

Memorandum

To: ISO Board of Governors
From: Brad Bouillon, Manager of Billing & Settlements
Date: March 1, 2007
Re: ***2000-2001 FERC Refund Rerun Project Monthly Status Report***

This memorandum is a status report and does not require Board action.

EXECUTIVE SUMMARY

As noted in a previous update, the preparatory re-run was completed July 16, 2004, the FERC refund re-run statement production phase was completed February 15, 2005, and the ISO is currently processing the financial adjustment phase offsets. The ISO has completed the first step of the two-step fuel cost allowance allocation process, and has distributed the results of these calculations to parties. The ISO has completed the emissions component, and has distributed to parties data on allocation percentages and offsets as well.

Based on remaining work requirements, the ISO estimates that it will take approximately 10 weeks to complete the financial adjustment phase, including applicable review periods, after the ISO finalizes one issue concerning the settlement with San Diego Gas & Electric Company.

On August 23, the Commission issued an order resolving all of the outstanding issues except the Commission's final determination on certain cost-based recovery claims. Once these determinations are made, the ISO is prepared to implement the order and move towards the ISO's first compliance filing and, ultimately, clearing the market.

Finally, the ISO also recognizes that this schedule could change as the result of any number of legal challenges to Commission orders, including the recent decisions by the Ninth Circuit Court of Appeals in *BPA v. FERC* concerning the refund liability of non-FERC jurisdictional entities, and *CPUC v. FERC* concerning certain "scope/transactions" issues.