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January 27, 2006

**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. ER04-115-001 and EL04-47-004
&
Pacific Gas and Electric Company,
Docket Nos. ER04-242-003 and EL04-50-002

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 CAISO has calculated the refunds and surcharges due customers as ordered by the Commission in the orders in this proceeding.

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 Scheduling Coordinators within 90 days of the effective date of the Settlement. Previously, the CAISO implemented the refund and re-invoicing of GMC for 2004 in two stages in April and

August 2005¹. As noted in footnote 2 of the CAISO's September 30, 2005 compliance refund report, additional adjustments were needed to complete the January through May 2005 GMC refunds. Once the Commission issued an order approving a second settlement in this proceeding on September 22, 2005, the CAISO was then able to calculate refunds and surcharges due customers for the first five months of 2005.

The CAISO implemented the refund and re-invoicing of GMC for January through May 2005 with the issuance of the October 2005 preliminary invoice on December 27, 2005 with payment occurring on January 4, 2006. The CAISO issued invoices in which it credited Scheduling Coordinators' accounts for the January through May 2005 GMC that they had paid, and then billed Scheduling Coordinators the GMC for the same period 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 the first five months of 2005, Scheduling Coordinators initially paid a total GMC of \$78.0 million², based on the 2004 GMC rates filed on October 31, 2003. This amount was credited to Scheduling Coordinators on their October 2005 preliminary invoices. Application of the GMC rates under the Settlement resulted in rebilling a total of \$80.0 million. The difference of \$2 million represents additional GMC revenues due to adjustments not reflected in the original billing determinants and collection of the fixed \$75,000 monthly payment by MID to the CAISO. A total of \$0.2 million was paid in interest by Scheduling Coordinators, and \$0.1 million was paid out in interest to Scheduling Coordinators, as required by the Settlement. The CAISO reflected the \$2 million in additional GMC revenue and the net interest amount of \$0.1 million as an increase in CAISO's Financial and Capital Operating Reserve.

The CAISO is attaching as Attachment 1 workpapers showing the GMC adjustments by Scheduling Coordinator. Included 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 CAISO is seeking privileged treatment for this information under 18 C.F.R. § 388.112, consistent with treatment of similar information earlier in this proceeding, because it contains commercially sensitive confidential information regarding the charges that individual Scheduling Coordinators incurred in 2004. Because public disclosure of the charges would unnecessarily reveal sensitive information, the CAISO submits that this information should be

¹ In order to properly reflect adjustments to 2004 billing determinants subsequent to April 2005, the CAISO will perform a true-up of the 2004 GMC amounts to incorporate meter and other data changes. Those adjustments will be relative small and will be the subject of a future compliance refund report, when they are made.

² This amount represents the full GMC collected less the GMC revenues refunded to SDG&E pursuant to the SWPL Settlement Agreement.

³ *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).

exempt from public exposure and should be granted privileged treatment. The CAISO made available the information necessary to validate the original GMC billed amount invoiced in 2005 and the calculation of the amount based on the rates in the Settlement at the time of the December 27, 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,



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Counsel to the
California Independent System
Operator Corporation

Date: January 27, 2006

Attachment 1

Public Version

GMC Adjustment Workpapers

**California Independent System Operator
GMC Refunded/Rebilled for January - May 2005
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.
Public Version**

Business Associate ID	Scheduling Coordinator ID	NAME	Total GMC billed in Jan-May 2005	Total GMC rebilled per Settlement	Refund amount	Interest on Refund Amount
	PAC1	PacificCorp				
	VERN	City of Vernon				
	NCPA	Northern California Power Agency				
	APS1	Arizona Public Service Company-APS1				
	SRP1	Salt River Project				
	SCE1	Southern California Edison Company				
	APX1	Automated Power Exchange, Inc-APX1				
	SETC	Sempra Energy Trading Corporation				
	ECH1	Dynegy Power Marketing, Inc.				
	NES1	Reliant Energy Services, Inc.				
	CDWR	California Department of Water Resources				
	RVSD	City of Riverside				
	WESC	Williams Energy Marketing and Trading				
	TO02	San Diego Gas & Electric Co.				
	TO03	Southern California Edison Co.				
	BPA1	Bonneville Power Administration				
	SCE2	Southern California Edison-SCE2				
	MID1	Modesto Irrigation District				
	PNM1	Public Service Company of New Mexico				
	GLEN	City of Glendale				
	SNCL	City of Santa Clara, dba Silicon Valley Power				
	AEI1	Avista Energy Inc				
	PASA	City of Pasadena				
	ANHM	City of Anaheim				
	AZUA	City of Azusa				
	BAN1	City of Banning				
	CFE1	Comision Federal de Electricidad				
	AEPS	American Electric Power Service Corporation				
	EMMT	Edison Mission Marketing & Trading, Inc.				
	CRLP	Coral Power, LLC - CRLP				
	SEL1	Strategic Energy, LLC				
	MSCG	Morgan Stanley Capital Group, Inc.				
	NEI1	NewEnergy Inc.				
	PWRX	British Columbia Power Exchange				
	PCPM	PPM Energy, Inc.				
	CAL1	Cargill Alliant, LLC				
	PSCO	Public Service Company of Colorado				
	CPSC	Constellation Power Source Inc.				
	AZCO	Arizona Electric Power Cooperative, Inc.				
	SDG3	San Diego Gas & Electric, Merchant				
	SEES	Sempra Energy Solutions				
	CALP	Calpine Energy Services - CALP				
	APX3	Automated Power Exchange Inc-APX3				
	SDG4	San Diego Gas and Electric, Merchant				
	VSYN	VIASYN, INC - VSYN				
	PGAB	PACIFIC GAS & ELECTRIC COM.				
	TO05	Pacific Gas & Electric Com				
	CMWD	Calif. Department of Water Resources				
	WRDG	Western Area Power Admin.-Redding				
	SEL2	Strategic Energy LLC				
	EPME	El Paso Merchant Energy, L.P.				

