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December 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 Eleventh Status Report of the California Independent System Operator Corporation on 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)

ELEVENTH 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”), issued on February 3, 2004, in the above captioned dockets (“February 3 Order”), the California Independent System Operator Corporation (“ISO”) hereby provides its eleventh 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 Docket No. ER03-746. 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 for 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 P

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 preparatory re-runs along with the appropriate explanations. The ISO considers that this directive has been overtaken by FERC’s later recognition in the Amendment 51 proceeding that the ISO could not 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.

21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the eleventh 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 re-run because the ISO believes that these reports have been a valuable tool for communicating with the Commission and Market Participants, in addition to meeting the Commission-mandated reporting requirement.

II. CURRENT STATUS OF RE-RUN ACTIVITY

The refund re-run settlement statement publishing began on October 27, 2004. This work utilizes the MMCPs which were previously calculated and published to Market Participants along with the transactional data from the preparatory re-run. The ISO's re-run calendar allowed for a two-week hold in late November, allowing for invoicing, holidays, and time to allow for "start-up" of Phase 1B settlements. The Phase 1B market modification has worked well. However, the new processes and validations have required extra effort while staff becomes accustomed to the new work activity that requires some more manual operations. For this reason, the ISO moved the restart of the re-run effort shown on the posted calendar from December 6 to December 13. However, as of this writing, the ISO is planning to shift the re-start to early January, while the Phase 1B work, also involving work with clients to assist them with verification of new charge types, is completed. This would put the re-run settlements completion sometime in February, 2005. The ISO regrets this delay but believes that it is necessary given current constraints. In addition, it now appears that fuel cost

audit issues could require additional time as well, such that the Phase 1B delay in the ISO's portion of the work activity will be consistent with the overall requirements of the project.

The ISO also wishes to note that although the Commission's November 23, 2004 Order on Rehearing⁴ in this proceeding resolved many of the "open issues", it failed to address the matter of the ISO compliance filing in *Tariff Amendment 41* which would require the recalculation of interest for the refund period. A decision on this pending amendment and the ISO's associated request for rehearing may allow the ISO to distribute as much as \$6 million in interest to the ISO Market that is currently being held in escrow pending the Commission's decision.⁵

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 Wednesday, December 1st. The ISO has posted on its web site, and continues to update, a calendar containing the schedule for the re-run activity, and has provided the link to that calendar in a market notice.⁵

As of December 10, 2004, the ISO has received a total of 11 billing inquiries from Market Participants with respect to questions related to the Refund re-run statements. Three of the 11 inquiries have been answered by the ISO's

⁴ 109 FERC ¶ 61,218 (2004)

⁵ The ISO's re-run calendar, market notices, and re-run procedure manual are located on the ISO's website at <http://www.caiso.com/docs/2004/10/26/2004102612304417309.xls> .(Update link to Refund re-run)

Market Quality department and returned to the respective Market Participant. The remaining 8 inquiries are still under investigation.

Ordering paragraph (G) of the Commission's November 23, 2004 order⁶ mandates that the ISO explain how it will incorporate the adjustments required for the multiple global settlements that have been reached as a part of this proceeding. The process to incorporate the global settlements will involve the California Parties who negotiated and drafted the actual global settlement agreements in most cases, the California Power Exchange who holds the balances that are to be disbursed as a result of most of the settlements, and the ISO who will reflect the impact of the settlements on the final balances via the appropriate accounting adjustments. After the ISO receives the net effect of the settlements that have been agreed to in writing with all signatories to that settlement agreement, the ISO will perform certain basic checks or verifications with respect to the data. Next, the ISO will apply the proposed adjustments provided by the settling parties from the global settlements and the final "who owes what to whom" will be completed for filing with the Commission. For settlements that do not directly involve the California Parties the ISO will expect that the needed adjustments will be agreed upon with the parties to that particular settlement in question. The ISO currently believes that it can be ready to make the filing showing the impact of the inclusion of the global settlements on the "who owes what to whom" schedules on or about May 31, 2005.

Upcoming Stakeholder communications will include the regular monthly call with Market Participants scheduled for the week of January 3, 2005.

⁶ Order on Rehearing, 109 FERC 61,218 (2004).

III. ESTIMATED SCHEDULE FOR COMPLETION OF THE REFUND RE-RUN ACTIVITY

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. As noted above, the preparatory re-run was completed July 16th. Note that the compliance filing after the refund re-run will include adjustments for fuel price, emissions and interest, but will not include adjustments for the various global settlements. This schedule is consistent with the Commission's order of November 23, 2004 and with the discussions held with Market Participants and Commission staff on July 26th in Washington, as well as the ISO's presentation at the technical conference on October 7th.

IV. CONCLUSION

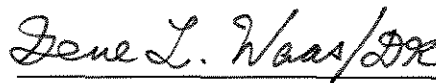
The ISO respectfully requests that the Commission accept the ISO's eleventh status report in compliance with the Commission's February 3 Order, referenced above.

