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June 10, 2005

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 Seventeenth 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

Diego Gas & Electric Company (“SDG&E”) matter. Because the ISO’s re-run activity is “on hold” awaiting the fuel cost adjustment information, the rest of this report generally mirrors last month’s report, with the exception of the discussion on SDG&E.

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 ISO 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

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 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.

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

“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 constitutes the seventeenth 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.

II. CURRENT STATUS OF RE-RUN ACTIVITY

The FERC refund re-run settlement statement publishing process has been completed. The ISO is currently waiting to receive the audited fuel cost information as well as the emissions offsets, where applicable, from Market Participants. In accordance with the Commission’s order of March 18, 2005,⁴ the ISO now expects to receive the audited fuel cost information with which it will begin the financial adjustment phase of the proceeding on August 1, 2005.

⁴ “Order Granting In Part and Denying in Part Rehearing, Providing Clarification, And Extending Deadline For Submission Of Fuel Cost Allowance Claims,” 110 FERC ¶ 61,293 (2005).

In the Findings of Fact in the Refund proceeding⁵ and again in the Commission's Order of March 26, 2003,⁶ the Commission found that 3 entities, Duke, Dynegy, and Williams, had supported their requested emissions allowance. Reliant, the City of Pasadena, and the Los Angeles Department of Water and Power ("LADWP"), however, were ordered to reallocate and recalculate their emissions allowances.⁷ Also, in the Commission's October 16, 2003 order, the Commission clarified that emissions offsets would be recoverable only for mitigated intervals. The ISO again wishes to inform the Commission that it will need the approved emissions amounts promptly in order to complete the financial adjustments phase of the rerun process, which the ISO currently plans to complete two months after the final receipt of the audited fuel cost information.⁸

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

⁵ Certification of Proposed Findings on California Refund Liability, Issued December 12, 2002, PP 729-760.

⁶ 102 FERC ¶ 61,317 (2003) item BB.

⁷ 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.

⁸ On Friday, April 8, 2005, the Commission gave notice of the compliance filing of LADWP in this matter.

noted the following claims posted on the ADR page of the ISO website (<http://www.caiso.com/clientserv/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.

The ISO has reached an agreement with SDG&E regarding the going forward treatment of transactions by Arizona Public Service Company and the Imperial Irrigation District on their joint ownership entitlement to the Southwest Powerlink ("SWPL") that is embodied in the SWPL Operations Agreement filed with the Commission on May 24, 2005 in Docket No. ER05-1013-000, with a requested effective date of June 1, 2005. In addition, a settlement agreement resolving past claims and litigation was filed June 8, 2005 in Docket No. ER04-115-002, et al. The settlement agreement credits SDG&E approximately \$22 million in the preparatory and refund re-run timeframe which must be allocated to all Scheduling Coordinators. The ISO will publish in a subsequent monthly report to FERC containing additional details on how this settlement will be implemented and cleared as part of the financial clearing process contemplated after the ISO files its compliance report later this year. The settlement agreement also provides credits after June 20, 2001. These credits will be settled in the *Settlement Adjustment Project* currently underway at the ISO, covering June 21,

2001 through June 30 2004; and, for July 1, 2004 forward, in a separate adjustment later.

Over the course of the past several months, the ISO, Ernst and Young (“E&Y”) and various Market Participants that are seeking fuel cost allowances have been communicating with respect to certain issues related to the templates approved for submitting fuel cost information to be used in substantiating those claims. As a result of these discussions several operational enhancements to the templates have been proposed by both E&Y and the Market Participants. These enhancements do not change the substance of the information to be presented in any way. They simply make the information more understandable and usable within the context of the template. Attachments B and C to this status report summarize and illustrate the modifications to the templates that the ISO has agreed to with E&Y and the Market Participants.

The ISO plans to suspend conference calls with Market Participants on the status of re-run activity until after the receipt of fuel cost information on August 1, 2005, or until any issues surface that suggest the need for additional calls.

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

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 16, 2004, and the FERC refund re-run statement production phase was completed February 15, 2005.

