
**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

CITY OF VERNON

**UTILITY DISTRIBUTION COMPANY
OPERATING AGREEMENT**

UTILITY DISTRIBUTION COMPANY OPERATING AGREEMENT

THIS OPERATING AGREEMENT is dated this 13th day of December, 2000 and is entered into, by and between:

- (1) **The City of Vernon, a municipal corporation of the State of California** having its registered and principal place of business located at **4305 Santa Fe Avenue, Vernon, California 90058** (the "UDC");
and
- (2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

The UDC and the ISO are hereinafter referred to as the "Parties".

Whereas:

- A. The purpose of this Operating Agreement is to establish the rights and obligations of the UDC and the ISO with respect to the UDC's cooperation and coordination with the ISO to aid the reliability and the operational control of the ISO Controlled Grid and the UDC's Distribution System.
- B. The UDC owns and operates a Distribution System within the ISO Control Area subject to the authority of a Local Regulatory Authority.
- C. The UDC wishes to transmit Energy and/or supply Ancillary Services to or from the ISO Controlled Grid under the terms and conditions set forth in the ISO Tariff and the Laguna Bell-Vernon Interconnection Service Agreement between the UDC and Southern California Edison Company. The UDC also wishes to support and be part of the coordinated response to System Emergencies and to System Reliability concerns relating to the ISO Controlled Grid.
- D. The ISO has certain statutory obligations under California law to maintain the reliability of the ISO Controlled Grid.
- E. This Operating Agreement obligates the UDC and the ISO to comply with the relevant sections of the ISO Tariff, the ISO Operating Procedures and the ISO Specifications.
- F. The UDC intends to coordinate with Southern California Edison Company the planning and implementation of any expansions or modifications of the UDC's systems that will affect their interconnection, the ISO Controlled Grid or the transmission services to be required by the UDC.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

**ARTICLE I
DEFINITIONS AND INTERPRETATION**

1.1 Master Definitions Supplement. Unless defined in Section 1.2 of this Operating Agreement, all terms and expressions used in this Operating Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

1.2 Special Definitions for this Operating Agreement. In this Operating Agreement, the following words and expressions shall have the meanings set opposite them:

“ISO Specifications” means those standards pertaining to the areas of operation listed in Article IV of this Operating Agreement, approved by the ISO to establish detailed technical performance and reliability parameters associated with the ISO Tariff, as those standards may be amended from time to time.

“ISO Operating Procedure” means those procedures pertaining to the areas of operation listed in Article IV of this Operating Agreement, created by the ISO to establish detailed operating practices associated with general provisions required in the ISO Tariff, as those standards may be amended from time to time.

“Underfrequency Load Shedding (UFLS)” means automatic Load Shedding, accomplished by the use of such devices as underfrequency relays, intended to arrest frequency decline and assure continued operation within anticipated islands.

1.3 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Operating Agreement:

- (a) if there is any inconsistency between this Operating Agreement and the ISO Tariff, the ISO Tariff will prevail to the extent of the inconsistency;
- (b) the singular shall include the plural and vice versa;
- (c) the masculine shall include the feminine and neutral and vice versa;
- (d) “includes” or “including” shall mean “including without limitation”;
- (e) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Operating Agreement, as the case may be, unless the context otherwise requires;
- (f) a reference in this Operating Agreement to a given agreement, instrument or the ISO Tariff shall be a reference to that agreement, instrument or the ISO Tariff as modified, amended, supplemented or restated through the date as of which such reference is made;

- (g) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (h) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (i) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (j) any reference to a day, week, month or year is to a calendar day, week, month or year; and the captions and headings in this Operating Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Operating Agreement.

