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REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME

October 14, 2005

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Filing of Non-Conforming Service Agreement No. 625 and
Cancellation of Service Agreement Nos. 78, 173, and 178
Docket No. ER06-____-000**

Dear Secretary Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("ISO") submits for Commission filing and acceptance a Metered Subsystem ("MSS") Agreement between the ISO and the City of Anaheim, California ("Anaheim").¹ In addition, pursuant to Sections 35.15 and 131.53 of the Commission's regulations (18 C.F.R. §§ 35.15, 131.53), the ISO hereby provides notice to the Commission of the cancellation of the following three agreements between the ISO and Anaheim: the Utility Distribution Company Operating Agreement ("UDCOA"), the Meter Service Agreement for ISO Metered Entities

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff, and in the MSS Agreement.

("MSA ISO-ME"), and the Participating Generator Agreement ("PGA"). The purpose of the submission of the MSS Agreement and the cancellation of the UDCOA, MSA ISO-ME, and PGA is to allow Anaheim to be converted from a Utility Distribution Company ("UDC") and Participating Generator to a MSS effective on December 1, 2005, as Anaheim has requested. The ISO requests that the MSS Agreement and cancellation of the UDCOA, MSA ISO-ME, and PGA be made effective on December 1, 2005.²

I. The MSS Agreement

Under the ISO Tariff, a MSS is "[a] geographically contiguous system located within a single Zone which has been operating as an electric utility for a number of years prior to the ISO Operations Date as a municipal utility, water district, irrigation district, State agency or Federal power administration subsumed within the ISO Control Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO certified revenue quality meters on all Generating Units" Anaheim, which is currently a UDC, seeks to become a MSS effective on December 1, 2005. The enclosed MSS Agreement establishes the terms and conditions on which Anaheim will operate electric resources within the ISO Control Area; will, as or through a Scheduling Coordinator, schedule transactions using the ISO Controlled Grid and participate in the ISO's markets; and will meet its obligations under the ISO Tariff.

On July 15, 2002 (as corrected on July 30, 2002), in Docket No. ER02-2321-000, the ISO submitted MSS agreements with the City of Roseville ("Roseville") and with Silicon Valley Power ("SVP"), and a MSS aggregator agreement with the Northern California Power Agency ("NCPA"). On August 30, 2002, the Commission accepted those agreements, subject to compliance requirements, in *California Independent System Operator Corporation*, 100 FERC ¶ 61,234 ("August 30, 2002 Order"). On September 27, 2002, the ISO submitted versions of the agreements that complied with the Commission's directives, which the Commission accepted by letter order issued on January 3, 2003.³

² Section 3.3.8 of the MSS Agreement provides that the UDCOA, MSA ISO-ME, and PGA will be cancelled upon the effective date of the MSS Agreement.

³ On November 1, 2004, in Docket No. ER05-153-000, the ISO submitted a notice of cancellation of the Roseville MSS agreement, which the Commission accepted in *California Independent System Operator Corporation*, 109 FERC ¶ 61,391, at P 79 (2004), effective on January 1, 2005.

The MSS Agreement provided in the present filing includes the following significant components, among others:

- The ISO will consider Anaheim's interests, including cost causation and the option to elect Load following, when unilaterally proposing changes to the ISO Tariff.
- Anaheim may participate in the ISO's markets.
- Anaheim will coordinate Generating Unit and transmission outages with the ISO pursuant to the ISO Tariff.
- Anaheim will provide telemetry and revenue metering at each of the Points of Interconnection of its MSS to the electric grid.
- The operation of Anaheim's Generating Units will be subject to various limitations during normal conditions, but Anaheim will provide available Generation to the ISO during a threatened or imminent System Emergency. However, Anaheim will not be expected or required to curtail Load or offer to the ISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load serving entities to provide resources adequate to serve Load or maintain an Approved Credit Rating in accordance with the ISO Tariff, provided that Anaheim must demonstrate the adequacy of its resources to serve its Load in any System Emergency during which it was not called upon to curtail Load because it was deemed to have adequate resources.
- Anaheim will be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within Anaheim's System and at the Points of Interconnection.
- Anaheim's Generating Units may only be designated by the ISO as Reliability Must-Run Generation if Anaheim elects to make them available for that purpose.
- Anaheim will have the option to elect to follow its own Load with its own resources within a deviation band of three percent (3%), subject to specified financial penalties for exceedance of the deviation band.
- Anaheim and the ISO agree not to cause any circuit or equipment at the Points of Interconnection to exceed the allowable applicable ampacity rating or to exceed the simultaneous transfer limit between the ISO and Anaheim.

- Anaheim will submit all Schedules, including Schedules for the use of its Existing Contracts, within the timelines established by the ISO Tariff.
- The GMM for Anaheim's Generating Units within Anaheim's System will be deemed to be 1.0 if Anaheim's Load exceeds its Generation.
- Anaheim's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) will be based on Anaheim's net metered Demand and exports from the ISO Control Area, rather than Anaheim's gross Demand and exports.
- Anaheim will pay Grid Operations Charges based on net metered Demand and exports from the ISO Control Area if the Intra-Zonal Congestion is outside Anaheim. If the Intra-Zonal Congestion is inside Anaheim, then it will bear all costs associated with the Congestion.
- Anaheim will not have to pay Voltage Support charges and Black-Start service charges to the extent it demonstrates that it is providing those services for its own system.
- If Anaheim provides documentation on an annual basis to the ISO that it has its own peaking resources to meet its peak demand plus fifteen percent (15%), then the ISO will exempt it from paying for any peak Demand reduction program or any peak reliability Generation procurement program pursuant to Section 2.3.5.1.8 of the ISO Tariff.
- If Anaheim elects not to make its Generating Units eligible for Emissions Costs, Start-up Costs, and Minimum Load Costs, its allocation of Minimum Load Costs will be either (i) based on its Net Negative Uninstructed Deviations if it follows its Load within a three percent (3%) deviation band or (ii) based in part on its net metered Demand and exports if it does not elect such Load following.
- Anaheim will not be charged portions of the Grid Management Charge allocated to uninstructed deviations for any deviations associated with Load following.

The MSS Agreement differs in some respects from the Roseville and SVP MSS agreements, and the NCPA MSS aggregator agreement, described above, in order to reflect the particular features of Anaheim as a MSS and the results of the negotiations that resulted in this MSS Agreement. These differences are permissible pursuant to the directives in the August 30, 2002 Order that the individual MSS agreements filed in that proceeding "were not intended to and do not establish a *pro forma* MSS agreement" and that "[t]he terms of an MSS

agreement may reflect the unique nature of differing systems.” August 30, 2002 Order at PP 52, 53. The MSS Agreement has been designated as Service Agreement No. 625.

Included in a separate volume along with this MSS Agreement, pursuant to Commission Order Nos. 630 and 630-A,⁴ is a sealed copy of the non-public portions of the MSS Agreement, specifically, Schedule 6, a portion of Schedule 10, and Schedule 15.1. The ISO is seeking privileged treatment for Schedule 6 under 18 C.F.R. § 388.112, because it contains confidential telephone numbers of ISO and Anaheim personnel. Because public disclosure of the telephone numbers would unnecessarily reveal sensitive information, the ISO submits that these numbers should be exempt from public exposure and should be granted privileged treatment. The ISO is seeking privileged treatment for a portion of Schedule 10 under the same C.F.R. provision that applies to Schedule 6, because that portion of Schedule 10 lists specific electric circuits in conjunction with Anaheim’s emergency operating procedures. The ISO is seeking privileged treatment for Schedule 15.1 under same C.F.R. provision that applies to Schedule 6, because it contains confidential addresses of key components of the Anaheim System. The ISO submits that public disclosure of those procedures would unnecessarily reveal sensitive information, and therefore the procedures should be granted privileged treatment.

II. The Agreements to be Cancelled

A. The UDCOA

The ISO submitted the UDCOA on February 18, 1998 in Docket No. ER98-1923-000. The Commission accepted the UDCOA in *California Independent System Operator Corporation*, 82 FERC ¶ 61,326, at 62,286-87, 62,289-90 (1998), and designated it as Service Agreement No. 78. In that same order, the Commission directed the ISO to amend the UDCOA to comply with the Commission’s order in *Pacific Gas and Electric Company*, 81 FERC ¶ 61,320 (1997), and consolidated Docket No. ER98-1923 with the then-ongoing proceedings addressing similar UDCOAs in Docket No. ER98-899-000. On September 25, 1998, in Docket No. ER98-1923-001, the ISO made the required compliance filing. On October 14, 1998, the ISO filed an offer of settlement in the consolidated proceedings concerning the UDCOAs. In a letter order issued on May 28, 1999, 87 FERC ¶ 61,232, the Commission approved the offer of settlement subject to compliance with the modifications agreed to in the

⁴ *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. and Regs. ¶ 31,140, *order on reh’g*, Order No. 630-A, FERC Stats. and Regs. ¶ 31,147 (2003).

settlement, accepted a *pro forma* version of the UDCOA, and required the ISO to submit revised UDCOAs. On July 27, 1999, the ISO submitted revisions to the UDCOA between itself and Anaheim to comply with the letter order. On March 29, 2002, in Docket No. ER02-1429-000, the ISO submitted Amendment No. 1 to that UDCOA, which the Commission accepted by a letter order issued on May 28, 2002. On July 31, 2002, in Docket No. ER02-2394-000, the ISO submitted Amendment No. 2 to that UDCOA, which the Commission accepted by a letter order issued on September 27, 2002.

B. The MSA ISO-ME

The ISO filed the original, unexecuted MSA ISO-ME on February 18, 1998 in Docket No. ER98-1914-000. The Commission accepted the MSA ISO-ME with modifications, suspended it, and made it effective subject to refund and subject to the outcome of pending proceedings in *California Independent System Operator Corporation*, 82 FERC ¶ 61,325 (1998). The ISO submitted a revised and executed version of the MSA ISO-ME on September 24, 1998 in Docket No. ER98-1914-001, which the Commission accepted by a letter order issued on November 9, 1998 in Docket Nos. ER98-4553-000, *et al.* and designated as Service Agreement No. 173. On September 10, 1999 (as amended on September 13, 1999), the ISO submitted an offer of settlement in Docket Nos. ER98-1499-000, *et al.* that addressed, in pertinent part, the terms of MSA ISO-MEs. The Commission accepted the offer of settlement by a letter order issued on February 24, 2000, *California Independent System Operator Corporation*, 90 FERC ¶ 61,186. On August 2, 2000, in Docket No. ER00-3352-000, the ISO submitted a revised version of the MSA ISO-ME to comply with that letter order. The Commission accepted the ISO's filing by a letter order issued on September 21, 2000 in Docket Nos. ER00-3346-000, *et al.*

C. The PGA

The ISO filed the original, unexecuted PGA on February 18, 1998 in Docket No. ER98-1912-000. The Commission accepted the PGA with modifications, suspended it, set it for hearing, and consolidated it with ongoing proceedings in *California Independent System Operator Corporation*, 82 FERC ¶ 61,326 (1998). The ISO submitted a revised and executed version of the PGA on September 23, 1998 in Docket Nos. ER98-1912-001, *et al.*, which the Commission accepted by a letter order issued on November 9, 1998 and designated as Service Agreement No. 178. On December 29, 1998 (as amended on December 23, 1999), the ISO submitted an offer of settlement in Docket Nos. ER98-992-000, *et al.* that addressed, in pertinent part, generic terms and conditions for PGAs. The Commission accepted the offer of settlement by a letter order issued on February 24, 2000, 90 FERC ¶ 61,176, in which it directed the ISO to submit a compliance filing to replace all of the original PGAs (including the PGA between the ISO and Anaheim) with the settlement PGAs. The ISO submitted the required compliance filing on June 23, 2000, and the Commission accepted the compliance filing by a letter order issued on August 9, 2000 in Docket Nos. ER98-992-003, *et al.*

III. Request for Waiver

The ISO respectfully requests a waiver of the Commission's 60-day prior notice requirement, pursuant to Sections 35.11 and 35.15 of the Commission's regulations, 18 C.F.R. §§ 35.11, 35.15, to allow the enclosed materials to become effective as of December 1, 2005. Granting the waiver will permit Anaheim to become a MSS effective on that date, as requested by Anaheim and as preferred by the ISO for purposes of consolidation with other ISO systems changes to be implemented on that date.⁵ Granting the requested waiver, therefore, is appropriate.

