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September 30, 2005

REDACTED VERSION FOR PUBLIC RELEASE PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME

The Honorable Magalie R. Salas Secretary Federal Energy Regulatory Commission 888 First Street, NE Washington, DC 20426

Re: California Independent System Operator Corporation,
Docket Nos. ER04-115-000 and EL04-47-000

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Pacific Gas and Electric Company,
Docket Nos. ER04-242-000 and EL04-50-000

Dear Secretary Salas:

In accordance with paragraph 11 of the Commission's "Order Approving Uncontested Partial Settlement and Terminating Related Dockets," issued on February 2, 2005, in the above-captioned proceedings, the California Independent System Operator ("CAISO") is filing its compliance refund report informing the Commission of the manner in which the ISO has calculated the refunds and surcharges due customers as ordered by the Commission in the orders in this proceeding.¹

Pursuant to Section 2.2 of the July 29, 2004 Offer of Partial Settlement ("Settlement"), the CAISO is required to provide adjustments of the Grid Management Charge ("GMC") to

On September 22, 2005, the Commission issued an order approving a second settlement in this proceeding, which addressed the reserved issue in the July 29, 2004 Offer of Partial Settlement that the Commission approved on February 2, 2005. Adjustments to bills associated with implementation of that second settlement are not the subject of this report, but will be addressed in a future compliance report, to be submitted after those further adjustments are made, as ordered by the Commission. *California Independent System Operation Corporation, et al.*, Order Approving Uncontested Settlement, 112 FERC ¶ 61,329 (2005).

The Honorable Magalie R. Salas September 30, 2005 Page 2

Scheduling Coordinators within 90 days of the effective date of the Settlement. Due to the provisions of the Settlement, the complete rebilling and refund for calendar year 2004 took place in two stages. A two stage process was necessary in order to effectuate Section 3.8 concerning the Modesto Irrigation District's ("MID") monthly fixed charge, because the information necessary to determine the applicable MID charge for 2004 was not available until after the Pacific Gas and Electric Company ("PG&E") processed the refund and passed that refund through to MID.²

The first stage of the adjustments was completed on April 28, 2005, when the CAISO made adjustments to the GMC paid by Scheduling Coordinators in the calendar year 2004. The CAISO issued invoices in which it credited Scheduling Coordinators' accounts the 2004 GMC that they had paid, and then billed Scheduling Coordinators the 2004 GMC based on the rates in the Settlement, resulting in either a net refund or charge for each Scheduling Coordinator. As provided in Section 2.2 of the Settlement, Scheduling Coordinators were charged or paid interest for the net adjustment calculated at the interest rate required by Section 35.19a of the Commission's regulations.

For calendar year 2004, Scheduling Coordinators initially paid a total GMC of \$226.7 million, based on the 2004 GMC rates filed on October 31, 2003. This amount was credited to Scheduling Coordinators on their February 2005 preliminary invoices. Application of the GMC rates under the Settlement resulted in a rebilling of \$220.7 million. The difference of \$6 million represents the original \$3 million refunded in accordance with Section 4.4 of the Settlement and an additional \$3 million due to variances of actual volumes from those forecast in the Settlement. A total of \$0.3 million was paid in interest, as required by the Settlement.

In the second stage, the fixed monthly payment due from MID as provided for in Section 3.8 was trued up. Pursuant to the Settlement, MID pays \$75,000 a month in lieu of a regular assessment of GMC for its transactions under the Scheduling Coordinator ID "PGAB." Because the Scheduling Coordinator for PGAB is the Pacific Gas and Electric Company ("PG&E"), the CAISO does not directly bill MID for its transactions under PGAB, nor does it have the information necessary to accurately bill MID. In order to effectuate Section 3.8 for 2004, the CAISO, MID and PG&E agreed to net GMC charges, so that MID would pay to the CAISO only the difference between its \$75,000 monthly obligation and its past payments to PG&E for MID transactions under PGAB. Further, the parties agreed to exchange the billing information necessary for the CAISO and MID to verify the amount. This amount was billed to MID on the June 2005 preliminary invoice issued on August 24, 2005 and paid on August 31, 2005.