ARTICLE II TERM AND TERMINATION

- 2.1 Effective Date.** This Operating Agreement shall be effective as of the later of the date it is executed by the Parties or the date accepted for filing and made effective by the FERC and shall remain in full force and effect until the earlier of the termination date, the termination of the TCA, the effective date of the Metered Subsystem Agreement with the ISO, if the UDC enters into such an agreement, or such other date as the Parties shall mutually agree. With respect to any such termination, the ISO must file a timely notice of termination with FERC, and this Operating Agreement shall terminate upon acceptance by FERC of such a notice of termination.
- 2.2 Termination Date.** Either Party (the terminating Party) may terminate this Operating Agreement by giving written notice in the event that the other Party (the defaulting Party) commits any default under this Operating Agreement and/or the ISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article X of this Operating Agreement. With respect to any notice of termination given pursuant to this Section, the ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request. This Operating Agreement shall terminate upon acceptance by FERC of such a notice of termination.
- 2.3 Termination Pursuant to the TCA.** If the UDC is a party to the Transmission Control Agreement ("TCA"), this Operating Agreement shall terminate upon the

effective date of the UDC's withdrawal from the TCA in accordance with Section 3.3 of the TCA, provided, however, that first the ISO shall have filed a timely notice of termination with FERC and FERC shall have accepted such notice of termination. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request.

ARTICLE III GENERAL TERMS AND CONDITIONS

- 3.1.1 Facilities Under ISO Operational Control.** Parties shall identify on Schedule 1 those facilities of the UDC that the Parties mutually agree will be placed under the ISO's operational control pursuant to section 4.9 of the ISO Tariff. In the event that a Party invokes the dispute resolution provision identified in Section 7.1 of this Operating Agreement, such dispute shall be resolved based upon whether the ISO's control over such disputed facilities is essential to meeting the Applicable Reliability Criteria, as defined in the ISO Tariff. With respect to each facility identified in Schedule 1, the Parties shall negotiate the extent of the ISO's operational control in order to meet said standard.
- 3.1.2 Facilities Financed by Local Furnishing Bonds or Other Tax-Exempt Bonds.** This Section 3.1.2 applies only to facilities which are under the operational control of the ISO and are owned by a UDC with Local Furnishing Bonds or other tax-exempt bonds. Nothing in this Operating Agreement shall compel (and the ISO is not authorized to request) any UDC with Local Furnishing Bonds, or other tax-exempt bonds, to violate restrictions applicable to facilities which are part of a system that was financed in whole or part with Local Furnishing Bonds or other tax-exempt bonds. The UDC shall cooperate with and provide all necessary assistance to the ISO in developing specific schedules to be included in executed Operating Agreements with such UDC to meet the intent of Section 3.1.1 of this Operating Agreement.
- 3.2 Agreement Subject to ISO Tariff.** This Operating Agreement shall be subject to the provisions of the ISO Tariff which shall be deemed to be incorporated by reference herein, as the same may be changed or superseded from time to time pursuant to Sections 16.1 and 20.1.3 of the ISO Tariff. The Parties agree that they will comply with Section 4, and any other applicable provisions, of the ISO Tariff.
- 3.3 Operation of ISO Controlled Grid.** The ISO shall operate the ISO Controlled Grid in accordance with the ISO Tariff and the Transmission Control Agreement to which it is a party.

