

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FAX (202) 424-7643
WWW.SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
(212) 973-0111 FAX (212) 891-9598

June 10, 2003

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

**Re: Report Required by March 12, 2003 Order in Docket
Nos. EL00-111-002, EL01-84-000, and ER01-607-001**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO")¹ hereby provides, in compact disk format, the report ("Report") required by the Commission's March 12, 2003 Order in the captioned dockets, *Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California, et al. v. California Independent System Operator Corporation*, 102 FERC ¶ 61,274 ("March 12 Order"). In the March 12 Order, the Commission directed the ISO to: indicate separately in the Report the amounts of the charges included in the invoiced "neutrality costs" for each hour of the time period from June 1, 2000 through December 31, 2000 that were credited or debited under the five lettered subsections of Section 11.2.9 of the ISO Tariff (titled Neutrality Adjustments), and the amounts of the charges included in the invoiced neutrality costs for that time period that were recoverable other than under Section 11.2.9, for each Scheduling Coordinator; apply an hourly limitation of \$0.095/MWh to the neutrality adjustments credited or debited under Section 11.2.9 for that time period; and show in the Report the recalculations and reassessments of charges applicable to Scheduling Coordinators based on the separation of costs and the application of the \$0.095/MWh hourly limitation. See March 12 Order at PP 42-43, 46-47, and ordering paragraph (C).

¹ Capitalized terms that are not defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

The Report comprises worksheets called Read Me File, Section 11.2.9 Worksheet, and Charge Type 1010 Worksheet. The Report hereby provided to the Commission contains information concerning each Scheduling Coordinator; this information may be commercially sensitive. Therefore, the ISO respectfully requests that the entire Report provided to the Commission be granted privileged treatment pursuant to 18 C.F.R. § 388.112 (2003).² In addition, the ISO, to maintain the confidentiality of information that may be commercially sensitive, is providing to each Scheduling Coordinator a truncated version of the Report containing only the information concerning that particular Scheduling Coordinator. The ISO does not intend to provide to the Scheduling Coordinators the Report being provided to the Commission unless directed to do so by the Commission.

Read Me File

The Read Me File provides descriptions of the subject headings used in each of the worksheets, as well as a table ("Table A") containing information needed as the starting point for calculating the costs credited or debited under Section 11.2.9 for each Scheduling Coordinator for each hour of the time period from June 1, 2000 through December 31, 2000.³

Column in Table A Titled "Month End"

This column shows the date on which each month during the time period from June 1, 2000 through December 31, 2000 ended.

Column in Table A Titled "Total Per Month"

This column shows the sum of the costs credited or debited under the five lettered subsections of Section 11.2.9 of the ISO Tariff for each month during the time period from June 1, 2000 through December 31, 2000. The ISO Settlements process requires that the amounts shown in the column be calculated as of the end of each month, rather than day by day or hour by hour. As explained below, the only subsection that has a calculable dollar value other than zero is Section 11.2.9(c). Therefore, the amounts shown in the column are solely costs credited or debited under Section 11.2.9(c).

² The Report identifies each Scheduling Coordinator by its Business Associate identification number, or "BAID." For ease of reference, the ISO attaches to the Commission's version of the present filing a list of all of the BAIDs for the Scheduling Coordinators that existed during the time period from June 1, 2000 through December 31, 2000, and the names of the Scheduling Coordinators identified by the BAIDs, for which the ISO also requests privileged treatment pursuant to 18 C.F.R. § 388.112. This attachment is not provided along with each Scheduling Coordinator's version of the present filing; each Scheduling Coordinator already knows its own BAID.

³ As explained in the Read Me File, in cases where an individual Scheduling Coordinator has been provided with worksheets that include headers but no data, that fact indicates that the Scheduling Coordinator did not incur any transactions during the time period.

Moreover, the amounts shown in the column are the total amounts calculated for the entire market (rather than calculated Scheduling Coordinator by Scheduling Coordinator), as required by Section 11.2.9(c), discussed *infra*.⁴ For example, as of the end of June 2000, the amount of costs credited or debited under Section 11.2.9(c) with regard to the entire market was (\$798.11).

