

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

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

(not consolidated)

**FORTY-FOURTH STATUS REPORT OF THE CALIFORNIA INDEPENDENT  
SYSTEM OPERATOR CORPORATION ON  
SETTLEMENT RE-RUN ACTIVITY**

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The California Independent System Operator Corporation (“ISO”) hereby provides its forty-fourth status report 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 ISO has revised every section of this status report. Four sections, however, were revised only slightly and do not contain new information: Sections II(B) (Fuel Cost Allowance Data), II(C) (Emissions Offsets), II(D) (Cost-Based Recovery Filings), and II(E) Interest Calculations.

## **I. BACKGROUND ABOUT THESE STATUS REPORTS<sup>1</sup>**

In the February 3 Order,<sup>2</sup> the Commission directed the ISO<sup>3</sup> “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 P 21. The first such status

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<sup>1</sup> 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 as to the status of its work. 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.

<sup>2</sup> 106 FERC 61,099 (2004). The context of the February 3 Order is set forth in prior versions of the ISO’s status report.

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

report was filed with the Commission on February 9, 2004. Although the preparatory and FERC refund re-runs have been complete for several years, the ISO continues to provide status reports because the ISO believes that these reports have been a valuable tool for communicating with the Commission and Market Participants. This filing is the forty-fourth such report.

## **II. CURRENT STATUS OF RE-RUN ACTIVITY**

The ISO finished publishing settlement statements reflecting the refund re-run and adjustments thereto in February of 2007. In the summer of 2008, the ISO completed the financial adjustment phase, which required adjustments to the refund re-run settlement data to account for fuel cost allowance offsets, emissions offsets, cost-based recovery offsets, and interest on amounts unpaid and refunds. The next step will be to make an updated compliance filing on the preparatory re-runs by then end of April, as detailed in Section III.C below.

Attachment A to this status report contains a list of the major ISO refund calculation distributions and the associated review and comment periods provided to parties by the ISO to date. In some cases, the ISO did not provide any specific closing date for comments, but rather, continued to solicit and consider comments and make appropriate corrections until the data were utilized to make further calculations.

**A. OPEN ISSUES RELATING TO THE PREPARATORY RE-RUN AND REFUND RE-RUN**

As noted in the Commission's October 19 Order on Remand, 121 FERC ¶ 61,067 (2007) ("October 19 Order"), certain ISO ADRs need to be resolved before a distribution can be made in this proceeding. The last two pending ADRs were resolved in the fall of 2009 and February 2010. The ISO will circulate data to validate the allocation of the first matter listed below, and then prepare and file the updated preparatory re-run compliance filing discussed in Section III.C below.

10/5/00 Pacific Gas & Electric Company Matter	This matter will affect the prep re-run data before the refund period, but not refund period data or calculations. The ISO will distribute CDs to affected parties by March 22, 2010 with comments due April 5, 2010.
10/30/00 Southern Cities Matter	See FERC Docket No. EL03-54. On July 16, 2009, FERC denied the request for rehearing of its March 29, 2007 order. No party sought further rehearing or filed a petition for review. As a result, the latter ruling is final and no adjustments need to be made to the ISO data.
6/10/04 Pacific Gas & Electric Company Matter	On May 15, 2008, the Commission ruled on the petition for review in FERC Docket No. EL06-10. The ISO invoiced the award on October 2, 2008, except for amounts due in May and June 2001. The modest remaining amounts affect the refund period data (May and June 2001).

More information about these matters is available on the FERC website and at <http://www.caiso.com/clientserv/adr/index.html>.

## **B. FUEL COST ALLOWANCE OFFSETS - COMPLETE**

The ISO completed the offsets for fuel cost in August of 2007. As explained in greater detail in previous status reports, the ISO pursued a two-track approach with respect to calculating fuel cost allowances. First, the ISO calculated, for each entity that participated in the ISO's markets during the Refund Period (*i.e.*, October 2, 2000 through June 20, 2001), the percentage of the total fuel cost claim amounts to be allocated to these entities for each hour, consistent with the methodology approved by the Commission for doing so. Second, the ISO used these validated numbers to calculate the final allocation percentages, as well as the final allocation of actual dollar amounts.

