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May 12, 2006

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 Twenty-Eighth 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**

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

(not consolidated)

**TWENTY-EIGHTH 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 twenty-eighth regular monthly status report.

Every section of this month's report contains new information, except for sections I (Background), II.A (Fuel Cost Allowance Data), II.E (Status of ADR Claims), II.F (December 1 Disputes) and III (Estimated Schedule for Completion of the Refund Re-Run Activity).

## I. BACKGROUND<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 report was filed with the Commission on February 9, 2004. This filing is the twenty-seventh 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.

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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, 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.

<sup>2</sup> 106 FERC 61,099 (2004). The context of the February 3 Order is detailed in the ISO’s previous twenty-seven status reports, most recently filed in the above-captioned dockets on March 16, 2006.

<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.

## II. CURRENT STATUS OF RE-RUN ACTIVITY

The ISO has finished publishing settlement statements reflecting the refund rerun, and has begun the financial adjustment phase, in which the ISO is making adjustments to its refund rerun settlement data to account for fuel cost allowance offsets, emissions offsets, cost-based recovery offsets, and interest on amounts unpaid and refunds. As of the date of this report, the ISO has begun adjustment processing activities associated with the fuel cost and emissions offsets, and has distributed some interest calculations as well. The ISO completed the first portion of the fuel cost adjustment calculations, which is determination of allocation percentages for each Scheduling Coordinator (as discussed in greater detail below), and distributed those calculations to Scheduling Coordinators for their review on December 22, 2005.<sup>4</sup> The ISO received comments from several parties on the allocation percentages data. Specifically, the ISO received comments from the PX, APX and the California Parties (mention of the PX comments was unintentionally omitted from prior reports). The ISO also received email correspondence from Powerex detailing questions that Powerex had with the FCA allocation data. Powerex filed a protest in these dockets relating to this correspondence on April 6, 2006, in which it alleged that the ISO had not responded to its questions. After investigating this issue, the ISO demonstrated to Powerex that ISO staff had, in fact, responded to Powerex's questions, and had not subsequently heard anything further from Powerex on this issue. Counsel from Powerex recently confirmed to counsel for

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<sup>4</sup> The calculations were placed on a CD and sent via Federal Express, and were received by Scheduling Coordinators on December 23, 2005.

the ISO that the ISO did respond to Powerex's correspondence, and stated that Powerex would file an errata to its protest making this fact clear. Powerex did so on April 12, 2006.

Based on two issues raised in these comments, the ISO performed minor updates to the allocation percentage data. The ISO distributed the revised percentage data for a one-week review period, along with a market notice informing parties of this distribution, by May 16, 2006.<sup>5</sup> At the close of the review period, the ISO will accept comments from parties limited to issues concerning the changes made to the allocation percentage data.

Also, on January 26, 2005, the Commission issued an order on the cost-based recovery filings made by a number of parties. 114 FERC ¶ 61,070 (2006). Therein, the Commission approved a number of the cost filings, rejected certain cost filings with prejudice, required other parties to make compliance filings to correct errors in their submittals, and deferred ruling on certain cost filings where the filing entity is likely to be a refund recipient. The Commission also directed the ISO and PX to submit certain updated data to the parties. The ISO submitted the data required by the Commission to parties on February 15, 2006. This is discussed in Section II.C below. In the January 26 Order, the Commission required parties to submit updated cost filings to the ISO. The ISO has received all of the updated cost filings that it expects to receive, and made a posting to the listserv on March 31, 2006 informing parties as to the updated cost

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<sup>5</sup> The ISO is planning to distribute the updated FCA data in May because, as set forth below, the ISO plans to distribute early next week data on emissions offset calculations, and the ISO does not want to overlap the review periods for these two items, so as to avoid overburdening parties reviewing these data sets.

filings it had received, and which of those filings it intends to process. On April 28, 2006, the ISO filed a response to pleadings filed by Coral and Constellation in the refund dockets in which the ISO clarified that it would not be performing any verification of the updated cost filings that it received, other than to confirm that the required signed attestation by a company officer, certifying that the filing was prepared in accordance with the Commission's directives in the January 26 Order, was attached.