As mentioned above, the only subsection of Section 11.2.9 that has a calculable dollar value other than zero is Section 11.2.9(c):

- Section 11.2.9(a) authorizes the ISO to make neutrality adjustments in regard to amounts required to round up any invoice amount expressed in dollars and cents to the nearest whole dollar in order to clear the ISO Clearing Account. The ISO has not made any neutrality adjustments pursuant to Section 11.2.9(a), i.e., there is a zero dollar impact associated with this subsection.
- Section 11.2.9(b) authorizes the ISO to make neutrality adjustments concerning amounts in regard to penalties that may be levied by the ISO in accordance with the ISO Tariff. The ISO levied no penalties during the time period from June 1, 2000 through December 31, 2000. Therefore, the ISO did not make any neutrality adjustments pursuant to Section 11.2.9(b), i.e., there is a zero dollar impact associated with this subsection.
- Section 11.2.9(c) authorizes the ISO to make neutrality adjustments in regard to amounts required to reach an accounting trial balance of zero in the course of the Settlement process in the event that the charges calculated as due from ISO Debtors are lower than payments calculated as due to the ISO Creditors for the same Trading Day. The dollar impacts associated with this section are the amounts shown in the column of Table A titled "Total Per Month," because the ISO has determined that the only neutrality adjustments that have a calculable dollar value other than zero are those credited or debited pursuant to Section 11.2.9(c).⁵ Note that amounts required to reach an accounting trial balance of zero are calculated with regard to all ISO Debtors and all ISO Creditors (i.e., the entire market), rather than on an individual Scheduling Coordinator basis.
- Section 11.2.9(d) authorizes the ISO to make neutrality adjustments in regard to amounts required with respect to payment adjustments for regulating Energy as calculated in accordance with Section 2.5.27.1 of the ISO Tariff. The ISO's Settlements system does not supply or allow for any method that would permit the ISO to identify separately the amounts required with respect to such payment

⁴ The amounts to be debited or credited to each Scheduling Coordinator are determined as shown in the Section 11.2.9 Worksheet, discussed below.

⁵ Costs credited and debited pursuant to Section 11.2.9(c) were included solely in Charge Type 1999 in the invoices provided by the ISO during the time period from June 1, 2000 through December 31, 2000. On a prospective basis starting with the Settlement Statements to be sent to Scheduling Coordinators on Trading Day August 1, 2003, the ISO commits to include such costs solely in Charge Type 1010.

adjustments; the amounts are an undifferentiable part of Imbalance Energy. Because these amounts cannot be identified separately, they must be considered to be amounts for Imbalance Energy not falling under Section 11.2.9(d), i.e., these amounts must be assigned a neutrality adjustment value of zero. These amounts are credited and debited along with other Imbalance Energy.

- Section 11.2.9(e) authorizes the ISO to make neutrality adjustments in regard to awards payable by or to the ISO pursuant to good faith negotiations or ISO ADR Procedures that the ISO is not able to allocate to or collect from a Market Participant or Market Participants in accordance with Section 13.5.3 of the ISO Tariff. For the time period from June 1, 2000 through December 31, 2000, there were no awards that fell under the provisions of Section 11.2.9(e), i.e., there is a zero dollar impact associated with this subsection.

Note that all of the amounts shown in the column in Table A titled "Total Per Month" are negative amounts.

Column in Table A Titled "Count of Hours"

This column shows the number of hours in each month shown in Table A (e.g., the number of hours in June 2000 was 720).

Section 11.2.9 Worksheet

Column Titled "Monthly Charge"

This column shows the costs credited or debited pursuant to Section 11.2.9(c) for each month of the time period from June 1, 2000 through December 31, 2000, calculated on a Scheduling Coordinator by Scheduling Coordinator basis. (The version of the Section 11.2.9 Worksheet provided to the Commission contains these amounts for each of the Scheduling Coordinators during the time period; the version of the Section 11.2.9 Worksheet provided to each individual Scheduling Coordinator only contains the costs credited or debited to the Scheduling Coordinator for the time period.)