- 3.4.1 Compliance with ISO Specifications and ISO Operating Procedure.** The UDC will abide by and will perform all of the obligations under the ISO Specifications and the ISO Operating Procedure placed on UDCs in respect of all matters set forth therein as the same may be changed or superseded from time to time pursuant to the procedures set forth in Sections 16.1 and 20.1.3 of the ISO Tariff. In the event of any conflict or dispute over interpretation, the ISO Tariff shall, at all times, take precedence over the ISO Specifications and ISO Operating Procedure. The ISO shall not implement any reliability requirements, operating requirements or performance standards that would impose increased costs on the UDC without giving due consideration to whether the benefits of such requirements or standards are sufficient to justify such increased costs. In any proceeding concerning the cost recovery by the UDC of capital and operation and maintenance costs incurred to comply with ISO Specifications and Operating Procedure, the ISO shall, at the request of the UDC, provide specific information regarding the nature of, and need for, the ISO-imposed requirements or standards to enable the UDC to use this information in support of cost recovery through rates and tariffs.
- 3.4.2 Review of Specifications and Operating Procedure.** The ISO shall periodically review with the UDC the ISO Specifications and Operating Procedure and, through the Grid Reliability and Operations Committee process, shall modify the specifications and/or Operating Procedure as necessary.
- 3.4.3 Periods When Compliance is Required.** While awaiting dispute resolution or regulatory review, the UDC shall not be required to comply with changes to the ISO Specifications and/or Operating Procedure, except where compliance is necessary in order to prevent or remedy an imminent System Emergency.
- 3.5 Scheduling Coordinator Certification.** The UDC shall ensure that any Scheduling Coordinator through which it schedules Energy and Ancillary Services to or from the ISO Controlled Grid is appropriately certified in accordance with Section 2.2.3 and 2.2.4 of the ISO Tariff in accordance with the list of Scheduling Coordinators established by the ISO on WEnet.
- 3.6 Single Point of Contact.** The ISO and the UDC shall each provide a single point of contact on a 24-hour, 7-day basis for the exchange of operational procedures and information. In the case of a UDC that is also a Participating TO, there may be only one single point of contact required and, in the reasonable discretion of the ISO, duplicative reporting requirements and functions may be waived. Details of requirements relating to and the identity of the initial points of contact are set forth in Schedule 2.
- 3.7 Delegated Operational Responsibilities.** The UDC undertakes to perform all operational responsibilities delegated to the UDC by the ISO in accordance with Section 4.1.2 of the ISO Tariff and described in Schedule 3.

ARTICLE IV OPERATIONAL COORDINATION

The Parties will perform the operational coordination obligations and responsibilities assigned to them under the ISO Tariff, the ISO Operating Procedures, and the ISO Specifications. The obligations and responsibilities include:

4.1 Maintenance Coordination

- 4.1.1 Maintenance Coordination for Facilities under ISO Control.** The UDC shall schedule with the ISO on an annual basis any maintenance Outages of the equipment included in Schedule 1 pursuant to Schedule 4 in compliance with the Outage Coordination Protocol of the ISO Tariff and shall coordinate its Outage requirements with Southern California Edison Company.
- 4.1.2 Maintenance Coordination for Other Facilities.** With respect to other facilities which may affect the reliability of the ISO Controlled Grid, the UDC shall coordinate its Outage requirements with Southern California Edison Company.
- 4.2 System Emergencies.** The responsibilities of the Parties in relation to System Emergencies are stated in Section 4.4 of the ISO Tariff, the Dispatch Protocol of the ISO Tariff and in Schedule 5. The ISO shall adopt fair and non-discriminatory procedures among the UDCs to ensure that no UDC bears a disproportionate share of the ISO's Load Shedding program.
- 4.2.1 Underfrequency Load Shedding (UFLS).** The responsibilities of the Parties in relation to UFLS are stated in Sections 2.3.2 and 4.4.3 of the ISO Tariff, the ISO Operating Procedure, the ISO Specifications and in Schedule 6.
- 4.2.2 Other Automatic Load Shedding.** The responsibilities of the Parties in relation to automatic Load Shedding as a function of voltage and other parameters are stated in the ISO Operating Procedure, the ISO Specifications and in Schedule 7.
- 4.2.3 Manual Load Shedding.** The responsibilities of the Parties to direct and to accept direction for manual disconnection of Load, under EEP, Load curtailment programs or other emergency plans, are stated in Section 2.3 and Section 4.4.4 of the ISO Tariff, the ISO Operating Procedure, the ISO Specifications and in Schedule 8.
- 4.3 Electrical Emergency Plan (EEP).** The responsibilities of the Parties in relation to the EEP are stated in Section 4.5 of the ISO Tariff, the ISO Operating Procedure, the ISO Specifications and in Schedule 9.

