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February 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 Thirteenth 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,

A handwritten signature in cursive script that reads "Michael Kunselman" followed by the initials "CMK" in parentheses.

Michael Kunselman

Counsel for the California  
Independent System Operator Corporation

Enclosures

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

California Independent System Operator Corporation	)	Docket No.	ER03-746-000
	)		
	)		
San Diego Gas & Electric Company,	)		
Complainant,	)		
	)		
v.	)	Docket Nos.	EL00-95-081
	)		EL00-95-074
Sellers of Energy and Ancillary Services	)		EL00-95-086
Into Markets Operated by the California	)		
Independent System Operator and the	)		
California Power Exchange,	)		
Respondents.	)		
	)		
Investigation of Practices of the California	)	Docket Nos.	EL00-98-069
Independent System Operator and the	)		EL00-98-062
California Power Exchange	)		EL00-98-073

(not consolidated)

**THIRTEENTH 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 thirteenth regular monthly status report.<sup>1</sup>

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<sup>1</sup> The Commission's Order at paragraph 21 states, "The CAISO is hereby directed 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 settlement and billing process for calculating refunds, as discussed in the body of this order." 106 FERC ¶ 61,099 (2004).

## I. BACKGROUND<sup>2</sup>

On April 15, 2003, the ISO<sup>3</sup> 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 30<sup>th</sup>, 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

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<sup>2</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 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>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.

21. The first such status report was filed with the Commission on February 9, 2004. This filing constitutes the thirteenth 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 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 is almost complete. ISO staff expects to complete statement publishing for June 2001 on February 15, 2005. On February 16, 2005, the ISO will publish adjustments required for the hourly price mitigation at the ties. This will complete statement publishing and billing inquiries will then be received until March 4, 2005.

The ISO posted on its website in the FERC refund re-run section<sup>4</sup>, a description of the method that it plans to use to mitigate import transactions on the interties. In addition to the description, the ISO has included a series of transactional examples in its posting. On February 9<sup>th</sup>, the ISO made distribution to all Schedule Coordinators of a disk containing the individual intertie transactions that are to be mitigated using the methodology discussed above. The ISO asked to receive comment on the transactions contained on the disk by

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<sup>4</sup> <http://www.caiso.com/docs/2005/01/03/2005010308312727756.pdf>

February 16<sup>th</sup>. Manual adjustments will be made to the re-run data on February 18<sup>th</sup> using the transactions and methodology under consideration.

The ISO again wishes to note that although the Commission's November 23, 2004 Order on Rehearing<sup>5</sup> in this proceeding resolved many of the "open issues", it failed to address the matter of the ISO compliance filing in Tariff Amendment 41 which would require the recalculation of interest for the refund period. A decision on this pending amendment and the ISO's associated request for rehearing may allow the ISO to distribute as much as \$6 million in interest to the ISO Market that is currently being held in escrow pending the Commission's decision.

In the Findings of Fact in the Refund proceeding<sup>6</sup> and again in the Commission's Order of March 26, 2003<sup>7</sup>, the Commission found that 3 entities, Duke, Dynegy and Williams had supported their requested emissions allowance. However, Reliant, the City of Pasadena and the Los Angeles Department of Water and Power ("LADWP") were ordered to reallocate and recalculate their emissions allowances. The ISO wishes to inform the Commission that it will need the approved emissions amounts by March 21, 2005 in order to complete the financial adjustments phrase of the rerun process, which the ISO currently plans to complete by mid-April 2005.<sup>8</sup>

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<sup>5</sup> 109 FERC ¶ 61,218 (2004)

<sup>6</sup> Certification of proposed Findings on California Refund Liability, Issued December 12, 2002, P729-760.

<sup>7</sup> 102 FERC ¶ 61,317 (2003) item BB.

