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April 1, 2004

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *California Independent System Operator Corporation,*
Docket No. ER01-313-003

Pacific Gas and Electric Company,
Docket No. ER01-424-003

San Diego Gas & Electric Company v.
California Independent System Operator Corporation,
Docket No. EL03-131-000

Dear Secretary Salas:

In accordance with the Commission's Order On Rehearing And Clarification ("Rehearing Order") dated January 23, 2004 in the above-captioned docket,¹ the California Independent System Operator Corporation ("ISO") filed a compliance refund report on February 23, 2004 outlining the ISO's intended approach to the Commission's directive. This letter is intended to update the Commission about the status of the ISO's process to issue the refunds ordered by the Commission in the Rehearing Order.

In the compliance refund report, the ISO stated that to meet the Commission's requirement that the Control Area Services charge not be applied to generators that are not modeled by the ISO in its regular performance of transmission planning and operation, the ISO was undertaking a multi-stage analysis that requires the assistance of the Participating Transmission Owners ("TOs") to whose facilities such generators are connected. The ISO identified the generators that were modeled in one or more studies and submitted a list of such generators to the PTOs on March 10, 2004, so that they could identify the behind-the-meter load

¹ California Independent System Operator Corporation, 106 FERC ¶ 61,032 (2003) ("Initial Order").

The Honorable Magalie R. Salas
April 1, 2004
Page 2

served by the generators on each of the IOU's respective systems. The remaining load served by behind-the-meter generators would be excluded from the CAS charge.

Because the ISO has not yet received definitive responses from all of the PTOs to its inquiry, the ISO does not yet have the information necessary to calculate the refunds and surcharges directed by the Commission.

The ISO remains committed to concluding this process at the earliest possible juncture. To permit effective Commission oversight of this process, the ISO will submit a further update regarding this process to the Commission on May 1, 2004, or sooner, if possible.

One original and fourteen copies of this compliance report are enclosed for the Commission's use. Two additional copies have been included to be date/time stamped and returned to our messenger. Thank you for your assistance with this matter.

Sincerely,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 1st day of April in the year 2004 at Folsom in the State of California.

/s/ Stephen A.S. Morrison
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