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 schedule is consistent with the Commission's orders of November 23, 2004 and March 18, 2005 and with the various updates provided by the ISO from time to time.

IV. CONCLUSION

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

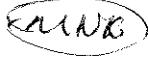
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Dated: June 10, 2005

Respectfully submitted,

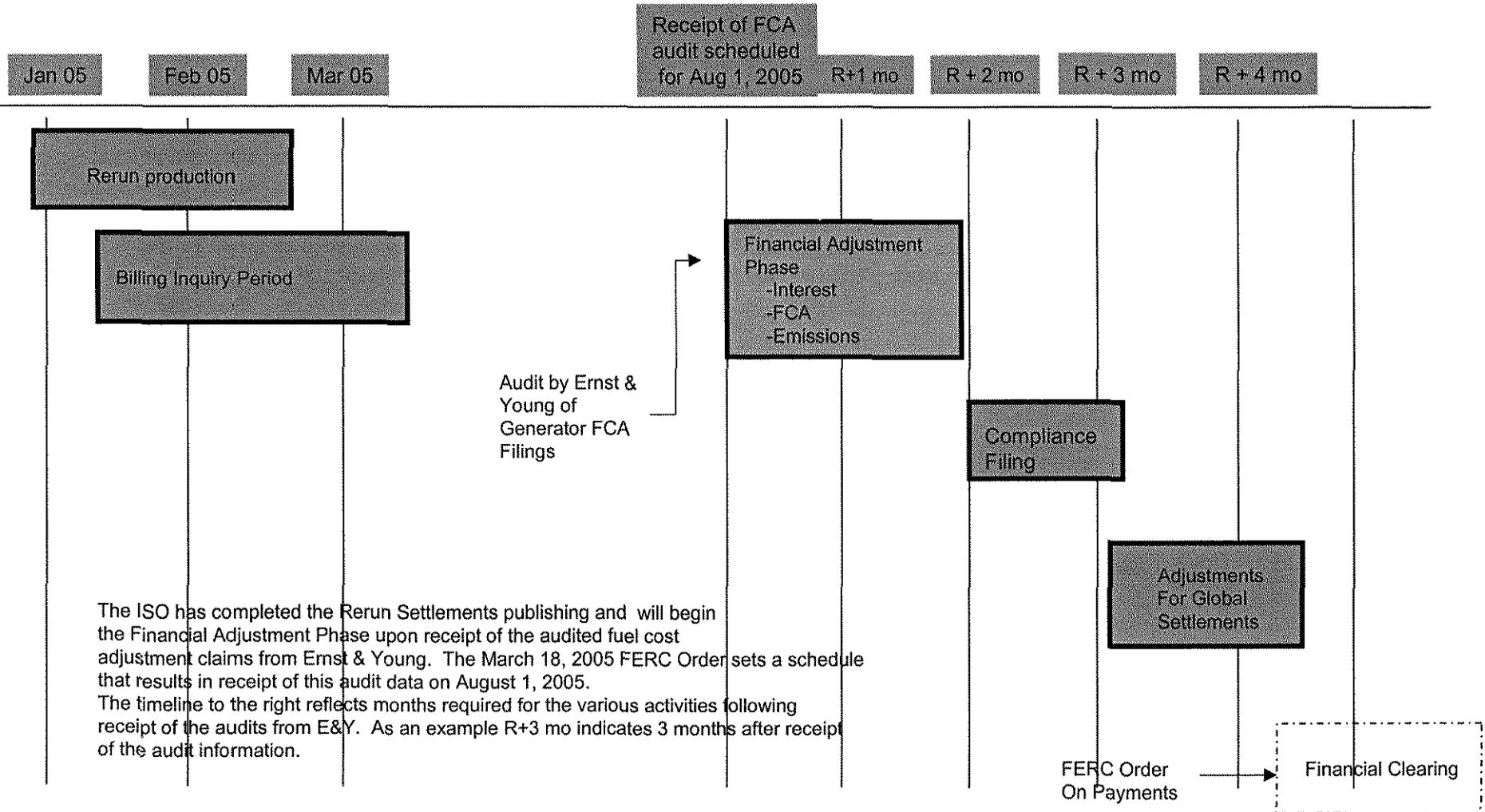
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ATTACHMENT A