The CAISO is attaching at Attachment 1 workpapers showing the GMC adjustments by Scheduling Coordinator and the calculation of the payment by MID under Section 3.8. Included

A third stage will also be required, because the Settlement-level GMC was first reflected in Statements to Scheduling Coordinators for trade date June 1, 2005. Accordingly, further adjustments will be required to adjust GMC paid by Scheduling Coordinators during the first five months of 2005 to the Settlement levels. Those adjustments will be the subject of a future compliance refund report, after they are made.

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in a separate volume along with this filing pursuant to Commission Order Nos. 630 and 630-A,³ is a sealed copy of the non-public portions of Attachment 1. The ISO is seeking privileged treatment for this information under 18 C.F.R. § 388.112, because it contains confidential information regarding the GMCs that individual Scheduling Coordinators incurred 2004. Because public disclosure of the charges would unnecessarily reveal sensitive information, the ISO submits that this information should be exempt from public exposure and should be granted privileged treatment. Each Scheduling Coordinator was provided with information necessary to validate the original GMC billed amount invoiced in 2004 and the calculation of the amount based on the rates in the Settlement at the time of the April 28, 2005 invoicing.

One original and fourteen copies of this compliance report are enclosed for the Commission's use. Two additional copies have been included to be date/time stamped and returned to our messenger. Thank you for your assistance with this matter.

Respectfully submitted,

Kenneth G. Jaffe Ronald E. Minsk Alston & Bird, LLP 601 Pennsylvania Avenue, NW North Building, 10th Floor Washington, D.C. 20004

Counsel to the California Independent System Operator Corporation

Date: September 30, 2005

Critical Energy Infrastructure Information, Order No. 630, FERC Stats. & Regs. ¶ 31,140, order on reh'g, Order No. 630-A, FERC Stats. & Regs. ¶ 31,147 (2003).

Attachment 1

Public Version

GMC Adjustment Workpapers



GMC Refunded/Rebilled for Calendar Year 2004 Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.

Contents: Workpapers showing rebilled/refunded GMC amounts for 2004

Dated: 09/27/2005

Last updated: 09/27/2005

/ISO/Finance/BTA

California Independent System Operator GMC Refunded/Rebilled for Calendar Year 2004 Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.

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	NCPA	Northern California Power Agency				***************************************	
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	SCE1	Southern California Edison Company					
	PORT	Portland General Electric Company					
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		Reliant Energy Services, Inc.					
	CDWR	California Department of Water Resources					
	RVSD	City of Riverside		***************************************			
	WAMP	Western Area Power Administration			ļ		
	WESC	Williams Energy Marketing and Trading					
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	BPA1	Bonneville Power Administration					
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	MID1	Modesto Irrigation District	Leave-management market management			gamman grange op ong spirity pi makibi an disergan	
	PNM1	Public Service Company of New Mexico					
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	AEI1	Avista Energy Inc					
	PASA	City of Pasadena					
	ANHM	City of Anaheim					
	AZUA	City of Azusa					
	BAN1	City of Banning					
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	AEPS	American Electric Power Service Corporation					
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	SEL1	Strategic Energy, LLC					
	MSCG	Morgan Stanley Capital Group, Inc.					
	KET3	Koch Energy Trading				Į	
	NEI1	NewEnergy Inc.					
	PWRX	British Columbia Power Exchange					
	PCPM	PPM Energy, Inc.				and the second selection and decrease a second	
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	PSCO	Public Service Company of Colorado			***************************************		
	CPSC	Constellation Power Source Inc.					
	SPPC	Sierra Pacific Power Company					
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	CERS	California Department of Water Res.		en a. massa we amuse our mann our roc mann per			
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California Independent System Operator GMC Refunded/Rebilled for Calendar Year 2004 Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.

