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BY HAND

May 21, 2004

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

Re: *California Independent System Operator Corporation*, Docket No. ER04-632-001

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")[1] respectfully submits an original and six copies of this filing in compliance with the Commission's Order Accepting Tariff Revisions Subject to Modification issued May 6, 2004, in the above-referenced proceeding. 107 FERC ¶61,114 (May 6th Order). In the May 6th Order (at P 1), the Commission accepted the ISO's proposal subject to several required modifications. With this submission the ISO responds to that directive.

I. BACKGROUND

On March 9, 2004, the ISO submitted for filing, pursuant to Section 205 of the Federal Power Act, revised tariff sheets that provide a new term, "PTO Service Territory," and clarify related tariff provisions that are used in the determination of the ISO's transmission Access Charge (TAC). The ISO agreed to file these tariff revisions as part of a stipulation in its transmission Access Charge proceeding in Docket Nos. ER00-2019, *et al.*[2] A number of parties protested the ISO's filing, and the ISO filed an answer that clarified

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[1] Capitalized terms not otherwise defined are used in the sense given in the Master Definitions Supplement, ISO Tariff Appendix A.

[2] The ISO had already proposed to replace "Service Area" with a new tariff term, "PTO Service Territory," to accommodate new and differently situated types of Participating Transmission Owners (Participating TOs). Previously, the Service Area reference to Participating TOs definition was needed to accommodate the possibility of new Participating TOs who would have little or no End-Use Load and to differentiate between which Participating TOs are required to perform various functions. That clarification was suspended, set for hearing and consolidated with the transmission Access Charge proceeding.

its position on the inclusion of a "cut-off" date in the definition of "PTO Service Territory", supported a proposed correction to revised Section 5.2.8 of the ISO Tariff, and supported the deletion without prejudice of two as of yet unneeded proposed definitions.

In the May 6th Order, the Commission accepted the proposed tariff sheets for filing, subject to modification, and allowed them to become effective May 8, 2004. The Commission determined that the inclusion of a "cut off" date in the definition of "PTO Service Territory" was not justified and required its removal. The Commission also required the deletions and correction that the ISO had supported. The Commission directed the ISO to submit a compliance filing making these modifications within 15 days of the issuance of the May 6th Order. With this filing, the ISO so complies.

II. COMPLIANCE FILING

In accordance with the May 6th Order, the ISO makes the following modifications to the tariff language submitted in its original proposal:

- Deletes the March 31, 2000, "cutoff date" from the definition of "PTO Service Territory" and the reference thereto in the definition of "Responsible Utility";
- Restores the term "Service Area" where it was incorrectly replaced with "PTO Service Territory" in Section 5.2.8;
- Deletes the proposed modifications to the definition of Utility Distribution Company; and
- Deletes the proposed definition of Scheduling Coordinator Participating Transmission Owner and all references thereto.

III. ATTACHMENTS

The following documents, in addition to this letter, support this filing:

Attachment A	A clean version of the ISO Tariff sheets modified as directed.
Attachment B	A black-lined version of the ISO Tariff sheets modified as directed.
Attachment C	A Notice of Filing suitable for publication in the *Federal Register* (also provided on a 3.5" diskette).

* * * * *

Additionally, in a separate unrelated proceeding, the ISO had proposed an alternative definition of "PTO Service Area" to accommodate Participating TOs who faced the potential disaggregation of their utility functions. In July 2003, the Commission approved that alternative definition of "PTO Service Area" or "PTO Service Territory". Although this approved definition superseded the earlier proposed "PTO Service Area" definition, the ISO still believed that the approved definition did not address all potential situations involving the use of the "PTO Service Area" term. Also, the parties in that proceeding agreed that any further modification of this term should occur in a new, separate filing with the Commission.

Two extra copies of this filing also are enclosed that we request be time-stamped and returned with our messenger. Please contact the undersigned if you have any questions concerning this matter.

