

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

San Diego Gas & Electric Company,)	
Complainant,)	
)	Docket No. EL00-95-164
)	
v.)	
)	
Sellers of Energy and Ancillary Services)	
Into Markets Operated by the California)	
Independent System Operator and the)	
California Power Exchange,)	
Respondents)	
)	
Investigation of Practices of the California)	Docket No. EL00-98-184
Independent System Operator and the)	
California Power Exchange)	

**SUPPLEMENTAL RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR TO CALIFORNIA PARTIES' MOTION FOR CLARIFICATION ON
SPECIFIED RERUN CALCULATIONS AND ALLOCATIONS**

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,¹ the California Independent System Operator Corporation ("CAISO") submits this supplement to its answer to the California Parties' December 18, 2007 Motion for Clarification on Specified Rerun Calculations and Allocations. In their motion, the California Parties raised several issues concerning fuel cost and cost recovery offset calculations performed by the CAISO and the California Power Exchange ("PX"). The CAISO's original response requested an extension of time until January 14, 2008 to respond on one particular issue: whether emissions and fuel cost claims by non-jurisdictional entities should be eliminated from the CAISO's and PX's fuel cost and

¹ 18 C.F.R. § 385.213 (2001).

emissions calculations. The California Parties did not object to this extension. After considering the matter, the CAISO does not object to the California Parties' motion for clarification on this issue, but requests that the Commission, in any order granting the California Parties' request, be clear as to the mechanism and timing relating to any removal of non-jurisdictional fuel cost and emissions claims from the CAISO's calculations.

I. Answer -- The CAISO Does Not Object to the California Parties' Request for Clarification Regarding the Removal of Emissions and Fuel Cost Claims by Non-Jurisdictional Entities, but if the Commission Grants the California Parties' Request, the Commission Should Be Explicit as to the Mechanism and Timing for Performing the Required Adjustments

In their motion for clarification, the California Parties state that the October 19, 2007 Order² will require removal of emissions and fuel cost allocations relating to non-jurisdictional entities, and request that the Commission clarify that such adjustments should be made as part of the rerun process prior to the CAISO's and PX's initial compliance filings. Although the CAISO is currently proceeding in accordance with the Commission's directive in the October 19 Order to "complete [its] refund calculations including all entities that participated in the [CAISO] markets,"³ the CAISO does not object to the clarification sought by the California Parties. However, if the Commission decides to grant relief to the California Parties on this issue, the CAISO respectfully requests that the Commission's order address two points.

First, the Commission should be clear as to the mechanism by which the CAISO would remove fuel cost and emissions claims associated with non-jurisdictional entities

² 121 FERC ¶ 61,067 (2007).

³ October 19 Order at P 38.

from its calculations. The CAISO understands that the California Parties envision that this would occur by the CAISO first backing out fuel cost and emissions claims made by non-jurisdictional entities, and then re-calculating the fuel cost and emissions offsets utilizing the same methodology that it has used to date, with the only difference being the lower overall claims total being processed.⁴ The CAISO has no objection to this mechanism, but recognizes that there might be other ways to implement a Commission mandate to remove fuel and emissions offsets relating to non-jurisdictional entities.

Second, if the Commission grants the California Parties' request, it should make clear when it expects the CAISO to remove fuel cost and emissions offset claims associated with non-jurisdictional entities. There are several points in the process at which this adjustment could occur:

- Prior to completing the offset and interest calculations (what the CAISO has termed the "financial adjustment phase" in its refund status reports).; or
- After the financial adjustment phase but before removing non-jurisdictional refunds and allocating the associated shortfall; or
- After the removing non-jurisdictional refunds and allocating the associated shortfall but before accounting for the global settlements

The CAISO respectfully requests that the Commission, in any order granting the California Parties' motion, indicate at which step the CAISO should perform this adjustment. Depending on when the Commission issues its order on the California Parties' motion, and at what point in the process any offset adjustment is made, this

⁴ The CAISO may also need to recalculate interest on refunds if the Commission grants the California Parties' motion after the CAISO completes its interest calculations, or if the Commission concludes that the CAISO should remove offsets associated with non-jurisdictional entities after the conclusion of the financial adjustment phase.

adjustment may cause a minor delay to the CAISO's schedule for completing the refund process. Current information about the CAISO's activities and schedule can be found in the CAISO's regular status reports.

II. Conclusion

For the reasons set forth herein, the CAISO requests that the Commission rule on the California Parties' December 18, 2007 motion for clarification as discussed above.

Respectfully submitted,

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Dated: January 14, 2008

Certificate of Service

I hereby certify that I have this day served a copy of this document on the electronic listserv established by the Commission for this proceeding.

Dated this 14th day of January, 2008 at Washington, D.C.

/s/ Michael Kunselman

Michael Kunselman