Business	Scheduling		Total GMC billed	Total GMC rebilled per		Interest o Refund
Associate ID	Coordinator ID	NAME	in 2004	Settlement	Refund amount	Amount
	SDG4	San Diego Gas and Electric, Merchant	UI ZVOT		i i toldho amyom	Companie
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	PGAB	PACIFIC GAS & ELECTRIC COM.		*		
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	CMWD					
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	SEL2	Strategic Energy LLC	province and agreement of a community of		<u> </u>	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	WDOE	Western Area Power Admin-WDOE				
Secretary of the control of the cont	EPME	El Paso Merchant Energy, L.P.	\$100 COMPANIES - \$100 MARCHAR AND \$100 M			
	TEMU	TransAlta Energy Marketing (U.S.) Inc				
	UBSW	UBS AG			}	
	SCE5	Southern California Edison-SCE5				
	APX6	Automated Power Exchange-APX6		**************************************		
	MWSC	Midway Sunset Cogeneration Company	Transaction of the same of the	Barranterio and remember whose we are in a street was sent in a new con-	1	AND DESCRIPTION OF THE PERSON NAMED IN COLUMN TWO
	APX7	Automated Power Exchange-APX7	Commence and commence of the contract of the c			
	RWET	RWE Trading Americas Inc.	The second section of the second section of the second section of the second section s	Personal rate in the restaurance of resource in the con-	A CONTRACTOR OF THE PROPERTY O	**************************************
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	TO08	City of Riverside - PTO	i i			
	WEMT	Williams Energy Marketing & Trading-WEMT				
	CEPL	Citadel Energy Products LLC				
	PCG2	Pacific Gas & Electric Company-PCG2				
	FPPM	FPL Energy Power Marketing, Inc.				
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	PCF1	Morgan Stanley - PCF1			<u> </u>	
	CLTN	Coral Power, LLC - CLTN		Name of the second of the seco		
	CECO	Commonwealth Energy Corp.				
	OPSI	Occidental Power Services, Inc.				
	WLMD	Western Area Power AdminWLMD	National and an annual recommendation of a second constant	<u> </u>	<u> </u>	
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	ARON	J. Aron & Company - ARON				
	BPEC	BP Energy Company - BPEC	 		100 mm m m m m m m m m m m m m m m m m m	I
	PIPO	Pilot Power Group, Inc.				i
	CPA1	Calpine Energy Services - CPA1				40
	IVLY	Coral Power, LLC - IVLY				
The second security and a particular particular second sec	WAES	AES Pacific. LLC				
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	MVPP	Mountain View Power Partners, LLC				I Tuma karan sa ka sa
Mari 1 1 1 a ab — — A calodona logogeograpi	MLCI	Merrill Lynch Commodities, Inc.				L
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	1010	Totals	\$ 226,688,371	\$ 220,690,887		<u> </u>

- Sums may not add to totals due to rounding.
 Total GMC in 2004 refers to collections under the rate structure filed on October 31, 2003.
 Total GMC rebilled per Settlement refers to collections under the rate structure defined in the Partial Offer of Settlement. 4. The refunding and rebilling of 2004 GMC took place on the February preliminary GMC invoice issued on April 21, 2005.
- 5. Interest was charged or paid at the applicable rate from each month's initial preliminary invoice payment date to April 28, 2005, the payment date for the February preliminary invoice.

California Independent System Operator Fixed Payment Obligation of Modesto Irrigation District Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.

		GMC Settlement		Interest	
Trade Month	Paid to PGAB	Payment	Monthly Net	Total*	Total
Jan-04		\$75,000	•		
Feb-04		\$75,000			
Mar-04		\$75,000			
Apr-04		\$75,000			
May-04		\$75,000			
Jun-04		\$75,000			
Jul-04		\$75,000			
Aug-04		\$75,000			
Sep-04		\$75,000			
Oct-04		\$75,000			
Nov-04		\$75,000			
Dec-04		\$75,000			
2004 refund (Jul-12-05)	\$0			
Totals		\$900,000			

- 1. Amounts paid to PGAB refer to MID payments to PG&E for MID transactions under PGAB.
- 2. Monthly net is the difference between the \$75,000 monthly payment and the amounts paid to PGAB.
- 3. The 2004 refund (Jul-12-05) refers to the amount of the PGAB GMC refund for 2004 passed through to MID.
- 4. Interest was charged or paid at the applicable rate from each month's initial preliminary invoice payment date to August 31, 2005, the payment date for the June preliminary invoice.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 30^{th} day of September in the year 2005 at Folsom in the State of California.

/s/ Stephen A.S. Morrison Stephen A.S. Morrison (916) 608-7143