Respectfully submitted,

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Enclosures

ATTACHMENT A

Utility) in connection with services under Reliability Must-Run Contracts in the last 3 months for which invoices have been issued. The letter of credit must be issued by a bank or other financial institution whose senior unsecured debt rating is not less than A from S&P and A2 from Moody's. The letter of credit shall be in such form as the ISO may reasonably require from time to time by notice to the New Responsible Utility and shall authorize the ISO or the Owner to draw on the letter of credit for deposit solely into the RMR Owner Facility Trust Account in an amount equal to any amount due and not paid by the Responsible Utility under the ISO Invoice. The security provided by the New Responsible Utility pursuant to this Section 5.2.7.3 is intended to cover the New Responsible Utility's outstanding liability for payments it is liable to make to the ISO under this Section 5.2.7, including monthly payments, any reimbursement for capital improvement, termination fees and any other payments to which the ISO is liable under Reliability Must-Run Contracts.

5.2.8 Responsibility for Reliability Must-Run Charge Except as otherwise provided in Section 5.2.8.1, the costs incurred by the ISO under each Reliability Must-Run Contract shall be payable to the ISO by the Responsible Utility in whose PTO Service Territory the Reliability Must-Run Generating Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Generating Unit is located outside the PTO Service Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service Territories are contiguous to the Service Area in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the ISO. Where costs incurred by the ISO under a Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the ISO will file the allocation under Section 205 of the Federal Power Act.

6.5 Confidentiality.

All information posted on WEnet shall be subject to the confidentiality obligations contained in Section 20.3 of this ISO Tariff.

6.6 Standards of Conduct.

The ISO and all Market Participants shall comply with their obligations, to the extent applicable, under the standards of conduct set out in 18 C.F.R. §37.

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by any UDC or MSS Operator that is serving Gross Load in a PTO Service Territory, and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The applicable High Voltage Access Charge and the Transition Charge shall be paid to the ISO by each UDC and MSS Operator based on its Gross Load connected to a High Voltage Transmission Facility in a PTO Service Territory, either directly or through intervening distribution facilities, but not through a Low Voltage Transmission Facility. The applicable High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge for the applicable Participating TO shall be paid by each UDC and MSS Operator based on its Gross Load in the PTO Service Territory. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge, as provided in its TO Tariff. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO by such other Participating TO. The ISO shall provide to the applicable Participating TO a statement of the amount of Energy delivered to each UDC and MSS Operator serving Gross Load that utilizes the Low Voltage Transmission Facilities of that Participating TO on a monthly basis. If a UDC or MSS Operator that is serving Gross Load in a PTO Service Territory has Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights. Each Participating TO shall recover Standby Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

The procedures for public participation in a federal power marketing agency's ratemaking process are posted on the federal power marketing agency's website. Each federal power marketing agency shall also post on its website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. At the time the federal power marketing agency submits its application to become a New Participating TO in accordance with the Transmission Control Agreement, it shall submit its first proposed High Voltage Transmission Revenue Requirement to the FERC and the ISO.

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs and MSS Operators serving Gross Load in a PTO Service Territory shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and Gross Load connected to the facilities of the UDC and MSS Operator in the PTO Service Territory. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC or MSS Operator that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC or MSS Operator; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

Access Charge	A charge paid by all UDCs and MSS Operators with Gross Load in a PTO Service Territory, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.
Active Zone	The Zones so identified in Appendix I to the ISO Tariff.
Actual Imbalance	A deviation between scheduled Generation and metered Generation at each UDC/ISO Controlled Grid boundary or at each Participating Generator's delivery point or a deviation between scheduled Load and metered Load at each UDC/ISO Controlled Grid boundary or ISO Control Area boundary.
Adjustment Bid	A bid in the form of a curve defined by (i) the minimum MW output to which a Scheduling Coordinator will permit a resource (Generating Unit or Dispatchable Load) included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (ii) the maximum MW output to which a Scheduling Coordinator will permit the resource included in its Schedule or, in the case of an Inter-SC Trade, included in its Schedule or the Schedule of another Scheduling Coordinator, to be redispatched by the ISO; (iii) up to a specified number of MW values in between; (iv) a preferred MW operating point; and (v) for the ranges between each of the MW values greater than the preferred operating point, corresponding prices (in $/MWh) for

Grid Management Charge The ISO monthly charge on all Scheduling Coordinators that provides for the recovery of the ISO's costs listed in Section 8.2 through the seven service charges described in Section 8.3 calculated in accordance with the formula rate set forth in Appendix F, Schedule 1, Part A of this Tariff. The seven charges that comprise the Grid Management Charge consist of: 1) the Core Reliability Services Charge, 2) the Energy Transmission Services Net Energy Charge, 3) the Energy Transmission Services Uninstructed Deviations Charge, 4) the Forward Scheduling Charge, 5) the Congestion Management Charge, 6) the Market Usage Charge, and 7) the Settlements, Metering, and Client Relations Charge.