ISO Refund Rerun Project

June 10, 2005



ATTACHMENT A – RE-RUN SCHEDULE

June 10, 2005

Key assumptions/comments to support the schedule (Updated for the refund re-run)

The ISO envisions the following additional phases of the refund project

- *Financial adjustment phase - scheduled for approximately 6-8 weeks following receipt of the fuel cost allowances following audit by Ernst and Young. The ISO will submit its compliance filing 2-4 weeks after the completion of the financial adjustment phase.*
- *Adjustment for global settlements - 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.*

ATTACHMENT B

**ISO Template Enhancements Agreed to by the ISO
May 31, 2005**

- 1) Table 1 – Column N – Formula in this column should be $(J * M)$ not $(L * M)$
- 2) Table 2 – Column F – The list in parentheses of instructed energy types should include SP, NS, SE, OOM, and RP, and OOS and RIE.
- 3) Table 2 – Column G – This column should also reference CT 451, which is an allowable CT to be included.
- 4) Table 2 – Column L – This column should contain Instructed Energy (IE), not Uninstructed Energy (UE).
- 5) Tables 3 & 4 – Tables were revised to calculate FCA using net uninstructed electricity instead of gross. Revised tables are attached.
- 6) Table I-1 – Column M – Formula in this column should be $H \times \text{Min}(K, I)$ not $L \times \text{Min}(K, I)$.
- 7) Table I-3 – Column M – This column should contain Instructed Energy (IE), not Uninstructed Energy (UE). In column R, the ISO agrees that the formula should read (zero if P less than or =Q; otherwise $\text{Min}[O \times (P-Q), K-N]$).
- 8) Table I-4 – Column G – This column should contain Instructed Energy (IE), not Uninstructed Energy (UE).
- 9) General comments:
 - a) Table 1 and Table I-1 are only for Day Ahead PX sales, separate tables are necessary to present Hour Ahead PX sales.
 - b) Separate tables are also necessary for any claimants that had the PX schedule their sales to CAISO under the Scheduling Coordinator ID of PXC1. The new tables should follow the same format as Instructed Energy or Uninstructed Energy sales depending on the type of sale made by the PX to the CAISO.
 1. Clarification provided by the ISO – The PXC1 Uninstructed Tables (Tables 3 & 4 or Tables I-3 & I-4) should be submitted to the PX. The PX will then pool this information together and submit to the ISO.
 - c) A separate line item is necessary to present PX sales in the different pricing zones of SP15, NP15 and System. These three transaction types all received different prices; therefore, they need to be separately reflected as line items in the tables to determine whether or not they are mitigated.
 - d) On Attachment C, the ISO agrees that on Table 3, Column J, there should be a division symbol between Col H and Col I. Also on Attachment C, Table 3, Column N should read $\text{Min}(H, I)$ if M less than K, otherwise zero.
 - e) Harris Proxy Price
 1. Dr. Harris developed both a northern and southern daily gas proxy price. In establishing the 10-minute MMCP, the CAISO utilized whichever price applied to the last marginal operating unit within the applicable 10-minute interval. As a result, all tables that require a column for the Harris Proxy price need to be populated with the same price used by the CAISO to establish MMCP for the applicable interval.

This information can be obtained directly from the CAISO's website at <http://www.caiso.com/docs/2005/06/10/200506100806221186.xls>

2. For any tables that allow electricity sales to be submitted on an hourly basis, the column for the Harris Proxy Price should be a simple average of the prices used in the 10-minute intervals of that hour.