Several issues that preclude the ISO from completing its calculations and, ultimately, its compliance filing still remain unresolved. Specifically, the ISO is awaiting Commission rulings on the following issues:

- Issues identified by Ernst & Young in its audit reports on certain fuel cost claims (see pp. 5-9), including an additional issue raised in its report on Burbank's claim (see pp. 8-9);
- The methodology for allocation of cost-based offsets (see pp. 10-11).

The ISO discusses in the following sections how it proposes to address these issues.

#### **A. FUEL COST ALLOWANCE DATA**

As noted in previous status reports, on August 30, 2005, consistent with the Commission's notice issued on July 28, 2005,<sup>6</sup> the ISO received fuel cost data from a number of entities claiming fuel cost offsets and copies of the audit

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<sup>6</sup> "Notice of Extension of Time," issued in Docket Nos. EL00-95-098, *et al.* (July 28, 2005).

reports prepared by Ernst & Young for each of the entities that it audited. The ISO also noted that, with respect to several claimants, Ernst & Young had detailed a number of potential "exceptions" from the Commission's fuel cost methodology, and that Ernst & Young had committed to resolving these exceptions with the applicable claimants over a 30-day period beginning on August 30, 2005. Subsequently, Ernst & Young notified the Commission that because of the adverse weather affecting the southeast United States, they could not commit to producing updated audit reports reflecting their attempts to reach resolution on these issues until October 10, 2005. By October 13, 2005, the ISO had received supplemental reports from Ernst & Young with respect to Sempra, Duke, Mirant, and Puget Sound.<sup>7</sup> In each report, Ernst & Young stated that although it had resolved several issues with these claims, certain issues still remained open with respect to Mirant and Puget Sound. Ernst & Young also informed the ISO that it was still in the process of auditing the fuel cost claim submitted by the City of Burbank.

Shortly after its November refund status report was filed, the ISO filed with the Commission a motion concerning the issues raised by Ernst & Young in its fuel cost audit reports, asking that the Commission clarify that the ISO will not be required to complete the fuel cost allocations or the calculation of interest until the Commission resolves the issues raised by Ernst & Young. Specifically, the ISO stated that it planned to adopt a two-track approach to allocating the fuel cost allowance offsets, and requested that the Commission clarify that this

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<sup>7</sup> On November 8, 2005, the ISO received a copy of Ernst & Young's Second Supplemental report on Mirant.

process is appropriate. Under this two-track approach, the ISO explained that it would first calculate, 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, then distribute those allocation percentages to the parties for their review, and provide a three-week period for parties to dispute the ISO's calculations.<sup>8</sup> This review process is intended to provide parties the opportunity to validate that the ISO has correctly reflected their total mitigated spot market purchases for each hour, as that term is used in the Addendum to the Eighteenth Status Report. The ISO will then use these validated numbers to calculate the final allocation percentages, as well as the final allocation of actual dollar amounts. As noted above, on December 22, 2005, the ISO distributed the allocation percentages to parties, and received comments from several parties. Based on two issues raised in comments received from APX and the California Parties, the ISO performed minor updates to the allocation percentage data.<sup>9</sup> The ISO will distribute these revised allocation percentages to the parties by May 16, 2006 for a one-week review period. At the end of that review period, the ISO will accept comments from parties limited to the changes made to the allocation percentage data based on the issues raised by APX and the California Parties. The ISO has also sent

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<sup>8</sup> The ISO subsequently extended this period to four weeks because of the intervening holiday season.

<sup>9</sup> Specifically, the ISO refined the calculations to include intervals when: (1) total charges for negative deviations were mitigated by less than \$0.01, and (2) when only the Charge Type 407 settlement price was mitigated. The initial calculations did not capture these two scenarios. These changes affected a total of only 16 intervals during the Refund Period, all which occur during the months of October and November of 2000.

letters directly to the parties providing comments on the FCA allocation percentage data informing them of the resolution of the issues that they raised concerning these data.

As explained in prior reports, the ISO will now await Commission resolution of the issues raised by Ernst & Young. After the Commission rules on these issues, and claimants make any necessary modifications to their claims based on the Commission's ruling, the ISO will apply the total approved amount of the fuel cost allowances to the parties based on their respective allocation percentages. Finally, the ISO will distribute the final allocation data to parties for a one-week review period. As the ISO explained in greater detail in its motion for clarification, proceeding in this manner will be the most efficient use of time and resources, and will expedite the conclusion of the refund process, as it will avoid the need to re-do significant portions of the financial adjustment phase if the Commission determines that any of the issues identified by Ernst & Young require that one or more entities revise their fuel cost claims.