Grid Operations Charge An ISO charge that recovers redispatch costs incurred due to Intra-Zonal Congestion in each Zone. These charges will be paid to the ISO by the Scheduling Coordinators, in proportion to their metered Demand within, and metered exports from, the Zone to a neighboring Control Area.

Gross Load For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a UDC or MSS Operator located in a PTO Service Territory. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC or MSS Operator that: is served by a Generating Unit that (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218

Preliminary Settlement Statement The initial statement issued by the ISO of the calculation of the Settlements and allocation of the charges in respect of all Settlement Periods covered by the period to which it relates.

Price Overlap The price range of bids for Supplemental Energy or Energy associated with Ancillary Services bids for any Dispatch Interval that includes decremental and incremental Energy Bids where the price of the decremental Energy Bids exceeds the price of the incremental Energy Bids.

Project Sponsor A Market Participant or group of Market Participants or a Participating TO that proposes the construction of a transmission addition or upgrade in accordance with Section 3.2 of the ISO Tariff.

Proxy Price The value determined for each gas-fired Generating Unit owned or controlled by a Must-Offer Generator in accordance with Section 2.5.23.3.4.

PTO Service Territory The area in which an IOU, a Local Public Owned Electric Utility, or federal power marketing administration that has turned over its transmission facilities and/or Entitlements to ISO Operational Control is obligated to provided electric service to Load. A PTO Service Territory may be comprised of the Service Areas of more than one Local Publicly Owned Electric Utility, if they are operating under an agreement with the ISO for aggregation of their MSS and their MSS Operator is designated as the Participating TO.

Responsible Utility	The utility which is a party to the TCA in whose PTO Service Territory the Reliability Must-Run Unit is located or whose PTO Service Territory is contiguous to the PTO Service Territory in which a Reliability Must-Run Unit owned by an entity outside of the ISO Controlled Grid is located.
Revenue Requirement	The revenue level required by a utility to cover expenses made on an investment, while earning a specified rate of return on the investment.
Revised Adjusted RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting any appropriate revisions to the Adjusted RMR Invoice based on the ISO's validation and actual data for the billing month.
Revised Estimated RMR Invoice	The monthly invoice issued by the RMR Owner to the ISO pursuant to the RMR Contract reflecting appropriate revisions to the Estimated RMR Invoice based on the ISO's validation of the Estimated RMR Invoice.
Revised Schedule	A Schedule submitted by a Scheduling Coordinator to the ISO following receipt of the ISO's Suggested Adjusted Schedule.
RMR Owner	The provider of services under a Reliability Must-Run Contract.
Real-Time Dispatch ("RTD") Software	The security constrained optimal dispatch and ex post pricing software used by the ISO to determine which Ancillary Service and Supplementary Energy resources to Dispatch and to calculate the Ex Post Prices.
RTG (Regional Transmission Group)	A voluntary organization approved by FERC and composed of transmission owners, transmission users, and other entities, organized to efficiently coordinate the planning, expansion and use of transmission on a regional and inter-regional basis.

Scheduling Point	A location at which the ISO Controlled Grid is connected, by a group of transmission paths for which a physical, non-simultaneous transmission capacity rating has been established for Congestion Management, to transmission facilities that are outside the ISO's Operational Control. A Scheduling Point typically is physically located at an "outside" boundary of the ISO Controlled Grid (e.g., at the point of interconnection between a Control Area utility and the ISO Controlled Grid). For most practical purposes, a Scheduling Point can be considered to be a Zone that is outside the ISO's Controlled Grid.
Security Monitoring	The real time assessment of the ISO Controlled Grid that is conducted to ensure that the system is operating in a secure state, and in compliance with all Applicable Reliability Criteria.
Service Area	An area in which an IOU or a Local Publicly Owned Electric Utility is obligated to provide electric service to End-Use Customers.
Set Point	Scheduled operating level for each Generating Unit or other resource scheduled to run in the Hour-Ahead Schedule.

