

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

San Diego Gas & Electric Company,)	
)	
Complainant,)	
)	
v.)	Docket No. EL00-95-000
)	
Sellers of Energy and Ancillary Service Into)	
Markets Operated by the California)	
Independent System Operator Corporation)	
and the California Power Exchange,)	
)	
Respondents.)	
)	
)	
Investigation of Practices of the California)	Docket No. EL00-98-000
Independent System Operator and the)	
California Power Exchange)	

**REQUEST FOR CLARIFICATION AND
MOTION FOR ADOPTION OF PROCEDURES OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Section 313(a) of the Federal Power Act, 16 U.S.C. § 251 (a) (2001), and Rules 212 and 713 of the Commission’s Rules of Practice and Procedure 18 C.F.R. §§ 385.212 and 385.713, the California Independent System Operator Corporation (“ISO”) hereby submits this Request for Clarification and Motion for Adoption of Procedures of the Commission’s order issued on August 8, 2005, 112 FERC ¶ 61,176 (2005) (“August 8 Order”) in the above-captioned docket.

I. MOTION FOR ADOPTION OF PROCEDURES

The ISO respectfully requests that the Commission adopt procedures to expedite the resolution of the issue of the appropriate methodology for allocating cost-based offsets to entities that participated in ISO markets during the relevant period, and issue a ruling adopting a methodology as soon as possible thereafter. Unless a methodology is adopted by November 1, 2005, the current schedule for processing refunds could be jeopardized.

II. REQUESTS FOR CLARIFICATION

The ISO respectfully requests that the Commission clarify the following with respect to the August 8 Order:

- ? In light of possible uncertainties about the allocation of cost-based offsets, and the Commission's indication that a ruling on such offsets may not be made until November 15, 2005 (two weeks later than the current schedule contemplates), the Commission will permit the ISO additional time, if necessary, beyond its current schedule to complete financial adjustments relating to the allocation of any approved cost-based offsets.
- ? The Commission's December 1 deadline for submitting disputes to the Commission only relates to disputes concerning the ISO's baseline settlement rerun data and the *total amount* of fuel cost and emissions claims, and does not include disputes relating to the financial adjustments that the ISO will perform to the baseline settlement data and which will not be available until after December

1 -- in particular, the *allocation* of fuel cost allowances, emissions offsets, and cost-based offsets, and the calculation of interest.

III. DISCUSSION

A. The Commission Should Adopt Procedures to Expediently Resolve the Issue of a Methodology for Allocating Any Approved Cost-Based Offsets

In the August 8 Order, the Commission confirmed that it would require the resolution of any cost filings prior to the issuance of refunds. August 8 Order at P 115. Consistent with this ruling, the ISO plans to account for any cost-based offsets that the Commission might ultimately approve as part of the “financial adjustment” phase of the rerun process. As the ISO has indicated in various pleadings as well as its monthly rerun status reports, the financial adjustment phase will consist of various adjustments to the “baseline” refund settlement rerun data to account for approved fuel cost allowances, emissions offsets, interest, and now, cost-based offsets. The ISO cannot, however, perform the necessary adjustments to allocate any approved cost-based offsets without direction from the Commission as to the proper methodology for allocating those costs to those entities that participated in the ISO’s markets during the Refund Period (*i.e.* October 2, 2000 through June 20, 2001). The August 8 Order was silent on the issue of the appropriate allocation methodology for cost-based offsets.¹ The Commission did, however, state that it envisioned issuing an order “finalizing the offsets” by November 15, or sooner. August 8 Order at P 116.

¹ In its addendum to its Eighteenth Status Report on Rerun Activity, the ISO noted that it had given some consideration to the issue of the proper allocation methodology for cost-based offsets, and thought that using the methodology for allocating fuel cost allowances might be appropriate. The California Parties filed a response to the ISO’s addendum, objecting to using the fuel cost allowance allocation methodology for cost-based offsets.

