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May 10, 2005

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

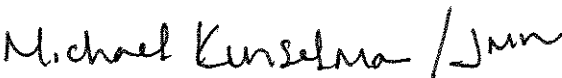
**Re: California Independent System Operator Corporation
Docket Nos. ER03-746-000, et al.
San Diego Gas & Electric Co., et al.
Docket Nos. EL00-95-081, et al.
California Independent System Operator Corporation and
California Power Exchange
Docket Nos. EL00-98-069, et al.**

Dear Secretary Salas:

Enclosed please find one original and fourteen copies of the Sixteenth 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**

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 Into Markets Operated by the California Independent System Operator and the California Power Exchange, Respondents.	)		EL00-95-086
)		
Investigation of Practices of the California Independent System Operator and the California Power Exchange	)	Docket Nos.	EL00-98-069
	)		EL00-98-062
	)		EL00-98-073

(not consolidated)

**SIXTEENTH 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 sixteenth 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 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 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 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 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 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.

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 sixteenth 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 is now complete. The ISO is currently waiting to receive the audited fuel cost information as well as the emissions offsets, where applicable, from Market Participants. In accordance with the Commission's order of March 18, 2005,⁴ 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 1, 2005.

In the Findings of Fact in the Refund proceeding⁵ and again in the Commission's Order of March 26, 2003,⁶ 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

⁴ "Order Granting In Part and Denying in Part Rehearing, Providing Clarification, And Extending Deadline For Submission Of Fuel Cost Allowance Claims," 110 FERC ¶ 61,293 (2005).

⁵ Certification of Proposed Findings on California Refund Liability, Issued December 12, 2002, PP 729-760.

⁶ 102 FERC ¶ 61,317 (2003) item BB.

recalculate their emissions allowances.⁷ 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 phase of the rerun process, which the ISO currently plans to complete two months after the final receipt of the audited fuel cost information.⁸

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. 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. These are 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". The ISO will 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. Also, the ISO will inform the Commission and the Market Participants immediately if any other ADRs or Good Faith Negotiations require such similar treatment.

⁷ 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.

⁸ On Friday, April 8, 2005, the Commission gave notice of the compliance filing of LADWP in this matter.

The ISO plans to suspend conference calls with Market Participants on the status of re-run activity until after the receipt of fuel cost information on August 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 of November 23, 2004 and March 18, 2005 and with the various updates provided by the ISO from time to time.

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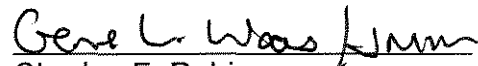
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IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's sixteenth status report in compliance with the Commission's February 3 Order, referenced above.

Respectfully submitted,



Charles F. Robinson

General Counsel

Gene L. Waas

Regulatory Counsel

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Dated: May 10, 2005

ATTACHMENT A

ATTACHMENT A – RE-RUN SCHEDULE

May 10, 2005

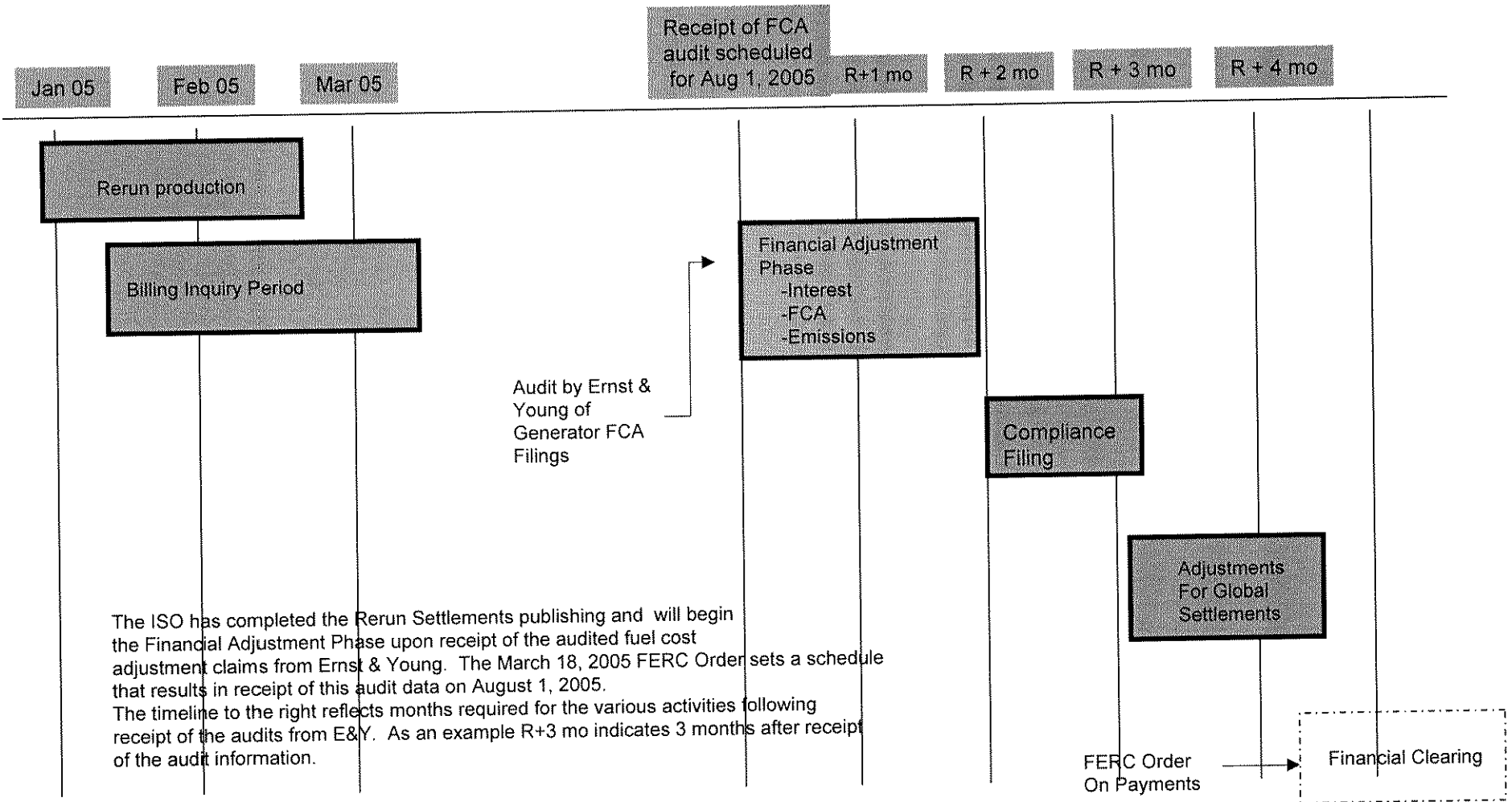
Key assumptions/comments to support the schedule (Updated for the refund re-run)

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. 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.*

ISO Refund Rerun Project

May 10, 2005



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 May, 2005.

Gene L. Waas /mm
Gene L. Waas