As explained above, costs credited or debited pursuant to Section 11.2.9(c) must be calculated on a monthly basis. Therefore, the amounts of costs shown in the column are also monthly amounts. The amounts of costs shown in the column were determined by allocating the total costs credited or debited pursuant to Section 11.2.9(c) for each month to the Scheduling Coordinators pro rata to their monthly metered Demands. For example, the costs credited or debited pursuant to Section 11.2.9(c) shown in the column titled "Total Per Month" in Table A as of the end of June 2000, which amounted to (\$798.11) for the entire market, were allocated to Scheduling Coordinators pro rata to

their metered Demands for the month of June 2000, and the results of this allocation are shown in the column titled "Monthly Charge" in the Section 11.2.9 Worksheet.

Column Titled "Hourly Rate"

This column shows the amounts of costs credited or debited pursuant to Section 11.2.9(c) for each hour of each month for the time period from June 1, 2000 through December 31, 2000, calculated on a Scheduling Coordinator by Scheduling Coordinator basis. (The version of the Section 11.2.9 Worksheet provided to the Commission contains these amounts of costs for each of the Scheduling Coordinators during the time period; the version of the Section 11.2.9 Worksheet provided to each individual Scheduling Coordinator only contains the costs credited or debited to that Scheduling Coordinator for the time period.)

These amounts of costs were calculated in accordance with the allocation methodology explained in Section 11.2.9(c), which provides that charges under the subsection "will be allocated amongst the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day. In the event that the charges due from ISO Debtors are higher than the payments due to ISO Creditors, the ISO shall allocate a payment to the Scheduling Coordinators who traded on that Trading Day pro rata to their metered Demand (including exports) in MWh of Energy for that Trading Day." In order to calculate the amounts shown in this column in the Section 11.2.9 Worksheet titled "Hourly Rate," the allocated amount for each Scheduling Coordinator shown for a given month in the column titled "Monthly Charge" in the Section 11.2.9 Worksheet was divided by the number of hours in that month as shown in the column titled "Count of Hours" in Table A in the Read Me File.

The resulting amounts are the amounts of costs credited or debited pursuant to Section 11.2.9(c) for each hour of each month for the time period from June 1, 2000 through December 31, 2000, calculated on a Scheduling Coordinator by Scheduling Coordinator basis. The amounts shown in the column are without exception below the neutrality limitation of \$0.095/MWh that the Commission, in the March 12 Order, directed should be applied with regard to each Scheduling Coordinator in each hour during the time period from June 1, 2000 through December 31, 2000. See March 12 Order at P 42-43, 46-47. Indeed, all of the amounts shown in the column are negative amounts. Because no neutrality adjustment amounts were levied in excess of the \$0.095/MWh neutrality limitation, the ISO's recalculation of neutrality adjustment amounts does not result in any changes to the costs that were credited or debited to Scheduling Coordinators during that time period.

Charge Type 1010 Worksheet

This worksheet shows, on a Scheduling Coordinator by Scheduling Coordinator basis, the amounts of the charges included in the invoiced Charge Type 1010 amounts

that were recoverable other than under Section 11.2.9, for each hour of the time period from June 1, 2000 through December 31, 2000. As directed in the March 12 Order, amounts recoverable other than under Section 11.2.9 are not to be used in determining neutrality costs and are to be separated from Section 11.2.9 amounts. (The version of the Charge Type 1010 Worksheet provided to the Commission contains these amounts of charges for each of the Scheduling Coordinators during the time period; the version of the Charge Type 1010 Worksheet provided to each individual Scheduling Coordinator only contains that Scheduling Coordinator's charges for the time period.)

In the Charge Type 1010 Worksheet, the trade dates for the time period are shown in the second column from the left, and each hour for each of the trade dates is represented in one of the columns starting with the fourth column from the left and ending with the next-to-last column on the right.⁶ The third column from the left (headed by the symbol "<>") shows charges that were uploaded into the ISO Settlements system for which no hour was assigned. The last column on the right of the worksheet shows the total of the amounts for each row, i.e., for each Scheduling Coordinator on each trade date.

