

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeem G. Kelly.

California Independent System Operation Corporation   Docket Nos.   ER04-115-002,  
ER04-115-003,  
EL04-47-002, and  
EL04-47-003

Pacific Gas & Electric Company  
Docket Nos.   ER04-242-001,  
EL04-50-001, and  
ER05-367-001

ORDER APPROVING UNCONTESTED SETTLEMENT

(Issued September 22, 2005)

1.     On June 8, 2005, the California Independent System Operator Corporation (ISO) and San Diego Gas & Electric Company (SDG&E) filed a settlement to resolve the remaining issue in the above-captioned dockets, the application of the Grid Management Charge (GMC) to the energy schedules by Arizona Public Service Company (APS) and Imperial Irrigation District (IID) on their respective ownership shares of the Southwest Power Link (APS/IID SWPL Transactions).<sup>1</sup>

2.     On June 28, 2005, the Cities of Redding and Santa Clara, California, and the M-S-R Public Power Agency (collectively, Cities/M-S-R) filed comments on the settlement. Although Cities/M-S-R did not oppose the settlement, comments were submitted because they perceived a lack of clarity in the settlement. Specifically, the Cities/M-S-R want the ISO to identify what mechanism the ISO intends to use to recover the “shortfall” between the amount to be refunded to SDG&E for the GMC and the

---

<sup>1</sup> The parties also made certain other commitments that the parties state they are not asking the Commission to address here.

amount the ISO will collect from SDG&E as a “Line Operator Charge.” On June 29, 2005, Pacific Gas and Electric Company (PG&E) filed comments stating that it does not oppose the settlement, but suggesting that the ISO has failed to specify how and where it intends to obtain the \$39 million it will refund to SDG&E. Trial Staff, on June 28, 2005, filed comments not objecting to the certification of the settlement, but raising concerns. Trial Staff expresses concern that the other matters addressed by the parties, but which are not at issue, may not be easily segregable from what is at issue here. Trial Staff also expresses concern that the development of a charge agreed to by the parties is addressed in another pending proceeding. Finally, Trial Staff expresses concern as to how the refunds agreed to may affect rates charged to others. Trial Staff also notes that the approval of the settlement arguably may reverse the treatment of GMC rates or charges for APS/IID SWPL Transactions. Finally, IID filed comments opposing the settlement, but subsequently withdrew its comments.

3. On July 8, 2005, the ISO filed reply comments. The ISO explains, among other things, that refunds will be offset by the historical and the 2005 and 2006 Line Operator Charges the ISO collects from SDG&E and any differential between the refunds and the Line Operator Charge revenue will be accounted for in the ISO’s operating reserve, and no shortfall will be allocated to and collected from Market Participants in the form of settlement adjustments. Therefore, the ISO states that the settlement thus will not impact any GMC rates or charges to other Market Participants. The ISO also notes that the only matter properly before the Commission in these dockets is the settlement between the ISO and SDG&E of past, paid GMC rates and charges on the APS/IID SWPL Transactions. The ISO states that the other matters to which Trial Staff refers are the subjects of separate proceedings before the Commission, and that approval of the settlement in this proceeding would not be legally binding nor precedential in any other matter. The ISO also argues that approval of the settlement would not overturn settled precedent.

4. On July 13, 2005, SDG&E filed reply comments and PG&E filed supplemental comments. SDG&E states that the ISO’s reply comments detail how it will fund the refunds, and that such refunds will not lead to increased charges to others. PG&E states that it supports the ISO’s offer: (1) to provide a refund report regarding the GMC portion of the settlement; and (2) to address the allocation of the non-GMC portion of the settlement in a separate proceeding.

5. The presiding judge certified the settlement, as uncontested, to the Commission on July 20, 2005.

6. Given that the settlement resolves the remaining issue and that none of the parties, in fact, oppose certification or approval, and given that the concerns raised have been fully addressed by the reply comments, we find that the settlement agreement is in the public interest and is hereby approved. The Commission’s approval of this settlement

does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission retains the right to investigate the rates, terms and conditions under the just and reasonable and not unduly discriminatory or preferential standard of section 206 of the Federal Power Act, 16 U.S.C. § 824e (2000).

7. The Commission will require the ISO to file a refund report within thirty days from the date each payment is made.

8. This order terminates Docket Nos. ER04-115-002, ER04-115-003, EL04-47-002, EL04-47-003, ER04-242-001, EL04-50-001 and ER05-367-001. New subdockets will be assigned upon receipt of the required refund reports.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.