- 4.4 Load Restoration.** The responsibilities of the Parties for restoring Load following a system disturbance are stated in Section 4.4.4 of the ISO Tariff, the ISO Operating Procedure, the ISO Specifications and in Schedule 10.
- 4.5 Records, Information and Reports.** The Parties are required to maintain such records, to share information, and to make such reports as are stated in Section 4.1.2, 4.6 and 4.8 of the ISO Tariff, the ISO Operating Procedure, the ISO Specifications, and in Schedule 11. Additionally, the Parties shall jointly perform a review following a major Outage as provided in Section 2.3.2.9.1 of the ISO Tariff.
- 4.6 Interconnection Operation Standards.** The ISO and UDC shall maintain stable established operating parameters and control power and reactive flow within standards stated in the ISO Specifications and in Schedule 12.
- 4.7 Critical Protective Systems.** The UDC shall (in accordance with Section 11.2 of this Operating Agreement) notify the ISO as soon as is reasonably practicable of any condition that it becomes aware of that may compromise the ISO Controlled Grid Critical Protective Systems in accordance with Section 4.3 of the ISO Tariff and Schedule 13.
- 4.8 UDC Distribution Systems.** The ISO shall (in accordance with Section 11.2 of this Operating Agreement) notify the UDC as soon as is reasonably practicable of any condition which the ISO becomes aware that may compromise the operation and reliability of the UDC Distribution System.

ARTICLE V ACCESS TO FACILITIES

- 5.1 Access Rights.** Pursuant to Section 4.8.4 of the ISO Tariff and Schedule 14 of this Operating Agreement, the ISO and the UDC shall each have the right to install or to have installed equipment or other facilities, including metering equipment, on the electric utility property of the other necessary for the implementation of this Operating Agreement. The ISO's installation of equipment on the property of the UDC shall comply with Local Regulatory Authority regulations, except where compliance with Local Regulatory Authority regulations would cause the ISO to violate the ISO Tariff, and with all relevant safety standards. In such case, the UDC and ISO will work together to resolve the conflict between the Local Regulatory Authority regulations and the ISO Tariff.
- 5.2 Meter Testing.** The UDC shall, at the request of the ISO and upon reasonable notice, provide access to its facilities necessary to permit the ISO or an ISO-

approved meter inspector to perform such testing as necessary in accordance with Section 4.8.4 of the ISO Tariff and the procedures set forth in Schedule 14.

- 5.3 Emergency Access Rights.** Section 4.8.4.3 of the ISO Tariff shall govern the ISO's right to access the UDC's equipment or other facilities during a System Emergency or where access is needed in connection with an audit function. In a System Emergency, the UDC shall have a right of access to ISO equipment on UDC property and UDC equipment on ISO property without notice.

ARTICLE VI COSTS

- 6.1 UDC Operating and Maintenance Costs.** The UDC shall be responsible for all costs incurred in connection with procuring, installing, operating and maintaining its facilities identified in Schedule 1 for the purpose of meeting its obligations under this Operating Agreement.
- 6.2 ISO Operating and Maintenance Costs.** The ISO shall be responsible for the procurement, installation, operation and maintenance costs of ISO equipment set out in Article V of this Operating Agreement installed on UDC property.

ARTICLE VII DISPUTE RESOLUTION

- 7.1 Alternative Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Operating Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference, except that all reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to the UDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

- 8.1 Representations and Warranties.** Each Party represents and warrants that its execution, delivery and performance of this Operating Agreement has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 8.2 Necessary Approvals.** Each Party represents that all necessary approvals, permits, licenses, easements, right of way or access to install, own and operate

its facilities subject to this Operating Agreement have been obtained prior to the effective date of this Operating Agreement.

ARTICLE IX LIABILITY

- 9.1 Extent of Liability.** The provisions of Section 14 of the ISO Tariff will apply to liability arising under this Operating Agreement, except that all references in Section 14 of the ISO Tariff to Market Participants shall be read as references to the UDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

ARTICLE X UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 15 of the ISO Tariff shall be incorporated by reference into this Operating Agreement, except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to the UDC and references to the ISO Tariff shall be read as references to this Operating Agreement.

ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Either Party may assign its obligations under this Operating Agreement, with the other Party's prior written consent, in accordance with Section 17 of the ISO Tariff, which is incorporated by reference into this Operating Agreement. Such consent shall not be unreasonably withheld.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in accordance with Section 20.1 of the ISO Tariff, which is incorporated by reference, except that all reference in Section 20.1 to Market Participants shall be read as a reference to the UDC. A Party must update the information relating to its address as that information changes in accordance with Section 20.1 of the ISO Tariff. Such changes will not constitute an amendment to this Operating Agreement.
- 11.3 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory

period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.