Based on the Results of the ISO's Efforts, the ISO Does Not Believe Further Action Needs to Be Taken Concerning the Amounts Shown in the Report

As explained above in the description of the Section 11.2.9 Worksheet, the ISO's recalculation of neutrality adjustment amounts does not result in any changes to the costs that were credited or debited to Scheduling Coordinators during the time period from June 1, 2000 through December 31, 2000, because the costs credited or debited under Section 11.2.9 do not exceed \$0.095 for any Scheduling Coordinator for any hour. If the ISO were required to send revised invoices to Scheduling Coordinators following the ISO's recalculation, in order to distinguish the amounts appropriately listed under the neutrality adjustment category from the amounts not appropriately listed there, the *total* amounts on the revised invoices would be the same as the total amounts on the original invoices. For this reason, the ISO respectfully submits that preparing and sending revised invoices to the Scheduling Coordinators would be a purposeless expenditure of time and resources. Therefore, the ISO does not intend to send out revised invoices unless ordered by the Commission to do so.

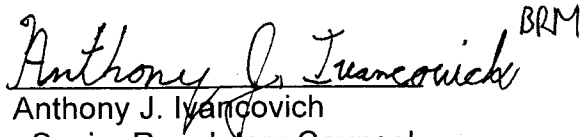
Moreover, because the revised invoice amounts would be the same as the original invoice amounts, and because the Scheduling Coordinators have already seen in Charge Type 1999 in their original invoices the only calculable dollar amounts credited or debited pursuant to Section 11.2.9 (i.e., costs credited or debited pursuant to Section 11.2.9(c)), the ISO believes it would be pointless to send out revised invoices that simply moved the costs credited or debited pursuant to Section 11.2.9(c) from Charge Type 1999 to Charge Type 1010. For similar reasons, the ISO believes it would be pointless to "break out" the separate costs recoverable other than under Section

⁶ As shown in the worksheet, for October 29, 2000 there was a twenty-fifth hour due to daylight savings time.

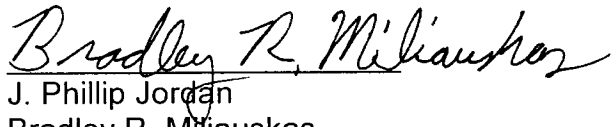
11.2.9, for each Scheduling Coordinator, for each hour of the time period from June 1, 2000 through December 31, 2000. The ISO does not intend to do these things unless the Commission so orders.

However, the ISO does believe that, on a *prospective* basis, costs credited or debited pursuant to Sections 11.2.9(a), 11.2.9(b), 11.2.9(c), and 11.2.9(e) should be included solely in Charge Type 1010, and that costs recoverable other than under Section 11.2.9 should be broken out. Therefore, the ISO commits to show only the costs credited or debited pursuant to these subsections of Section 11.2.9 in Charge Type 1010 on Settlement Statements starting with the Settlement Statements to be sent to Scheduling Coordinators on Trading Day August 1, 2003.⁷ The ISO also commits to include the costs recoverable other than under Section 11.2.9 in separate accounts rather than in Charge Type 1010, starting with the Settlement Statements to be sent to Scheduling Coordinators on Trading Day August 1, 2003.

Respectfully submitted,

 ^{BRM}

Anthony J. Ivanovich
Senior Regulatory Counsel
Gene L. Waas
Regulatory Counsel
The California Independent
System Operator Corporation
151 Blue Ravine Road
Folsom, California 95630
Tel: (916) 608-7135
Fax: (916) 608-7296



J. Phillip Jordan
Bradley R. Miliauskas
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7643

⁷ As explained above, costs credited or debited pursuant to Section 11.2.9(d) are an undifferentiable part of Imbalance Energy; it is not possible for the ISO Settlements system to separate them. Therefore, such costs will continue to be included in the charge type for Imbalance Energy rather than in Charge Type 1010.