

Market Notice:

Effective January 1, 2001, the ISO will begin assessing a charge on all energy transmitted on the ISO controlled grid to fund FERC's annual fee assessment on public utilities. FERC assesses this fee on the ISO and other public utilities to fund the costs of its electric regulatory program. The fees will be levied on 2001 transmission, and will be payable by the ISO to FERC in 2002. FERC's fee assessment ruling was released on October 26, 2000, as Docket No. RM00-7-000, entitled "Revision of Annual Charges Assessed to Public Utilities." 93 FERC ¶ 61, 083.

Attached below is the memorandum to the ISO Governing Board which contains the approval for the ISO to implement a tariff amendment which will provide for the collection of these fees.

At the request of ISO participants, ISO management indicated at the November Board meeting that it would revise the proposed tariff language to permit scheduling coordinators to defer payment of the fees until such time as the fees were actually payable by the ISO to FERC (which will be approximately June 2002). Section 7.5.1.2 has been added to the revised tariff language below (which we intend to file later this month) to provide for such flexibility.

The ISO intends to issue a monthly invoice concurrently with the standard market invoice beginning in January for these fees. The invoice may be paid along with the normal monthly market settlement process, or payment may be deferred until 2002. For those participants who elect to defer payment, the ISO will record a receivable due from individual scheduling coordinators until payment is received.

In accordance with the tariff provisions referred to above, we are informing market participants of the rate which will be assessed on all transmission on the ISO controlled grid effective January 1, 2001: \$.021 per MWh, calculated as detailed in the document below.

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Calculation of Estimated FERC Fees for 2001

1998 IOU Energy Sales to Ultimate Customers (Edison Electric Institute) ¹ <i>Used as a proxy for US Unbundled Transmission subject to FERC jurisdiction (1998 figure of 2,428,021 inflated to 2001, at 3% annually)</i>	2,653,164 GWh
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Divided by:

FERC's total annual budget for electricity regulation for 2000	<u>\$55,000,000</u>
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Equals:	<u>\$0.021 /MWh²</u>
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Notes:

¹ The proxy noted above overstates the actual transmission that will be subject to the FERC assessment, as it includes bundled retail transmission service, which will not be subject to the fee. We have requested from FERC in a motion for clarification filed in November for better information as to what the ultimate rate will be. If we obtain better information to set the rate prior to February 2001 when we need to begin billing these charges, we will inform the market and use that information to revise the rate. Or, if we obtain better information later during 2001 we will adjust the rate for the remainder of 2001 accordingly, through the quarterly adjustment provisions in the proposed tariff.

² We note that the FERC Reporting Require 582s submitted in 2000 by the three California IOUs for year 1999 transactions indicate that total charges of \$1.1 million were paid to FERC. Since public utilities report national transmission and sales data in their 582 filings, it is impossible to determine what percentage of FERC fees charged to other public utilities is attributable to sales and transmission in California. Based on the indicative rate information above, the ISO will pay a higher fee to FERC-- at least \$5.5 million (based on 260,000,000 MWh times \$0.021/MWh.)