<sup>8</sup> On March 12, 2004, the City of Pasadena filed with the Commission a pleading entitled "Allocation of Out-of-Pocket Costs to Purchase Emissions Credit." Pasadena explained that it was making this filing pursuant to the Commission's direction that it recalculate its emissions offsets to reflect the Commission's findings that Pasadena was not entitled to recover opportunity costs of emissions credits, and that Pasadena should allocate its emissions costs incurred during

The ISO also informs the Commission that on January 19, 2005, it filed for clarification, or in the alternative, rehearing of the Commission's "Order Addressing Compliance Filing, Emergency Motion, And Comments Following Technical Conference issued on December 20, 2004. As of this writing the Commission has not acted on the ISO's request. The outcome of various issues the ISO raised in this pleading is key to determining the final methodology for implementing the fuel cost adjustments in this matter. The ISO requests Commission action on this matter prior to March 21, 2005, the date that the ISO is to receive the audited fuel cost information from the parties.

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 Thursday, January 13th. 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.<sup>9</sup>

As of February 6, 2005, the ISO has received a total of 52 billing inquiries from Market Participants with respect to questions related to the refund re-run statements. Forty-seven of the 52 inquiries have been answered by the ISO's

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the refund period based on the relative MWh sales to the ISO to non-native load sales. On March 29, 2004, the California Parties filed their Motion to Strike the Pasadena Emissions Filing, and on April 13, 2004, the ISO filed an answer to the California Parties' Motion. To the best of the ISO's knowledge, the Commission has not ruled on Pasadena's pleading.

<sup>9</sup> The ISO's re-run calendar, market notices, and re-run procedure manual are located on the ISO's website at <http://www.caiso.com/docs/2004/10/26/2004102612304417309.xls>.

Market Quality department and returned to the respective Market Participant. The remaining 5 inquiries are still under investigation.

Upcoming Stakeholder communications will include the regular monthly call with Market Participants scheduled for the week of February 21, 2005.

### **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<sup>th</sup>. 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 order of November 23, 2004 and with the various updates provided by the ISO from time to time.

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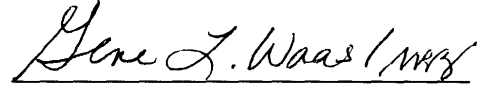
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#### IV. CONCLUSION