On December 22, 2005, the ISO distributed the first set of fuel cost allocation percentages to parties, and received comments from several parties. The ISO made several revisions to this data set and distributed the revised allocation percentages for another round of review on June 1, 2006. Since then, the ISO made various further modifications to the fuel cost percentages, most recently to adjust its calculations in order to allocate an additional \$7 million from the fuel cost claim of Los Angeles Department of Water and Power in the ISO markets. This modification was described in detail in the ISO's 38th status report. The ISO circulated the most recent fuel cost data on July 16, 2007, and accepted comments on this data through August 8, 2007. Finally, in an effort to finalize the fuel cost allowance allocation calculations, the ISO made two additional adjustments, which it described in the Thirty-Seventh (7/11/2007) and Thirty-Eighth (9/6/2007) status reports. With these adjustments, the ISO finalized

its fuel cost allocation calculations, and provided the data to the PX in order that the PX could complete its own fuel cost calculations. The ISO also used the final fuel cost calculations as an input in the cost-offset calculations.

### **C. EMISSIONS OFFSETS - COMPLETE**

The ISO's work on the emissions offset was completed and uploaded in September of 2006. By way of background, in the Findings of Fact in the Refund proceeding<sup>4</sup> and again in the Commission's Order of March 26, 2003,<sup>5</sup> the Commission found that 3 entities, Duke, Dynegy, and Williams, had supported their requested emissions allowance. Three other entities – Reliant, the City of Pasadena, and the Los Angeles Department of Water and Power ("LADWP") – were ordered to reallocate and recalculate their emissions allowances.<sup>6</sup> Also, in the Commission's October 16, 2003 order, the Commission clarified that emissions offsets would be recoverable only for mitigated intervals.

On September 20, 2005, the Commission issued an order accepting the recalculated emissions claims of Pasadena and LADWP.<sup>7</sup> The Commission also acknowledged receipt of Reliant's informational filing detailing a pro-rata allocation of its emissions costs offset among mitigated and non-mitigated intervals. *Id.* at P 40.

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<sup>4</sup> Certification of Proposed Findings on California Refund Liability, Issued December 12, 2002, PP 729-760.

<sup>5</sup> 102 FERC ¶ 61,317 (2003) item BB.

<sup>6</sup> 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.

<sup>7</sup> 112 FERC ¶ 61,323 (2005).

In earlier status reports, the ISO noted that it had received revised emissions claims for all outstanding entities. The ISO has incorporated these data into the financial adjustment phase.

On April 25, 2006, the ISO distributed data reflecting the allocation percentages for emissions for each party during the refund proceeding. On September 21, 2006, the ISO circulated the final approved emissions claim amounts that it will use in its calculations, as well as an explanation of the methodology for determining the resulting refund offsets. As explained in the market notice accompanying that distribution, the ISO used these claim amounts, along with the percentages distributed on April 25, 2006, to determine the final refund offsets associated with approved emissions claims.

#### **D. COST-BASED RECOVERY FILINGS – COMPLETE**

The ISO completed work on cost-recovery offsets in January of 2008. The background on cost-recovery offsets is as follows: the Commission issued an order approving an allocation methodology for cost filings on May 12, 2006. Therein, the Commission concluded that offsets from cost filings should be allocated to purchasers based on their net refunds. In its June 2006 status report, the ISO explained the methodology that it intends to adopt in order to implement the Commission's methodology. However, after considering questions posed by several parties, the ISO recognized that certain portions of its methodology discussion in the Twenty-Ninth (6/14/2006) status report should be clarified. Therefore, the ISO made several modifications to its methodology, which it set forth in its Thirtieth (7/10/2006) status report in these dockets (pages



10-12). In its February 2007 status report, the ISO included a list of the claims that it intends to process.

In previous status reports, the ISO also noted that there is an important issue about how to account for refunds in both the ISO and PX markets when allocating the cost-based filing offsets. The ISO had discussions concerning this issue with several parties, and based on these conversations, the ISO and PX agreed to a methodology for accounting for net refunds in both the ISO and PX markets, which the ISO set forth in its Thirty-Third (3/16/2007) status report. A full explanation of the methodology is included on the CDs that were circulated to parties on April 10, 2007.

The ISO issued updated cost filing allocation data on May 22, 2007. The primary adjustment in this distribution was to properly net the PX position to zero between the ISO and PX markets so that PX participants receiving refunds would be allocated the entire PX portion of the offset. The ISO also made updates to reflect changes in the PX's fuel cost allowance data, which it circulated to parties for review on December 4, 2007. The ISO also made a minor correction after this update which it did not circulate to parties for review because of the small scope and financial impact involved.

