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December 18, 2002

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

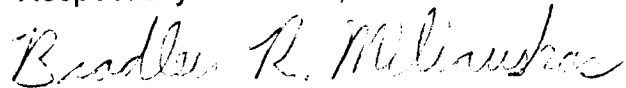
**Re: Cities of Anaheim, Azusa, Banning, Colton, and Riverside,
California v. California Independent System Operator
Corporation, Docket No. EL00-111-002; Salt River Project
Agricultural Improvement and Power District v.
California Independent System Operator Corporation,
Docket No. EL01-84-000 (Not Consolidated)**

Dear Secretary Salas:

Enclosed please find the original and 14 copies of the Statement of the Settling Parties, submitted by the California Independent System Operator Corporation, Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California, Salt River Project Agricultural Improvement and Power District, City of Vernon, California, and California Department of Water Resources (collectively, the "Settling Parties") in the captioned dockets. Also enclosed are two extra copies of the filing to be time/date stamped and returned to us by the messenger.

Thank you for your attention in this matter.

Respectfully submitted,



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

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

Cities of Anaheim, Azusa, Banning Colton, and Riverside, California,)	
)	
Complainants)	
)	Docket No. EL00-111-002
v.)	
)	
California Independent System Operator Corporation,)	
)	
Respondent)	
)	
Salt River Project Agricultural Improvement and Power District,)	
)	
Complainant)	
)	Docket No. EL01-84-000
v.)	
)	(Not Consolidated)
California Independent System Operator Corporation,)	
)	
Respondent)	

STATEMENT OF SETTLING PARTIES

Pursuant to Rules 213(a)(2), 602, and 604(a)(5) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission" or "FERC"), 18 C.F.R. §§ 385.213(a)(2), 385.602, 385.604(a)(5) (2002), the California Independent System Operator Corporation ("California ISO"), Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California ("Southern Cities"), Salt River Project Agricultural Improvement and Power District ("SRP"), City of Vernon, California ("Vernon"), and California Department of Water Resources ("CDWR") (collectively, the "Settling Parties")

respectfully submit this statement to explicate the Offer of Settlement and Settlement Agreement (“Settlement”) submitted by the Settling Parties in the captioned proceedings on July 31, 2002. The Settling Parties submit this explication in response to incorrect statements contained in the “Answer of IDACORP Energy L.P. and Puget Sound Energy, Inc.” (“Answer”) submitted in the captioned proceedings on December 3, 2002.¹

The Answer erroneously states that the Settlement treats Scheduling Coordinators disparately, and that the Settlement does not resolve the California ISO’s refund obligations for neutrality charges vis-à-vis all Scheduling Coordinators. See Answer at 2, 3. The statement that the Settlement treats Scheduling Coordinators disparately is incorrect, because the Settlement explicitly provides that the California ISO shall use “[t]he cost allocation methodology contained in Amendment No. 33 to the ISO Tariff . . . to allocate Settlement Costs incurred by the California ISO during the period December 8, 2000 through December 11, 2000 *and this allocation methodology shall be applied on the same basis to each and every Scheduling Coordinator effective as of December 8, 2000.*” Settlement, Section 2.2 (emphasis added).² Thus, the

¹ To the extent the Commission considers this filing to constitute a response to the Answer, the Settling Parties respectfully submit that good cause exists to permit the response under Rule 213(a)(2) because it will clarify the Settling Parties’ position, lead to a more accurate and complete record, and provide useful and relevant information that will assist in the decision making process. See, e.g., *Enron Corp.*, 78 FERC ¶ 61,179, at 61,733, 61,741 (1997); *El Paso Electric Co.*, 68 FERC ¶ 61,181, at 61,899 & n.57 (1994).

² Settlement Costs are defined in Section 2.1 of the Settlement to include “all costs of Dispatch instructions made by the California ISO to avoid an intervention in market operations or to prevent or relieve a System Emergency, the costs of which prior to ISO Tariff Amendment No. 33 were required to be allocated pursuant to the ISO Tariff to all Scheduling Coordinators in proportion to their metered Demand and Exports and were collected through the neutrality adjustment charge in Charge Type 1010.” Settlement, Section 2.1. Section 2.1 goes on to explain that “[a]fter the implementation of Amendment No. 33 such costs were allocated to and collected from Scheduling Coordinators pro rata based upon the ratio of each Scheduling Coordinator’s Net Negative Uninstructed Deviations to the total Net Negative Uninstructed Deviations in each Settlement interval through the new Charge Type 487.” *Id.*

Settlement on its face clearly provides that all Scheduling Coordinators will be treated the same with regard to the allocation of Settlement Costs.

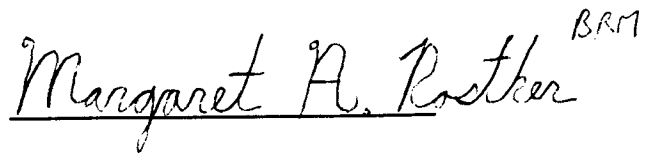
Likewise, the statement in the Answer that the Settlement does not resolve the California ISO's refund obligations with regard to all Scheduling Coordinators is incorrect. Section 3.3 of the Settlement explicitly provides that "in submitting this Settlement Agreement to the Commission as an Offer of Settlement pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, the Settling Parties shall request that the Commission exercise its remedial discretion to decline to order the California ISO to pay refunds for amounts collected in excess of the hourly limit on neutrality adjustment charges, if any, during the period from June 1, 2000 through February 26, 2001." Settlement, Section 3.3. As stated in this quoted language, the act of submitting the Settlement to the Commission serves as the Settling Parties' request that the Commission exercise its remedial discretion to decline to order the California ISO to pay such refunds. Section 3.3 goes on to explain that the Commission's exercising its discretion not to order refunds "is a condition on this Settlement Agreement taking effect" *Id.*³

Moreover, Section 4.1 of the Settlement provides that "this Settlement Agreement shall become effective when the Commission issues a Final Order removing the California ISO's obligation to pay refunds for amounts collected in excess of the hourly Tariff limit on neutrality adjustment charges, if any, during the period June 1,

³ The Commission's exercise of its discretion not to order refunds will supersede and supplant the portion of its May 14, 2001 Order directing the California ISO to recalculate the neutrality adjustment charges assessed to all Scheduling Coordinators for the period June 1, 2000 to September 15, 2000, in accordance with a \$0.095/MWh hourly limit applied equally to all customers. See *Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California v. California Independent System Operator Corporation*, 95 FERC ¶ 61,197, at 61,687 (2001).

2000 through February 26, 2001 and approving the Settlement Agreement, as the final resolution of the captioned proceedings, without modification or condition and thereby binding all Market Participants to the terms therein." Settlement, Section 4.1. Thus, the Settlement clearly provides that, as a condition of approval, the California ISO shall not be required to pay any refunds of *any* amounts in excess of an hourly limit, i.e., it shall not be required to pay refunds of such amounts to any Scheduling Coordinator. As a result, the Settlement Agreement treats all Scheduling Coordinators equally and, upon approval, would remove the ISO's obligation to refund amounts collected in excess of the hourly limit for all Scheduling Coordinators.

Respectfully submitted,

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Dated: December 18, 2002

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents upon each person designated on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C., on this 18th day of December, 2002.


Bradley R. Miliauskas

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System Operator Corporation