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August 10, 2004

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.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Seventh Status Report of the California Independent System Operator Corporation on the Preparatory Re-Run and Other 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**

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

(not consolidated)

**SEVENTH STATUS REPORT OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON THE
PREPARATORY RE-RUN AND OTHER RE-RUN ACTIVITY**

Pursuant to the Order Granting Clarification and Granting and Denying Rehearing of the Federal Energy Regulatory Commission ("Commission" or "FERC") Order issued on February 3, 2004, in the above captioned dockets ("February 3 Order"), the California Independent System Operator Corporation ("ISO") hereby provides its seventh regular monthly status report.¹

¹ 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).

I. BACKGROUND²

On April 15, 2003, the ISO³ 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 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 this proceeding. Therein, the ISO informed the Commission that it could not provide the ordered compliance filing by January 30th, 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 relative to 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 dates that it expects to complete both the preparatory re-runs and the settlements and billing process for calculating refunds." February 3 Order at

² 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 re-runs along with the appropriate explanations. The ISO considers that this directive has been overtaken by FERC's later recognition in this Amendment 51 proceeding that the ISO cannot 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.

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

P 21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the seventh such report required by that Commission Order.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Following the sixth status report filed on July 12th, settlement statement production and publication continued essentially "on schedule." The ISO completed the preparatory re-run production activity on July 16th, and has distributed the Settlement Statements and associated settlement detail file CDs to Market Participants. The ISO has continued to interface with Market Participants via market notices, telephonic conferences, and direct consultation, as necessary. Specifically, the ISO held its most recent regular monthly telephonic meeting with Market Participants to discuss preparatory re-run issues on Thursday, July 22nd. On Friday, July 23rd the ISO settlements staff held a web-based conference in which it provided additional information on how the Billable Quantities will be developed that will become a part of the refund re-run. The ISO has posted, and continues to update, a calendar containing the schedule for the preparatory re-run on its website, and provided the link to that calendar to Market Participants in a market notice.⁴

Upcoming Stakeholder communications will include the regular monthly participant call during the week of August 16, 2004.

⁴ The ISO's preparatory re-run calendar, market notices, and re-run procedure manual are located on the ISO's website at www.caiso.com/docs/2004/01/16/200401161414093653.html.

With the preparatory re-run production complete, the ISO is now preparing to begin the refund re-run.

The ISO welcomed the discussion and dialogue with Commission Staff and Market Participants at the re-run technical meeting on July 26, 2004. This meeting, together with follow-up comments, helped to address the issues and process going forward with the rest of the re-run activity.

III. DISPUTES AND ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

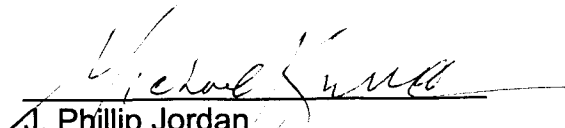
Approximately 4,745 disputes have been received from Market Participants; of those 1,185 are still pending. One significant issue under review currently relates to some circulation volumes that may have been included in energy exchange accounting. The ISO will notify Market Participants of the outcome of this review in the near future. However, this issue and level of dispute activity should not impact the schedule for project completion. Relative to preparatory re-run disputes, the ISO has received a request as to how it will handle good faith negotiations on disputes filed on the preparatory re-run and denied by the ISO. Because of the expedited nature of the preparatory re-run and the compliance filing procedure ordered by the Commission, the ISO anticipates that any such requests for Good Faith Negotiations ("GFN") will be raised following the standard ISO Tariff process since the Commission is being asked to not act on the ISO's preparatory re-run compliance filing until it receives the initial compliance filing on the Refund re-run as well. This should afford adequate time for the ISO's standard process to operate.

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. The preparatory re-run was completed July 16th. These dates are unchanged from the previous report, and reflect the expectation that the ISO will make its refund compliance filing in December 2004. Note that this compliance filing will include adjustments for fuel price, emissions, interest, but will not include adjustments for the various global settlements.

IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's Seventh Status Report in compliance with the Commission's February 3 Order in the above captioned dockets.

Respectfully submitted,



J. Phillip Jordan
Michael Kunselman

Charles F. Robinson
General Counsel
Gene L. Waas
Regulatory Counsel

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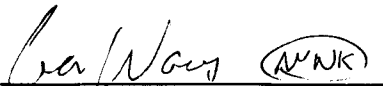
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Dated: August 10, 2004

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 10th day of August, 2004.


Gene L. Waas

ATTACHMENT A – RE-RUN SCHEDULE

August 10, 2004

Item	Durations Shown in April 25, 2003 Filing	Changes to Schedule Through January 30, 2004	Target Completion Date (per February filing)	Current Projected Completion Date	Comments
Prep Re-run Production	12 weeks	No change - 9 to 9 1/2 weeks remaining	April 14, 2004	Completed on July 16, 2004	
Prep Re-run Dispute Period	2.5-3 weeks	8 weeks	June 9, 2004	September, 2004	FERC order provides for a 30 business day dispute period. The ISO has allowed for 10 additional business days to research and adjust disputes.
Refund Re-run Production	12 weeks	6 weeks	July 21, 2004	November, 2004	The projected completion date of November assumes that the ISO can begin the refund rerun production immediately after submittal of the prep rerun compliance report and won't delay awaiting outcome or complaints resulting from the compliance report.
Refund Re-run Dispute Period	2.5-3 weeks	Unknown		December, 2004	The ISO now anticipates that the refund re-run compliance filing will be submitted in December 2004. The length of a formal review and comment period provided by FERC after the compliance filing and prior to financial clearing is not known. Therefore, the financial clearing will occur later.
Refund Re-run Compliance Filing	Not Shown	2 weeks following the completion of the refund re-run production	August 31, 2004		Also it should be noted that adjustments required for the multiple global refund settlements (i.e. between a generator, Cal Parties, and FERC) will be made in a subsequent filing.

FERC Approval Process and Ruling on Gas Price Adjustments and Emissions Offsets	Unknown	Unknown			
Final Financial Phase Including Interest Calculations, Gas Price Adjustment Calculations, and Emissions Offsets	6 to 7 weeks (shown as 2 weeks plus 4-5 weeks)	Can be performed in parallel with completion of compliance filing and financial clearing			Global settlement adjustments will be filed after the financial compliance filing.
Financial Phase Compliance Filing	Not Shown	7 days prior to the initial financial clearing			The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding.
Financial Clearing	1 week				

Key assumptions/comments to support the schedule

- *There will be one primary financial clearing of the preparatory re-run and refund re-runs including interest calculations, gas price adjustments, and emissions offsets, possibly followed later by a smaller clearing of adjustments. In the first report on February 9, 2004 the ISO indicated that it could complete the financial phase, consisting of the gas price adjustments, emissions offsets, interest calculations, and global settlement calculations (i.e. Williams and El Paso settlements), as well as the financial clearing, in six weeks. At this point it appears that the 6 weeks will be required just to complete the adjustments and compliance filing, and will not include adjustments for global settlements, due to their number and complexity. Financial clearing will occur at a later date to be determined by the Commission.*
- *To reduce protests and disputes, the ISO has published MMCP calculations and transactions exempt from mitigation to Market Participants well in advance of the refund re-run production. The revised MMCP calculations were published on March 17, 2004. A further revised list of MMCP calculations following the Commission's May 12th Order on fuel cost allowance issues was published on the ISO website on May 28, 2004. Some minor corrections to the MMCPs were posted to the ISO's website for Market Participant review and comments on July 12, 2004.*
- *The Cal PX bankruptcy will potentially impact the final financial clearing phase depending on the status of that proceeding at the time.*
- *The ISO will make its compliance filing related to the preparatory rerun at the conclusion of the dispute period related to the final month of the preparatory rerun period.*