Finally, as first noted in its February 2006 status report, the ISO received, on January 3, 2006, the fuel cost claim of the City of Burbank, as audited by Ernst & Young. The ISO therefore plans to allocate FCA amounts relating to Burbank to Market Participants during the Refund Period based on the allocation methodology approved by the Commission. However, the ISO notes that in its report on Burbank's FCA claim, Ernst & Young raises two potential exceptions with respect to that claim. First, Ernst & Young states that it disagrees with Burbank's use of storage gas in its calculation of its average daily cost of fuel,

and that the impact of the methodology used by Burbank is material. Also, Ernst & Young notes that the heat rates used by Burbank were not based on “objective third-party evidence,” because Burbank is located outside of the ISO Control Area, and therefore, does not have heat rates on file with the ISO. As with the issues raised by Ernst & Young relating to other FCA claimants, which were the subject of the ISO’s November 2005 motion for clarification, the ISO requires Commission direction on the Burbank issues before it will allocate Burbank’s claim.<sup>10</sup>

## **B. EMISSIONS OFFSETS**

In the Findings of Fact in the Refund proceeding<sup>11</sup> and again in the Commission’s Order of March 26, 2003,<sup>12</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>13</sup> Also, in the Commission’s October 16, 2003 order, the Commission clarified that emissions offsets would be recoverable only for mitigated intervals.

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<sup>10</sup> A copy of the most recent audit report prepared by Ernst & Young concerning Burbank’s fuel cost allowance claim was attached to the April status report as Attachment B.

<sup>11</sup> Certification of Proposed Findings on California Refund Liability, Issued December 12, 2002, PP 729-760.

<sup>12</sup> 102 FERC ¶ 61,317 (2003) item BB.

<sup>13</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.

On September 20, 2005, the Commission issued an order accepting the recalculated emissions claims of Pasadena and LADWP. 112 FERC ¶ 61,323 (2005). 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.

In its most recent status reports, the ISO noted that it had received revised emissions claims for all outstanding entities, and will incorporate 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. Comments on this information will be due from parties on May 23, 2006 (an extension of one week beyond the deadline that was initially contemplated). As explained in an ISO Market Notice issued Friday, April 21, the April 25 data is identical to the data that was distributed on April 18, except that it contains two additional files.

### **C. COST-BASED RECOVERY FILINGS**

On January 26, 2006, the Commission issued an order on the cost-based recovery filings. Therein, the Commission approved a number of the cost filings, rejected certain cost filings with prejudice, required other parties to make compliance filings to correct errors in their submittals, and deferred ruling on certain cost filings where the filing entity is likely to be a refund recipient. The Commission directed those parties whose filings required modification to submit

their modified cost filings directly to the ISO. The Commission also directed the ISO and PX, within 15 days of the date of the order, to submit to parties in this proceeding updated settlements data that included the impact of the MMCPs and all manual adjustments. On February 10, 2005, the ISO filed with the Commission a request for a four-business day extension of this deadline in order to complete the process of compiling and submitting this data. The Commission granted this request, and on February 15, 2006, the ISO distributed to parties the data that the Commission required it to distribute in the January 26 Order.

As noted above, the ISO has received from parties the various modified cost filings, and the ISO posted a list of the filings that it received on the EL00-95 email listserv on March 31, 2006, and information about which filings it intends to process. On April 28, 2006, the ISO filed a response to pleadings filed by Coral and Constellation in the refund dockets in which the ISO clarified that it would not be performing any verification of the modified cost filings that it received, other than to confirm that each filing includes the required signed attestation by a company officer certifying that the filing was prepared in accordance with the Commission's directives in the January 26 Order, which the ISO did upon receipt of the filings in March.

