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May 14, 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 Corp.
Docket Nos. ER03-746-001, 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 Interim Status Report of the California Independent System Operator Corporation on the Preparatory Rerun and Other Rerun Activity.

In this filing, the ISO includes a copy of its most recent status report on rerun activity, filed on May 7, 2004. The ISO also apprises the Commission of its efforts to comply with the Commission's directive in the May 12 order that the ISO inform the Commission immediately of any issues affecting the ISO's ability to complete the refund rerun process, and the Commission's directive that the ISO complete that process by August 31, 2004.

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,

A handwritten signature in black ink, appearing to read "Michael Kunselman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

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 Nos. ER03-746-001
)	ER03-746-002
)	
)	
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)

**INTERIM STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON THE PREPARATORY RERUN
AND OTHER RERUN ACTIVITY**

Pursuant to the Order on Requests for Rehearing and Clarification of the Federal Energy Regulatory Commission (“Commission” or “FERC”) issued on May 12, 2004, in the above captioned dockets (“May 12 Order”), 107 FERC ¶ 61,159 (2004), the California Independent System Operator Corporation (“ISO”) hereby provides an interim report to the Commission.

In the May 12 Order, the Commission stated that the ISO’s monthly reports explaining the status of the rerun process, the “most recent [of which was] filed on March 10, 2004,” are valuable tools in managing the rerun process.

May 12 Order at PP 20-21. The Commission also noted that it was, in the May 12 Order and another order issued that same day, taking action on several issues in order for the ISO to continue with the rerun process, and directed the ISO to advise the Commission immediately if there are any other outstanding issues that require Commission guidance in order for the ISO to complete its rerun calculations. *Id.* at P 21. The Commission directed that the ISO complete all phases of the refund process and submit its financial phase compliance filing no later than August 31, 2004. *Id.* at P 22.

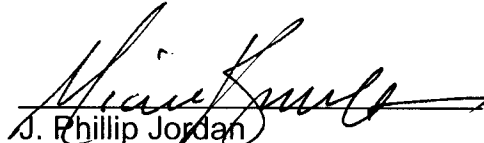
The ISO has, subsequent to March 10, filed two additional rerun status reports with the Commission. The most recent status report, filed on May 7, 2004, is included as Appendix A to this filing. In that status report, the ISO estimated the financial phase compliance filing would occur in December, 2004.¹ The ISO has commenced an expedited review of its rerun process and procedures, as well as the requirements for the various phases of the refund process set forth by the Commission, in order to identify any opportunities that might exist for expediting either the rerun or any other phase of the refund process. The ISO will provide the results of that review as soon as it is completed.

The ISO has also begun a process of identifying any additional issues that need to be resolved in order to complete the rerun calculations. Consistent with the Commission's direction, the ISO will bring to the Commission's attention any such issues that are identified on an expeditious basis. In parallel, the ISO is

¹ The ISO did not choose a date specific due to the fact that it did not know, at that time, when the Commission would issue an order with respect to the treatment of CERS transactions.

completing its review of the May 12 Order with the intent of re-starting the production of preparatory rerun statements on May 24, 2004.

Respectfully submitted,



J. Phillip Jordan
Michael Kunselman

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

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Dated: May 14, 2004

APPENDIX A

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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May 7, 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 Status Report of the California Independent System Operator Corporation on the Preparatory Re-Run and Other Re-Run Activity filed in the above-captioned docket.

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 Nos. ER03-746-001
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)	
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)

**STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON THE
PREPARATORY RE-RUN AND OTHER 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 fourth 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 fourth such report required by that Commission order.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Since the third status report filed on April 12th, no settlement statement production has occurred. As of the date of this fourth status report, the ISO has completed preparatory re-run production activity through January 16, 2001, and has distributed the Settlement Statements and associated settlement detail file CDs to Market Participants. The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation, as necessary. Specifically, the ISO held its regular monthly telephonic meeting with Market Participants to discuss preparatory re-run issues on Thursday, April 15th. The ISO has posted a calendar containing the schedule for the preparatory re-run on its website, and provided the link to that calendar to Market Participants in a market notice.⁴

The ISO completed re-run production and publishing of trade dates through January 16, 2001 on March 26, 2004. Production was halted at this point because the requested clarification from the Commission regarding the treatment of "CERS transactions," which took place beginning on January 17, 2001, had not been received. Although production and publishing have been halted, other preparatory work has continued. The main areas of concentration have been completion of the listing of transactions exempt from mitigation,

⁴ The ISO's preparatory 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.

dispute resolution, and assistance on the CT 485 (generator fines) issues raised by Market Participants.