TRR (Transmission Revenue Requirement)

The TRR is the total annual authorized revenue requirements associated with transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO. The costs of any transmission facility turned over to the Operational Control of the ISO shall be fully included in the Participating TO's TRR. The TRR includes the costs of transmission facilities and Entitlements and deducts Transmission Revenue Credits and credits for Standby Transmission Revenue and the transmission revenue expected to be actually received by the Participating TO for Existing Rights and Converted Rights.

Trustee

The trustee of the California Independent System Operator trust established by order of the California Public Utilities Commission on August 2, 1996 Decision No. 96-08-038 relating to the Ex Parte Interim Approval of a Loan Guarantee and Trust Mechanism to Fund the Development of an Independent System Operator (ISO) and a Power Exchange (PX) pursuant to Decision 95-12-063 as modified.

UDC (Utility Distribution Company)

An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not eligible for direct access, or who choose not to arrange services through another retailer.

described in Schedule 3 to Appendix F. The Tac Benefit of a New Participating TO shall not be less than zero.

"Transition Date" means the date defined in Section 4.2 of this Schedule.

2. Assessment of High Voltage Access Charge and Transition Charge.

All UDCs and MSS Operators in a PTO Service Territory serving Gross Loads directly connected to the transmission facilities or Distribution System of a UDC or MSS Operator in a PTO Service Territory shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC or MSS Operator that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC or MSS Operator; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

3. TAC Areas.

3.1 TAC Areas are based on the Control Areas in California prior to the ISO Operations Date. Three TAC Areas will be established based on the Original Participating TOs: (1) a Northern Area consisting of the PTO Service Territory of Pacific Gas and Electric Company and the PTO Service Territory of any entity listed in Section 3.3 or 3.5 of this Schedule; (2) an East Central Area consisting of the PTO Service Territory of Southern California Edison Company and the PTO Service Territory of any entity listed in Section 3.4, 3.5 or 3.6 (as indicated therein) of this Schedule 3; and (3) a Southern Area consisting of the PTO Service Territory of San Diego Gas & Electric Company. Participating TOs that are not in one of the above cited PTO Service Territories are addressed below.

3.2 If the Los Angeles Department of Water and Power joins the ISO and becomes a Participating TO, its PTO Service Territory will form a fourth TAC Area, the West Central Area.

transmission capacity to determine the amount of FTRs to be given to the New Participating TO in accordance with Section 9.4.3 of the ISO Tariff.

5. Determination of the Access Charge.

5.1 The Access Charge consists of a High Voltage Access Charge (HVAC) that is based on a TAC Area component and an ISO Grid-wide component, a Transmission Charge, and a Low Voltage Access Charge (LVAC) that is based on a utility-specific rate established by each Participating TO in accordance with its TO Tariff..

5.2 Each Participating TO will develop, in accordance with Section 6 of this Schedule 3, a High Voltage Transmission Revenue Requirement ($HVTRR_{PTO}$) consisting of a Transmission Revenue Requirement for Existing High Voltage Facility ($EHVTRR_{PTO}$) and a Transmission Revenue Requirement for New High Voltage Facility ($NHVTRR_{PTO}$). The $HVTRR_{PTO}$ includes the TRBA adjustment described in Section 6.1 of this Schedule 3.

5.3 The Gross Load amount in MWh shall be established by each Participating TO and filed at FERC with each Participating TO's Transmission Revenue Requirement (GL_{PTO}).

5.4 The HVAC applicable to each UDC or MSS Operator serving Gross Load in the PTO Service Territory, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

5.5 The Existing Transmission Revenue Requirement for the TAC Area component ($ETRR_A$) is the summation of each Participating TO's $EHVTRR_{PTO}$ in that TAC Area. The Gross Load in the TAC Area (GL_A) is the summation of each Participating TO's Gross Load in that TAC Area (GL_{PTO}). The TAC Area component will be based on the product of Existing Transmission Revenue Requirement for the TAC Area ($ETRR_A$) and the applicable annual transition percentage (%TA) in Section 5.8 of this Schedule 3, divided by the Gross Load in the TAC Area (GL_A).