11.4 Governing Law and Forum. This Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California except in its conflict of laws provisions. The Parties irrevocably consent that any legal action or proceeding arising under or in relation to this Operating Agreement to which the ISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.

11.5 Consistency with Federal Laws and Regulations.

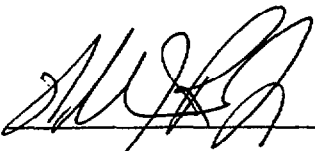
- (a) Nothing in this Operating Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
- (b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.

11.6 Integration. This Operating Agreement constitutes the full agreement of the Parties with respect to the subject matter hereto and supercedes all prior agreements, whether written or oral, with respect to such subject matter.

- 11.7 Severability.** If any term, covenant, or condition of this Operating Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.
- 11.8 Penalties.** Any penalties to be levied under this Operating Agreement shall be established in accordance with the ISO Tariff after consultation between the UDC and the ISO, and approval by the FERC, and shall be set out in Schedule 15. No penalties or sanctions may be imposed under this Operating Agreement unless a Schedule providing for such penalties or sanctions has first been filed with and made effective by FERC. Nothing in this Operating Agreement, with the exception of the provisions relating to ADR, shall be construed as waiving the rights of the UDC to oppose or protest any penalty proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty on the UDC.
- 11.9 Section Headings.** Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.
- 11.10 Amendments.** This Operating Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.
- 11.11 Counterparts.** This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date hereinabove written.

California Independent System Operator Corporation

By: 
Name: William J. Regan, Jr.
Title: Chief Financial Officer
Date: March 21, 2001

City of Vernon, California

By: _____
Name: LEONIS C. MALBURG
Title: Mayor
Date: _____

ATTEST:

BRUCE V. MALKENHORST, City Clerk

APPROVED AS TO FORM:

EDUARDO OLIVO, City Attorney

SCHEDULE 1**FACILITIES UNDER ISO CONTROL**

The UDC will supply a list of UDC facilities that are placed under the operational control of the ISO in Schedule 1.

There are no UDC facilities to be listed here at present.

SCHEDULE 2**OPERATIONAL CONTACT****ISO:**

Transmission Dispatcher
(Folsom): (916) 351-2492 or 2497
Transmission Dispatcher
(Alhambra): (626) 537-2830
Shift Supervisor: (916) 351-2490
Manager of Dispatch and
Security Coordination: (916) 351-2498
City/State/Zip Code California ISO
151 Blue Ravine Road
P.O. Box 639014
Folsom, CA 95763-9014

Other ISO Dispatch Operations Phones:

Generation Dispatcher
(Folsom) (916) 351-2489

Generation Dispatcher
(Alhambra) (626) 537-3040

Security Coordinator (916) 351-2494

UDC:

Name of Primary
Representative: Systems Manager

Name of Alternative
Representative: Systems Coordinator I

Title: Operations Shift Supervisor

Address: 4305 Santa Fe Avenue
City/State/Zip Code Vernon, CA 90058
Email address: COVLPCC@PACBELL.NET
Phone: (323) 585-5070
Fax: (323) 585-3119

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

**SCHEDULE 3****DELEGATED OPERATIONAL RESPONSIBILITIES**

Currently the ISO has not delegated any operational responsibilities to the UDC in accordance with Section 4.1.2 of the ISO Tariff. If such a delegation occurs, they will be identified in this Schedule 3.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 4

MAINTENANCE COORDINATION

By October 1st of each year, the UDC will exchange with the ISO a provisional planned outage program for all lines and equipment in Schedule 1. That document will be updated quarterly or as changes occur to the proposed schedule.

The ISO will approve all outages on equipment and lines transferred to ISO operational control.

Applications for scheduled work will be submitted to the ISO by the UDC via means to be agreed to by both Parties. The UDC documents will record the details for all work and become the data base for reporting and recording outage information.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 5

SYSTEM EMERGENCIES

The ISO will notify the UDC's operational contact, as identified in Schedule 2, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. The UDC's operational contact will add any relevant data and make the appropriate notifications within the UDC organization. The UDC's operational contact will then take such actions as are appropriate for the emergency.

