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August 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 Nineteenth 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**

<b>California Independent System Operator Corporation</b>	)	<b>Docket No. ER03-746-000</b>
	)	
	)	
	)	
<b>San Diego Gas &amp; Electric Company, Complainant,</b>	)	
	)	
v.	)	<b>Docket Nos. EL00-95-081</b>
	)	<b>EL00-95-074</b>
<b>Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, Respondents.</b>	)	<b>EL00-95-086</b>
	)	
	)	
<b>Investigation of Practices of the California Independent System Operator and the California Power Exchange</b>	)	<b>Docket Nos. EL00-98-069</b>
	)	<b>EL00-98-062</b>
	)	<b>EL00-98-073</b>

(not consolidated)

**NINETEENTH 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 nineteenth regular monthly status report.<sup>1</sup> Because the ISO’s

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<sup>1</sup> 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).

re-run activity is “on hold” awaiting the fuel cost adjustment information, the rest of this report generally mirrors last month’s report.

## I. **BACKGROUND**<sup>2</sup>

On April 15, 2003, the ISO<sup>3</sup> 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 ISO 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 30<sup>th</sup>, 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

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<sup>2</sup> 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 No. 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.

<sup>3</sup> Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

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 21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the nineteenth 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 has been completed. The ISO is currently waiting to receive the audited fuel cost information as well as the emissions offsets and cost-based recovery offsets, where applicable, from Market Participants. In accordance with the Commission’s notice issued on July 28, 2005,<sup>4</sup> the ISO now expects to receive the audited fuel cost information with which it will begin the financial adjustment phase of the proceeding on August 30, 2005 for all entities seeking fuel cost allowances except Williams Power Company (“Williams”). The Williams audited fuel cost information is not due to be received by the ISO until November 1,

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<sup>4</sup> “Notice of Extension of Time,” issued in Docket Nos. EL00-95-098, *et al.* (July 28, 2005).

2005.<sup>5</sup> Thus, as the ISO explained in its last monthly report, the schedule for completion of the financial adjustment process has been delayed accordingly.

In the Findings of Fact in the Refund proceeding<sup>6</sup> and again in the Commission's Order of March 26, 2003,<sup>7</sup> the Commission found that 3 entities, Duke, Dynegy, and Williams, had supported their requested emissions allowance. Reliant, the City of Pasadena, and the Los Angeles Department of Water and Power ("LADWP"), however, were ordered to reallocate and recalculate their emissions allowances.<sup>8</sup> Also, in the Commission's October 16, 2003 order, the Commission clarified that emissions offsets would be recoverable only for mitigated intervals. The ISO again 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.<sup>9</sup>

Pursuant to the Commission's order of August 8, 2005,<sup>10</sup> the ISO anticipates receiving cost-based filing data by November 15, 2005.<sup>11</sup> The ISO is

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<sup>5</sup> 111 FERC ¶ 61, 434 (2005).

<sup>6</sup> Certification of Proposed Findings on California Refund Liability, Issued December 12, 2002, PP 729-760.

<sup>7</sup> 102 FERC ¶ 61,317 (2003) item BB.

<sup>8</sup> 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.

<sup>9</sup> On Friday, April 8, 2005, the Commission gave notice of the compliance filing of LADWP in this matter.

<sup>10</sup> 112 FERC ¶ 61,176 (2005) ("August 8 Order").

hopeful that it will be able to meet its current schedule if it receives the Commission's final ruling on the cost-based filings by this date. Ultimately, the ISO's ability to meet the current schedule is contingent upon the methodology adopted with respect to the allocation of any cost-based filings approved by the Commission. To this end, the ISO respectfully urges the Commission to include the issue of the proper allocation of any cost-based offsets on the agenda for the upcoming technical conference mandated in the August 8 Order.

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. In previous monthly reports, the ISO noted that 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. The prior reports also noted the 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". In addition, the ISO also noted that it would 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.

The ISO plans to suspend conference calls with Market Participants on the status of re-run activity until after the final receipt of audited fuel cost

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<sup>11</sup> *Id.* at 14.

information on November 1, 2005, or until any issues surface that suggest the need for additional calls.

### **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 orders issued in this proceeding, 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 nineteenth status report in compliance with the Commission's February 3 Order, referenced above.

