISO account is used in the settlement process to collect charges and credits in the receive period (when energy was brought into the Control Area) and return period (when energy was "paid back" to the other Control Area), and allocates resulting net costs to net negative deviators in the receive period. At the end of the preparatory rerun, it was discovered that BAID 2970 held a positive balance of approximately \$9 million, meaning that "the market" was overcharged by this amount. Extensive investigation has occurred

over the last 4 weeks to analyze the transaction records to determine the cause of the imbalance. The ISO has concluded that certain special transactions referred to internally as “memoties” did not settle properly. “Memoties” were used in some situations during the energy crisis period to contract with third parties to “pay back” the energy exchange transaction. This issue resulted in approximately \$9 million being charged to metered demand and deposited in the BAID 2970. This accounting will be corrected during the refund rerun. In addition, a more detailed description of this issue will be provided to Market Participants in the near future during the September Market Participant conference call.

The Energy Exchange research and analysis has delayed the internal production work necessary to begin the actual refund re-run. Near term activities are expected as follows: The preparatory re-run dispute resolution and corrections will be complete on or near September 17th. The final comprehensive CD and compliance report for the preparatory re-run will be complete on or around September 24th. Refund re-run statement publishing is scheduled to begin October 4, 2004.

The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation, as necessary. Specifically, the ISO held its most recent regular monthly telephonic meeting with Market Participants to discuss re-run issues on Friday, August 20th. In addition, the ISO has added to its website section on re-runs a list of the mitigated charge types and a section in the frequently asked questions portion of the website that

explains in detail the mitigation impacts on charge type 485 amounts. The ISO has posted, and continues to update, a calendar containing the schedule for the re-run activity on its website, and has provided the link to that calendar to Market Participants in a market notice.⁴

Upcoming Stakeholder communications will include the regular monthly participant call during the week of September 20, 2004.

III. DISPUTES AND ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

Approximately 5,051 disputes have been received from Market Participants; of those 138 are still pending. One significant issue under review currently relates to some circulation volumes that may have been included in Energy Exchange accounting. The ISO will notify Market Participants of the outcome of this review in the near future. However, this issue and level of dispute activity should not significantly impact the schedule for project completion.

Attachment A to this status report contains the ISO's current estimate of the final completion date for the FERC refund re-run phase of the project. The preparatory re-run was completed July 16th. These dates are only slightly modified from the previous report, and reflect the expectation that the ISO will make its refund compliance filing in December 2004 or January 2005. Note that this compliance filing will include adjustments for fuel price, emissions and interest, but will not include adjustments for the various global settlements. This

⁴ The ISO's re-run calendar, market notices, and re-run procedure manual are located on the ISO's website at www.caiso.com/docs/2004/01/16/200401161414093653.html.

is consistent with the discussions held with Market Participants and Commission staff on July 26th in Washington.


IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's Eighth Status Report in compliance with the Commission's February 3 Order in the above captioned dockets.

Charles F. Robinson
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Gene L. Waas
Regulatory Counsel

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Respectfully submitted,


J. Phillip Jordan
Michael Kunselman

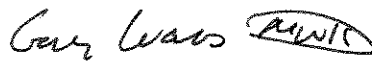
Swidler Berlin Shereff Friedman, LLP
3000 K Street, Ste. 300
Washington, D.C. 20007
Telephone: (202) 424-7500

Dated: September 10, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA, on this 10th day of August, 2004.


Gene L. Waas

ATTACHMENT A – RE-RUN SCHEDULE
September 10, 2004

Item	Durations Shown in April 25, 2003 Filing	Changes to Schedule Through January 30, 2004	Target Completion Date (per February filing)	Current Projected Completion Date	Comments
Prep Re-run Production	12 weeks	No change - 9 to 9 ½ weeks remaining	April 14, 2004	Completed on July 16, 2004	
Prep Re-run Dispute Period	2.5-3 weeks	8 weeks	June 9, 2004	September 17, 2004	The applicable FERC order provides for a 30 business day dispute period. The ISO has allowed for 10 additional business days to research and adjust disputes.
Refund Re-run Production	12 weeks	6 weeks	July 21, 2004	November-December, 2004	As noted in the September 10, 2004 report, the refund re-run production is scheduled to begin on or near October 4, 2004. This revised schedule could result in completion of the refund re-run settlement production in December with the compliance filing following in January.
Refund Re-run Dispute Period	2.5-3 weeks	Unknown	} August 31, 2004	December-January, 2004	As noted above, the compliance filing will be completed in the December 2004-January 2005 timeframe depending on completion of the settlements production. The length of a formal review and comment period provided by FERC after the compliance filing and prior to financial clearing is not known. Therefore, the financial clearing will occur later. Also, it should be noted that adjustments required for the multiple global refund settlements (i.e. between a generator, Cal Parties, and FERC) will be made in a subsequent filing.
Refund Re-run Compliance Filing	Not Shown	2 weeks following the completion of the refund re-run production			

FERC Approval Process and Ruling on Gas Price Adjustments and Emissions Offsets	Unknown	Unknown			
Final Financial Phase including Interest Calculations, Gas Price Adjustment Calculations, and Emissions Offsets	6 to 7 weeks (shown as 2 weeks plus 4-5 weeks)	Can be performed in parallel with completion of compliance filing and financial clearing			Global settlement adjustments will be filed after the financial compliance filing.
Financial Phase Compliance Filing	Not Shown	7 days prior to the initial financial clearing			
Financial Clearing	1 week				The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding.

Key assumptions/comments to support the schedule

- *There will be one primary financial clearing of the preparatory re-run and refund re-runs including interest calculations, gas price adjustments, and emissions offsets, possibly followed later by a smaller clearing of adjustments. In the first report on February 9, 2004 the ISO indicated that it could complete the financial phase, consisting of the gas price adjustments, emissions offsets, interest calculations, and global settlement calculations (i.e. Williams and El Paso settlements), as well as the financial clearing, in six weeks. At this point it appears that the 6 weeks will be required just to complete the adjustments and compliance filing, and will not include adjustments for global settlements, due to their number and complexity. Financial clearing will occur at a later date to be determined by the Commission.*
- *To reduce protests and disputes, the ISO has published MMCP calculations and transactions exempt from mitigation to Market Participants well in advance of the refund re-run production. The revised MMCP calculations were published on March 17, 2004. A further revised list of MMCP calculations following the Commission's May 12th Order on fuel cost allowance issues was published on the ISO website on May 28, 2004. Some minor corrections to the MMCPs were posted to the ISO's website for Market Participant review and comments on July 12, 2004.*
- *The Cal PX bankruptcy will potentially impact the final financial clearing phase depending on the status of that proceeding at the time.*
- *The ISO will make its compliance filing related to the preparatory rerun at the conclusion of the dispute period related to the final month of the preparatory rerun period.*