UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

San Diego Gas & Electric Co., Complainant, v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange, Respondents	Docket Nos. EL00-95-000, *et al.*
Investigation of Practices of the California Independent System Operator and the California Power Exchange	Docket Nos. EL00-98-000, *et al.*
California Independent System Operator Corporation	Docket No. ER01-889-000
Mirant California, LLC, Mirant Delta, LLC, and Mirant Potrero, LLC	Docket No. ER01-1455-000
California Independent System Operator Corporation	Docket No. ER01-3013-000
California Independent System Operator Corporation	Docket No. ER03-746-000
Public Utilities Commission of the State of California v. Sellers of Long Term Contracts to the California Department of Water Resources	Docket No. EL02-60-000

California Electricity Oversight Board	)	Docket No. EL02-62-000
	)	
v.	)	
	)	
Sellers of Energy and Capacity Under Long-Term Contracts with the California Department of Water Resources	)	
	)	
Mirant Americas Energy Marketing, LP, Mirant California, LLC, Mirant Delta, LLC, and Mirant Potrero, LLC	)	Docket No. EL03-158-000
	)	
Enron Power Marketing, Inc. and Enron Energy Services Inc., *et al.*	)	Docket No. EL03-180-000
	)	
Pacific Gas and Electric Company	)	Docket Nos. ER98-495-000, ER98-1614-000, ER98-2145-000, and ER99-3603-000
	)	
Mirant Delta, LLC and Mirant Potrero, LLC	)	Docket No. ER03-215-000
	)	
Mirant Delta, LLC and Mirant Potrero, LLC	)	Docket No. ER04-227-000
	)	
Mirant Delta, LLC and Mirant Potrero, LLC	)	Docket No. ER05-343-000
	)	
Southern Company Energy Marketing, Inc. and Southern Company Services, Inc.	)	Docket No. ER97-4166-000
	)	
Southern Energy California, L.L.C.	)	Docket No. ER99-1841-000
	)	
Southern Energy Delta, L.L.C.	)	Docket No. ER99-1842-000
	)	
Southern Energy Potrero, L.L.C.	)	Docket No. ER99-1833-000
	)	
Mirant Americas Energy Marketing, LP	)	Docket No. ER01-1265-000
	)	
Mirant California, LLC	)	Docket No. ER01-1267-000
	)	
Mirant Delta, LLC	)	Docket No. ER01-1270-000
	)	
Mirant Potrero, LLC	)	Docket No. ER01-1278-000

State of California, *ex rel.* Bill Lockyer, Attorney General of the State of California	)	**Docket No. EL02-71-000**
	)	
v.	)	
	)	
British Columbia Power Exchange Corp., Coral Power, LLC, Dynegy Power Marketing, Inc., Enron Power Marketing, Inc., Mirant Americas Energy Marketing, Inc., Reliant Energy Services, Inc. Williams Energy Marketing & Trading Co.	)	
	)	
Puget Sound Energy, Inc.	)	**Docket No. EL01-10-000**
	)	
v.	)	
	)	
All Jurisdictional Sellers of Energy and/or Capacity in the Pacific Northwest	)	
	)	
Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices	)	**Docket No. PA02-2-000**
	)	
Mirant Americas Energy Marketing, LP	)	**Docket No. PA03-8-000**
	)	
Investigation of Anomalous Bidding Behavior Docket and Practices in the Western Markets	)	**Docket No. IN03-10-000**

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE JOINT OFFER OF SETTLEMENT

Pursuant to Rule 602(f) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602(f) (2004) and the Joint Offer of Settlement ("Joint Settlement") filed in the captioned proceedings on January 31, 2005, the California Independent System Operator Corporation ("ISO") provides the following response to the initial comments of Calpine Corporation, Geysers

Power Company and Delta Energy Center, LLC (together, "Calpine") and Williams Power Company, Inc. ("Williams"). 1/

I. REPLY COMMENTS

The sole issue Calpine and Williams raise in their Comments is an issue outside of the scope of these proceedings. Calpine and Williams request that the Commission refrain from ruling on the Initial Decision of the Administrative Law Judge in FERC Dockets Nos. ER98-495, ER98-1614, ER98-2145 and ER99-3603 (the "Southern RMR Proceeding"). 2/ Section 8.1 of the Joint Settlement states:

> PG&E and the Mirant Parties agree to cooperate to request, promptly after the Settlement Effective Date, that FERC issue an order in FERC Docket Nos. ER98-495, ER98-1614, ER98-2145 and ER99-3603 regarding the initial decision of the Administrative Law Judge in these proceedings, 91 FERC ¶ 63,008 (2000) ("RMR Order") at the earliest possible date thereafter. PG&E and the Mirant Parties further agree that the RMR Order shall have no effect upon any charges, including refunds, under the RMR Agreements incurred before January 1, 2005. PG&E and the Mirant Parties agree that each shall have the right to seek rehearing and appeal or modification of the RMR Order to the extent that it has any effect upon such Party.

Section 8.1 is an agreement to file a procedural request in a proceeding that affects some of the parties to the Joint Settlement but which is neither part of the scope of the Joint Settlement nor affected by the Joint Settlement. The procedural request contemplated by Section 8.1 would

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1/ San Diego Gas & Electric Co. v. Sellers of Energy and Ancillary Services into Markets Operated by the California Independent System Operator and the California Power Exchange, et al., Comments of Calpine Corporation, Geysers Power Company, Delta Energy Center, LLC and Williams Power Company, Inc. on Joint Offer of Settlement, Docket Nos. EL00-95-000, et al. (filed Feb. 22, 2005) (hereinafter "Calpine and Williams Comments").

2/ Pacific Gas and Electric Co., 91 FERC ¶ 63,008 (2000) (initial decision on certain aspects of the rates the Southern Parties charge for RMR service including the appropriate level of the Fixed Option Payment under the RMR Rate Schedule) ("RMR Initial Decision").

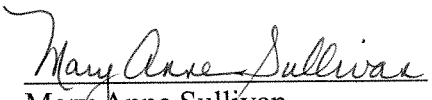
not alter the parties' rights in the Southern RMR Proceeding. Unlike Calpine's and William's Comments, Section 8.1 of the Joint Settlement does not address the substantive issues or merits of the Southern RMR Proceeding or the RMR Initial Decision. Calpine's and Williams' request, that the Commission not consider the RMR Initial Decision on its merits or, in the alternative, reopen the Southern RMR Proceeding for further hearings and briefing to allow Calpine and Williams to submit evidence and briefs concerning the merits of the RMR Initial Decision, is based on substantive arguments regarding the merits of the RMR Initial Decision. Simply put, Calpine and Williams raise substantive issues that are not germane to the only question before the Commission now, whether the Joint Settlement should be approved. Accordingly, the Commission should disregard the Calpine and Williams Comments.

II. CONCLUSION

Wherefore, the ISO respectfully requests that the Commission accept these reply comments.

Dated: March 2, 2005

Respectfully submitted,



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Certificate of Service

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2004), I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Folsom, CA this 2nd day of March, 2005.

/s/ Gene L. Waas

Gene L. Waas