As discussed in greater detail in the following section of this pleading, not only can the ISO not begin processing cost-based offsets without an approved allocation methodology, but, in addition, the ISO cannot even be certain as to what impact the Commission's timeline for finalizing the offsets might have on the ISO's refund schedule without understanding what the allocation methodology will be. For these reasons, the ISO respectfully requests that the Commission adopt procedures to move the process of considering and adopting an allocation methodology forward as quickly as possible, and to allow the Commission sufficient time to issue a ruling within the timeline contemplated by the current schedule. Specifically, the ISO proposes that the Commission require interested parties to file:

- ? any proposals concerning an allocation methodology for cost-based offsets no later than September 10, 2005, the deadline adopted by the Commission in the August 8 Order for parties to submit filings for cost recovery;
- ? reply comments addressing these proposals one week after the filing of any allocation proposals.

The ISO then urges the Commission to rule on the appropriate allocation methodology as soon as possible thereafter, so as to avoid the potential for jeopardizing the ISO's schedule for completing the refund process, but in any event, no later than its order finalizing the cost-based offsets.

B. The Commission Should Clarify That, if Necessary, the ISO Will Be Permitted Additional Time to Complete the Financial Adjustment Phase of the Refund Process in Order to Process Any Cost-Based Offsets

The ISO's current schedule for completing the refund process, as provided in its latest monthly rerun status report, was created based on the assumption that the ISO would be in receipt of all of the data necessary to perform the various financial adjustments no later than November 1, 2005.² As noted above, in the August 8 Order, the Commission stated that cost-based offsets may not be finalized until November 15, 2005. August 8 Order at P 116. The ISO is concerned that if it receives the cost-based offsets later than November 1, 2005, it may not be possible for the ISO meet its present schedule for completion of the financial adjustment phase, and consequently, the refund process as a whole. As the ISO explained in its most recent monthly rerun status report, the ISO is hopeful that it will be able to meet its current schedule, even if it does not receive the cost-based offset data until November 15. It will be impossible to predict the impact on the current schedule with any certainty, however, until after a definitive template for the submission of cost-based filings, and a methodology for allocating any cost-based offsets that the Commission might approve, are adopted. Given this uncertainty, the ISO respectfully requests that the Commission clarify now that, if necessary, it will grant the ISO sufficient additional time to process and allocate any approved cost-based offsets.

² This is the date on which the ISO expects to receive fuel cost allowance data relating to Williams.

C. The Commission Should Clarify That the December 1 Deadline for Submitting Disputes to the Commission Does Not Apply to Disputes Relating to the Adjustments That the ISO Will Perform as Part of the “Financial Adjustment Phase” of the Refund Process

In the August 8 Order, the Commission indicated that, in order to further expedite resolution of this proceeding, parties would be required to file with the Commission any disputes relating to reruns and offsets, including fuel cost allowance claims and emissions cost offset claims, by December 1, 2005. August 8 Order at P 116. The ISO believes that the Commission intended to require submission of only those disputes concerning the total amount of claims for fuel cost allowance and emissions, and not the adjustments that the ISO will perform as part of the financial adjustment phase of the refund process – namely, the allocation of fuel cost allowances, emissions and cost-based offsets, and the calculation of interest on unpaid amounts and refunds. Although the ISO has already produced to parties the “baseline” settlement rerun data resulting from the application of the mitigated price to transactions that occurred during the Refund Period, under the ISO’s current schedule, parties will not receive all of the data concerning the allocation of fuel cost allowances, emissions offsets and cost-based offsets, and the calculation of interest amounts, until the end of December 2005 at the earliest.³ Therefore, it would not make sense to require parties to file disputes with the Commission concerning these calculations by December 1, 2005. As such, the ISO requests clarification that the Commission’s December 1 deadline only applies to disputes concerning the ISO’s “baseline” settlement rerun data, as well as disputes

³ The ISO will distribute data concerning the allocation of fuel cost allowances, emissions offsets, and cost-based offsets on a rolling basis as these adjustments are performed. Thus, parties may receive a portion of the data relating to these adjustments prior to December 1, 2005, but under the current schedule, the ISO will not complete the distribution of that data until the end of December 2005.

relating to fuel cost allowance and emissions offset *claims* (as opposed to disputes concerning the *allocation* of approved fuel cost and emissions offset amounts).

IV. CONCLUSION

Wherefore, for the reasons discussed above, the ISO respectfully requests that the Commission clarify the August 8 Order as requested above, and adopt procedures to resolve the appropriate allocation methodology for cost-based offsets on an expedited basis.

Respectfully submitted,

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Dated: August 24, 2005

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 24th day of August, 2005 at Folsom in the State of California.

/s/ Daniel J. Shonkwiler

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