ATTACHMENT C

**Table 3. Format for Fuel Cost Allowance Submissions
for Mitigated ISO Uninstructed Energy (UE) Sales (SC Portfolio Level)
(Revised by ISO based on input from Ernst & Young and Participants)**

Col. Ref	Variable	Description
A	Opr_dt	Operation Date (TRADING DATE in ISO Settlement records)
B	Opr_hr	Operating Hour (TRADING HOUR in ISO Settlement records)
C	Rt_Int	10-minute interval 1-6 (TRADING INT in ISO Settlement records)
D	SC_ID	Participant ID for transaction from ISO settlement records (Short Name for SC corresponding to numerical Business Associate ID).
E	Region_ID	Region ID from ISO uninstructed energy settlement records used to indicate whether uninstructed energy for each was settled by netting each SCs portfolio on a system-wide or zonal basis (in hours of real time congestion). If real time congestion, 1= NP15 and 2=SP15. If no congestion, 1= uniform system prices/charges.
F	E_TYPE	UE = Uninstructed energy
G	CHRG_TYPE	407 = Uninstructed energy
H	QTY_NET	Quantity (MWh) of Uninstructed Energy sold through transaction during interval by SC in ISO system or in zone (if real time energy market split zonally). From BILL_QTY for SC during interval in SS SETTLEMENT DETAILS table.
I	QTY_GROSS	Total gross uninstructed energy from thermal units in SC's portfolio during interval included in gas allowance calculation. Sum of Table 4, Column G for each interval.
J	UE_RATIO	Portion of gross UE sales reported in Table 4 eligible for fuel cost recovery for SC's net UE sales is subject to price mitigation. (Minimum of 1 or Col. H ÷ Col. I)
K	PRICE	Price (\$/MWh) for Uninstructed Energy (UE) sold through transaction during interval by SC (from PRICE in ISO Settlement records)
L	REV	Revenues from transaction prior to price mitigation (Min(H, I) x K).
M	MMCP	Mitigated Market Price (for 10-minute interval)
N	QTY_M	Quantity of participant's UE sales from transaction during interval subject to price mitigation Min(H, I) if M < K; otherwise zero)
O	REV_M	Revenues from transaction after price mitigation (Min(H, I) x Min(K, M))
P	FUEL_GROSS	Calculated incremental fuel input (consumption) for gross sales of UE from SC's portfolio during interval. Sum of Column J in Table 4.
Q	FUEL_NET	Calculated incremental fuel input (consumption) for net sales of UE from SC's portfolio during interval. (P x J)
R	FUEL_PRC	Avg. daily cost (\$/MMBTU) for fuel input (consumption) for mitigated spot market sales by generator during operating day.
S	GAS_PRC	Gas price used in calculating MMCP
T	FCA	Fuel Cost Allowance (0 if R ≤ S ; otherwise Min [Q x (R – S), L – O])

**Table 4. Format for Fuel Cost Allowance Submissions
for Mitigated ISO Uninstructed Energy (UE) Sales (SC Portfolio Level)
(Revised by ISO based on input from Ernst & Young and Participants)**

Col. Ref	Variable	Description
A	Opr_dt	Operation Date (TRADING DATE in ISO Settlement records)
B	Opr_hr	Operating Hour (TRADING HOUR in ISO Settlement records)
C	Rt_Int	10-minute interval 1-6 (TRADING INT in ISO Settlement records)
D	SC_ID	Participant ID for transaction from ISO settlement records (Short Name for SC corresponding to numerical Business Associate ID).
E	Unit_ID	ISO unity identification code (LOCATION ID in ISO Settlement records)
F	Zone_ID	ISO Congestion zone in which resource is located (NP15,SP15, ZP26).
G	UE	Uninstructed energy (MWh) from unit for interval from ISO settlement data (SS_UNINSTR_ENERGY_DETAILS table provided with ISO settlement data).
H	M_QTY	Avg. operating level of unit during interval (Metered MWh x 6)
I	IHR	Incremental heat rate for unit during interval at unit's average Operating point during interval (Col. H) in MMBTU/MW
J	FUEL	Calculation of incremental fuel input (consumption) for UE provided by unit during interval (G x I)

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 10th day of June, 2005.


Gene L. Waas