J. Phillip Jordan
Michael Kunselman

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Counsel for the California Independent
System Operator Corporation

Respectfully submitted,



Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel

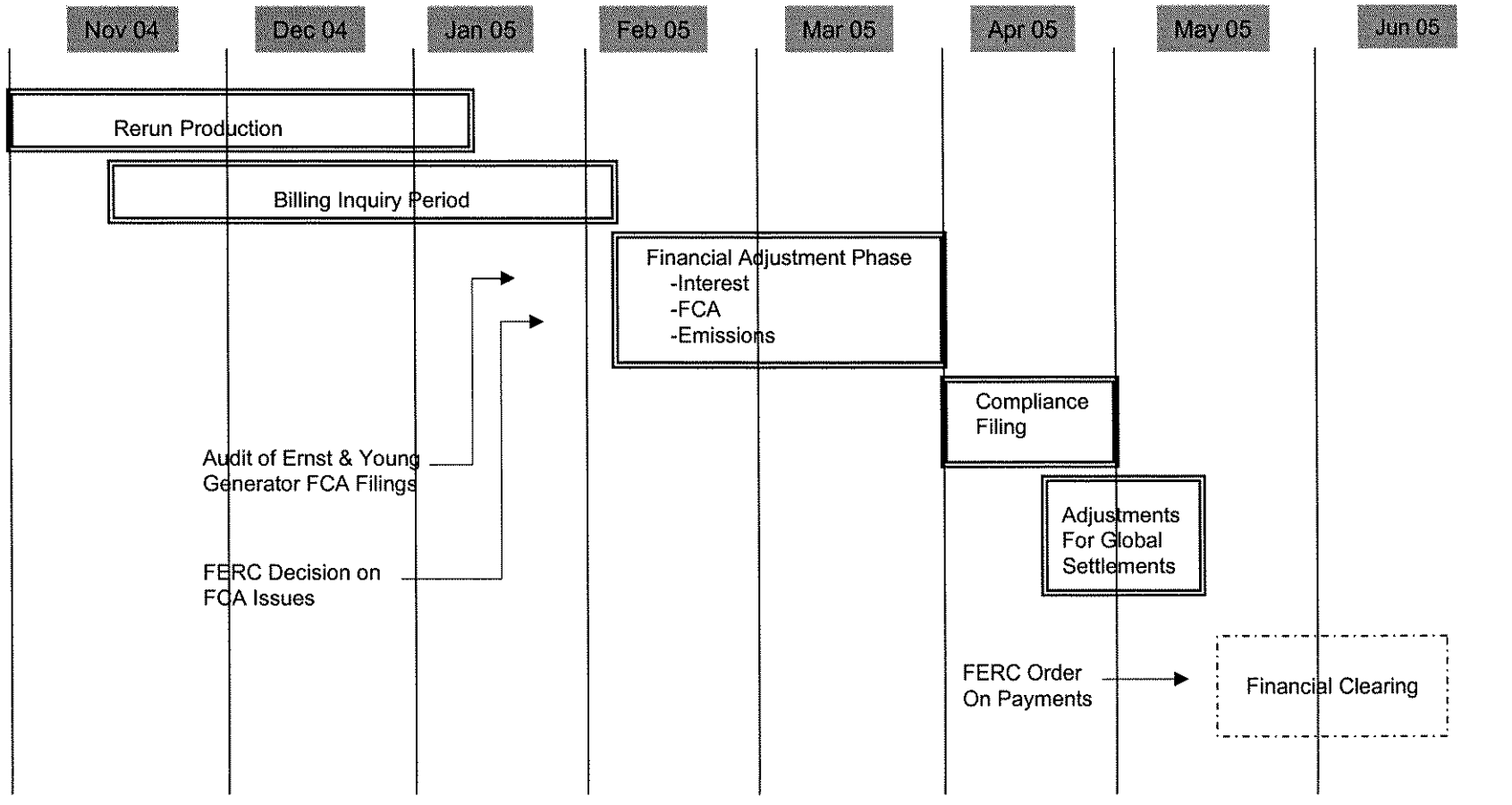
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630
Telephone: (916) 608-7049

Dated: December 10, 2004

Refund Re-run Project Attachment A

December 10, 2004

NOTE: Current ISO constraints and FCA audit could shift schedule up to 4 weeks



ATTACHMENT A – RE-RUN SCHEDULE

December 10, 2004


Key assumptions/comments to support the schedule (Updated for the refund re-run)

- *A schedule revision was presented at the FERC conference on October 7, 2004. October 7th marked the completion of the prep re-run phase including the production of settlement statements, filing by participants and resolution of over 5,000 disputes, and the filing of the compliance report with FERC on October 6, 2004.*
- *The ISO envisions the following additional phases of the refund project:*
 - *Refund rerun settlement statement production - this phase began on October 27th. Scheduled for completion on January 11, 2005.*
 - *Financial adjustment phase - scheduled for approximately 6 weeks following completion of the refund rerun statement production and earlier receipt of:*
 - (1) *Resolution from FERC of open issues relative to fuel cost allowance*
 - (2) *Submittal to the ISO of the fuel cost allowances following audit by Ernst and Young*
 - *The ISO will submit its compliance filing at the end of this phase.*
 - *Adjustment for global settlements - the ISO will make adjustments to invoices based on written instructions from the settling parties. These adjustments will affect the owed and owing of the settling parties only and will not affect non-settling parties.*
- *This schedule assumes that SCs submit billing inquiries during the process and do not hold them until the final deadline for inquiries set for two weeks after the publishing of the June 2001 statements. The ISO will begin work in parallel with the final billing inquiries receipt and resolution.*

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 December, 2004.


Gene L. Waas