$$ETRR_A = \Sigma\, EHVTRR_{PTO}$$

$$GL_A = \Sigma\, GL_{PTO}$$

$$HVAC_A = (ETRR_A * \%TA) / GL_A$$

5.6 The Existing Transmission Revenue Requirement for the ISO Grid-wide component ($ETRR_I$) will be the summation of all TAC Areas' $ETRR_A$ multiplied by the applicable annual transition percentage (%IGW) in Section 5.8 of this Schedule 3. The New Transmission Revenue Requirement (NTRR) is the summation of each Participating TO's $NHVTRR_{PTO}$. The ISO Grid-wide component will be based on the $ETRR_I$ plus the NTRR, divided by the summation of all Gross Loads in the TAC Areas (GL_A).

$$ETRR_I = \Sigma\, ETRR_A * \%IGW$$

$$HVAC_I = (ETRR_I + NTRR) / \Sigma\, GL_A$$

The foregoing formulas will be adjusted, as necessary to take account of new TAC Areas.

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the PTO Service Territory of the Participating TO, including the UDC and/or MSS Operator. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of

9.2 Federal power marketing agencies whose transmission facilities are under ISO Operational Control shall develop their High Voltage Transmission Revenue Requirements pursuant to applicable federal laws and regulations, including filing with FERC. All such filings with FERC will include a separate appendix that states the HVTRR, LVTRR (if applicable) and the appropriate Gross Load data and other information required by the FERC to support the Access Charges. The procedures for public participation in a federal power marketing agency's ratemaking process shall be posted on the federal power marketing agency's website. The federal power marketing agency shall also post on the website the Federal Register Notices and FERC orders for rate making processes that impact the federal power marketing agency's High Voltage Transmission Revenue Requirement. The Participating TO will provide a copy of its filing to the ISO and the other Participating TOs in accordance with the notice provisions in the Transmission Control Agreement.

10. Disbursement of High Voltage Access Charge and Transition Charge Revenues.

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b)

(i) for a Participating TO that is a UDC or MSS Operator and has Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC or MSS Operator would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage Facilities served such UDC and MSS Operator times the actual Gross Load of such UDCs and MSS Operators ("Utility-specific HVAC"); or

(ii) for a Participating TO that is not a UDC or MSS Operator and that does not have Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the Participating TO's portion of the total Billed HVAC/TC in subsection (a) based on the ratio of the Participating TO's High Voltage Transmission Revenue Requirement to the sum of all Participating TOs' High Voltage Revenue Requirements.

(c) if the total Billed HVAC/TC in subsection (a) received by the ISO less the total dollar amounts calculated in Utility-specific HVAC in subsection (b)(i) and subsection (b)(ii) is different from zero, the ISO shall allocate the positive or negative difference among those Participating TOs that are subject to the calculations in subsection (b)(i) based on the ratio of each Participating TO's High Voltage Transmission Revenue Requirement to the sum of all of those Participating TOs' High Voltage Transmission Revenue Requirements that are subject to the calculations in subsection (b)(i). This monthly distribution amount is the "HVAC Revenue Adjustment";

(d) the sum of the HVAC revenue share determined in subsection (b) and the HVAC Revenue Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

10.2 If the same entity is both a Participating TO and a UDC or MSS Operator, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC, MSS Operator, or SCPTO in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

11 Determination of Transmission Revenue Requirement Allocation Between High Voltage and Low Voltage Transmission Facilities.

11.1 Each Participating TO shall allocate its Transmission Revenue Requirement between the High Voltage Transmission Revneue Requirement and Low Voltage Transmission Revenue Requirement based on the “Procedure for Division of Certain Costs Between the High and Low Voltage Transmission Access Charges” posted on the ISO Home Page.

ATTACHMENT B

TARIFF CHANGES RELATING TO

COMPLIANCE FILING ON THE REVISED DEFINITION OF

PTO SERVICE AREA

ISO TARIFF

* * *

5.2.8 Responsibility for Reliability Must-Run Charge Except as otherwise provided in Section 5.2.8.1, the costs incurred by the ISO under each Reliability Must-Run Contract shall be payable to the ISO by the Responsible Utility in whose PTO Service Territory the Reliability Must-Run Generating Units covered by such Reliability Must-Run Contract are located or, where a Reliability Must-Run Generating Unit is located outside the PTO Service Territory of any Responsible Utility, by the Responsible Utility or Responsible Utilities whose PTO Service Territories are contiguous to the ~~PTO Service Territory~~Service Area in which the Generating Unit is located, in proportion to the benefits that each such Responsible Utility receives, as determined by the ISO. Where costs incurred by the ISO under a Reliability Must-Run Contract are allocated among two or more Responsible Utilities pursuant to this section, the ISO will file the allocation under Section 205 of the Federal Power Act.