Further, the information submitted with this filing substantially complies with the requirements of Part 35 of the Commission's regulations applicable to filings of this type. The ISO therefore requests waiver of any applicable requirement of Part 35 for which waiver is not specifically requested, if necessary, in order to permit this filing to become effective as proposed.

⁵ The ISO systems changes are to accommodate planned modifications to the ISO Control Area footprint that are described in the ISO's September 30, 2005 filing in Docket No. ER05-1522-000, at page 2.

IV. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

V. Service

Copies of this filing have been served upon Anaheim, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service lists for Docket Nos. ER98-1912, ER98-1914, ER98-1923, ER98-4553, ER00-3352, ER02-1429, and ER02-2394. In addition, the filing has been posted on the ISO's website.

Enclosed for filing are six copies of each of the following:

- (1) this letter of transmittal;
- (2) the public version of the MSS Agreement (Attachment A);
- (3) a notice of cancellation of the UDCOA (Attachment B);
- (4) a notice of cancellation of the MSA ISO-ME (Attachment C); and
- (5) a notice of cancellation of the PGA (Attachment D).

The filing also includes a separate volume that contains the non-public portions of the MSS Agreement described above.

Also enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

VI. Correspondence

The ISO requests that all correspondence, pleadings and other communications concerning this filing be served upon the following:

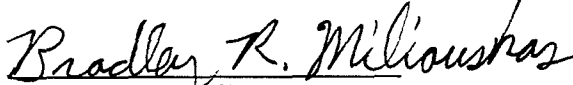
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18 C.F.R. § 203(b)(3).

Respectfully submitted,

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ATTACHMENT A

**METERED SUBSYSTEM AGREEMENT WITH
THE CITY OF ANAHEIM**

Issued by: Charles F. Robinson, Vice President and General Counsel
Issued on: October 14, 2005

Effective: December 1, 2005

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

CITY OF ANAHEIM

METERED SUBSYSTEM AGREEMENT

METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this 13th day of OCTOBER, 2005 and is entered into, by and between:

- (1) The **City of Anaheim**, a municipal corporation of the State of California, which owns and operates a municipal electric utility system engaged in the Generation, transmission, distribution, purchase and sale of electric power and Energy at wholesale and retail, having its registered and principal place of business located at 200 South Anaheim Boulevard, Anaheim, California 92805 ("Anaheim");

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").

Anaheim and the ISO are hereinafter referred to individually as "Party" or collectively as the "Parties."

Whereas:

- A. The City of Anaheim is a MSS Operator of a Metered Subsystem ("MSS") engaged in, among other things, generating, transmitting and distributing electric power in the Anaheim Service Area;
- B. The ISO operates the ISO Control Area and is engaged in, among other things, exercising Operational Control over certain electric transmission facilities forming the ISO Controlled Grid, including transmission facilities owned by Southern California Edison Company (hereinafter referred to as "SCE") and Anaheim's transmission Entitlements, scheduling transactions that utilize those transmission facilities and Entitlements, and operating certain markets, including markets for Imbalance Energy and Ancillary Services, pursuant to the terms of the ISO Tariff and has certain statutory obligations under California law to maintain the reliability of the ISO Controlled Grid, as well as certain NERC and Western Electricity Coordinating Council ("WECC") or its successor mandated responsibilities to ensure the reliable operation of the entire electric grid within the ISO Control Area;
- C. Anaheim is a Local Publicly Owned Electric Utility under the Constitution of the State of California and utilizes, either directly or indirectly through the Southern California Public Power Authority ("SCPPA"), tax-exempt financing for one or more of its projects that restricts the amount of private use of such projects;

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- D.** Anaheim's System is within the ISO Control Area and is directly interconnected to the ISO Controlled Grid;
- E.** Anaheim desires to continue to operate its generating resources, its transmission, and the distribution resources of Anaheim's System in an integrated manner to reliably serve Anaheim's Loads and also desires, as or through a Scheduling Coordinator, to schedule transactions using the ISO Controlled Grid and participate in the ISO's markets as a buyer and a seller;
- F.** The Parties are entering into this Metered Subsystem Agreement ("Agreement") in order to establish the terms and conditions on which (1) Anaheim will operate Anaheim's Generating Units within the ISO Control Area; (2) Anaheim will, as or through its Scheduling Coordinator, schedule transactions within the ISO Control Area and participate in the ISO's markets; and (3) the Parties will meet their obligations under the ISO Tariff, as may be modified by this Agreement, in connection therewith;
- G.** Anaheim desires to have the option at some future date to elect to utilize Anaheim's resources and imports into its MSS, approved in advance by the ISO as not causing an undue operational burden, to follow Anaheim's Load and exports from its MSS;
- H.** The intent of the Parties is that any ISO charges will be charged to Anaheim's Scheduling Coordinator based on the principle of cost causation, with due regard for historic considerations, timing and transition issues, and other relevant factors;
- I.** In order to maintain the reliability of the interconnected electric systems encompassed by the WECC, the WECC RMS Agreement requires the ISO to require all Generators in its Control Area, including Anaheim, to comply with certain WECC reliability criteria and to be subject to penalties imposed by the WECC Reliability Criteria Agreement should they fail to do so, which requirements are set forth in Section 10.4;
- J.** The Parties acknowledge that Anaheim's Generation resources are dedicated first and foremost to serve Anaheim's retail native Load within Anaheim's Service Area and that such resources are, except for times of System Emergency or Anaheim's voluntary participation in ISO markets or other circumstances, as specified in this Agreement, not subject to ISO Dispatch; and
- K.** The Parties acknowledge that the ISO is responsible for the efficient use and reliable operation of the ISO Controlled Grid and the operation of the ISO's Control Area consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the WECC and NERC and in accordance with the ISO Tariff. The Parties acknowledge that the ISO may not be able to satisfy fully these responsibilities if parties to agreements with the ISO,

including Anaheim, fail to comply fully with all of their obligations under those agreements. The Parties further acknowledge that Anaheim may not be able to satisfy fully its native Load responsibilities in the event the ISO fails to comply fully with all of its obligations under this Agreement and the ISO Tariff.

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 the introduction or Section 1.2 of this Agreement, all terms used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

1.2 Special Definitions for this Agreement. In this Agreement, the following terms shall have the meanings set opposite them:

“Anaheim's System” means all transmission facilities, distribution facilities and Generating Units owned or controlled by Anaheim on Anaheim's side of the Points of Interconnection for its MSS, as listed in Schedule 1. A description of the Generating Units and Point of Interconnection facilities comprising Anaheim's System is set forth in Schedule 1.

“Point of Interconnection” means any point at which Anaheim's System is directly interconnected with the ISO Controlled Grid or with any other portion of the interconnected electric grid in the ISO Control Area. The initial Points of Interconnection are described in Section 4.1.

“Under Frequency Load Shedding” or “UFLS” means automatic Load Shedding, accomplished by the use of such devices as under frequency 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 Agreement:

- (a) the singular shall include the plural and vice versa;
- (b) the masculine shall include the feminine and neutral and vice versa;
- (c) “includes” or “including” shall mean “including without limitation”;

- (d) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (e) any reference to the ISO Tariff or any provision of the ISO Tariff will mean a reference to the ISO Tariff or provision then in effect as modified during the term of this Agreement, unless otherwise specifically provided;
- (f) 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;
- (g) 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;
- (h) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (i) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (j) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II TERM AND TERMINATION

2.1 Effective Date. This Agreement shall be effective as of the date it is accepted for filing and made effective by FERC, and shall remain in full force and effect until terminated pursuant to Section 2.2 or upon such other date as the Parties shall mutually agree.

2.2 Termination

2.2.1 Termination by Default. Either Party (the terminating Party) may terminate this Agreement by giving written notice of termination in the event that the other Party (the defaulting Party) commits any default under this Agreement or the applicable provisions of 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 XVIII of this Agreement.

- 2.2.2 Termination for Cause.** Anaheim may terminate this Agreement by giving ninety (90) days written notice of termination in the event that: (i) any changes to the ISO Tariff or state or federal law are approved or implemented that substantially alter Anaheim's rights or obligations under this Agreement; (ii) the ISO fails to maintain reliable system operations as required by Good Utility Practice and NERC and WECC standards; or (iii) non-payment by the ISO for services rendered by Anaheim.
- 2.2.3 Termination for Tax Reasons.** Anaheim may terminate this Agreement immediately on the loss or threatened loss in whole or in part of exemption from taxation for bonds used directly or indirectly by Anaheim for generation, transmission, and distribution projects as a result of Anaheim's obligations under this Agreement.
- 2.2.4 Termination on Notice.** Either Party shall have the right to terminate this Agreement in accordance with this Section 2.2.4, subject to the procedural requirements set forth in Section 2.2.5. Either Party may terminate this Agreement by giving the other Party written notice at least six (6) months in advance of the intended effective date of termination.
- 2.2.5 Filing.** 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 set forth in Sections 2.2.1, 2.2.2, 2.2.3, or 2.2.4 have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request from Anaheim or issuance of its own notice of termination. This Agreement shall terminate upon the date on which the notice of termination is permitted by FERC to become effective; provided, however, that if Anaheim is the terminating Party, Anaheim shall be relieved of its obligations and shall forego its rights herein as of the termination effective date associated with the provision of this Agreement pursuant to which Anaheim has provided its notice of termination, regardless of action or inaction by the ISO or FERC, provided that Anaheim shall cease taking any service provided under this Agreement by the ISO as of the effective date associated with Anaheim's notice of termination and provided further that any outstanding charges or settlements that arose under this Agreement shall survive until they are satisfied.

ARTICLE III GENERAL TERMS AND CONDITIONS

- 3.1 Scope of Agreement.** Except as specifically provided otherwise, the provisions of this Agreement will apply only with respect to the facilities comprising Anaheim's System and to Loads and Generating Units that comprise or are directly connected only to Anaheim's System. Subject to the terms of Article II,

this Agreement shall not affect Anaheim's ability to join or establish another Control Area or Anaheim's right to exercise any available legal recourse to obtain or confirm that it possesses other forms of transmission rights.

3.2 [NOT USED]

3.3 Relationship Between Agreement and ISO Tariff

- 3.3.1** If and to the extent a matter is specifically addressed by a provision of this Agreement (including any schedules or other attachments to this Agreement), the provision of this Agreement shall govern notwithstanding any inconsistent provision of the ISO Tariff and, except as provided in Section 3.3.2, any ISO Tariff provision that is referenced in this Agreement.
- 3.3.2** If and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the ISO Tariff, the applicable provisions of the ISO Tariff shall govern.
- 3.3.3** Except as provided in Section 3.3.1, Anaheim shall, with respect to the operation of any of its Generating Units listed in Schedule 14, comply with the requirements applicable to Participating Generators under Article 5 of the ISO Tariff and all other provisions of the ISO Tariff governing Participating Generators. Nothing in this Agreement shall obligate Anaheim to execute a Participating Generator Agreement with respect to any Anaheim Generating Units.
- 3.3.4** Except as provided in Section 3.3.1, Anaheim shall, with respect to the operation of any Load listed in Schedule 14, comply with the requirements applicable to Participating Loads under Article 5 of the ISO Tariff and all other provisions of the ISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate Anaheim to execute a Participating Load Agreement with respect to any Anaheim Load.
- 3.3.5** Except as provided in Section 3.3.1, Anaheim shall, with respect to the operation of the distribution facilities of Anaheim's System, comply with the requirements applicable to Utility Distribution Companies under Article 4 of the ISO Tariff. Nothing in this Agreement shall obligate Anaheim to execute a UDC Operating Agreement.
- 3.3.6** The applicability of any provision of the ISO Tariff to Anaheim, including as provided in Sections 3.3.1 through 3.3.5, inclusive, shall, in the event of a dispute between the Parties, be determined through the ISO ADR Procedures in accordance with Article 13 of the ISO Tariff.
- 3.3.7** So long as Anaheim remains a Participating TO, Anaheim shall comply with the requirements applicable to Participating TOs under Article 3 of the ISO Tariff or any settlement of FERC Docket No. ER00-2019.

