

July 31, 2002

Mr. Terry M. Winter
President and Chief Executive Officer
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Subject: Application of City of Anaheim to Become a New Participating Transmission Owner

Dear Mr. Winter:

In accordance with the procedures of the ISO Tariff, the City of Anaheim hereby submits its application to become a New Participating Transmission Owner (New PTO) effective January 1, 2003. As noted in the letter of intent dated June 20, 2002, Anaheim's application to become a new PTO is conditioned upon receiving the appropriate approvals needed in order to turn over operational control of Anaheim's transmission entitlements to the ISO, including an unqualified opinion of bond counsel that such action will not adversely affect the tax exempt status of bonds issued to finance some of the transmission facilities to which Anaheim has an entitlement. In addition, Anaheim's application is conditioned upon, in Anaheim's judgment, the fair and non-discriminatory treatment of its transmission revenue requirement in the establishment of the ISO's transmission access charge under the ISO Tariff. Please confirm your receipt of Anaheim's application by returning a date stamped copy of this letter in the enclosed self-addressed stamped envelope.

Any questions regarding Anaheim's application should be directed to Stephen Sciortino at (714) 765-5177 or Mark Frazee at (714) 765-4131.

Sincerely,

Marcie L. Edwards
Public Utilities General Manager

c: Kenneth J. DeDario (City of Vernon)
Gordon R. Smith (PG&E)
Edwin A. Guiles (SDG&E)
Alan J. Fohrer (SCE)