* * *

7. TRANSMISSION PRICING.

7.1 Access Charges.

All Market Participants withdrawing Energy from the ISO Controlled Grid shall pay Access Charges in accordance with this Section 7.1 and Appendix F, Schedule 3. Prior to the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charge for each Participating TO shall be determined in accordance with the principles set forth in this Section 7.1 and in Section 5 of the TO Tariff. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement associated with the transmission facilities and Entitlements turned over to the Operational Control of the ISO by a Participating TO approved by FERC. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through to the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 in Appendix F of the ISO Tariff.

Commencing on the transition date determined under Section 4 of Schedule 3 to Appendix F, the Access Charges shall be paid by any UDC~~,~~ or MSS Operator~~, or SCPTO~~ that is serving Gross Load in a PTO Service Territory, and shall consist, where applicable, of a High Voltage Access Charge, a Transition Charge and a Low Voltage Access Charge. High Voltage Access Charges and Low Voltage Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's High Voltage Transmission Revenue Requirement and Low Voltage Transmission Revenue Requirement, as applicable. The first component shall be based on the annual authorized Transmission Revenue Requirement associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements turned over to the ISO Operational Control by a Participating TO. The second component shall be the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits associated with the high voltage or low voltage, as applicable, transmission facilities and Entitlements and calculated in accordance with Section 5 of the TO Tariff and other credits identified in Section 6 and 8 of Schedule 3 of Appendix F of the ISO Tariff. Each Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that states the Participating TO's High Voltage Transmission Revenue Requirement, its Low Voltage Transmission Revenue Requirement (if applicable) and its Gross Load used in developing the rate. The allocation of each Participating TO's Transmission Revenue Requirement between the High Voltage Transmission Revenue Requirement and the Low Voltage Transmission Revenue Requirement shall be undertaken in accordance with Section 11 of Schedule 3 of Appendix F. To the extent necessary, each Participating TO shall make conforming changes to its TO Tariff.

The applicable High Voltage Access Charge and the Transition Charge shall be paid to the ISO by each UDC~~,~~ and MSS Operator~~, and SCPTO~~ based on its Gross Load connected to a High Voltage Transmission Facility in a PTO Service Territory, either directly or through intervening distribution facilities, but not through a Low Voltage Transmission Facility. The applicable High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge shall be paid by each UDC~~,~~ and MSS Operator~~, and SCPTO~~ based on its Gross Load in the PTO Service Territory. The applicable High Voltage Access Charge and Transition Charge shall be assessed by the ISO as a charge for transmission service under this ISO Tariff, shall be determined in accordance with Schedule 3 of Appendix F, and shall include all applicable components of the High Voltage Access Charge and Transition Charge set forth therein.

The Low Voltage Access Charge for each Participating TO is set forth in that Participating TO's TO Tariff. Each Participating TO shall charge for and collect the Low Voltage Access Charge, as provided in its TO Tariff. If a Participating TO is using the Low Voltage Transmission Facilities of another Participating TO, such Participating TO shall also be assessed the Low Voltage Access Charge of the other Participating TO by such other Participating TO. The ISO shall provide to the applicable Participating TO a statement of the amount of Energy delivered to each UDC~~,~~ and MSS Operator~~, and SCPTO~~ serving Gross Load that utilizes the Low Voltage Transmission Facilities of that Participating TO on a monthly basis. If a UDC~~,~~ or MSS Operator~~, or SCPTO~~ that is serving Gross Load in a PTO Service Territory has Existing Rights to use another Participating TO's Low Voltage Transmission Facilities, such entity shall not be charged the Low Voltage Access Charge for delivery of Energy to Gross Load for deliveries using the Existing Rights. Each Participating TO shall recover Standby

Transmission Revenues directly from the Standby Service Customers of that Participating TO through its applicable retail rates.

