

May 9, 2001

Barry R. Wallerstein
Executive Officer
Southern California Air Quality Management District
21865 E. Copley Drive
Diamond Bar, CA 91765

Re: San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services
Into Markets Operated by the California Independent System Operator and the
California Power Exchange, Docket No. EL00-95-017.

Dear Mr. Wallerstein:

In its March 9, 2001 order issued in San Diego Gas & Electric Company, et al., Docket No. EL00-95-017, et al., 94 FERC ¶ 61,245 (2001), reh'g pending, the Federal Energy Regulatory Commission established for the period January to April 2001 (recently extended until May 28, 2001) a just and reasonable "rate screen" for the California real-time wholesale electric power market. Electricity sold at prices above the screen, which the Commission calls a "proxy market clearing price," either will be refunded, offset or further investigation will be undertaken.

An element of the proxy market clearing price is NOx allowance costs. The Commission is using the average monthly NOx allowance costs from the Southern California Air Quality Management District NOx Auction as reported by Cantor Fitzgerald Environmental Brokerage Services.

Parties in this proceeding have notified the Commission of the Southern California Air Quality Management District's Rule 118 Executive Order #01-03, executed on February 8, 2001, which appears to reduce the NOx emission costs for certain electric generators. In order for Commission staff to better understand the impact of this Executive Order, I request that you respond to the following questions:

First, please explain how the provisions of the Executive Order apply to and what are the practical implications for electric generators. Please list the generating units to which this Order applies. What are the cost implications of deducting RTCs from the facility's allocations for the subsequent compliance year 2003?

Second, over what period has the suspension of rules for RECLAIM-power producing

facilities having the capacity to produce 50 MW or more been in effect?

Third, facility operators are to pay the District a mitigation fee at the time of the quarterly or annual report required by Rule 2004. Have these payments and reports been made by electric generators? If so, please provide the Commission a copy of the reports and records of the payments. If the payments and reports have not been received, when do you expect them to be made? Please provide the Commission a copy of the reports and records of the payments when you receive them.

Fourth, the Executive Order requires facilities to provide written notification 24 hours prior to generating excess emissions. Please provide the Commission copies of these notifications.

Fifth, the Commission is relying on one emissions broker for information on NOx emission allowance costs. Are there other brokers? If so, please identify them.

I would appreciate a response as soon as possible, hopefully not later than five business days after receipt of this letter. Please file your response with the Commission's Secretary, Federal Energy Regulatory Commission, 888 First Street NW, Washington, DC 20426.

If you have any questions about this data request, contact William Booth at (202) 208-0849. Thank you in advance for your assistance.

Sincerely,

Daniel Larcamp
Director, Office of Markets, Tariffs, & Rates