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August 10, 2004

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

**Re: San Diego Gas & Electric Company
Docket Nos. EL00-95-000, et al.**

Dear Secretary Salas:

It has come to our attention that an error occurred in scanning Attachment A that resulted in several pages were inadvertently omitted in the Motion for Leave to File One Day Out of Time and Reply Comments of the California Independent System Operator Corporation on "Open Issues" in the Refund Proceeding e-filed with the Commission on August 9, 2004 in the above-referenced dockets. Attached please find Attachment A in its entirety. We apologize for any inconvenience this may have caused the Commission and other parties.

Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Michael Kunselman

Michael Kunselman
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Counsel for the California
Independent System Operator
Corporation

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 these 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 at Folsom, CA on this 10th day of August, 2004.

/s/ Gene L. Waas
Gene L. Waas



CALIFORNIA ISO

California Refund Proceeding Procedures and Timeline

**Presented to
FERC Staff**

**By California ISO
July 26, 2004**



Presentation Outline

- Prep Rerun and Refund Rerun Process.
 - Status and Timeline.
 - Dispute process/resolution.
 - Clarification.
 - PX bankruptcy.
 - GFN request.
 - Process for allocating fuel price and emissions.
 - Open issues/assumptions.
 - Imbalance energy accounting.
- Financial Settlement Phase – Mike Epstein.



Status/Timeline Comp

	Estimated Duration	Estimated Completion
Preparatory Rerun.		July 16, 2004.
Prep Rerun dispute period for SCs.	30 Business Days.	August 26, 2004.
ISO dispute research completion.	10 Business Days.	September 10, 2004.
Issuance of final complete CDs and compliance filing.	1 Week.	September 17, 2004.
Refund Rerun.	7 Weeks.	November 5, 2004.
Financial adjustment phase and compliance filing including adjustments for fuel price, emissions and interest.	6 Weeks.	December 17, 2004.



Assumptions/ Questions

- Refund Rerun production scheduled September 20 assumes no prior review of Prep Rerun compliance filing.
- No dispute period built into the refund rerun schedule will depend on notice/comment period on compliance filing.
- Financial Phase compliance filing split into 2 stages.
 - Including adjustments for fuel price, emissions, and interest
 - December 17, 2004.
 - Global settlements – After FERC approves compliance filing.



Prep Rerun Dispute Status

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Deadline	Past	Past	Past	Past	July 27, 2004	August 5, 2004	August 13, 2004	August 23, 2004	August 26, 2004
Disputes Filed	788	884	1241	634	162	140	0	0	0
Disputes Resolved	759	845	855	60	0	0	0	0	0
Disputes Still Open	29	39	386	574	162	140	0	0	0

Discussion



Miscellaneous Prep Rerun Process

- Clarifying Items in Monthly Reports
 - Cal PX Bankruptcy- Not an issue for Prep Reruns. Must be coordinated with ultimate financial clearing.
 - GFNs –the ISO doesn't contemplate entertaining Good Faith Negotiations/ADR on the refund period calculations.
 - Notice/comment period/FERC order on compliance filing will be final.



ISO Understanding of Emissions & Fuel Price Adjustment Allocations

- Emissions – Participants submit proposed credits to the commission for approval. Commission approves the emissions offsets.
- Fuel Price Adjustment – Participants submit potential adjustments to the Commission for approval. The Commission provides approved adjustments to the CAISO.



Allocation Issues

- CERS Surcharge

The ISO is currently working to identify whether any transactions eligible for surcharge exist.

- Fuel price Adjustment Allocation

- Emissions Allocation

The ISO is currently working on allocations.



Imbalance Energy Accounting

- Overview and how CERS transactions were accounted for.
- CERS transactions were handled as Out of Market.



Prep Rerun Compliance Filing Proposed Outline

1. Background.
2. Description of the process used in Prep Rerun.
3. Description on interaction with Market Participants during the rerun process.
4. Description of the Dispute Resolution Process.
5. Explanation of Procedures Used to Ensure Accuracy Quality Assurance.
6. Additional items that were not originally a part of A51 (as raised in the status reports).
7. Exhibit showing the delta for each scheduling coordinator – Baseline for the Prep Rerun versus the end point of the Prep Rerun – by month, by SC, January Split.



Part III - Financial Settlement Phase

- A. Process for completing this stage.
 - Including interest calculations, fuel price adjustments or other inputs.
- B. Process for calculating interest.
- C. Scope of compliance filing.
- D. Flow chart for refunds.
- E. Impact of global settlements on this process.



A - Process for Completing Financial Settlement Phase

1. Refund Compliance Filing includes for each participant by month the amounts for:
 - Preparatory rerun results.
 - Refund rerun results.
 - Fuel price adjustments.
 - Emission credits and
 - Interest.
2. Commission issues order on Cal Parties/ISO request for clarification of treatment of Generator Fines (CT485 charges).



A - Process for Completing Financial Settlement Phase

3. FERC issues order on Refund Compliance Filing.
4. ISO updates amounts based on FERC order.
5. ISO updates interest calculations.
6. ISO prepares invoices - one for each participant.
7. FERC order on CERS Jan-01 funds.
 - Order to re-invoice for pre and post Jan 17 creditors now moot.
8. ISO nets rerun invoices with prior invoices.



A - Process for Completing Financial Settlement Phase

9. ISO adjusts invoices to reflect global settlements.
10. Compliance Filing on final participant balances.
11. FERC orders funds from PG&E escrow to PX.
12. FERC orders payment of creditors by PX.
 - Issue if PX pays ISO creditors or ISO receives funds from PX to pay creditors under consideration.