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

Respectfully submitted,



Charles F. Robinson

General Counsel

Gene L. Waas

Regulatory Counsel

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Dated: February 10, 2005



## **ATTACHMENT A**

## ATTACHMENT A – RE-RUN SCHEDULE

February 10, 2005

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

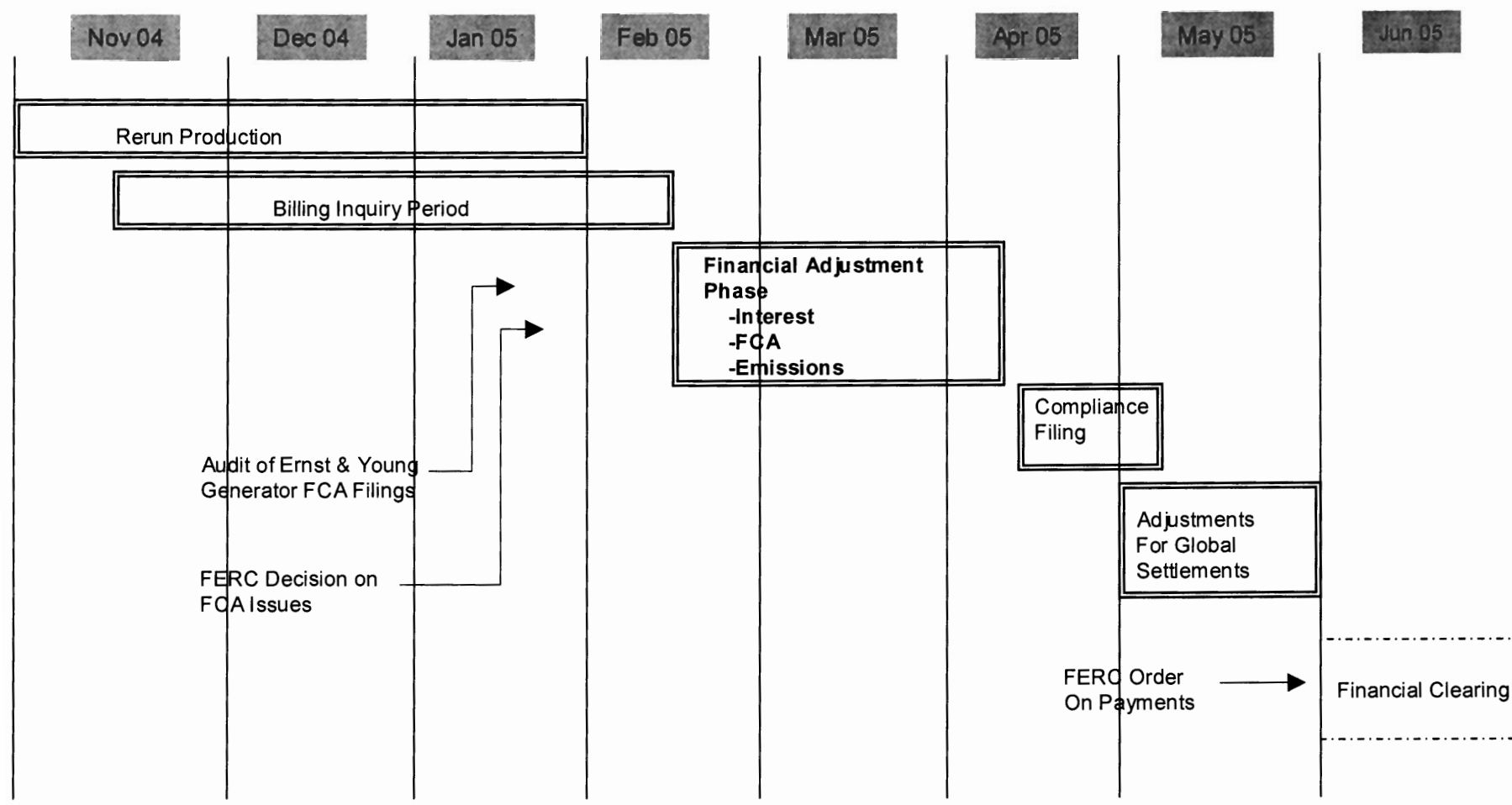
- *A schedule revision was presented at the FERC conference on October 7, 2004. October 7th marked the completion of the prep re-run phase including the production of settlement statements, filing by Market Participants and resolution of over 5,000 disputes, and the filing of the compliance report with FERC on October 6, 2004.*
- *The ISO envisions the following additional phases of the refund project:*
  - *Refund rerun settlement statement production - this phase began on October 27th. Scheduled for completion in mid February.*
  - *Financial adjustment phase - scheduled for approximately 6 weeks following completion of the refund rerun statement production and earlier receipt of:*
    - (1) *Resolution from FERC of open issues relative to fuel cost allowance*
    - (2) *Submittal to the ISO of the fuel cost allowances following audit by Ernst and Young*
  - *The ISO will submit its compliance filing at the end of this 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.*
- *This schedule assumes that SCs submit billing inquiries during the process and do not hold them until the final deadline for inquiries set for 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.*

# Refund Re-run Project

## Attachment A

### February 10, 2005

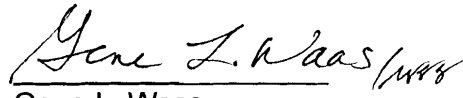
**NOTE: Current ISO constraints and FCA audit could shift schedule up to 4 weeks**



## 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 10<sup>th</sup> day of February, 2005.

  
Gene L. Waas