Respectfully submitted,



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Dated: August 10, 2005

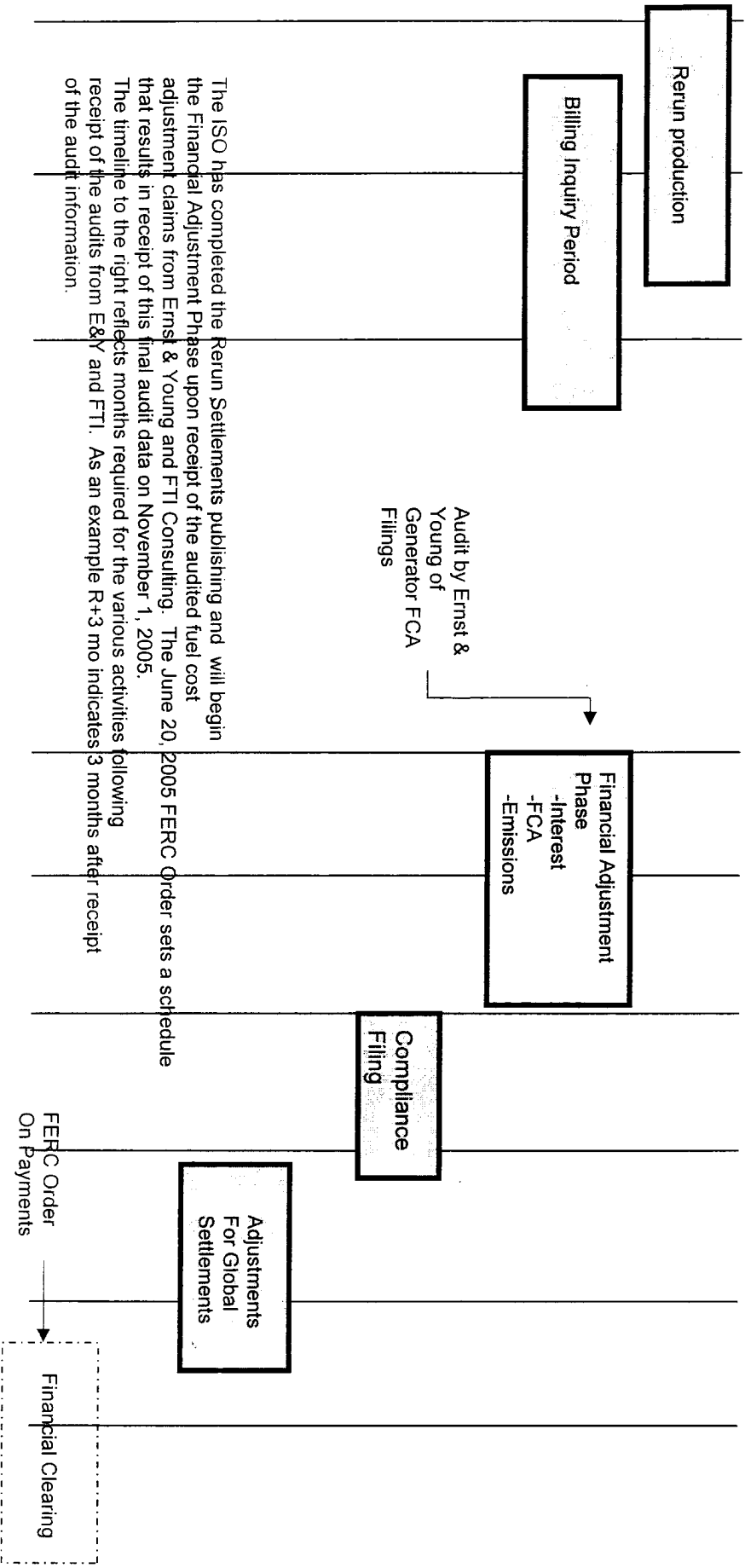


**ATTACHMENT A**

# ISO Refund Rerun Project

## August 10, 2005

Jan 05      Feb 05      Mar 05      Receipt of FCA audit scheduled for Nov 1, 2005      R+1 mo      R+2 mo      R+3 mo      R+4 mo



The ISO has completed the Rerun Settlements publishing and will begin the Financial Adjustment Phase upon receipt of the audited fuel cost adjustment claims from Ernst & Young and FTI Consulting. The June 20, 2005 FERC Order sets a schedule that results in receipt of this final audit data on November 1, 2005. The timeline to the right reflects months required for the various activities following receipt of the audits from E&Y and FTI. As an example R+3 mo indicates 3 months after receipt of the audit information.

## ATTACHMENT A – RE-RUN SCHEDULE

August 10, 2005

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

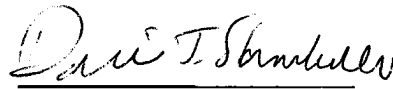
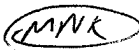
*The ISO envisions the following additional phases of the refund project*

- o *Financial adjustment phase - scheduled for approximately 6-8 weeks following receipt of the fuel cost allowances following audit by Ernst and Young and FTI Consulting. The ISO will submit its compliance filing 2-4 weeks after the completion of the financial adjustment phase.*
- o *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.*

## 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 10<sup>th</sup> day of August, 2005.

   
Daniel J. Shonkwiler  
Daniel J. Shonkwiler