

SWIDLER BERLIN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647
WWW.SWIDLAW.COM

MICHAEL KUNSELMAN
DIRECT DIAL: (202) 295-8465
FAX: (202) 424-7643
MNKUNSELMAN@SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
TEL. (212) 973-0111
FAX (212) 891-9598

March 10, 2005

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.
California Independent System Operator Corporation and
California Power Exchange
Docket Nos. EL00-98-069, et al.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Fourteenth 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)

**FOURTEENTH 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 fourteenth 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 fourteenth such report required by that Commission Order. While the preparatory and FERC refund re-runs are now complete, the ISO will continue to provide monthly status reports throughout the resettlement and financial phases of the process 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 FERC refund re-run settlement statement publishing process is now complete. ISO staff completed statement publishing for June 2001 on February 15, 2005. On February 17, 2005, the ISO published adjustments required for the hourly price mitigation on the ties. This completes statement publishing and billing inquiries will then be received until March 11, 2005. The ISO extended the agreed upon 2 business week window for billing inquiries by one week as the result of requests from Market Participants. The ISO is now waiting to receive the audited fuel cost information by Market Participant as well as the emissions offsets, where applicable.

In the Findings of Fact in the Refund proceeding⁴ and again in the Commission's Order of March 26, 2003⁵, the Commission found that 3 entities, Duke, Dynegy and Williams had supported their requested emissions allowance. However, Reliant, the City of Pasadena and the Los Angeles Department of

⁴ Certification of proposed Findings on California Refund Liability, Issued December 12, 2002, P729-760.

⁵ 102 FERC ¶ 61,317 (2003) item BB.

Water and Power (“LADWP”) were ordered to reallocate and recalculate their emissions allowances.⁶ Also, in the Commission’s October 16, 2003 Order, the Commission clarified that emissions offsets would be recoverable only for mitigated intervals. The ISO wishes to inform the Commission that it will need the approved emissions amounts promptly in order to complete the financial adjustments phrase of the rerun process, which the ISO currently plans to complete two months after the final receipt of the audited fuel cost information.

The ISO also informs the Commission that on January 19, 2005, it filed for clarification or, in the alternative, rehearing of the Commission’s “Order Addressing Compliance Filing, Emergency Motion, And Comments Following Technical Conference” issued on December 20, 2004. As of this writing the Commission has not acted on the ISO’s request. The outcome of various issues the ISO raised in this pleading is key to determining the final methodology for implementing the fuel cost adjustments in this matter. The ISO requests Commission action on this matter prior to the date that the ISO is to receive the audited fuel cost information from the parties. A number of claims that relate to the Refund period are being pursued by various Market Participants in *Alternative Dispute Resolution (“ADR”) pursuant to Section 13 of the ISO Tariff*. Charges resulting from three of these disputes, should they be resolved soon, may be “walled-off ”and charged to the Scheduling Coordinators active in the ISO Market at the time of the activity giving rise to the dispute. These are the

⁶ With respect to Reliant, the Commission, in its March 26 Order, accepted the Presiding Judge’s finding that although Reliant would be required to recalculate its emissions on a pro-rata basis, Reliant would be permitted to use the California Generators’ existing pro rata allocation exhibit, and would not be required to re-file that information.

following claims posted on the ADR page of the ISO website

(<http://www.caiso.com/clientserv/adr/>): "SMUD Dispute Matter", "California Department of Water Resources 7/20/04", "San Diego Gas & Electric Matter 7/6/01". The ISO will inform the Commission and the Market Participants, in a subsequent status report, if and when these disputes are resolved, and the financial impact on Scheduling Coordinators of resolving these disputes. Also, the ISO will inform the Commission and the Market Participants immediately if any other ADRs or Good Faith Negotiations require such similar treatment.

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 Thursday, February 25th. 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.⁷

As of March 7, 2005, the ISO has received a total of 96 billing inquiries from Market Participants with respect to questions related to the refund re-run statements. Eighty-eight of the 96 inquiries have been answered by the ISO's Market Quality department and returned to the respective Market Participant. The remaining 8 inquiries are still under investigation.

Upcoming Stakeholder communications will include the regular monthly call with Market Participants scheduled for the week of March 28, 2005.

⁷ 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>.

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 16, 2004, and the FERC refund re-run statement production phase was completed February 15, 2005. 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 various updates provided by the ISO from time to time.