3.3.8 This Agreement shall serve, with respect to Anaheim, as the written agreements required by Sections 4.1.1, 5, 10.3.1, 23.1.1, and 23.4 of the ISO Tariff and the written agreement required for Participating Loads. Anaheim's existing Participating Generator Agreement, Meter Service Agreement for ISO Metered Entities, and Utility Distribution Company Operating Agreement shall terminate simultaneously upon this Agreement becoming effective in accordance with Section 2.1 of this Agreement, subject to FERC acceptance of the notice of termination of these agreements requesting that effective date, which shall be filed with FERC by the ISO concurrently with the filing of this Agreement.

3.4 Amendment to Agreement

3.4.1 Anaheim and the ISO shall retain all rights under Section 206 of the Federal Power Act. Except with respect to the ISO's rights set forth in Section 3.4.2 of this Agreement and the Parties' rights under Section 206 of the Federal Power Act, this Agreement may be modified only by mutual written agreement between the Parties. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective.

3.4.2 The ISO shall have the right to apply unilaterally under Section 205 of the Federal Power Act to change the rates, terms, and conditions under this Agreement for services provided to Anaheim. In proposing any changes, unless in response to a FERC order as provided in Section 3.7, the ISO will consider the principles in this Agreement as detailed in Section 3.5.2. Additionally, unless in response to a FERC order as provided in Section 3.7, any changes proposed by the ISO shall be subject to the following:

3.4.2.1 The ISO shall provide Anaheim 30 days advance written notice of such change.

3.4.2.2 The ISO shall meet and confer with Anaheim regarding the change, provided that the scheduling of such meeting shall not be unreasonably delayed.

3.4.2.3 Anaheim's representative designated in Schedule 17 may waive these requirements upon written request by the ISO.

3.4.2.4 The ISO shall provide Anaheim with a copy of the FERC filing if, and when, made.

3.4.3 Schedules to this Agreement may be revised by agreement of the authorized representatives of the Parties designated in Schedule 17. Revisions to Schedules other than with regard to the contact information in Schedules 6 and 17 shall be filed by the ISO with FERC.

3.5 Amendment to ISO Tariff

3.5.1 Nothing in this Agreement shall affect in any way the authority of the ISO to modify unilaterally the ISO Tariff in accordance with Section 19 of the ISO Tariff or of the ISO and Anaheim to exercise their rights under the Federal Power Act or any other law, or to pursue any legal remedies.

3.5.2 In making amendments to the ISO Tariff as provided in Section 3.5.1, the ISO will consider the impact on Metered Subsystems and the principles reached in this Agreement, including but not limited to:

3.5.2.1 Cost Causation: The intent of the Parties is that ISO charges will be charged to Anaheim or Anaheim's Scheduling Coordinator based on the principle of cost causation, with due regard for historic considerations, timing and transition issues, and other relevant factors.

3.5.2.2 Load Following Capability: Anaheim desires the option to elect to implement Load following capability, through its Scheduling Coordinator, to match Anaheim's Load and exports from its MSS with Anaheim's resources and imports into its MSS approved in advance by the ISO as not causing an undue operational burden, including not having the potential to exacerbate Congestion or otherwise adversely affect reliable operation of the ISO Control Area, and to make economic resource decisions with the resources in Anaheim's portfolio.

3.5.2.3 Compatibility of Market Participants: For efficient use of transmission facilities and to decrease Congestion, the ISO desires that all Market Participants operate using similar rules and Scheduling timelines.

3.5.2.4 Private Use Restrictions: Anaheim has financed, either directly or indirectly through SCPPA, one or more projects with tax-exempt bonds, which bond indentures require limitations on operational control of such projects.

3.5.2.5 Obligation to Serve and Voluntary Participation in ISO Markets: In order to preserve Anaheim's ability to meet its obligation to serve its customers within its Service Area, the ISO shall recognize the principle that the ISO should minimize to the extent practicable any interference with Anaheim's use of its resources to meet its obligation to serve. The ISO shall recognize the principles that Anaheim's participation in ISO markets should be strictly voluntary and that the ISO's right to request surplus generation from Anaheim above that which is bid or scheduled with the ISO should be limited to occurrence of System Emergencies and other contingencies recognized in Sections 7.1 and 8.2.

3.5.2.6 Protection Against Load Shedding: An MSS Operator that has sufficient resources to meet applicable resource adequacy standards and schedules

sufficient resources to meet its own Load obligations, as specified in Section 4.5.3 of the ISO Tariff and its firm energy obligations to third parties should not be subject to Load Shedding that results from deficiencies by other Market Participants as to such requirements.

- 3.5.2.7 Affected Generating Units:** Anaheim's generating resources subject to provisions of this Agreement applicable to Generating Units, and that are to be listed in Schedule 14, are those generating resources in the ISO Control Area over which Anaheim has operational control.
- 3.6 Market Redesign and Technology Upgrade.** The ISO is in the process, simultaneously with the negotiations of this Agreement, of redesigning the ISO markets ("MRTU"). To the extent possible, and consistent with the principles of Section 3.5.2, the components of MRTU that impact Metered Subsystems will be incorporated in this Agreement. If components of the MRTU design are not known until after the execution of this Agreement, the Parties agree to amend this Agreement in accordance with Sections 3.4 and 3.5.2.
- 3.7 Changes to Conform To FERC Orders.** Nothing in this Article III shall be interpreted to limit the ISO's right to modify the ISO Tariff or this Agreement to comply with or conform to any FERC order.
- 3.8 Facilities Financed by Local Furnishing Bonds or Other Tax-Exempt Bonds.** This Section 3.8 applies only to facilities which are under the Operational Control of the ISO and are owned by a MSS Operator with Local Furnishing Bonds or other tax-exempt bonds. Nothing in this Agreement shall compel (and the ISO is not authorized to request) any MSS Operator 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 in part with Local Furnishing Bonds or other tax-exempt bonds.

ARTICLE IV INTERCONNECTION

- 4.1 Points of Interconnection.** The Points of Interconnection are described in Schedule 1. Additional Points of Interconnection may be established only by mutual agreement of the authorized representatives of the Parties pursuant to Section 3.4.3, which agreement shall not be unreasonably withheld.
- 4.2 Interconnection Operation Standards.** The ISO and Anaheim shall maintain stable established operating parameters and control power and reactive flow within standards stated in Schedule 2.
- 4.3 Operation, Maintenance, and Load Serving Responsibilities.** Anaheim shall operate and maintain all facilities under Anaheim control forming any part of

Anaheim's System, and shall be responsible for the supply, including any purchases, of the Energy and Ancillary Services required to reliably provide electric service to the Loads connected to Anaheim's System in accordance with Applicable Reliability Criteria, including WECC and NERC criteria.

4.4 Expansion, Retirement, and Modification of Facilities. The Parties shall coordinate with each other in the planning and implementation of any expansion, retirement, or modification of those facilities forming or interconnected to parts of Anaheim's System that are identified in Schedule 1, proposed replacements for such facilities, and other facilities forming parts of Anaheim's System that serve similar functions or that otherwise will or may significantly affect the Points of Interconnection, and shall provide sufficient advance notice to enable the ISO or Anaheim to conduct any necessary studies. The authorized representatives of Parties will amend Schedule 1 pursuant to Section 3.4.3, as necessary, should a new Point of Interconnection be established in accordance with Section 4.1.

4.5 Installation of Facilities and Rights of Access

4.5.1 Pursuant to Schedule 3, the Parties shall permit one another, on reasonable notice and with mutual agreement in each case, to install equipment or have installed equipment or other facilities on the property of the other Party to enable the installing Party to meet its service obligations, unless doing so would negatively impact the reliability of service provided by the owning Party. Unless otherwise agreed, all costs of installation shall be borne by the installing Party.

4.5.2 A Party installing equipment on the property of the other Party shall be granted, free of charge, reasonable rights of access to inspect, repair, maintain and upgrade that equipment. Access shall be provided only on prior notice and such access shall not be unreasonably withheld.

4.5.3 Notwithstanding any other provision in this Section 4.5, Anaheim shall provide, subject to any contractual limitations concerning Anaheim's entitlements to facilities, the ISO with access for inspection or audit, to any equipment or other facilities of Anaheim's System, the operation of which affects any Point of Interconnection or the ISO Controlled Grid. Anaheim will allow access during normal working hours with no prior notice, provided that Anaheim shall have the right to delay access to any personnel for no longer than the minimum amount of time required for Anaheim to verify their identity, business purpose, and right of access. For access during times outside of normal working hours, the ISO shall provide Anaheim with one (1) Business Day advance notice. A shorter advance notice time may be attained subject to mutual agreement of the Parties' representatives.

ARTICLE V OPERATIONS

5.1 Outages

5.1.1 Anaheim shall coordinate Outages of its Generating Units and of transmission facilities, including the Points of Interconnection, constituting parts of Anaheim's System with the owners of the transmission or distribution facilities with which Anaheim's System is interconnected so that each of those owners can take those Outages into account in coordinating maintenance of its transmission facilities with the ISO.

5.1.2 Anaheim shall schedule with the ISO on an annual basis, pursuant to Schedule 4, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of Anaheim's System with the Participating TO with which Anaheim's System is interconnected.

5.1.3 Without waiving the right to terminate this Agreement in accordance with the terms of Section 2.2, Anaheim shall coordinate Outages of its Generating Units, and of transmission facilities constituting parts of Anaheim's System, with the ISO, pursuant to any generally applicable program established by the ISO to the extent required by the applicable sections of the ISO Tariff or as required by any law, regulation or order applicable to Anaheim where such law, regulation, or order applies to entities that have executed a written undertaking required by Section 5 of the ISO Tariff.

5.2 **Safety and Reliability.** Anaheim shall operate and maintain Anaheim's System in accordance with applicable safety and reliability standards, WECC and NERC requirements, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material impact on the ISO Controlled Grid. Without limiting the foregoing, Anaheim shall operate and maintain Anaheim's System, during normal and System Emergency conditions, in compliance with the requirements applicable to Utility Distribution Companies in the ISO Operating Procedures and standards. In the event any such ISO Operating Procedure or standard is revised to modify the requirements applicable to Utility Distribution Companies, the Parties shall comply with such revision.

5.3 **Critical Protective Systems.** Anaheim will coordinate with the ISO, SCE, and any Generators on Anaheim's System to ensure that ISO Controlled Grid Critical Protective Systems, including relay systems and other systems described in Schedule 5, are installed and maintained in order to function in a coordinated and complementary fashion with protective devices installed by Anaheim, SCE, and Generators. Anaheim shall notify the ISO as soon as is reasonably possible of any condition that it becomes aware of that may compromise or affect the operating safety and reliability of the ISO Controlled Grid Critical Protective Systems, including the systems described in Schedule 5.

- 5.4 Control Center.** Anaheim shall maintain and operate a control center that is staffed twenty-four (24) hours per day, seven (7) days per week and shall, together with the ISO, establish appropriate communications facilities and procedures between Anaheim's control center and the ISO Control Center. The initial points of contact are set forth in Schedule 6. A Party's representative must update the information in Schedule 6 as the information changes. Changes to Schedule 6 shall not constitute an amendment to this Agreement.
- 5.5 Transmission Losses, Outages, and Congestion.** Anaheim shall be responsible for transmission losses within Anaheim's System and to any Points of Interconnection. In addition, Anaheim shall be responsible for transmission line Outages and transmission Congestion within Anaheim's System and at the Points of Interconnection. This Section 5.5 does not affect Congestion on the ISO Controlled Grid, which shall be managed in accordance with the ISO Tariff.

