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May 3, 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,<sup>1</sup> 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, and a letter on April 1, 2004 updating the Commission on the ISO's progress. 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 February 23, 2004 ISO 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.

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

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In the April 1, 2004 letter, the ISO stated that it had 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 served by the generators on each of the IOU's respective systems, but that it had not yet received definitive responses from all of the PTOs to its inquiry. Accordingly, the ISO did not then have the information necessary to calculate the refunds and surcharges directed by the Commission.

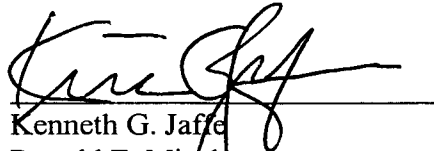
On June 9, 2004, the ISO received data indicating the load served by behind-the-meter generation from Southern California Edison ("SCE"). The ISO asked for certain clarifications regarding the data, and SCE responded to the ISO on April 26, 2004. The ISO currently is working with Pacific Gas and Electric ("PG&E") to modify the generator identifier codes on the list of modeled generators, because PG&E was unable to understand to which generators the codes used on the ISO list referred. The ISO has not received a response from San Diego Gas & Electric.

Until the ISO receives complete information from all three utilities, it will not 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 June 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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Counsel to the  
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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 3<sup>rd</sup> day of May in the year 2004 at Folsom in the State of California.

/s/ Stephen A.S. Morrison

Stephen A.S. Morrison

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