The UDC will make requests for information from the ISO regarding emergencies through the UDC operational contact, or the UDC administrative contact, as identified in Schedule 2, may coordinate public information with the ISO Communication Coordinator.

During and following service interruptions the UDC is required to estimate service restoration by geographic areas, and will use its standard operating procedures to communicate with customers and any other relevant entities. For UDC outages that may be caused by events affecting the transmission system, the UDC operational contact will make appropriate notifications to the ISO and/or Southern California Edison Company regarding any information of which it may be aware related to the outage such as cause, nature, extent, potential duration and customers affected.

UDC logs and Electric Switching Orders will be used in preparation of outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the UDC's portion of the electrical system. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching program, etc.

The UDC will retain records in accordance with its policies for six years.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 6

UNDERFREQUENCY LOAD SHEDDING

The objective of the Underfrequency Load Shedding (UFLS) program is to provide security and protection to the interconnected bulk power network by arresting frequency decay during periods of insufficient resources

This plan establishes Underfrequency Load Shedding objectives consistent with the load shedding policies of the Western Systems Coordinating Council, the North American Electric Reliability Council and the UDC. The UDC's load shedding program will be in accordance with the WSCC Off-nominal Frequency Report requirements.

The UDC currently maintains an Underfrequency Load Shedding plan under mutual arrangements with Southern California Edison Company (SCE) as reflected in the SCE plans described in SCE System Operating Bulletin No. 115 and its applicable Attachments, and the Laguna Bell-Vernon Interconnection Service Agreement between SCE and the City of Vernon (or a replacement agreement provided that any replacement agreement preserves the UDC's obligations in accordance with this Schedule 6), which are incorporated herein by reference. Until such time as it implements its own separate UFLS program, the UDC shall continue to operate in accordance with those plans.

The UDC shall undertake good faith efforts to develop a separate UFLS program to allow it to meet WSCC and NERC requirements independent of SCE by January 1, 2002. In any event, the UDC shall develop that separate UFLS program prior to such time as the SCE plans described above may cease to apply to the UDC. This Schedule will be revised to incorporate that separate UFLS program by reference upon its implementation by the UDC.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 7

OTHER AUTOMATIC LOAD SHEDDING

In addition to underfrequency relay load reduction, any undervoltage relay protection that is utilized in the UDC will be identified in the Attachment to this Schedule 7.

The UDC currently employs an automatic Underfrequency Load Shedding program only, as described in Schedule 6. At present the UDC does not utilize an under-voltage Load Shedding program.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 8

MANUAL LOAD SHEDDING

The UDC currently maintains a plan whereby nonessential distribution circuits are subjected to manual shedding and rotating service interruptions when required by Southern California Edison Company (SCE) in accordance with SCE System Operating Bulletin No. 21 and its applicable Attachments and the Laguna Bell-Vernon Interconnection Service Agreement between SCE and the City of Vernon (or a replacement agreement provided that any replacement agreement preserves the UDC's obligations in accordance with this Schedule 8), both of which are incorporated herein by reference. Until such time as the UDC implements a plan for manual Load Shedding and rotating service interruptions independent of SCE, the UDC shall continue to operate in accordance with the existing plan.

The UDC shall undertake good faith efforts to develop that separate manual Load Shedding program by January 1, 2002. In any event, the UDC shall develop that separate manual Load Shedding program prior to such time as the SCE plans described above may cease to apply to the UDC. This Schedule will be revised to incorporate that separate manual Load Shedding program by reference upon its implementation by the UDC.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 8A**ROTATING LOAD CURTAILMENT PROCEDURES**

The UDC shall undertake good faith efforts to develop a separate rotating Load curtailment procedure by January 1, 2002. In any event, the UDC shall develop that separate rotating Load curtailment procedure prior to such time as the SCE plans described in Schedule 8 may cease to apply to the UDC. This Schedule will be revised to incorporate that separate rotating Load curtailment procedure by reference upon its implementation by the UDC.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.