#### **E. INTEREST CALCULATIONS – COMPLETE FOR NOW**

To date, the ISO has distributed to parties data concerning four of the five calculations relating to interest. It has 1) backed out interest previously charged for transactions in its markets that occurred during the Refund Period, 2) calculated interest at the FERC rate on unpaid invoices, 3) calculated interest

at the FERC rate on preparatory re-run transactions, and 4) calculated interest at the FERC rate on refunds. The history relating to the first three of these calculations has been discussed in detail in the ISO's previous status reports.

On June 12, 2008, the ISO released updated data regarding interest on unpaid invoices and refunds to reflect corrections based on comments received from parties regarding the previous distributions of these data. The ISO requested that parties provide any comments on these corrected calculations by June 27, 2008. One party, PG&E, provided comments in which it noted several minor computational errors in the data relating to interest on refunds. The ISO has made these corrections, but due to their minor nature, both in scope and financial impact, the ISO is not planning to re-circulate the interest on refund calculations.

The ISO will also need to perform adjustments to balances in the ISO market to account for any allocation that the ISO receives as a result of a shortfall in the PX markets between interest earned in the PX Settlement Clearing Account and the Commission's rate.<sup>8</sup> However, as explained in the Thirty-Eighth (9/6/2007) status report, the ISO plans to wait to make these adjustments until after it completes the financial adjustment phase and begins accounting for the impacts of the settlements entered into in this proceeding. The ISO proposes to proceed in this manner because even if it calculates these

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<sup>8</sup> In its November 23, 2004 "Order on Rehearing" issued in this proceeding, the Commission accepted the ISO's request to allocate any portion of such shortfall assigned to the ISO pro-rata to its participants. 109 FERC ¶ 61,218 at P 39 (2004).

adjustments during the financial adjustment phase, they will almost certainly have to be re-done when it accounts for settlements in this proceeding.<sup>9</sup>

### **III. FUTURE ISO ACTIVITY**

As noted in previous status reports, the ISO's intended process for completing the required refund case calculations could change as a result of any number of legal challenges to the Commission's orders, as well as future Commission decisions, such as the remand relating to "scope/transaction" issues.

#### **A. IMPLEMENTATION OF BPA DECISION**

In its November 20, 2008 "Order on Rehearing and Motions for Clarification and Accounting,"<sup>10</sup> the Commission addressed several issues relating to implementation of the *BPA* decision. Based on these rulings, the ISO developed a set of procedures to adjust the refund calculations to "credit back" refunds that would be owed by non-jurisdictional entities, which it set forth in detail in its previous two status reports. The calculations relating to this adjustment are currently in progress. The ISO will provide an update on these calculations along with an expected date for circulation of the results for party review in its next status report.

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<sup>9</sup> October 19 Order on Remand, 121 FERC ¶ 61,067 (2007) ("October 19 Order").

<sup>10</sup> 125 FERC ¶ 61,214 (2008) ("November 20 Order").

## **B. ADJUSTMENTS TO IMPLEMENT SETTLEMENTS**

The ISO will need to work with the parties to the various global settlements to make appropriate adjustments to the ISO's data in order to properly reflect those settlements. The ISO will provide more details regarding these adjustments, including the schedule for performing these adjustments and party review periods, in subsequent status reports. After completing all of these calculations, the ISO will make a compliance filing with the Commission that presents the final financial position of each party that participated in its markets during the Refund Period.<sup>11</sup>

## **C. UPDATED PREPARATORY RE-RUN COMPLIANCE FILING**

In the October 19 Order, the Commission concluded that non-jurisdictional entities should receive the remaining past due principal amounts relating to sales that they made into the ISO and PX markets during the Refund Period.<sup>12</sup> The Commission noted, however, that any disbursement of unpaid amounts first must be adjusted based upon preparatory re-run data, as finalized upon the completion of pending dispute resolution matters.<sup>13</sup> The Commission also stated that it would direct such a disbursement once it ruled on the filings seeking

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<sup>11</sup> One issue that the ISO is currently considering involves the possible combination of the ISO and PX markets for purposes of the settlement adjustments, *BPA* adjustments, and compliance filing. The ISO intends to discuss this issue with the parties and based on these discussions, will include further information regarding this issue in future status reports.

<sup>12</sup> October 19 Order at P 57.