Although the exempt transaction listing is a refund rerun item, the ISO committed to release this information early to provide participants an opportunity to review this data before refund rerun production because of its impact on prices paid and CT 485 charges (generator fines). The cross-referencing of the stipulations and exhibits relating to these transactions from the refund hearing proceeding with the ISO's settlement records is a major undertaking and will not be complete until mid June, 2004.

The ISO notes that the California Power Exchange ("PX") has experienced some difficulty with the rerun statement processing. The ISO has continued to work closely with the PX to provide additional detailed information requested by the PX, beyond that provided to other Market Participants, to help accommodate the PX system constraints. In fact, on Tuesday, April 20, 2004, members of the ISO's settlements team met in Folsom, California with members of the PX team to discuss areas of mutual interest as they relate to the PX's need for rerun information and the ISO's ability to provide it.

It should be noted that in response to filings by Southern California Edison, Pacific Gas & Electric Company and the PX, the ISO has agreed to extend the dispute deadline for December 2000 until May 28, 2004.

The ISO also wants to note certain recent issues regarding CT 485 penalties. Due to a query definition, the CT 485 price used for one hour in the rerun was not valid. This will be corrected. Additionally, the ISO plans to

distribute a supplemental data CD, providing participants additional details of the CT 485 prices used when calculating the penalty. Finally, the ISO has recently reached a settlement with the Williams Companies involving the application of CT 485 penalties to their operations. The result of this settlement will be made a part of the preparatory and refund reruns.

III. ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

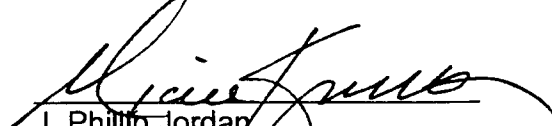
As stated above, the ISO has published no additional settlement statements during the most recent reporting period. The “hold” begun during the previous reporting period has continued. The ISO cannot predict with any degree of certainty what the final impact of the hold will be on the schedule and the final completion dates for the preparatory and the refund reruns at this time. However, the projected dates contained in Attachment A have been extended for one month to at least reflect the known hold period.

Finally, approximately 123 disputes have been received since the last report, for a total of 2,014 disputes. The ISO is trying to use the current halt in production to close all outstanding disputes.

IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's fourth status report in compliance with the Commission's February 3 Order in the above captioned dockets.

Respectfully submitted,



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Dated: May 7, 2004

**ATTACHMENT A – RE-RUN SCHEDULE
May 7, 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	July, 2004	Change in Projected Completion Date based on delays reported in earlier reports and current halt in production. The current projected date is dependent on FERC resolution of the CERS issue.
Prep Re-run Dispute Period	2.5-3 weeks	8 weeks	June 9, 2004	September, 2004 production	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, 2004	
Refund Re-run Dispute Period	2.5-3 weeks	Unknown	} August 31, 2004	December, 2004	The ISO now anticipates that the refund re-run compliance filing will be submitted before any further dispute or protest period.
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			The December date reflects the delays in earlier events reported above and the potential for this phase to be extended somewhat in order to perform financial adjustments for multiple global settlements.
Final Financial Phase Including Interest Calculations, Global Settlement Adjustments, 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			
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.
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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.*
- *The Commission intends to provide the ruling on the gas price adjustments prior to the final financial clearing of the refunds. This will be provided to the ISO in the form of dollar adjustments on a daily or monthly basis. It will not be in the form of price adjustments that will require further re-run production. The ISO will assess those charges to Control Area Load .*
- *Parties will provide and the Commission will approve all outstanding emissions costs offsets.*
- *Interest calculations will be completed at the ISO following the Commission's ruling on gas price adjustments and emissions offsets.*
- *In the first report on February 9, 2004 the ISO indicated that if the Commission could provide determination on the gas price adjustments and emissions prior to the completion of the refund rerun production rerun, the ISO 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. The ISO could also provide a compliance filing detailing the results of the financial phase seven days prior to the initial financial clearing. If additional global settlements are finalized between the Parties and approved by FERC, the additional financial adjustments could extend the 6 week financial clearing phase .*
- *To reduce protests and disputes, the ISO will publish MMCP calculations and transactions exempt from mitigation to Market Participants well in advance of the refund re-run production. The publication of the transactions exempt from mitigation are expected to be completed by mid-June 2004. The revised MMCP calculations were published on March 17, 2004. Participants were allowed to ask questions of the ISO related to how the revised MMCP's were determined at the last monthly rerun call held on April 15, 2004.*
- *A subsequent clean-up clearing would be required pending resolution of any protests received concerning the financial clearing. Note that the ISO intends to research and correct normal disputes in accordance with the dispute timeline identified in the schedule above.*
- *The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding at the time.*

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 7th day of May, 2004.


Gene L. Waas

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 14th day of May, 2004.


Gene L. Waas