SCHEDULE 8B

INTERRUPTIBLE LOAD

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

The UDC currently does not have interruptible Load within its Service Area.

SCHEDULE 9

ELECTRICAL EMERGENCY PLAN

The ISO Specifications will outline the basic criteria for the development, coordination, and implementation of the UDC EEP and the requirements for coordination with the ISO EEP. Schedule 9 will include the UDC EEP as coordinated with the ISO EEP.

The UDC does not currently have an Electrical Emergency Plan. The UDC shall develop an EEP by January 1, 2002. This Schedule will be revised to incorporate that UDC EEP by reference upon its implementation by the UDC.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 10

LOAD RESTORATION

The UDC will follow the procedures set forth below in this Schedule 10 in promoting orderly, coordinated restoration of electric systems after a major system disturbance has occurred which resulted in load shedding by frequency relays in California.

1. Immediately after load shedding by frequency relay(s) has occurred in the UDC, the UDC will remain in contact with the Area Control Center (ACC) specified by the ISO, currently the Southern California Edison Company (SCE) ACC, until normal frequency has been restored throughout the ISO Control Area or the ISO Shift Supervisor has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the ISO Shift Supervisor and the senior dispatcher present at the affected PTO ACC(s).
2. Manual load restoration will not normally be initiated until the California ACC Hot Line is attended. No load is to be manually restored unless directed by the ISO after the frequency has recovered and there is indication that the frequency can be maintained. The UDC will await direction from the ACC specified by the ISO, currently the SCE ACC, who will be in contact with the ISO Shift Supervisor. The ISO Shift Supervisor will determine whether adequate generation resources are available on line to support the load to be restored.
3. Any UDC automatic load restoration will be consistent with the WSCC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the ISO cannot meet the WSCC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual load restoration will be permitted. If the frequency is such that automatic load restoration occurs under these conditions, the UDC(s) which has restored load automatically will manually shed an equivalent amount of load to offset the load which was automatically restored.
5. Restoration of ties and off-site power supply to nuclear generating facilities should be given top priority. Manual load restoration will be deferred during periods of tie restoration. The UDC should be equipped and prepared to drop load manually when necessary to allow frequency recovery sufficient to re-establish ISO intra-area ties and ties between the ISO Control Area and outside systems. Where manual load shedding is required, the ISO shall make reasonable efforts to allocate the load shedding requirement equitably among the UDCs where load shedding will be beneficial.



6. The UDC will use its existing plans and priorities to restore load within the parameters given by the ISO, giving the appropriate priority to essential services such as military, public safety agencies, water treatment plants, sewage treatment plants, etc.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 11

RECORDS, INFORMATION, REPORTS

The ISO and UDC will jointly develop any necessary forms and procedures for collection, study and transmittal of system data, information, reports, and forecasts.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 12

OPERATION STANDARDS

The ISO shall maintain stable operating parameters and control power and reactive flow in accordance with the ISO Tariff and the following Operation Standards. Until such time as the UDC may become directly interconnected with the ISO Controlled Grid, the UDC shall maintain stable operating parameters and control power and reactive flow in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and the City of Vernon (or a replacement agreement provided that any replacement agreement preserves the UDC's obligations in accordance with this Schedule 12), which is incorporated herein by reference. If the UDC becomes directly interconnected with the ISO Controlled Grid, the UDC shall maintain stable operating parameters and control power and reactive flow in accordance with the ISO Tariff and the following Operation Standards, and the responsibilities described below shall apply at each point of interconnection with the ISO Controlled Grid.

UDC Responsibilities

- 1.0 The UDC shall operate its facilities in such manner as to avoid any material or adverse impact on the ISO Controlled Grid. In accordance with this performance goal, the UDC shall:
 - 1.1 Operate its facilities within established operating parameters including normal ratings, emergency ratings, voltage limits, and balance of load between electrical phases.
 - 1.2 Maintain primary and backup protective systems such that faults on UDC facilities will be cleared with minimal impact on the ISO Controlled Grid.
 - 1.3 Maintain load power factor at each point of interconnection with the ISO Controlled Grid as close as possible to unity power factor and pursuant to Section 2.5.3.4 of the ISO Tariff.