* * *

7.1.2 High Voltage Access Charge and Transition Charge Settlement. UDCs~~,~~ and MSS Operators ~~and SCPTOs~~ serving Gross Load in a PTO Service Territory shall be charged on a monthly basis, in arrears, the applicable High Voltage Access Charge and Transition Charge. The High Voltage Access Charge and Transition Charge for a billing period is calculated by the ISO as the product of the applicable High Voltage Access Charge or Transition Charge, as applicable, and Gross Load connected to the facilities of the UDC~~,~~ and MSS Operator~~, and SCPTO~~ in the PTO Service Territory. The High Voltage Access Charge and Transition Charge are determined in accordance with Schedule 3 of Appendix F of the ISO Tariff. These rates may be adjusted from time to time in accordance with Schedule 3 to Appendix F. During the 10-year transition period described in Section 4 of Schedule 3 of Appendix F of the ISO Tariff, a UDC~~,~~ or MSS Operator~~, or SCPTO~~ that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and the Transition Charge applicable to its transactions as a UDC~~,~~ or MSS Operator~~, or SCPTO~~; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3.

* * *

Access Charge	A charge paid by all UDCs~~,~~ and MSS Operators~~, and SCPTOs~~ with Gross Load in a PTO Service Territory, as set forth in Section 7.1. The Access Charge includes the High Voltage Access Charge, the Transition Charge and the Low Voltage Access Charge. The Access Charge will recover the Participating TO's Transmission Revenue Requirement in accordance with Appendix F, Schedule 3.

* * *

Gross Load

For the purposes of calculating the transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly connected to the Distribution System of a UDC~~,~~ or MSS Operator~~, or SCPTO~~ located in a PTO Service Territory. Gross Load shall exclude Load with respect to which the Wheeling Access Charge is payable and the portion of the Load of an individual retail customer of a UDC~~,~~ or MSS Operator~~, or SCPTO~~ that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customers site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978; and (c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an outage of the Generating Unit serving the Load. In the case of a Local Publicly Owned Electric Utility that (a) is a Participating TO, (b) is in compliance with all metering requirements of Section 10 and the Metering Protocols of the ISO Tariff applicable to a utility that is an ISO Metered Entity, and (c) has not received a waiver of such metering requirements, Gross Load shall also exclude the portion of the Local Publicly Owned Electric Utility's Load that is served by a Generating Unit that (a) is directly connected to the Load through the Local Publicly Owned Electric Utility's

Distribution System, (b) has certified and polled metering, and (c) is operated at greater than 50% capacity in the current month as measured by such a meter. Gross Load forecasts consistent with filed TRR will be provided by each Participating TO to the ISO.

* * *

PTO Service Territory	The area in which an IOU, a Local Publicly Owned Electric Utility, or federal power marketing administration that has turned over its transmission facilities and/or Entitlements to ISO Operational Control ~~was~~is obligated to provided electric service to Load~~ as of March 31, 2000~~. A PTO Service Territory may be comprised of the Service Areas of more than one Local Publicly Owned Electric Utility~~ in which each entity was obligated to provide electric service as of March 31, 2000~~, if they are operating under an agreement with the ISO for aggregation of their MSS and their MSS Operator is designated as the Participating TO.

* * *

Responsible Utility	The utility which is a party to the TCA in whose PTO Service Territory the Reliability Must-Run Unit is located or whose PTO Service Territory is contiguous to the PTO Service Territory in which a Reliability Must-Run Unit owned by an entity outside of the ISO Controlled Grid is located. ~~For the purpose of this definition, the March 31, 2000, restriction in the definition of PTO Service Territory shall not be applicable.~~

* * *

~~**SCPTO**~~	~~A Scheduling Coordinator that is neither a UDC nor an MSS Operator but is a Participating TO or represents a Participating TO that serves its or its representatives'~~

~~Gross Load but does not serve End-Use Customers.~~

* * *

UDC (Utility Distribution Company)	An entity that owns a Distribution System for the delivery of Energy to and from the ISO Controlled Grid, and that ~~(i) serves its own Load or (ii)~~ provides regulated retail electric service to Eligible Customers, as well as regulated procurement service to those End-Use Customers who are not yet eligible for direct access, or who choose not to arrange services through another retailer.