ARTICLE VI INFORMATION SHARING

- 6.1 Forecasts.** Anaheim shall provide to the ISO annually its ten-year forecasts of Demand growth, internal Generation, and expansions of or replacements for those transmission facilities that are part of Anaheim's System identified in Schedule 1 and other transmission facilities that are part of Anaheim's System that serve similar functions or that otherwise will or may significantly affect any Point of Interconnection. Such forecast shall be provided on the date that Utility Distribution Companies are required to provide similar forecasts, which is currently October 15. The ISO shall notify Anaheim of any changes in this date. Peak Demand forecasts for Anaheim's System shall be submitted weekly by Anaheim's Scheduling Coordinator and monthly in accordance with the ISO Demand Forecasting Protocol, and biannually as part of the ISO's summer and winter assessment process.
- 6.2 System Surveys and Inspections.** Anaheim and the ISO shall cooperate to perform system surveys and inspections of facilities at or near the Points of Interconnection that may significantly affect the facilities of the other Party.
- 6.3 Maintenance Schedules.** Anaheim shall provide the ISO on an annual basis with a schedule of planned maintenance of those Generating Units identified in Schedule 1, in accordance with Schedule 4. Anaheim and the ISO shall also maintain records of the Maintenance Outages scheduled by Anaheim on such facilities and their actual duration. Anaheim shall coordinate maintenance of its transmission facilities with the ISO in accordance with the Transmission Control Agreement. Should Anaheim withdraw any of its transmission facilities from ISO Operational Control pursuant to the Transmission Control Agreement, it shall coordinate maintenance of its transmission facilities within the ISO Control Area with the ISO in accordance with this Agreement.

- 6.4 Reliability Information.** Anaheim and the ISO shall each have the obligation to inform the other Party, as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO Controlled Grid or the integrity of Anaheim's System, respectively. Anaheim and the ISO each shall also inform the other Party as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of Anaheim, is reasonably likely to threaten the reliability of the ISO Controlled Grid, or, in the case of the ISO, is reasonably likely to adversely affect Anaheim's System. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the other Party of the threat and, in the case of the ISO, not unduly discriminatory with respect to the ISO's provision of similar information to other entities.
- 6.5 Major Outage Reports.** Anaheim shall promptly provide such information as the ISO may reasonably request concerning Anaheim's operation of Anaheim's System to enable the ISO to meet its responsibility under the ISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the ISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The ISO shall have no responsibility to prepare reports on Outages that affect customers on Anaheim's System, unless the Outage also affects customers connected to the system of another entity within the ISO Control Area. Anaheim shall be solely responsible for the preparation of any reports required by any governmental entity or the WECC with respect to any Outage that affects solely customers on Anaheim's System.
- 6.6 Annual Reviews and Reports**
- 6.6.1** The ISO shall make available to Anaheim any public annual reviews or reports regarding performance standards, measurements or incentives relating to the ISO Controlled Grid that the ISO makes available to MSS Operators and Participating TOs.
- 6.6.2** Anaheim shall make available to the ISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to Anaheim's System that may affect the ISO Control Area.
- 6.6.3** The ISO and Anaheim shall jointly develop any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

- 6.7** Anaheim shall install and maintain direct telemetry links from facilities comprising Anaheim's System to the ISO's EMS system to provide real-time data to the ISO, subject to any exemption available in accordance with the ISO Tariff. Such data points may include without limitation: output of Generating Units under Anaheim control; line and transformer flows at the Anaheim Points of Interconnection; and bus voltages at the Anaheim Points of Interconnection and at each Generating Unit. With regard to Generating Units in the ISO Control Area in which Anaheim has an entitlement over which Anaheim does not have legal authority to exercise control, Anaheim shall, at a minimum, support the installation and maintenance of direct telemetry links to the ISO's EMS system from those Generating Units before the appropriate bodies of the projects pursuant to the individual project agreements to the full extent allowed by such agreements and applicable laws and regulations. Additional data points to be transmitted to the ISO EMS system will be as mutually agreed by the ISO and Anaheim representatives.

ARTICLE VII EMERGENCY OPERATIONS

7.1 In General.

In the event a System Emergency occurs or the ISO determines that a System Emergency is threatened or imminent that is not a result of a deficiency of resources to serve Loads in the ISO Control Area but instead occurs due to operating contingencies, which may include but not be limited to forced loss of resources and/or transmission components or may otherwise be caused by an Uncontrollable Force, Anaheim shall, in accordance with Good Utility Practice and subject to the terms of this Article VII: (a) comply with all directions from the ISO concerning the management and alleviation of a threatened or actual System Emergency, which may include shutting down or starting a Generating Unit, altering the scheduled delivery of Energy or Ancillary Services throughout the ISO Control Area, or disconnecting Anaheim Load; and (b) comply with all procedures concerning System Emergencies set out in the Anaheim EEP, ISO Protocols, and ISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Without limiting the generality of the foregoing:

- 7.1.1** Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X of this Agreement, or any ISO Tariff provision, Anaheim shall not be expected or required to curtail Load or offer to the ISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load serving entities to provide resources adequate to serve Load or maintain an Approved Credit Rating in accordance with the ISO Tariff.
- 7.1.2** During a System Emergency, the ISO and Anaheim shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the ISO Tariff.

7.2 Notice. When a System Emergency occurs, the ISO shall notify Anaheim's control center as part of the process by which it notifies all Utility Distribution Companies and MSS Operators of System Emergency conditions. To the extent practical, such notices shall include sufficient information for Anaheim to determine which conditions of Article VII may apply. Details of the notification process are set forth in Schedule 7.

7.3 Generation Operations.

7.3.1 Applicability. Subsequent to the declaration by the ISO of an alert regarding a threatened or imminent System Emergency in accordance with the ISO's Operating Procedure applicable to System Emergencies and during a System Emergency, the ISO may issue Dispatch Instructions or request additional output from Anaheim's Generating Units in addition to the Energy and Ancillary Services Anaheim has scheduled with the ISO or bid into the ISO's markets. Unless the request or Dispatch Instruction is issued by the ISO to implement a FERC approved market mitigation measure applicable to MSS Operators in accordance with Section 7.3.5, Anaheim shall not be required by this Agreement to comply with such requests or Dispatch Instructions, although it may consent to do so in a particular case (without prejudice to Anaheim's right to direct its Scheduling Coordinator to decline any such requests or instructions thereafter), if: (i) the ISO has not exhausted market resources prior to calling on Anaheim's resources and such market resources, if dispatched, would have had a similar operational effect as dispatching Anaheim's Generating Units in alleviating the System Emergency; or (ii) the System Emergency is a result of insufficient resources to meet Load and/or inability to meet Operating Reserve obligations (as defined by WECC or its successor and implemented by the ISO), as determined in accordance with Section 4.5.3 of the ISO Tariff. If Anaheim or its Scheduling Coordinator chooses not to follow such a request or Dispatch Instruction, it shall notify the ISO as soon as possible that it will not follow the request or Dispatch Instruction due to one of the reasons set forth above.

7.3.2 Operating Limitations/Conditions. Any Dispatch Instructions or requests for output from Anaheim's Generating Units by the ISO during System Emergencies shall be subject the terms of Section 10.2.

7.3.3 Implementing Dispatch Instructions and Requests for Additional Energy. When requested by the ISO subsequent to the declaration by the ISO of an alert regarding a threatened or imminent System Emergency in accordance with the ISO's Operating Procedure applicable to System Emergencies and during a System Emergency, Anaheim shall operate its Generating Units listed in Schedule 14 and, to the extent possible, other Anaheim resources, to supply the ISO with generating capacity and/or Energy that can be made available by those Generating Units and other Anaheim resources in order to make available as much generating capacity and/or Energy as possible to the ISO during the term

of any System Emergency, consistent with the following: (i) maintaining the supply of Energy to Loads on Anaheim's System, other than in accordance with Section 7.4 of this Agreement; and (ii) due consideration for Anaheim obligations specified in the EEP attached to Schedule 11; and (iii) terms and limitations specified in Sections 7.3.1 and 7.3.2. In making as much generating capacity and/or Energy available that can be made available by its Generating Units and, to the extent possible, other Anaheim resources to the ISO as possible for use subsequent to the declaration by the ISO of an alert regarding a threatened or imminent System Emergency in accordance with the ISO's Operating Procedure applicable to System Emergencies and during System Emergency conditions, subject to the foregoing, Anaheim shall:

- 7.3.3.1** Schedule, reschedule and operate to the maximum extent possible, the Generating Units and other sources of power of Anaheim's System and, to the extent possible, other Anaheim resources within and outside the ISO's Control Area to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units and other resources to the ISO, provided that Anaheim shall not be required to terminate any firm sales of generating capacity or Energy that it is committed to provide pursuant to contracts in effect at the time of the System Emergency; and
- 7.3.3.2** Reschedule Maintenance Outages of equipment and facilities, including Generating Units and facilities which impact the operation of Generating Units, to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units to the ISO.
- 7.3.4** Anaheim's Scheduling Coordinator shall receive compensation in accordance with the ISO Tariff for generating capacity and/or Energy supplied in response to System Emergency Dispatch instructions or requests for Energy issued by the ISO with respect to Anaheim's resources in addition to the Energy and Ancillary Services from those resources scheduled with the ISO or bid into the ISO's markets, provided that such compensation shall be in accordance with the provisions of the ISO Tariff or the provisions of Section 13.10, as may be applicable.
- 7.3.5** Nothing in this Agreement is intended to affect Anaheim's obligation to comply with any market mitigation requirement, including any must-offer requirement, that the FERC may impose on MSS Operators such as Anaheim.

7.4 Load Shedding

- 7.4.1 Automatic Load Shedding.** Anaheim shall implement and have at all times operational an automatic Under Frequency Load Shedding program, or shall be included in another MSS's or UDC's WECC-compliant UFLS program, as

described in Schedule 8, and any undervoltage relay protection program that may be described in Schedule 9.

7.4.2 Manual Load Shedding

- 7.4.2.1 Applicability.** Anaheim shall not be subject to manual Load Shedding if: (i) it has sufficient resources to meet its forecasted Demand, as determined in accordance with Section 4.5.3 of the ISO Tariff; and (ii) the Load Shedding is required solely due to insufficient resources to meet Load and/or inability to meet Operating Reserve obligations (as defined by WECC or its successor and implemented by the ISO), as determined in accordance with Section 4.5.3 of the ISO Tariff.
- 7.4.2.2 Verification of MSS Resource Sufficiency.** Anaheim shall provide the ISO with detailed real time information, in graphical or tabular format for those contracts and resources that do not have direct telemetry, demonstrating its full resource sufficiency during any time that the ISO interrupted firm Load within the ISO Control Area or during which time an ISO direction to interrupt firm Load was in force, like other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and Anaheim and its Scheduling Coordinator shall be subject to the provisions of Section 4.5.3 of the ISO Tariff for any failure to make such demonstration.
- 7.4.2.3 Implementation.** When called upon to do so by the ISO in accordance with Section 7.4.2 to avert, manage, or alleviate a System Emergency, Anaheim shall implement the manual Load Shedding program described in Schedule 10. The ISO shall notify Anaheim when conditions exist that would require Anaheim to implement the Load curtailment and Interruptible Load programs described in Schedules 10, 10A, and 10B. Subject to the provisions of Sections 7.1 and 7.4.2, if the ISO determines that manual Load curtailment is required to manage a System Emergency, the ISO shall determine the amount and location of Load to be reduced and, to the extent practicable, shall allocate a portion of the required Demand reduction to Anaheim and each UDC and MSS Operator based on the ratio of its Demand at the time of the ISO Control Area annual peak Demand for the previous year to total ISO Control Area annual peak Demand for the previous year, taking into account system considerations and Anaheim's curtailment rights.
- 7.4.2.4 Audit.** In the event the ISO calls upon Anaheim to implement manual Load Shedding, Anaheim shall have the right to request an audit, in accordance with the provisions of ISO Tariff Section 12.2.4, of the ISO's implementation of manual Load Shedding to verify the ISO's compliance with the conditions set forth in Section 7.4.2. The ISO shall cooperate fully with such audits. Anaheim shall bear the full cost of any such audit, including the cost of ISO activities in cooperation with the audit.

