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October 12, 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 Ninth Status Report of the California Independent System Operator Corporation on Settlement 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,



J. Phillip Jordan
Counsel for the California
Independent System Operator Corporation

Enclosures

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 Docket No. ER03-746. 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 for 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 P

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 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 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.

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

21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the ninth such report required by that Commission Order. While the preparatory re-run is complete, the ISO will continue to provide monthly status reports throughout the refund re-run because the ISO believes they have been a valuable tool for communicating with FERC and Market Participants, in addition to meeting the FERC-mandated reporting requirement.

II. CURRENT STATUS OF RE-RUN ACTIVITY

On October 6th, the ISO filed at FERC the compliance report for the preparatory re-run. The report was filed primarily for information purposes: *FERC action is not expected on this report since it is an interim report.* The compliance filing for the refund re-run will reiterate the same financial information, together with the refund re-run data and financial adjustments.

The eighth status report, filed on September 10th, indicated that the ISO had begun work on the off-line calculations necessary to begin the refund re-run phase following the completion of the preparatory re-run on July 16th. This work was put on hold pending resolution of issues surrounding Energy Exchange transactions that surfaced during the preparatory re-run phase. Because of the work required for resolution of these issues, filing of the compliance report, support of the Phase 1B installation, and ongoing internal audit support, actual statement production will begin approximately October 18 - November 1, 2004. Barring significant additional issues, this would result in conclusion of the refund re-run in the mid-December to mid-January time frame.

The ISO was asked to take part in a technical conference regarding the fuel cost allowance with FERC staff and various interested parties on Thursday, October 7th, in Washington D. C. The overall schedule for the refund activities was discussed with those in attendance, as well as the ISO's view on fuel cost allocation and issues concerning the template for submission of the fuel costs. The ISO's further comments on the issues discussed at the conference will be filed with the Commission on October 15th. As noted at the technical conference, the anticipated timing of the financial phase, which begins after the refund re-run statement production, depends the Commission deciding by early November on the methodology for calculating and allocating the fuel cost allowance (*i.e.*, whether sales and purchases are to be netted), and parties submitting the audited fuel cost allowance information to the ISO by late November.

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 re-run issues on Friday, September 24th. In addition, the ISO has now marked as "final" the Mitigated Market Clearing Prices posted on its website. The ISO has posted on its web site, and continues to update, a calendar containing the schedule for the re-run activity, and has provided the link to that calendar in a market notice.⁴

⁴ The ISO's 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.

Upcoming Stakeholder communications will include the regular monthly call with Market Participants during the week of October 18, 2004.

III. DISPUTES AND ESTIMATED SCHEDULE FOR COMPLETION OF THE REFUND RE-RUN ACTIVITY

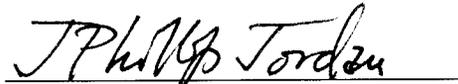
For the refund re-run settlement statement production, the ISO has proposed that Scheduling Coordinators (“SCs”) can file billing inquiries for any trade date until the final deadline for inquiries, which will be 10 business days following publication of the last statement, for June 2001. This provides SCs more flexibility, but the ISO also encourages SCs to submit inquiries on specific settlement statements as close to the publishing date for those statements as possible (rather than waiting until publication of the last statement), to allow a more orderly research of SC questions and inquiries.

Attachment A to this status report contains the ISO’s current estimate of the final completion date for the FERC refund re-run phase of the project. As noted above, the preparatory re-run was completed July 16th. Note that the compliance filing after the refund re-run will include adjustments for fuel price, emissions and interest, but will not include adjustments for the various global settlements. This is consistent with the discussions held with Market Participants and Commission staff on July 26th in Washington, as well as the ISO’s presentation at the technical conference on October 7th.

IV. CONCLUSION

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

Respectfully submitted,



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Dated: October 12, 2004

ATTACHMENT A

**ATTACHMENT A – RE-RUN SCHEDULE
October 12, 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
Refund Re-run Production	12 weeks	8 weeks	July 21, 2004	Mid December 2004-Mid January, 2005	The refund re-run production is now scheduled to begin approximately Oct 18-Nov 1. This revised schedule could result in completion of the refund re-run settlement production mid-December to mid-January with the compliance filing including financial adjustments following 8 weeks later.
Refund Re-run Dispute Period	2.5-3 weeks	Unknown	} August 31, 2004	February, 2005	As noted above, the compliance filing will depend on completion of the settlements production. The length of a formal review and comment period provided by FERC after the compliance filing and 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., among a generator, Cal Parties, and FERC) will be made in a subsequent 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, 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		Global settlement adjustments will be filed after the financial compliance filing.
Financial Phase Compliance Filing	Not Shown	7 days prior to the initial financial clearing		Financial clearing will be directed by FERC, and must be coordinated with special provisions of the CaPX bankruptcy.
Financial Clearing	1 week			

Key assumptions/comments to support the schedule (Updated for the refund rerun)

- *A schedule revision was presented at the FERC conference on October 7, 2004. October 7th marked the completion of the prep re-run phase including the production of settlement statements, filing by participants and resolution of over 5,000 disputes, and the filing of the compliance report with FERC on October 6, 2004.*
- *The ISO envisions 4 additional phases of the refund project:*
 - *Refund rerun settlement statement production*
 - *Scheduled to start between October 18 and November 1. Will complete mid-December to mid-January.*
 - *Financial adjustment phase*
 - *Scheduled for approximately 8 weeks following completion of the refund rerun statement production and earlier receipt of:*
 - *Resolution from FERC of open issues relative to fuel cost allowance by early November*
 - *Submittal to the ISO of the fuel cost allowances following audit by Ernst and Young by late November*
 - *The ISO will submit its compliance filing at the end of this phase.*
 - *This schedule assumes that SCs submit billing inquiries during the process and do not hold them until the final deadline for inquiries: two weeks after the publishing of the June 2001 statements. The ISO will begin work in parallel with the final billing inquiries receipt and resolution.*
 - *Adjustment for global settlement. The ISO will make adjustments to invoices based on written instructions from the settling parties. These adjustments will affect the owed and owing of the settling parties only and will not affect non-settling parties.*

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 12th day of October, 2004.

Gene L. Waas/JPJ
Gene L. Waas