IV. CONCLUSION

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

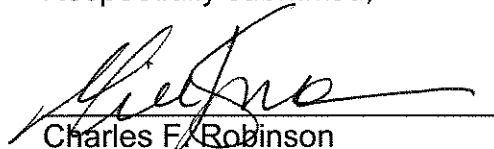
J. Phillip Jordan
Michael Kunselman

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

Counsel for the California Independent
System Operator Corporation

Dated: March 10, 2005

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

ATTACHMENT A

ATTACHMENT A – RE-RUN SCHEDULE

March 10, 2005

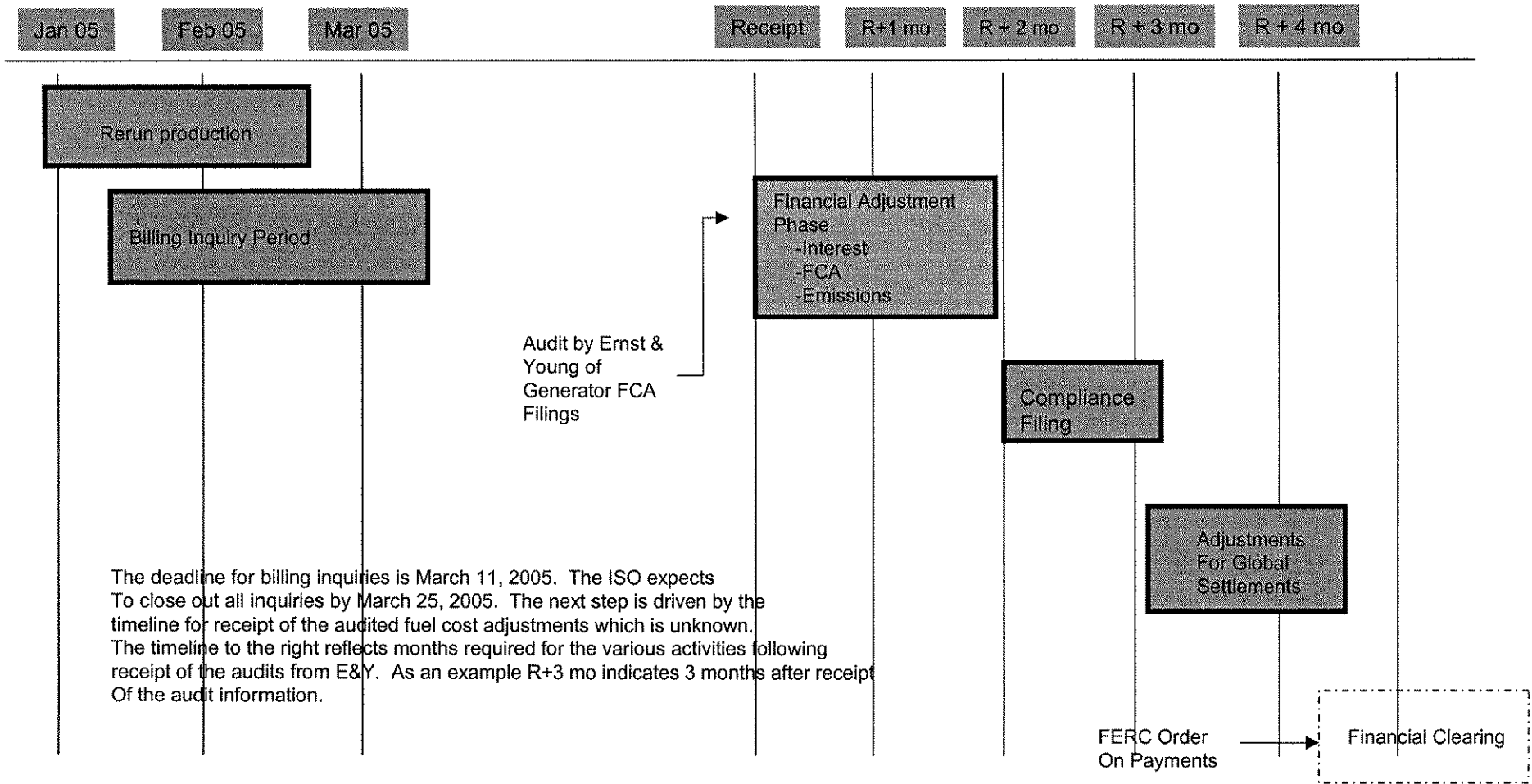
Key assumptions/comments to support the schedule (Updated for the refund re-run)

The ISO envisions the following additional phases of the refund project

- *Financial adjustment phase - scheduled for approximately 6-8 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 2-4 weeks after the completion of the financial adjustment 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.*

ISO Refund Rerun Project

March 10, 2005



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 March, 2005.

A handwritten signature in cursive script, appearing to read "Gene L. Waas", with a circled mark to the right of the signature.

Gene L. Waas