7.4.3 Load Restoration. Load shed in accordance with Section 7.4.1 and 7.4.2 of this Agreement shall be restored pursuant to Schedule 12.

7.4.4 The ISO shall use reasonable efforts to coordinate Anaheim's Under Frequency Load Shedding program with the Under Frequency Load Shedding programs of other MSS Operators and Utility Distribution Companies, and the implementation of all such other programs, so that no one entity bears a disproportionate share of Under Frequency Load Shedding in the ISO Control Area. Anaheim warrants that its UFLS program does and will continue to fully adhere to the applicable WECC plans and requirements governing such programs, in accordance with Schedule 8.

7.4.5 To the extent Anaheim reduces Anaheim's System Load in response to a System Emergency, it shall exercise its best efforts to maintain the same level of Generation and imports as was scheduled prior to the Load reduction in order to provide the ISO with Energy, subject to the provisions of Sections 7.3 and 10.2.3. Anaheim's Scheduling Coordinator shall receive compensation for any Energy or Ancillary Services made available to the ISO as a result of such Load Shedding in accordance with the ISO Tariff and ISO Operating Procedures and, in accordance with Section 11.2.4.1.2(a) of the ISO Tariff, shall not be subject to any Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy for so long as Anaheim is subject to an order to maintain Load Shedding and not to restore its allocated share of Load reduction.

7.5 Electrical Emergency Plan

7.5.1 Anaheim shall cooperate with the ISO's implementation of the Electrical Emergency Plan ("ISO EEP") developed by the ISO in accordance with Section 2.3.2.4 of the ISO Tariff. Anaheim shall implement Anaheim's EEP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the ISO shall cooperate with Anaheim's implementation of Anaheim's EEP.

7.5.2 Anaheim shall notify its customers pursuant to its EEP of any requests for voluntary Load curtailments of which the ISO notifies Anaheim pursuant to the ISO EEP.

7.5.3 When the ISO allocates an amount of Load curtailment to Anaheim pursuant to Section 7.4 of this Agreement and to the ISO EEP to manage a System Emergency, Anaheim shall cause customers to curtail that amount of Load.

7.6 Records. Anaheim and the ISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the ISO Tariff.

**ARTICLE VIII
LOCAL AND REGIONAL RELIABILITY**

8.1 Reliability Within Anaheim's System

- 8.1.1** Anaheim shall be solely responsible for maintaining the reliability of electric service to customers in Anaheim's System in accordance with Applicable Reliability Criteria, WECC and NERC requirements, regulatory requirements, and Good Utility Practice, subject to the responsibilities of the ISO as the operator of the Control Area in which Anaheim's System is located.
- 8.1.2** Anaheim shall be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within Anaheim's System and at the Points of Interconnection.
- 8.1.3** If and to the extent the WECC criteria change or Anaheim does not maintain sufficient Generation to meet the reliability criteria in Schedule 16, as may be amended, as applied to Anaheim's System and thus avoid adverse impacts on the ISO Controlled Grid, then Anaheim's Scheduling Coordinator may be assessed costs incurred by the ISO to support the reliability of Anaheim's System. The ISO will notify Anaheim that the reliability criteria have not been met and the Parties shall negotiate in good faith over necessary modifications and, if they cannot reach agreement, submit the dispute to dispute resolution in accordance with Article XV of this Agreement.

8.2 Control Area Reliability. For the costs specified in this Article VIII, Anaheim, through its Scheduling Coordinator, shall be responsible for supplying or bearing its proportionate share of the costs of generating resources required for the reliability of electric service to Loads in the ISO Control Area, except for Reliability Must-Run ("RMR") Generation costs on the ISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected and Anaheim is not the applicable Participating TO, and for any other costs of generating resources required for the reliability of electric service to Loads in the ISO Control Area that FERC may order to be inapplicable to Anaheim. Anaheim, through its Scheduling Coordinator, may meet such obligation from resources it owns or with respect to which it has contractual entitlements to the Energy and Ancillary Services or it may purchase those products through the ISO's markets in accordance with the terms of the ISO Tariff.

- 8.2.1** Nothing in this Agreement shall obligate Anaheim to make any Generating Units available as Reliability Must-Run Generation, unless Anaheim notifies the ISO that it desires to participate in the RMR Unit designation process. To the extent Anaheim does not notify the ISO that it desires to participate in the RMR Unit designation process, the ISO agrees not to designate any Anaheim Generating Units as RMR Units provided Anaheim agrees that, in circumstances affecting local reliability of the ISO Controlled Grid that would otherwise be mitigated by

RMR Units, any Generation not being used to serve Anaheim Load and other firm power sales obligations will be made available to the ISO, subject to Article VII of this Agreement.

- 8.3 Voltage Support.** Except as otherwise agreed by the Parties, Anaheim shall maintain the voltage on Anaheim's System so that reactive flows at the Points of Interconnection are at the level specified by the ISO within the power factor band of 0.97 lag to 0.99 lead. Anaheim shall not be compensated for maintaining the power factor at the levels required by the ISO within this bandwidth. If Anaheim fails to maintain the power factor at the levels specified by the ISO, Anaheim's Scheduling Coordinator shall bear a portion of the ISO's Voltage Support costs in accordance with Section 13.6.
- 8.4 Black Start.** Anaheim shall either provide its own share of ISO Control Area Black Start capability or, through its Scheduling Coordinator, shall bear a portion of the ISO's Black Start costs in accordance with Section 13.7.
- 8.5 Ancillary Services.** Anaheim's responsibility for the ISO Control Area requirements of Ancillary Services shall be determined in accordance with the ISO Tariff. If Anaheim's Scheduling Coordinator schedules sufficient self-provided capacity complying with the applicable requirements of the ISO Tariff, which capacity is committed to the various required Ancillary Services, and maintains the Ancillary Service capacity as available to the ISO for that purpose, Anaheim's Scheduling Coordinator shall not be required to purchase capacity in the ISO's Ancillary Service markets. To the extent Anaheim's Scheduling Coordinator does not schedule sufficient capacity for this purpose, Anaheim may, through its Scheduling Coordinator, purchase the required capacity in the ISO's Ancillary Service markets. To the extent Anaheim's Scheduling Coordinator does not maintain the availability of capacity committed to the ISO for Ancillary Services for that purpose, the Scheduling Coordinator shall be responsible for the applicable charges under the ISO Tariff.
- 8.6 Imbalance Energy.** To the extent that sufficient Energy for the purpose of serving Load in Anaheim's System and exports from Anaheim's System, including losses, is not reflected in Schedules submitted by Anaheim's Scheduling Coordinator and delivered in real time, Anaheim shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the ISO's Imbalance Energy market. The ISO will settle with Anaheim's Scheduling Coordinator with regard to Imbalance Energy in accordance with the ISO Tariff. If Anaheim elects in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow Anaheim's Load and exports from the MSS with Anaheim's resources and imports into the MSS, which resources and imports into the MSS must be approved in advance by the ISO as not causing an undue operational burden for following Anaheim's Load and exports from the MSS, to the extent that the net Imbalance Energy for all of Anaheim's Loads and exports from the MSS, and resources and imports into the

MSS, is within Anaheim's portfolio deviation band, as specified in Section 13.12, Anaheim's Scheduling Coordinator will not be subject to costs or penalties, other than the cost of the Imbalance Energy itself. To the extent that Anaheim's Scheduling Coordinator is operating outside of its portfolio deviation band, Anaheim's Scheduling Coordinator shall be subject to penalties as specified in Section 13.12. In following Load, Anaheim's Scheduling Coordinator may utilize any resource available to it approved in advance by the ISO as not causing an undue operational burden, regardless of whether, or at what level, that resource is reflected in Schedules submitted by Anaheim's Scheduling Coordinator, except with respect to any portion of the capacity of a resource for which Anaheim's Scheduling Coordinator has submitted an Ancillary Services capacity bid to the ISO for that resource or to the extent the ISO has issued a System Emergency operating order consistent with Section 7.1.1.

- 8.7 MSS Aggregator.** Anaheim may elect to have its Load and exports from Anaheim's System, including losses, included in the aggregated Load and exports of its MSS aggregator and reflected in Schedules submitted by the MSS aggregator's Scheduling Coordinator. The terms and conditions of the MSS aggregator's agreement with the ISO shall govern the inclusion of Anaheim's Load and exports in the portfolio of the MSS aggregator's Scheduling Coordinator regarding charges, Load following, Imbalance Energy and any application of a deviation band provided for in the context of Load following.
- 8.8 Ratings and Limits.** At no time shall the power flow between the ISO and Anaheim at the Points of Interconnection be allowed to cause any circuit or equipment at the Points of Interconnection to exceed the allowable applicable ampacity rating or to exceed the simultaneous transfer limit between the ISO and Anaheim (such simultaneous transfer limit shall be studied and established by the Parties). If the actual or anticipated power flow between the ISO and Anaheim causes a circuit at a Point of Interconnection to exceed its applicable ampacity rating or such flow exceeds or is anticipated to exceed the agreed to allowable simultaneous transfer limit between the ISO and Anaheim, and further if the ISO determines and Anaheim concurs with the ISO's determination, in accordance with Good Utility Practice, that Anaheim is the cause of such exceedance or anticipated exceedance, Anaheim retains the right, and the ISO shall have the right to require Anaheim, to take immediate action to reduce such flow on the overloaded circuit or reduce such simultaneous power flow between the ISO and Anaheim by one or more actions (as determined by Anaheim), including, but not limited to, increasing internal Generation within Anaheim or curtailing Anaheim Load as necessary. If the ISO determines, in accordance with Good Utility Practice, that Anaheim is not the cause of the existing or anticipated exceedance, the ISO may require third parties to take necessary action to reduce flows on overloaded circuits or reduce simultaneous power flows between the ISO and Anaheim if applicable and allowable through arrangements that the ISO may have with such third parties or pursuant to the ISO's authority under the ISO Tariff or its delegated jurisdictional authority through WECC or

NERC. If the ISO is unable to determine a) whether Anaheim caused, or b) to what extent Anaheim may have caused, such exceedance or anticipated exceedance, or c) the Parties do not agree on the causation determination, the Parties agree, in accordance with Good Utility Practice, to confer and mutually decide what actions shall be taken.

- 8.9 SILT.** Anaheim's implementation of the WECC Southern Island Load Tripping ("SILT") program shall fully adhere to applicable WECC plans and requirements governing such program, in accordance with Schedule 8.

ARTICLE IX ACCESS TO THE ISO CONTROLLED GRID AND MARKETS

9.1 Existing Contracts and Encumbrances and Access to the ISO Controlled Grid

9.1.1 Nothing in this Agreement shall be construed or interpreted in any manner that would interfere with the terms and conditions of any Existing Contract or Encumbrance or relieve the ISO of its obligation to honor such Existing Contracts and Encumbrances.

9.1.2 Anaheim shall have open and non-discriminatory access to the ISO Controlled Grid for the scheduling of transactions that do not utilize Existing Contracts and Encumbrances in accordance with the ISO Tariff and for other transmission services the ISO may provide in the future under the ISO Tariff, or under any other appropriate regulatory avenue.

9.1.3 Anaheim may use the ISO Controlled Grid in accordance with the ISO Tariff to buy and sell electric products in the ISO's markets and in bilateral transactions with other Market Participants.

9.1.4 Anaheim shall afford open and non-discriminatory access to the transmission facilities included in Anaheim's System to any entity qualified to obtain an order under Section 211 of the Energy Policy Act of 1992 that affords such access to the transmission facilities that such entity owns or controls.