* * *

ISO Tariff Appendix F, Schedule 3

* * *

2. **Assessment of High Voltage Access Charge and Transition Charge.** All UDCs~~,~~ and MSS Operators~~, and SCPTOs~~ in a PTO Service Territory serving Gross Loads directly connected to the transmission facilities or Distribution System of a UDC~~,~~ or MSS Operator~~, or SCPTO~~ in a PTO Service Territory shall pay to the ISO a charge for transmission service on the High Voltage Transmission Facilities included in the ISO Controlled Grid. The charge will be based on the High Voltage Access Charge applicable to the TAC Area in which the point of delivery is located and the applicable Transition Charge. A UDC~~,~~ or MSS Operator~~, or SCPTO~~ that is also a Participating TO shall pay, or receive payment of, if applicable, the difference between (i) the High Voltage Access Charge and Transition Charge applicable to its transactions as a UDC~~,~~ or MSS Operator~~, or SCPTO~~; and (ii) the disbursement of High Voltage Access Charge revenues to which it is entitled pursuant to Section 7.1.3 of the ISO Tariff.

* * *

5.4 The HVAC applicable to each UDC~~,~~ or MSS Operator~~, or SCPTO~~ serving Gross Load in the PTO Service Territory, shall be based on a TAC Area component ($HVAC_A$) and an ISO Grid-wide component ($HVAC_I$).

$$HVAC = HVAC_A + HVAC_I$$

* * *

5.7 The Transition Charge shall be calculated separately for each Participating TO by dividing (i) the net difference between (1) the Participating TO's payment responsibility, if any, under Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; and (2) the amount, if any, payable to the Participating TO in accordance with Section 8.6 of the ISO Tariff and Section 7 of this Schedule 3; by (ii) the total of all forecasted Gross Load in the PTO Service Territory of the Participating TO, including the UDC~~,~~ and/or MSS Operator~~, and/or SCPTO~~. If greater than zero, the Transition Charge shall be collected with the High Voltage Access Charge. If less than zero, the Transition Charge shall be credited with the High Voltage Access Charge. The amount of each Participating TO's NHVTRR shall not be included in the Transition Charge calculation.

* * *

10. Disbursement of High Voltage Access Charge and Transition Charge Revenues.

10.1 High Voltage Access Charge and Transition Charge revenues shall be calculated for disbursement to each Participating TO on a monthly basis as follows:

(a) the amount determined in accordance with Section 7.1.2 of the ISO Tariff ("Billed HVAC/TC");

(b)

(i) for a Participating TO that is a UDC~~,~~ or MSS Operator ~~or SCPTO~~ and has Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC~~,~~ or MSS Operator~~ or SCPTO~~ would have paid and the Participating TO would have received by multiplying the High Voltage Utility-Specific Rates for the Participating TO whose High Voltage Facilities served such UDC~~,~~ and MSS Operator~~, and SCPTO~~ times the actual Gross Load of such UDCs~~,~~ and MSS Operators~~, and SCPTOs~~ ("Utility-specific HVAC"); or

(ii) for a Participating TO that is not a UDC~~,~~ or MSS Operator~~ or a SCPTO~~ and that does not have Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the Participating TO's portion of the total Billed HVAC/TC in subsection (a) based on the ratio of the Participating TO's High Voltage Transmission Revenue Requirement to the sum of all Participating TOs' High Voltage Revenue Requirements.

* * *

10.2 If the same entity is both a Participating TO and a UDC~~,~~ or MSS Operator~~, or SCPTO~~, then the monthly High Voltage Access Charge and Transition Charge amount billed by the ISO will be the charges payable by the UDC, MSS Operator, or SCPTO in accordance with Section 7.1.2 of the ISO Tariff less the disbursement determined in accordance with Section 10.1(d). If this difference is negative, that amount will be paid by the ISO to the Participating TO.

* * *

ATTACHMENT C

Form of Notice Suitable for Publication in the *Federal Register*

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))))	Docket No. ER04-632-001

NOTICE OF FILING

Take notice that on May 21, 2004, the California Independent System Operator Corporation ("ISO") tendered a filing in compliance with the Commission's Order Accepting Tariff Revisions Subject to Modification, which issued May 6, 2004. 107 FERC ¶61,114. The Commission accepted the ISO's proposed revisions to the ISO Tariff regarding the definition of "PTO Service Territory" and related matters subject to certain modifications that the ISO includes in this filing.

Any person desiring to be heard or to protest the filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions or protests must be filed in accordance with Sec. 35.8 of the Commission's regulations. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at http://www.ferc.fed.us/online/rims.htm (call 202-208-2222 for assistance).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, California
this 21st day of May, 2004.

/s/ Anthony Ivancovich

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