<sup>13</sup> *Id.*

designation as non-public utilities for purposes of refund liability.<sup>14</sup> In the November 20 Order, the Commission clarified that it would not direct the disbursement of unpaid amounts owed to non-public utilities for sales they made in the ISO/PX markets during the Refund Period until the Commission: (1) approves compliance filings submitted by the ISO and PX that reflect preparatory re-run adjustments, including dispute resolution matters, and (2) rules on the filings by those entities that seek a designation as a non-public utility.<sup>15</sup>

Based on these directives, the ISO intends to file with the Commission a compliance filing containing the final results of its preparatory re-run adjustments, in the form of an updated version of its compliance report filed on October 6, 2004 in Docket No. ER03-746-000.<sup>16</sup> In the October 6, 2004 report, the ISO explained the process for making the preparatory re-run adjustments, the interactions it had with market participants during the preparatory re-run process, including the process for resolving disputes relating to the preparatory re-run, and its internal process for verifying the results of the preparatory re-run. The ISO also described several other adjustments that it made as part of the preparatory re-run process but had not described in the Amendment No. 51 filings which initiated the preparatory re-run. Attached to the report was a spreadsheet that displayed the “results” of the preparatory re-run, *i.e.*, the, financial impact of the preparatory re-run for each Scheduling Coordinator.

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<sup>14</sup> *Id.*

<sup>15</sup> November 20 Order at P 27.

<sup>16</sup> Compliance Filing of the California Independent System Operator Corp. Concerning Preparatory Re-run Activity, Docket No. ER03-746-000 (filed October 6, 2004).

The updated version of this compliance report will contain relevant updates to each of the categories in the original October 6, 2004 report, including explanations of adjustments made to the “baseline” transactional database after the filing of the original report (relating to matters resolved through the ISO’s ADR process, as explained in these status reports). The ISO will include with this filing an updated spreadsheet displaying the final preparatory re-run adjustments for each Scheduling Coordinator. The ISO intends to file the updated compliance report by the end of April 2010.

#### **IV. CONCLUSION**

The ISO respectfully requests that the Commission accept the ISO’s forty-fourth refund status report about re-run activity in this docket.

Respectfully submitted,

/s/ Michael Kunselman

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Dated: March 10, 2010

## ATTACHMENT A

**TABLE OF MAJOR REFUND CALCULATIONS DISTRIBUTED BY ISO AND  
ASSOCIATED REVIEW PERIODS**  
(March 2010)

<b>Item</b>	<b>Date Issued</b>	<b>Review Period/Comments Due Date</b>
Preparatory Settlement Re-run Calculations	Published by the ISO on a rolling basis between December 15, 2003 to July 16, 2004	Disputes accepted on a rolling basis between February 17, 2004 to September 11, 2004
Refund Settlement Re-run Calculations	Published by the ISO on a rolling basis between October 25, 2005 to February 17, 2006	Several due dates for disputes, the first being March 2, 2005, the last being March 1, 2006
Preliminary Mitigated Market Clearing Prices	May 28, 2004	No explicit comment period specified
Final Mitigated Market Clearing Prices	July 8, 2004	No explicit comment period specified
List of Transactions Exempt from Mitigation	November 4, 2004	No explicit comment period specified
Fuel Cost Allocation Percentages	December 22, 2005	4 Weeks
Revised Fuel Cost Allocation Percentages	June 1, 2006	June 8, 2006
Second Revised Fuel Cost Allocation Percentages	February 12, 2007	February 26, 2007
Third Revised Fuel Cost Allocation Percentages	March 29, 2007	April 12, 2007
Emissions Allocation Percentages	April 25, 2006	May 23, 2006
Final Approved Emissions Claim Amounts	September 21, 2006	No explicit comment period, as the ISO did not receive any objections to its previous emissions distribution



Cost Recovery Allocation Data	April 10, 2007	May 1, 2007
Reversal of Interest Charged During Refund Period	January 12, 2006	No explicit comment period specified
Interest on Unpaid Invoices	May 1, 2006	No explicit comment period specified
Revised Interest on Unpaid Invoices	September 29, 2006	October 27, 2006
Second Revised Interest on Unpaid Invoices	February 27, 2007	March 15, 2007
Interest on Preparatory Re-run Adjustments Relating to Refund Period Transactions	March 29, 2007	April 19, 2007
Revised Cost Allocation Data	May 22, 2007	June 12, 2007
Fourth Revised Fuel Cost Allocation Percentages	May 22, 2007	June 12, 2007
Fifth Revised Fuel Cost Allocation Percentages	July 16, 2007	August 8, 2007
Interest on Refunds	March 21, 2008	April 18, 2008
Third Revised Interest on Unpaid Invoices and Second Revised Interest on Refunds	June 12, 2008	June 27, 2008

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon the email listserv established by the Commission for this proceeding.

Dated at Washington, DC, on this 10<sup>th</sup> day of March, 2010.

*/s/ Michael Kunselman*

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