**California Independent System Operator
GMC Refunded/Rebilled for January - May 2005
Pursuant to Partial Offer of Settlement in ER04-115-000, et.al.
Public Version**

Business Associate ID	Scheduling Coordinator ID	NAME	Total GMC billed in Jan-May 2005	Total GMC rebilled per Settlement	Refund amount	Interest on Refund Amount
	TEMU	TransAlta Energy Marketing (U.S.) Inc				
	UBSW	UBS AG				
	SCE5	Southern California Edison-SCE5				
	MWSC	Midway Sunset Cogeneration Company				
	HDPP	Constellation Power Source - HDPP				
	WEPA	Western Area Power Admin.-Eastside Power Authority				
	CNCO	ConocoPhillips Company				
	TO06	City of Azusa - PTO				
	TO07	City of Banning - PTO				
	TO09	City of Anaheim - PTO				
	TO10	City of Vernon - PTO				
	TO08	City of Riverside - PTO				
	WEMT	Williams Energy Marketing & Trading-WEMT				
	CEPL	Citadel Energy Products LLC				
	PCG2	Pacific Gas & Electric Company-PCG2				
	FPPM	FPL Energy Power Marketing, Inc.				
	MSG2	Morgan Stanley - MSG2				
	PCF1	Morgan Stanley - PCF1				
	CLTN	Coral Power, LLC - CLTN				
	CECO	Commerce Energy Corporation				
	OPSI	Occidental Power Services, Inc.				
	MRNT	Mirant, Inc. - MRNT				
	MNEV	Mirant, Inc. - MNEV				
	CTID	Coral Power, LLC - CTID				
	BLYE	Blythe Energy, LLC				
	MELD	Reliant Energy Services - MELD				
	CRLL	Coral Power, LLC - CRLL				
	DEMA	Duke Energy Marketing America-DEMA				
	ARON	J. Aron & Company - ARON				
	BPEC	BP Energy Company - BPEC				
	PIPO	Pilot Power Group, Inc.				
	CPA1	Calpine Energy Services - CPA1				
	IVLY	Coral Power, LLC - IVLY				
	WAES	AES Pacific, LLC				
	OPS2	Occidental Power Services-OPS2				
	MVPP	Mountain View Power Partners, LLC				
	MLCI	Merrill Lynch Commodities, Inc.				
	PPMT	PPM Energy, Inc.-PPMT				
	OPPL	Calpine Energy Services - OPPL				
	APX9	Automated Power Exchange-APX9				
	WFLS	Western Area Power Admin.-WFLS				
	WTRN	Western Area Power Admin.-WTRN				
	WNAS	Western Area Power Admin.-WNAS				
	WPUL	Western Area Power Admin.-WPUL				
	WPWR	Western Area Power Admin.-WPWR				
	WSNR	Western Area Power Admin.-WSNR				
	WMKT	Western Area Power Admin.-WMKT				
	NMSL	Pacific Gas & Electric Company-NMSL				
	TO11	City of Pasadena - PTO				
	TO12	Western Area Power Admin. - PTO				
	TO13	Trans-Elect NTD Path 15, LLC				
	DLTA	Mirant, Inc. - DLTA				
	MID4	Modesto Irrigation District - MID4				
	CPA3	Calpine Energy Services - CPA3				
	MMER	Mirant, Inc. - MMER				
		Totals	\$ 78,008,555	\$ 79,991,715	\$ 1,983,161	\$ 73,467

Notes

1. Sums may not add to totals due to rounding.
2. Total GMC in Jan-May 2005 refers to collections under the rate structure filed on October 31, 2003.
3. Total GMC rebilled per Settlement refers to collections under the rate structure defined in the Partial Offer of Settlement.
4. The refunding and re-invoicing of 2005 GMC took place on the October preliminary GMC invoice issued on December 27, 2005.
5. Interest was charged or paid at the applicable rate from each month's initial preliminary invoice payment date to January 4, 2006, the payment date for the October 2005 preliminary invoice.

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 27th day of January in the year 2006 at Folsom in the State of California.

Charity Wilson / by REM
Charity Wilson