9.2 Access to ISO Markets

9.2.1 Sales of Energy and Ancillary Services. Energy and Ancillary Services produced by Anaheim's Generating Units and Loads listed in Schedule 14 may be sold in the ISO's markets on the terms applicable under the ISO Tariff to Participating Generators and Participating Loads, respectively, as modified by this Agreement. If Anaheim's Scheduling Coordinator submits a bid for Energy or Ancillary Services from a Generating Unit or Load listed in Schedule 14, Anaheim warrants to the ISO that it has the capability to provide that service in accordance with the ISO Tariff and that it shall comply with ISO Dispatch

Instructions for the provision of the service in accordance with this Agreement. If Anaheim's Scheduling Coordinator submits a bid for Energy or Ancillary Services from a Generating Unit or Load within Anaheim's System, any Energy delivered from that Generating Unit or Load shall be added to the calculation of Anaheim's net metered Demand and exports from Anaheim's System for purposes of determining deliveries to Anaheim's System in assessing charges pursuant to Article XIII.

9.2.2 Certification. Anaheim shall not use a Scheduling Coordinator to submit a bid for the provision of an Ancillary Service or submit a Schedule for the self-provision of an Ancillary Service unless the Scheduling Coordinator serving Anaheim is in possession of a current certificate pursuant to Sections 2.5.6 and 2.5.24 of the ISO Tariff.

9.2.3 Supplemental Energy and Ancillary Service Bids. Bids in the ISO's Supplemental Energy and Ancillary Service markets may only be submitted by Anaheim's Scheduling Coordinator.

9.2.4 Black Start and Voltage Support. Anaheim or its Scheduling Coordinator shall be entitled to bid its Generating Units and the resources on Anaheim's System in any open solicitation held by the ISO for Black Start or Voltage Support services, provided that the supply of any service by Anaheim shall not impair its ability to provide the service it is required by Article VIII of this Agreement to provide for Anaheim's System, and, if the services are sold to the ISO, Anaheim or its Scheduling Coordinator shall provide such services in accordance with the ISO Tariff.

ARTICLE X GENERATING UNITS AND MARKET-PARTICIPATING LOADS

10.1 Identification of Resources. Anaheim has identified in Schedule 14 the individual Generating Units and Loads proposed for participation in the ISO's markets that it owns, operates or to which it has a contractual entitlement that are included in Anaheim's System.

10.1.1 Technical Characteristics. Anaheim has provided to the ISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and Loads listed in that schedule. The ISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto, in accordance with Section 2.5.25 of the ISO Tariff.

10.1.2 Notification of Changes. Except as provided in Section 10.2.3, Anaheim shall notify the ISO sixty (60) days prior to any change to the information provided in Schedule 14, provided that such notice shall not be required for changes to parameters of operating limitations set forth in Schedule 14, which shall be made

in accordance with the ISO's Operating Procedures. The Parties shall amend Schedule 14, as applicable, to reflect that change. Subject to such notification, and verification, inspection, and testing in accordance with Section 10.1.1, but without waiting for the execution and effectiveness of an amended Schedule 14, the Parties shall implement any new information for a Generating Unit or Load identified in Schedule 14 upon the effective date for the next scheduled update to the ISO's Master File.

10.1.3 Nothing in this section shall preclude Anaheim from informing the ISO of changes in limitations on the operation of a Generating Unit, as provided in Section 10.2.3 of this Agreement, or to comply with environmental laws and regulations, provided that Anaheim provides the ISO with advance notice of any changes in such limitations.

10.2 Generating Unit Operation

10.2.1 Anaheim shall install and maintain direct telemetry links to the ISO's EMS system for each Anaheim Generating Unit under Anaheim control that enables the ISO to view the status, voltage, and output of the Generating Unit and ISO certified meters that transmits data automatically to the ISO's meter data acquisition system. Anaheim shall calculate and specify to the ISO any distribution loss factor applicable to its Generating Units.

10.2.2 If Anaheim, through its Scheduling Coordinator, chooses to supply Regulation or self-provide Regulation from a Generating Unit, it must provide the ISO with control over the Generating Unit providing Regulation and place the Generating Unit on Automatic Generation Control ("AGC") responsive to the ISO's Regulation signal. Regulation service shall be provided in accordance with the ISO Tariff. Anaheim or its Scheduling Coordinator may adjust output of Anaheim's Generating Units, in response to Anaheim's Load following needs, if elected in accordance with Section 23.12 of the ISO Tariff, provided that, if Anaheim is providing Regulation to the ISO from any Generating Unit, it may not adjust the output of that Generating Unit unless the integrity of the ISO's Regulation signal, and the continuous responsiveness of such Generating Unit, via AGC, to the ISO's Regulation signal, is not compromised. If the ISO determines that the integrity of the ISO's Regulation signal or the continuous responsiveness to the ISO's Regulation signal is compromised, Anaheim's Generating Unit shall be deemed not to have provided the Regulation, and Anaheim shall be subject to the provisions of the ISO Tariff applicable to failure to provide Regulation. To the extent that Anaheim chooses not to provide Regulation from an Anaheim Generating Unit, the ISO shall not control the Generating Unit via a direct link between the ISO and the Generating Unit without Anaheim's consent.

10.2.3 Operating Limitations. Anaheim or its Scheduling Coordinator shall not be required to comply with, although it may consent to do so in a particular case (without prejudice to Anaheim's right to direct its Scheduling Coordinator to

decline any such instructions thereafter), and shall not be subject to penalties when not complying with, Generating Unit Dispatch Instructions that are not in accordance with limitations specified in Schedule 14 resulting from, but not necessarily limited to: (i) licenses/permits related to Generating Units (including air emission constraints), (ii) water release constraints imposed by regulatory agencies, (iii) internal policies related to fuel and contract management, or (iv) abnormal Generating Unit and transmission maintenance, provided that Anaheim shall provide the ISO with advance notice of any changes to the limitations in Schedule 14 that Anaheim's obligations impose on the operation of its Generating Units. For that purpose, Anaheim shall provide the ISO with any change in Schedule 14 with regard to the limitations on the operation of its Generating Units, and any appropriate amendment to Schedule 14 shall be agreed upon by the authorized representatives of the Parties pursuant to Section 3.4.3. Anaheim shall provide the ISO updates regarding the status of the limitations in Schedule 14 promptly whenever it becomes aware of factors that affect such limitations, provided that updates shall be provided at least quarterly and no updates may be provided later than the deadline for the submission by other Generators of changes in limitations on the operation of Generating Units, which is currently the deadline for the submission of final Hour-Ahead Schedules, except when a change is due to an Uncontrollable Force. If Anaheim or its Scheduling Coordinator chooses not to follow such a Dispatch Instruction, it shall notify the ISO as soon as possible that it will not follow the Dispatch Instruction due to the previously communicated limitation.

10.3 [NOT USED]

10.4 WECC Requirements Applicable to Participating Generators

10.4.1 Reliability Criteria. Anaheim shall comply with the requirements of Section 5.4 of the ISO Tariff applicable to Participating Generators.

10.4.2 Payment of WECC Sanctions. Anaheim shall be responsible for payment directly to the WECC of any monetary sanction assessed against Anaheim by the WECC, as provided in Section 5.4.3 of the ISO Tariff.

10.5 Market-Participating Load Operation

10.5.1 Technical Characteristics. As required by Section 2.5.6.1 of the ISO Tariff, Anaheim shall provide the ISO with all technical and operational information requested in Schedule 14, Section 3 for each Curtailable Demand that it owns, operates, or has a contractual entitlement to. For those Loads designated by Anaheim as providing Curtailable Demand, Schedule 14, Section 3 requires Anaheim to indicate in Schedule 14, Section 3 whether the Load can be scheduled or bid as Non-Spinning Reserve or Replacement Reserve. Pursuant to Section 2.5.25 of the ISO Tariff, the ISO may verify, inspect and test the

capacity and operating characteristics provided in Schedule 14, Section 3 for Curtailable Demands.

10.5.2 Metering and Communication. Pursuant to Sections 2.5.6.2 and 2.5.6.3 of the ISO Tariff, Curtailable Demand that is scheduled or bid as Non-Spinning Reserve or Replacement Reserve is required to comply with the ISO's communication and metering requirements.

10.5.3 UDC Interruptible Load Programs. Due to the ISO's reliance on interruptible Loads to relieve System Emergencies and its contractual relationship with each UDC, the ISO will not accept, and Anaheim shall not submit Adjustment Bids, Supplemental Energy bids, or Ancillary Services bids or self-provided Ancillary Service Schedules from interruptible Loads which are subject to curtailment criteria established under existing retail tariffs, except under such conditions as may be specified in the ISO Tariff.

10.5.4 Incentive Mitigation. For individual Loads or aggregated Loads receiving incentives for interruption under existing programs approved by a Local Regulatory Authority as identified in Schedule 14, Section 3, Anaheim shall not receive a capacity payment or credit for Ancillary Services bids or self-provided Ancillary Service Schedules for the time, if any, that there exists an overlap between such Ancillary Services bids or self-provided Ancillary Service Schedules and the time during which such individual or aggregated Loads have been interrupted pursuant to the existing program approved by a Local Regulatory Authority to which it is subject. This provision shall in no way be interpreted to limit the authority of the ISO under the ISO Tariff in any other respect.

ARTICLE XI SCHEDULING

11.1 Scheduling Coordinator. All Schedules submitted on behalf of Anaheim for the delivery of Energy and Ancillary Services to Loads in Anaheim's System and for exports from Anaheim's System shall be submitted by a Scheduling Coordinator certified in accordance with the applicable provisions of the ISO Tariff that has entered into a Scheduling Coordinator Agreement with the ISO that is currently in effect. The Scheduling Coordinator may be Anaheim itself or a Scheduling Coordinator designated by Anaheim.

11.2 Self-Provided Energy and Ancillary Services. Anaheim may self-provide all or any portion of its obligation for Energy and Ancillary Services. Whether or not Anaheim engages in such self-provision, Anaheim's Scheduling Coordinator shall include the gross output, less auxiliary load, of each Generating Unit and import from which Anaheim meets that obligation and the gross Load served on Anaheim's System and gross exports from Anaheim's System in Schedules submitted to the ISO. If the ISO amends the ISO Tariff to relieve Scheduling

Coordinators of the obligation to schedule gross Generation, imports, Loads, and exports, and the amendment would have applied to Anaheim in the absence of this Agreement, the Parties shall negotiate an amendment to this Agreement to conform the obligations of this section to the modified procedures.

- 11.3 Scheduling Timelines.** Anaheim's Scheduling Coordinator shall submit all Schedules, including Schedules for the use of its Existing Contracts, Schedules for the use of the ISO Controlled Grid as a new firm use, and Schedules for the self-provision of Energy and Ancillary Services, within the timelines established by the ISO Tariff.

ARTICLE XII METERING

- 12.1** Anaheim shall ensure installation of ISO-certified revenue quality meters and associated equipment at (a) the Points of Interconnection and, (b) for each Generating Unit listed in Schedule 14, at each bus to which one or more Generating Units is connected, provided that the Demand of any Load at that bus, other than a Generating Unit auxiliary load, is separately metered.
- 12.2** The provisions of the ISO Tariff applicable to ISO Metered Entities shall apply to Anaheim, subject to the particular rights and obligations of the Parties with respect to metering set forth in Schedule 15, including access to and testing of Anaheim's meters.
- 12.3** The calculation of Anaheim's Settlement Quality Meter Data shall be in accordance with Schedule 15.

ARTICLE XIII CHARGES

- 13.1 Charges Generally.** Except as may be provided otherwise in the provisions of this Article XIII, Anaheim's Scheduling Coordinator shall be responsible for charges incurred in accordance with the ISO Tariff, provided that nothing in this Agreement shall prohibit Anaheim from challenging the allocation of any new charge under the ISO Tariff to Anaheim on the ground that the proposed charge is not appropriately assessed against a MSS Operator, or on any other ground.
- 13.2 Transmission Losses.** Anaheim's Scheduling Coordinator shall be responsible for transmission losses, in accordance with the ISO Tariff, only for the delivery of Energy to Anaheim's System or from Anaheim's System, provided Anaheim fulfills its obligation to provide for transmission losses on the transmission facilities forming part of Anaheim's System in accordance with Section 5.5 of this Agreement. A Generation Meter Multiplier ("GMM") shall be assigned to Anaheim's Generating Units for use of the ISO Controlled Grid. That GMM shall

be 1.0 for all Generating Units within Anaheim's System that are located at or behind a Point of Interconnection, to the extent that the Load at the Point of Interconnection for that portion of Anaheim's System exceeds the amount of Generation produced by the Generating Units connected to that portion of Anaheim's System.