The ISO is still not certain how the cost-based recovery issue will impact the refund schedule. This is because the January 26 Order did not finalize all offset amounts, and it did not address a methodology for allocating the cost-based offsets. Therefore, the ISO's schedule still does not include a timeframe for completing this process. The ISO is hopeful that the Commission will approve

a methodology that can be implemented easily by the ISO, but because the Commission has not yet ruled on this issue, the ISO cannot yet estimate how long it will take to allocate any cost-based recovery amounts.

#### **D. INTEREST CALCULATIONS**

In its last five status reports, the ISO has indicated that it plans to slightly revise its methodology, so as to include interest on all past due amounts associated with market activity during the Refund Period, including that market activity that was invoiced after the Refund Period. This means that the ISO will include, as part of the calculation of interest in the financial adjustment phase, past due amounts that were invoiced in the months of July and August of 2001, as well as the remainder of June, 2001. As the ISO noted in its February status report, this treatment is appropriate because all of the past due amounts associated with these two months that are subject to interest charges were invoiced as part of a re-run of transactions that originally occurred during the Refund Period.

Additionally, the ISO, on January 12, 2006, distributed to parties via the Listserv a spreadsheet showing the reversal of all interest amounts originally charged to entities that transacted with the ISO during the Refund Period, along with an explanatory memorandum.

Also, on May 1, 2006, the ISO made available to parties a spreadsheet showing the calculation of interest on unpaid invoices during the Refund Period,

pursuant to the methodology approved by the Commission. The ISO also posted to listserv on that date a memorandum explaining these calculations.

#### **E. STATUS OF ADR CLAIMS**

As noted in previous reports, 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. In previous monthly reports, the ISO noted that 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. The prior reports also noted the following claims posted on the ADR page of the ISO website (<http://www.caiso.com/clientsev/adr/>): "SMUD Dispute Matter", "California Department of Water Resources 7/20/04", "San Diego Gas & Electric Matter 7/6/01." In addition, the ISO also noted that it would 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.

In its October 2005 status report, the ISO reported that the parties have reached settlement on the "San Diego Gas & Electric Matter 7/6/01," and the ISO is currently performing related settlements adjustments. The ISO explained that the total dollar impact for the adjustments relating to this settlement that will be "walled off" and invoiced as part of the preparatory and refund re-run process, for the period April 1998 through June 2001, is approximately \$23 million. The ISO

also explained that the impacted ISO Charge Types are Uninstructed Energy (CT 405, 407), Neutrality (CT 1010, 1210), Intrazonal Congestion (CT 452), Minimum Load Compensation Costs (CT 595), Summer Reliability Agreements (CT 1120, 1121), Interest (CT 2999), and FERC Fee (CT 550).

In its February 2006 status report, the ISO noted that it was also planning to make an additional adjustment that will impact Refund Period data in order to properly reflect the resolution of a GFN between the ISO and Sempra.

Specifically, during the refund rerun, prices for purchases made by Sempra on two days in December of 2000 that were reduced as a result on the GFN were raised up to the level of the MMCP. Thus, the refund rerun inadvertently failed to reflect the agreement that resolved the GFN, and the pending adjustment will merely correct the data to reflect the appropriate price for these transactions, as determined in the GFN between Sempra and the ISO.

The ISO continues to suspend conference calls with Market Participants on the status of re-run activity until any issues surface that suggest the need for additional calls. The ISO will likely schedule another conference call after it distributes the data from the financial adjustment phase, in order to field questions from Market Participants on that data. The ISO will inform Market Participants when it schedules that call.

## **F. DECEMBER 1 DISPUTES**

On December 1, 2005, pursuant to the Commission's August 8, 2005 order on cost-based recovery issues,<sup>14</sup> several entities filed with the Commission pleadings raising actual, or potential, disputes with respect to reruns and offsets. The ISO responded to a number of these pleadings on December 16, 2005, but nevertheless, the ISO does not believe that it should halt the processing of the financial adjustments due to the filing of these pleadings, and therefore, does not plan to do so barring Commission instructions to the contrary. The ISO nevertheless observes that were the Commission to grant one or more of the disputes, it is highly likely that the ISO will be required to re-do all, or a portion of, the financial adjustment phase calculations. (This was also noted in the last several status reports).

