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June 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 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 Nos. ER03-746-001
)	ER03-746-002
)	
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)

**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 fifth 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 fifth such report required by that Commission order.

II. CURRENT STATUS OF RE-RUN ACTIVITY

Following the fourth status report filed on May 7th, settlement statement production and publication was suspended until June 2, 2004. As of the date of this fifth status report, the ISO has completed preparatory re-run production activity through February 15, 2001, 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 Wednesday May 26th. As a part of the regular monthly call the ISO announced that it had decided to move the dispute cut-off date back from May 28th until June 15th for preparatory re-run items relating to the December 2000 statements. This was done in an effort to satisfy various Schedule Coordinator requests. 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

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.

The May 12, 2004, rehearing order of the Commission⁵ resolved all of the known preparatory re-run issues and allowed the ISO to proceed with statement publication. Based on the direction provided by this order, the ISO scheduled May 24, 2004, as the date to restart the preparatory re-run publication, beginning with re-run statements for January 17, 2001. During the day of May 24th, an issue was discovered regarding the excess cost calculation in the preparatory re-run. The extent of the problem could not be determined until additional research had been conducted, thus the ISO chose not to publish additional re-run statements until the full extent of the problem could be determined. The extent of the problem was determined, and a solution found that allowed for statement publishing to begin again on June 2nd.

As of June 9, 2004, The ISO has completed re-run production and publishing of trade dates through February 15, 2001.

Following the May 12, 2004 Commission order⁶ on fuel cost issues it was necessary to make certain modifications in the Mitigated Market Clearing Prices (“MMCPs”) that had previously been posted on the ISO website for Market Participant comment. The revised MMCPs were posted on May 28, 2004 for review and comment. In addition, a presentation describing the changes in the MMCPs was made to the Market Participants on May 26th. As an additional quality control check, the ISO retained the services of PricewaterhouseCoopers to audit the MMCP calculations. Three minor corrections were found and they were discussed on the May 26th call with Market Participants and included in the

⁵ Order on requests for Rehearing and Clarification, 107 FERC ¶ 61,159 (2004).

⁶ Order Addressing Fuel Cost Allowance Issues, 107 FERC ¶61,160 (2004).

calculations. The ISO set a 14 day comment period on the revised MMCP calculations.

The ISO has completed its initial compilation of the transactions exempt from mitigation. In accordance with the clarification provided in FERC's May 5, 2004 order⁷, this listing excludes RMR contract path transactions. This list was provided to the specific entities claiming transactions exempt from mitigation on May 28th for their review and comment on the ISO's interpretation and implementation of the controlling orders. After dealing with any comments on the preliminary list, the ISO will publish the listing, with any necessary revisions, to all Market Participants during June of 2004.

III. ESTIMATED SCHEDULE FOR COMPLETION OF RE-RUN ACTIVITY

Finally, approximately 3,000 disputes have been received from Market Participants with about 1,000 of those still pending. However, this level of dispute activity has not yet had any perceptible impact on the schedule for project completion.

Attachment A to this status report contains the ISO's current estimate of the final completion dates for both the preparatory rerun and the FERC refund rerun phases of the project. These dates are unchanged from the previous report reflecting the expectation that December 2004 will conclude the refund rerun compliance filing.

⁷ Order Denying Rehearing, 107 FERC ¶ 61,109 (2004).

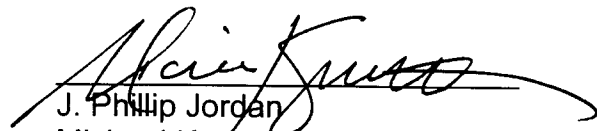
IV. CONCLUSION

The ISO respectfully requests that the Commission accept the ISO's fifth status report in compliance with the Commission's February 3 Order in the above captioned dockets.

Respectfully submitted,

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Dated: June 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 June, 2004.


Gene L. Waas

ATTACHMENT A – RE-RUN SCHEDULE June 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 ½ weeks remaining	April 14, 2004	July, 2004	Change in projected completion date based on delays outlined in earlier reports.
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	
Refund Re-run Dispute Period	2.5-3 weeks	Unknown	} August 31, 2004	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 prior to financial clearing is not known. Therefore the financial clearing will occur later. Also it should be noted that adjustments required for the multiple global refund settlements (i.e. between a generator, Cal Parties, and FERC) could slightly extend the completion of the financial adjustment phase that supports the compliance filing.
Refund Re-run Compliance Filing	Not Shown	2 weeks following the completion of the refund re-run production.			
FERC Approval Process and Ruling on Gas Price Adjustments and Emissions Offsets	Unknown	Unknown			

Final Financial Phase Including Interest Calculations, Global Settlement Adjustments, 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	
Financial Phase Compliance Filing	Not Shown	7 days prior to the initial financial clearing	
Financial Clearing	1 week		The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding.

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 that the financial clearing will occur at a later date to be determined by the Commission. If additional global settlements are finalized between the Parties and approved by the Commission, the additional financial adjustments could slightly extend the 6 week period for preparation of the compliance filing.*
- *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. A fourteen day comment period has now begun on the new MMCPs. A presentation was made on the new revised MMCPs following the May 12th Order of the FERC on May 26th by Eric Hildebrandt at the regular monthly status call. In addition, on May 28th the ISO sent to the various participants a list of their exempt transactions for their review.*
- *The Cal PX bankruptcy will potentially impact the financial clearing phase depending on the status of that proceeding at the time.*