

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

San Diego Gas & Electric Company,)	
)	
Complainant,)	
)	
v.)	
)	Docket No. EL00-95-045
)	
Sellers of Energy and Ancillary Services)	
Into Markets Operated by the California)	
Independent System Operator and the)	
California Power Exchange,)	
Respondents.)	
)	
Investigation of Practices of the California)	
Independent System Operator and the)	Docket No. EL00-98-042
California Power Exchange)	
)	

**STATUS REPORT BY THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION REGARDING RECALCULATION OF MITIGATED PRICE
PURSUANT TO DECEMBER 19 ORDER**

**To: The Honorable Bruce L. Birchman,
Presiding Administrative Law Judge**

I. INTRODUCTION

This submission is in response to the December 20, 2001 Order of the Presiding Judge requesting that the ISO provide advice as to when certain information could be filed consistent with the Commission's December 19th Order on Rehearing. Specifically, the ISO will be required to recalculate mitigated prices to reflect the single methodological change directed by the Commission – calculation of the mitigated price based on the highest cost gas-fired unit located in either the northern or southern zone

(based on heat rate multiplied by the applicable zonal gas cost).¹ As this is the only methodological change required of the ISO by the Commission's Order, the ISO believes that it can file revised mitigated prices reflecting this change, together with explanatory supplementary testimony, by January 10, 2002.

The Commission's Order does not modify in any respect the basis upon which heat rates already were calculated by the ISO. There is no need, therefore, to refile the already provided heat rate calculations upon which mitigated prices were developed.

Similarly, the ISO does not believe that anything in the Commission's Order affects the validity of the submission it already has made with respect to the 202(c) issues. Accordingly, there is no need for any further supplementation of what already has been filed.

At the time of the Commission's December 6th Order staying the schedule, the ISO had completed and circulated to the parties the settlement rerun required by the Presiding Judge's earlier Order. It is the ISO's strong recommendation that, if settlement runs are to be at issue at all at this juncture, that that rerun be the focus of attention, together with the supporting testimony that can soon be filed.

In light of the Presiding Judge's admonition, we will not further suggest why bifurcation is appropriate, but note simply that even if a staged approach is not adopted, there is neither need nor justification for a further resource and time-consuming settlement run at this time simply to incorporate changes that will be made in the mitigated prices. Based upon preliminary estimates, it is our current judgment that the

¹ Previous calculations by the ISO followed the methodology outlined in the July 25 Order, in which the marginal unit was based on the gas-fired unit with the highest heat rate of those dispatched in the ISO's real time market.

required modification in the calculated mitigated prices will have a quite modest effect on the settlement rerun that has already been completed.² Accordingly, even if bifurcation is not adopted, the ISO requests that the hearing on issues 2 and 3 proceed on the basis of the recently completed and circulated settlement reruns, with any required “fine-tuning” (including the incorporation of revised mitigated prices) being reserved for a post-decisional compliance phase.

Respectfully submitted,

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December 28, 2001

² Based on initial calculations of the revised mitigated prices, when combined with data on transactions prices and quantities for real-time energy and ancillary services already distributed in these proceedings, it appears that the overall change in refunds from sellers due to the single modification in the December 19 Order would approximate 3.5%.

Certificate of Service

I hereby certify that I have this day arranged for the foregoing document to be served electronically upon the ListServ and by first class mail upon persons designated in the restricted service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 28th day of December, 2001.

Edward Berlin