- 13.3 Congestion Costs.** Anaheim's Scheduling Coordinator shall be responsible for Usage Charges and Grid Operations Charges, and any successor charges through which the ISO collects Congestion costs from Scheduling Coordinators, in accordance with the ISO Tariff only with respect to Anaheim's Scheduling Coordinator's delivery of Energy and Ancillary Services to Anaheim's System or from Anaheim's System, including Anaheim's Scheduling Coordinator's delivery of Energy and Ancillary Services from Anaheim's Generating Units to Anaheim's System Loads other than Loads within the same Service Area to which the Generating Units are connected, provided that Anaheim fulfills its obligation to manage Congestion on Anaheim's System and at the Points of Interconnection at its own cost in accordance with Section 5.5 of this Agreement.
- 13.4 Unaccounted-For Energy Costs.** Anaheim's Service Area shall be treated as a Utility Distribution Company Service Area for purposes of allocating responsibility for Unaccounted-for Energy costs in accordance with the ISO Tariff.
- 13.5 Reliability Generation.** Anaheim shall be responsible for the costs of maintaining the reliability of transmission facilities in Anaheim's System, including costs of Generating Units operated by or on behalf of Anaheim for that purpose. If and to the extent Anaheim does not maintain sufficient Generation to meet the reliability criteria in Schedule 16 as applied to Anaheim's System and thus avoid material adverse impacts on the ISO Controlled Grid, then Anaheim may be assessed costs incurred by the ISO to support the reliability of Anaheim's System.
- 13.6 Voltage Support Costs.** If and to the extent Anaheim does not satisfy the Voltage Support obligations set forth in accordance with Section 8.3 of this Agreement, Anaheim's Scheduling Coordinator shall bear a proportionate share of the ISO's Voltage Support cost in accordance with the ISO Tariff.
- 13.7 Black Start Costs.** If and to the extent Anaheim does not provide its own Black Start capability in accordance with Section 8.4 of this Agreement, Anaheim's Scheduling Coordinator shall bear a proportionate share of the ISO's Black Start cost in accordance with the ISO Tariff.
- 13.8 Neutrality Costs.** Anaheim's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) shall be based on Anaheim's net metered Demand and exports from the ISO Control Area.

- 13.9 Peak Reliability Costs.** Anaheim, through its Scheduling Coordinator, shall have the option to avoid any share of the ISO's costs for any peak Demand reduction program or for any peak reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8. In order to avoid such costs, Anaheim shall secure capacity reserves on an annual basis at least equal to fifteen percent (15%) of its annual peak Demand responsibility, and shall provide documentation to the ISO of the resources proposed to meet that peak Demand responsibility plus such capacity reserves. Such capacity reserves may include peaking capacity and Demand reduction programs. To the extent that Anaheim demonstrates its provision of capacity reserves, Anaheim's Scheduling Coordinator shall not be obligated to bear any share of the ISO's costs for any peak Demand reduction program or for any peak reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8.
- 13.10 Generating Unit Minimum Load, Emissions, and Start-Up Costs.** If the ISO is compensating Generating Units for Minimum Load Costs, Emissions Costs, and Start-Up Costs, and if Anaheim has elected to follow its Load in accordance with Section 8.6, then Anaheim shall elect either the option set forth in Section 13.10.1 or the option set forth in Section 13.10.2. If Anaheim has not elected to follow its Load in accordance with Section 8.6, then Anaheim may not elect the option set forth in Section 13.10.2, and shall elect either the option set forth in Section 13.10.1 or the option set forth in Section 13.10.3.
- 13.10.1** Anaheim may elect to be eligible for recovery of Minimum Load Costs and charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Anaheim's System whether following its Load or not. If Anaheim makes such election, then Anaheim's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the ISO in accordance with ISO Tariff Sections: 2.5.23.3.6.1, 2.5.23.3.7.1, and 5.11.6.1.4.
- 13.10.2** If Anaheim has elected to follow its Load in accordance with Section 8.6, Anaheim may elect not to be eligible for recovery of Minimum Load Costs and choose not to charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Anaheim's System. If Anaheim makes such election, then Anaheim's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the ISO based on Anaheim's Net Negative Uninstructed Deviations.
- 13.10.3** If Anaheim has elected not to follow its Load in accordance with Section 8.6, Anaheim may elect not to be eligible for recovery of Minimum Load Costs and choose not to charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Anaheim's System. If Anaheim makes such an election, then Anaheim's Scheduling Coordinator shall be allocated Emissions Costs and Start-Up Costs in accordance with ISO Tariff Section 23.16.3 and shall be allocated Minimum Load Costs in accordance with ISO Tariff Section 5.11.6.1.4, except that the allocation of Minimum Load Costs

pursuant to ISO Tariff Section 5.11.6.1.4(2) and 5.11.6.1.4(3)(a) shall be based on Anaheim's net metered Demand and exports.

- 13.10.4** Anaheim shall make the election whether to be eligible for Minimum Load Cost recovery and charge the ISO for the subject Generating Unit Emissions Costs and Start-Up Costs annually by November 1 for the following calendar year.
- 13.11 Grid Management Charge Adjustment for MSS Load Following.** If the ISO is charging Grid Management Charges for uninstructed deviations (currently the Energy Transmission Services Uninstructed Deviations Charge and a portion of the Market Usage Charge), and if Anaheim's Scheduling Coordinator has uninstructed deviations associated with Load following from resources listed in Schedule 14, then the ISO will net the Generation and imports into the MSS to match the Load and exports out of the MSS, and will not assess Grid Management Charges associated with uninstructed deviations for such portion of Energy that is used to match MSS Load and net exports out of the MSS. If Generation and imports into the MSS are above the amount to cover Load and exports out of the MSS and were sold into the ISO's Imbalance Energy market, then Anaheim's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. If Generation and imports into the MSS are below the amount to cover Load and exports out of the MSS, and Imbalance Energy is purchased from the ISO, then Anaheim's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. Anaheim's Scheduling Coordinator will otherwise be assessed all components of the Grid Management Charge in accordance with the ISO Tariff.
- 13.12 Deviation Band and Penalties Calculation.** Subject to an election by Anaheim made in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow Load using resources and imports into the MSS approved in advance by the ISO as not causing an undue operational burden for following Anaheim's Load and exports from the MSS, the ISO will settle with Anaheim's Scheduling Coordinator with regard to Imbalance Energy, based on the applicable zonal or locational ex post prices, in accordance with the ISO Tariff. For purposes of assessing penalties to Anaheim's Scheduling Coordinator associated with operating outside the portfolio deviation band described in Section 8.6, the portfolio deviation band shall be three percent (3%) of the lesser of Anaheim's metered or Hour-Ahead scheduled Demand and exports from the MSS, adjusted for Forced Outages and any ISO directed firm Load Shedding, for Anaheim's portfolio as a whole. Penalties for operating outside of the deviation band will be based on a price that is the effective weighted average ex post price applicable to Anaheim for the billing interval. If the metered Generation resources and imports into the MSS exceed the Demand, exports from the MSS, and Energy expected to be delivered by Anaheim in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the deviation band, then the ISO will take back its payment for

Imbalance Energy by assessing Anaheim's Scheduling Coordinator a penalty of one hundred percent (100%) of the amount of Imbalance Energy that is outside the deviation band. If metered Generation resources and imports into the MSS are deficient in meeting Demand, exports from the MSS, and Energy expected to be delivered by Anaheim in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the deviation band, then Anaheim's Scheduling Coordinator shall be assessed a two hundred percent (200%) penalty for the amount of Imbalance Energy that is outside of the deviation band, in addition to the Imbalance Energy charges that may be applicable. Anaheim shall not oppose the ISO's allocation of the proceeds of any deviation band penalties as an offset to the ISO's Grid Management Charge.

13.13 Penalties for Failure to Provide Ancillary Services Capacity. The Parties agree that Ancillary Services should be provided from the resources that the ISO actually instructs to respond and that the resources instructed to deliver Ancillary Services are expected to provide an incremental response consistent with the standards for the Ancillary Service. However, since Anaheim's Scheduling Coordinator may simultaneously be undertaking economic trades or following Loads using the same resource that the ISO has instructed to deliver Ancillary Services, the ISO will incorporate Anaheim's documented Load following instructions into its evaluation of Ancillary Services compliance. Penalties for failure to provide committed Ancillary Services capacity will be assessed by the ISO in accordance with the ISO Tariff, on an individual Generating Unit basis, whenever that capacity is considered to have not been made available to the ISO. If the ISO believes that a Anaheim Generating Unit did not supply the committed amount of Ancillary Services capacity or associated Energy, based on the Ancillary Services capacity reservation, any instructions issued by the ISO to Anaheim or its Scheduling Coordinator to provide associated Energy, and the supporting meter data, when assessing penalties the ISO will give due consideration to operational data that Anaheim or its Scheduling Coordinator may provide to demonstrate that the Generating Unit's output was being adjusted for Load-following purposes as allowed by the terms of this Agreement and within the Ancillary Services capacity not provided to the ISO. Additionally, the Parties agree that the current equations for the settlement of real time Energy may under some circumstances result in Ancillary Services capacity penalties that are inappropriate when the Generating Unit is being used simultaneously to follow Load and provide Ancillary Services Energy.

13.14 Operating and Maintenance Costs. Anaheim shall be responsible for all its costs incurred in connection with procuring, installing, operating, and maintaining Anaheim's facilities, including the Generating Units and Loads listed in Schedule 14, for the purpose of meeting its obligations under this Agreement.

13.15 Billing and Payment. Billing and payment will be in accordance with the ISO Tariff.

**ARTICLE XIV
PENALTIES AND SANCTIONS**

- 14.1 Penalties.** Anaheim or its Scheduling Coordinator shall be subject to penalties and/or sanctions for failure to comply with any provisions of this Agreement only to the extent that (a) the penalty or sanction is set forth in the ISO Tariff and has been approved by FERC; and (b) the ISO Tariff provides for the imposition of the same penalty or sanction on a UDC, MSS Operator, or Participating Generator, or Participating Load in the same circumstances. Nothing in this Agreement, with the exception of the provisions of Article XV, shall be construed as waiving the rights of Anaheim to oppose or protest any penalty or sanction proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty or sanction on Anaheim.
- 14.2 Corrective Measures.** If Anaheim fails to meet or maintain the requirements set forth in this Agreement or in the applicable provisions of the ISO Tariff, the ISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the ISO Tariff that the ISO deems to be necessary to correct the situation.

**ARTICLE XV
DISPUTE RESOLUTION**

- 15.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this 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 any reference in Section 13 of the ISO Tariff to Market Participants shall be read as a reference to Anaheim and references to the ISO Tariff shall be read as references to this Agreement.

**ARTICLE XVI
REPRESENTATIONS AND WARRANTIES**

- 16.1 Representations and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.
- 16.2 Necessary Approvals.** Each Party represents that all necessary leases, approvals, licenses, permits, easements, rights of way or access to install, own and/or operate its facilities subject to this Agreement have been or will be obtained prior to the effective date of this Agreement.

**ARTICLE XVII
LIABILITY AND INDEMNIFICATION**

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

**ARTICLE XVIII
UNCONTROLLABLE FORCES**

- 18.1** Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement, except that all references in Section 15 of the ISO Tariff to Market Participants shall be read as a reference to Anaheim and references to the ISO Tariff shall be read as references to this Agreement.

**ARTICLE XIX
MISCELLANEOUS**

- 19.1 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in writing to the employee or official identified in Schedule 17 of this Agreement, and shall be deemed properly given: (a) upon delivery, if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 17 as the information changes. Such changes shall not constitute an amendment to this Agreement.
- 19.2 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 19.3 Governing Law and Forum.** This 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 its conflict of laws provisions. The Parties agree that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply

shall be brought in one 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.