ISO Responsibilities

- 2.0 The ISO shall operate the ISO Controlled Grid in such manner as to avoid any material or adverse impact on the UDC facilities. In accordance with this performance goal, the ISO shall:
- 2.1 Participate with the UDC and TO in the development of joint power quality performance standards and jointly maintain compliance with such standards.
- 2.2 Observe UDC grid voltage limits specified in Attachment 7 including requirements for reduced voltage on ISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover.
- 2.3 Approve transmission owner maintenance requests in a timely manner, and shall not unreasonably withhold approval of TO requests for authorization to perform energized insulator washing work or to take planned Outages needed to replace or insul-grease insulators.
- 2.4 Support UDC investigation of power quality incidents, and provide related data to the UDC in a timely manner.
- 2.5 Support installation of apparatus on the ISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate power quality concerns caused by actions or events in neighboring systems or control areas.
- 2.6 Maintain load power factor at any future direct Interconnection with the UDC as close as possible to unity power factor and pursuant to Section 2.5.3.4 of the ISO Tariff.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 13

CRITICAL PROTECTION SYSTEMS

Distribution protective relay schemes affecting the ISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or busses when activated. These would include any of the following:

1. High Side Overcurrent Relays
2. Differential Overcurrent Relays
3. Sudden Pressure Relays
4. Low Oil Relays
5. Neutral Ground Overcurrent Relays
6. On fuse protected transformers, it would be the high-side fuses.

With respect to the UDC, operational control and maintenance responsibilities related to the facilities described above reside with the Southern California Edison Company.

The information to be contained in this Schedule may be subject to additional filing due to subsequent revisions as these may be required from time to time.

SCHEDULE 14

RIGHTS OF ACCESS TO FACILITIES

14.1 **Equipment Installation.** In order to give effect to this Operating Agreement, a Party that requires to use particular equipment (the equipment owner) may require installation of such equipment on property owned by the other Party (the property owner), provided that the equipment is necessary to meet the equipment owner's service obligations and that the equipment shall not have a negative impact on the reliability of the service provided, nor prevent the property owner from performing its own obligations or exercising its rights under this Operating Agreement.

14.1.1 **Free Access.** The property owner shall grant to the equipment owner free of charge reasonable installation rights and rights of access to accommodate equipment inspection, maintenance, repair, upgrading, or removal for the purposes of this Operating Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.

14.1.2 **Notice.** The equipment owner shall provide reasonable notice to the property owner when requesting access for site assessment, equipment installation, or other relevant purposes. Such access shall not be provided unless the parties mutually agree to the date, time, and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld or delayed.

14.1.3 **Removal of Installed Equipment.** Following reasonable notice, the equipment owner shall be required, at its own expense, to remove or relocate equipment, at the request of the property owner, provided that the equipment owner shall not be required to do so if it would have a negative impact on the reliability of the service provided, or be prevented from performing its own obligations or exercising its rights under this Operating Agreement.

14.1.4 **Costs.** The equipment owner shall repair at its own expense any property damage it causes in exercising its rights and shall reimburse the property owner for any other reasonable costs that it may be required to incur to accommodate the equipment owner's exercise of its rights under this Section 14.1.

14.2 **Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.

14.3 **Inspection of Facilities.** In order to meet their respective obligations under this Operating Agreement, each Party may view or inspect facilities owned by the other Party. Provided that reasonable notice is given, a Party shall not unreasonably deny access to relevant facilities for viewing or inspection by the requesting Party.



14.4 Access During Emergencies. Either Party shall have rights of access, without prior notice, to the other Party's equipment as necessary during times of a System Emergency.

SCHEDULE 15

PENALTIES AND SANCTIONS

[Intentionally left blank, initially, in accordance with Section 11.8]

The information to be contained in this Schedule will be filed when complete following current revisions and development and may thereafter be subject to additional filing due to subsequent revisions as these may be required from time to time.