## **III. ESTIMATED SCHEDULE FOR COMPLETION OF THE REFUND RE-RUN ACTIVITY**

Attachment A to this status report contains the ISO's estimate of the time that will be required to complete the financial adjustment phase. As noted above, the preparatory re-run was completed July 16, 2004, the FERC refund re-run statement production phase was completed February 15, 2005, and the ISO is currently processing the financial adjustment phase offsets. The ISO has completed the first step of the two-step fuel cost allowance allocation process, and has distributed the results of these calculations to parties, as noted above. The ISO is now processing emissions offsets, and has distributed data on

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<sup>14</sup> 112 FERC ¶ 61,176 (2005) at P 116.

allocation percentages to parties for review. As discussed above, however, the ISO is still not certain how long the allocation of cost recovery offsets will take, because the Commission has not yet finally ruled on the universe of authorized offsets, or a methodology for allocating these offsets. The ISO anticipates that if the Commission approves a methodology that can be easily implemented by the ISO, then this allocation will require approximately the same amount of time as the other two offsets. As with the other two offsets, the ISO plans to provide this data to parties after completing the allocation for a three- week review period.

Moreover, the ISO cannot say until it receives the Commission's ruling on the various issues discussed above (*i.e.* the Ernst & Young fuel cost issues, the allocation of emissions issue, and the cost-based recovery filings) when the ISO will be able to complete the financial adjustment phase and submit its compliance filing.

Finally, the ISO also recognizes that this schedule could change as the result of any number of legal challenges to Commission orders, including the recent decision by the Ninth Circuit Court of Appeals in *BPA v. FERC* concerning the refund liability of non-FERC jurisdictional entities. However, the ISO believes that given the status of these various challenges,<sup>15</sup> there is no basis at this time for the ISO to depart from the schedule directed by the Commission for completing the refund process. The mandate has not yet issued on the *BPA* decision, and thus it is not certain when or if that decision will become effective. Moreover, the ISO has expended a great deal of effort so far in the refund re-run

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<sup>15</sup> The only decision that has been rendered concerning the various issues in this proceeding is the *BPA v. FERC* decision, and the Ninth Circuit has yet to issue the mandate for that decision.

**ATTACHMENT A**

**TIMELINE FOR COMPLETION OF FINANCIAL ADJUSTMENT PHASE**  
**OF REFUND PROCEEDING**  
**MAY 2006**

**A. Allocation of Fuel Cost Allowance Offsets – 3 Weeks**

- First Phase, Part 1 – ISO Calculates Allocation Percentages and Distributes to Market Participants for a 4-Week Review Period = **Complete**
- First Phase, Part 2 – ISO Distributes Revised Allocation Percentages to Market Participants for a 1-Week Review Period = **1 Week**
- Second Phase – After Resolution of Ernst & Young Issues, ISO Calculates Actual Dollar Offsets for each Market Participant and Distributes to Market Participants for a 1-Week Review Period = **2 Weeks**
- Outstanding Issues:
  1. Ernst & Young has identified issues with respect to several fuel cost claims. All but two (Mirant and Burbank) involve the propriety of heat rate data for units located outside the ISO Control Area. The ISO does not plan to allocate actual dollar amounts until these issues are resolved by the Commission.

**B. Allocation of Emissions Offsets – 4 Weeks**

- The ISO will calculate the emissions offsets using the “total Control Area Gross Load” methodology and then distribute the results of both methodologies to Market Participants for a 3-week review period
- This step can be done in parallel with the fuel cost allowance calculation/review period.

**C. Allocation of Cost-Recovery Offsets – Unknown; Awaiting Commission Ruling on Allocation Methodology**

**D. Calculation of Interest – 4 Weeks**

- Consists of the ISO's own calculations, and the sharing of information between the ISO and PX to ensure consistency between the two.
- The calculations for interest cannot commence until all of the allocation steps are completed. Therefore, the time to complete the interest calculations is in addition to all of the previous steps.

and adjustment process, and there are relatively few steps remaining before the ISO completes its calculations. Therefore, the ISO does not believe it would be warranted to suspend the refund calculations at this time; rather, it would be preferable to complete the calculations for all entities identified by the Commission as subject to refund.

#### IV. CONCLUSION

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

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Respectfully submitted,



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Dated: May 12, 2006

**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 12<sup>th</sup> day of May, 2006.

  
Daniel J. Shonkwiler