B - Process for Calculating Interest

- 5 Components of Interest Calculations.
 - Reverse interest previously charged.
 - Calculate interest on existing invoices.
 - Calculate interest on refunds.
 - Reflect impact of reduced PX interest.
 - Adjust global settlements.



B - Process for Calculating Interest

- Reverse all interest charged for refund period.
 - Interest previously charged based on existing tariff.
 - Interest only charged debtors.
 - Interest used rate of prime + 2%.
 - ISO request for rehearing clarification of FERC order on interest in April 2004 as applied to refund period.
 - Request to follow refund orders for refund period.
 - April 2004 Order to collect interest back from creditors and distribute to creditors as interest on unpaid invoices.



B - Process for Calculating Interest

- Calculate interest on existing invoices.
 - Use FERC rates compounded quarterly.
 - Dates of activity
 - Use Collection or payment (clearing) date of invoice.
 - Date of subsequent collections, payments and offsets.
 - CERS re-invoicing effective on original clearing date.

- Calculate interest on refunds.
 - Use FERC rates compounded quarterly.
 - Use clearing date of invoice to which refund relates.



B - Process for Calculating Interest

- Reflect impact of reduced PX interest
 - PX allowed to use actual interest earned on cash on hand instead of FERC rate.
 - ISO request for rehearing to apply actual interest rate on funds held for refund of generator fines of \$40M.
 - What rate to use on PX receivable from PG&E.
 - PG&E has placed funds in escrow of \$1.6B.
 - Any shortfall to be applied to creditors and debtors.
 - Reduce interest owed to creditors on unpaid invoices.
 - Reduce interest on refunds owed by creditors and to load.
 - Cal Parties working group, PX and ISO in discussions on this subject.



B - Process for Calculating Interest

- Adjust global settlements.
 - Interest usually excluded from settlements.
 - Proposed to calculate interest on Global Settlements. to net against final interest calculations on invoices.
 - True up after completion of process.
 - Cal Parties working group, PX and ISO in discussions on this subject.



C - Structure of Compliance Filing

- Description of “Refund history” in FERC orders.
- Discussion of the process - MCP vs. MMCP.
- Description of interactions with market participants.
- Exhibits referred to earlier in presentation.
- Comparable to earlier filings in which summary information was provided.



C - Scope of Compliance Filing

- Compliance Report will not contain the impact of the Cal Parties global settlements.
 - Will be provided at a later date.
- Individual invoices will be created and “walled off”.
- Description of the “review” and comment process.
 - FERC sets comment period.



D – Flow Chart for the Refunds

- Summary:
 - ISO owes creditors \$2.5B and owed \$2.5B from PX.
 - Assume refunds of \$1.8B: \$900M to PX and \$900M to CERS.
 - Creditors owed \$2.5B reduced by \$1.8B to \$700M.
 - ISO owed \$1.6B from PX and owes \$900 to CERS and \$700M to creditors.



D – Flow Chart for the Refunds

- Example ignores effects of Global Settlements.
 - Reduced amounts owed to creditors and
 - Pre-fund refunds.
- PG&E:
 - Owes PX \$2B (before refunds).
 - Deposited \$1.6B in escrow.
- PX:
 - Has receivable from PG&E of \$2B and cash of \$1B.
 - Owes its participants \$500M and ISO \$2.5B.



D – Flow Chart for the Refunds

- ISO:
 - Receivable from PX and payable to creditors of \$2.5B.
 - Has cash of \$6M related to interest collected.
 - Waiting for FERC order to distribute to creditors.
- PX creditors owed \$500M.
- ISO refunds of \$1.8B.
 - 50% split between pre and post Jan 17th periods.
 - Post Jan 17th is when CERS purchasing commenced.
 - \$900M owed to PX and \$900M owed to CERS.
- Total PX (non-ISO) refunds of \$300M.
 - Refunds of split 50% to PG&E and SCE.



D – Flow Chart for the Refunds

- ISO Clearing
 - Creditors owed \$2.5B reduced by \$1.8B to \$700M.
 - CERS owed refund of \$900M.
 - PX receivable of \$2.5B reduced by \$900M to \$1.6B.
 - \$900M to CERS and \$700M to creditors.



D – Flow Chart for the Refunds

- PX Clearing
 - Creditors owed \$500M reduced by \$300M to \$200M.
 - ISO owed \$2.5B reduced by \$900M to \$1.6B.
 - PX owes creditors \$1.8B ($\$200M + \$1.6B$).
 - PX bills PG&E escrow for \$900M (50% of \$1.8B).
 - PX pays creditors \$1.8B.
 - PX refunds remaining cash on hand of \$100M.
 - $\$1B + \$900MB = \$1.9B$ less \$1.8B.
 - PX residual receivables, payables and cash = \$0.
- PG&E Escrow.
 - PG&E pays PX \$900M from escrow.
 - Remaining escrow of \$700M ($\$1.6B$ less \$900M).



E – Impact of Global Settlements

- Global Settlements provide benefits including:
 - Provide early distribution of funds.
 - Settlement of claims between parties.
- Global Settlements are advances on final invoices produced by ISO and PX
- Global Settlements would not be reflected in compliance filing.
- Adjusting final invoices to reflect global settlements done after all the dust settles.
 - Could be done as part of release of funds from PX.