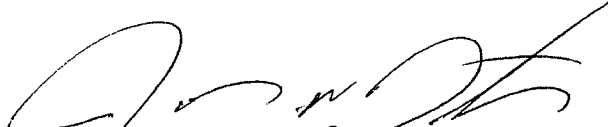
- 19.4 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to the provisions of this Agreement.
- 19.5 Counterparts.** This Agreement may be executed in 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 Agreement.
- 19.6 Consistency with Federal Laws and Regulations.** Nothing in this Agreement shall compel either Party to violate federal statutes or regulations, or orders lawfully promulgated thereunder. If any provision of this Agreement is inconsistent with any obligation imposed on a Party by such federal statute, regulation or order, to that extent, it shall be inapplicable to that Party. No Party shall incur any liability by failing to comply with a provision of this Agreement that is inapplicable to it by reason of being inconsistent with any such federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such Party shall use its best efforts to comply with this Agreement, to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
- 19.7 Severability.** If any term, covenant, or condition of this 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 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 Agreement.
- 19.8 Assignments.** Either Party may assign its rights and obligations under this 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 Agreement. Such consent shall not be unreasonably withheld.
- 19.9 No Regional Transmission Organization or Participating TO Obligation:** Nothing in this Agreement shall obligate or commit Anaheim to become a

member of any regional transmission organization (RTO) or to remain a Participating TO.

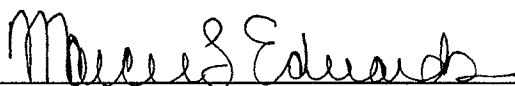
19.10 FERC Jurisdiction over Anaheim. Anaheim is not a "public utility" as currently defined in the Federal Power Act and by entering into this Agreement does not consent to FERC jurisdiction or waive its rights to object to FERC asserting jurisdiction over Anaheim.

IN WITNESS WHEREOF, the Parties hereto have caused this 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

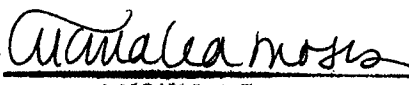
By: 
Name: JAMES W. DETMERS
Title: VP OPERATIONS
Date: 10/13/05

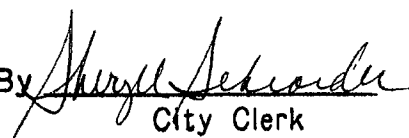
CITY OF ANAHEIM

By: 
Name: MARCIE L. EDWARDS
Title: PUBLIC UTILITIES GENERAL MANAGER
Date: OCTOBER 12, 2005

ATTEST:

APPROVED AS TO FORM:
JACK L. WHITE, CITY ATTORNEY

BY  10/12/05
LUCINA LEA MOSES
ASSISTANT CITY ATTORNEY

By 
City Clerk

SCHEDULE 1
ANAHEIM'S SYSTEM FACILITIES
[Section 1.2]

The following facilities form Anaheim's System, including the Points of Interconnection ("POI").

For Anaheim:

A) POI

Point of Interconnection between Anaheim's System and ISO Controlled Grid:

Lewis Substation

B) Anaheim Load

At Lewis Substation interconnection (ANA1 Demand Zone)

C) Generation Facilities

Anaheim Combustion Turbine Generating Unit located within ANA1 Demand Zone

SCHEDULE 2
INTERCONNECTED OPERATION STANDARDS
[Section 4.2]

The ISO and Anaheim shall jointly maintain stable operating parameters and control of real and reactive power flows in accordance with the following Interconnected Operation Standards.

Anaheim Responsibilities

- 1.0 Anaheim shall operate the facilities of Anaheim's System in such manner as to avoid any material or adverse impact on the ISO Control Area. In accordance with this performance goal, Anaheim shall:
 - 1.1 Operate the facilities of Anaheim's System at each Point of Interconnection 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 Anaheim's System facilities will be cleared within the timeframe specified by SCE and Anaheim with minimal impact on the ISO Controlled Grid.
 - 1.3 Maintain Load power factor at each Point of Interconnection with the ISO Controlled Grid in accordance with Section 8.3 of this Agreement.
 - 1.4 Operate the facilities of Anaheim's System at each Point of Interconnection in accordance with the requirements applicable to Utility Distribution Companies in the ISO Operating Procedures and standards, except as otherwise provided in this Agreement.

ISO Responsibilities

- 2.0 The ISO shall operate the ISO Controlled Grid at each Point of Interconnection with Anaheim in such manner as to avoid any material or adverse impact on Anaheim facilities. In accordance with this performance goal, the ISO shall:
 - 2.1 Participate with Anaheim and SCE in the development of joint power quality performance standards and jointly maintain compliance with such standards.
 - 2.2 Observe Anaheim grid voltage limits specified in Attachment 1 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. Any anticipated reduction in operating voltages on

ISO Controlled Grid facilities shall be studied and established by Anaheim and the ISO.

- 2.3 Approve Anaheim's maintenance requests in a timely manner for transmission facilities that impact the ISO Controlled Grid, and shall not unreasonably withhold approval of such requests for authorization to perform energized insulator washing work or to take planned Outages needed to replace or insul-grease insulators.
- 2.4 Support Anaheim investigation of power quality incidents, and provide related data to Anaheim 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 each Point of Interconnection with Anaheim's System in accordance with Section 8.3 of this Agreement.

SCHEDULE 2
ATTACHMENT 1

ANAHEIM GRID VOLTAGE LIMITS

There are no Anaheim grid voltage limitations at the present time.

SCHEDULE 3**RIGHTS OF ACCESS TO FACILITIES**
[Section 4.5.1]

- 1.0 Equipment Installation.** In order to give effect to this Agreement, a Party that requires use of 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 Agreement.
- 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 Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.
- 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.
- 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 would prevent the equipment owner from performing its own obligations or exercising its rights under this Agreement.
- 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 Section 4.5 of this Agreement.
- 2.0 Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.
- 3.0 Inspection of Facilities.** In order to meet their respective obligations under this 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.

SCHEDULE 4

MAINTENANCE COORDINATION

[Section 5.1.2]

By October 15th of each year, Anaheim shall exchange with the ISO a provisional planned outage program for all lines and equipment in Schedule 1. That document will be updated quarterly and as changes occur to the proposed schedule.

The ISO shall approve all proposed outages on equipment and lines listed on Schedule 1 unless a proposed outage would cause the ISO to violate Applicable Reliability Criteria. Approval of outages shall not be unreasonably withheld.

Applications for scheduled work shall be submitted to the ISO by Anaheim via means to be agreed to by both Parties. The documents submitted by Anaheim shall record the details for all work and become the database for reporting and recording outage information.

SCHEDULE 5**CRITICAL PROTECTIVE SYSTEMS****[Section 5.3]**

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.

Following is a brief description of the relaying schemes at Lewis Substation:

The Local Breaker Failure Back-up (LBFB) protection for Anaheim's "A" banks is hard wired, thereby tripping all electrically adjacent breakers to a breaker that fails to open on a fault. If the failed (stuck) breaker were associated with a 220KV bus, it would trip Anaheim's breakers associated with that bus and all SCE breakers associated with the same bus.

SCHEDULE 6

**[PRIVILEGED MATERIAL REDACTED PURSUANT TO
18 C.F.R. § 388.112]**

SCHEDULE 7**EMERGENCIES****[Section 7.2]**

The ISO shall notify Anaheim's Electric System Dispatcher, as identified in Schedule 6, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. Depending on the nature of the emergency and the particular response required, such notification shall be made to Anaheim either directly by the ISO or through the Area Control Center (ACC) specified by the ISO, currently the SCE ACC. The Anaheim Electric System Dispatcher shall make the appropriate notifications within the Anaheim organization. The Anaheim Electric System Dispatcher shall then take such actions as are appropriate for the emergency in accordance with Section 7 of this Agreement.

Anaheim shall make requests for real-time information from the ISO regarding emergencies through contacts to the ISO's Operations Shift Manager, by Anaheim's Electric System Dispatcher, or Anaheim's Communication Coordinator may coordinate public information with the ISO Communication Coordinator.

Anaheim is required to estimate service restoration by geographic areas, and shall use its call center and the media to communicate with customers during service interruptions. Anaheim will communicate necessary information to appropriate state, local governmental entities, and its customers as needed. For Anaheim outages that may be caused by events affecting the transmission system, the Anaheim Electric System Dispatcher will make appropriate notifications to the ISO of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

Anaheim and ISO Grid Control Center logs, Electric Switching Orders and Energy Management System temporal database 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 portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching program, etc.

Anaheim and the ISO shall retain records in accordance with their standard practices for record retention for not less than six years.

SCHEDULE 8**UNDERFREQUENCY LOAD SHEDDING****[Section 7.4.1]**

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 Electricity Coordinating Council, the North American Electric Reliability Council, and City of Anaheim. City of Anaheim's Load Shedding program will be in accordance with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan (Final Report November 25, 1997, as revised December 5, 2003 or as it may be amended by the WECC from time to time). The Anaheim UFLS program shall utilize WECC planning criteria in this area. Per WECC requirements, UFLS shall be on the feeder side of the transformer.

City of Anaheim currently maintains an Underfrequency Load Shedding Plan under Electric System Order No. 2518, as revised September 23, 2005, which is attached hereto and incorporated herein by reference. This plan establishes UFLS objectives consistent with the Load Shedding policies of the WECC, the NERC, and City of Anaheim as set forth in the referenced documents incorporated in this Schedule 8. Anaheim shall notify the ISO of any changes to its existing UFLS program prior to implementation of such changes. At no time shall Anaheim be exempt from either participating in an ISO-sanctioned third party UFLS program (currently with SCE) or implementing such plan independently in full compliance with WECC requirements.

Anaheim shall also comply with the WECC Southern Island Load Tripping Plan (July 22, 1997, or as it may be amended by the WECC from time to time) ("SILT"). To the extent Anaheim chooses to comply with the SILT by means of UFLS, Anaheim's SILT program shall be coordinated with Anaheim's UFLS program.

CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT ELECTRIC SYSTEM ORDER

2518 – UNDERFREQUENCY LOAD SHEDDING

I. BACKGROUND

Electric System Order 2518 establishes standards for complying with the Western Electricity Coordinating Council (WECC) Underfrequency Load Shedding (UFLS) and restoration plan. According to the WECC, the purpose of the UFLS program is “to arrest potential system collapses due to large frequency deviations and minimize adverse impacts caused by cascading outages, and aid in quickly restoring the system to normal operations.”

This System Order meets the requirements of the WECC Southern Island Load-Tripping Plan (SILT).

This System Order supersedes all previous versions of E.S.O. 2518 Underfrequency Protection.

II. APPLICABLE UTILITIES DEPARTMENT, CALIFORNIA ISO and WESTERN ELECTRICITY COORDINATING COUNCIL REGULATIONS

Electric System Order 2518 complies with the Utilities Department's, California Independent System Operator's and Western Electricity Coordinating Council's rules and practices established in:

- CASIO Metered Subsystem Agreement
- WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan
- WECC Southern-Island Load-Tripping Plan

III. PROCEDURE

A. General Provisions

1. The 59.1 Hz Plan (Attachment 1) of the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan shall be the standard for the City of Anaheim (COA) UFLS Plan.
2. The 59.5 Hz Plan (Attachment 2) of the WECC Southern-Island Load-Tripping Plan shall be the standard for the City of Anaheim (COA) SILT Plan.
3. CAISO may communicate with the Utilities Systems Operator either directly or through an assignee.
4. Maintenance and repairs on the UFLS scheme will be performed during regular working hours in a manner that minimizes the length of time that the underfrequency protection is abnormal.
5. When an under frequency episode occurs, the Utilities Systems Operator (USO) must maintain contact with CAISO, for the duration of the underfrequency event or until released by CAISO.
6. If an underfrequency relay fails or is out of service at the time of an underfrequency episode, the USO is required to manually deenergize the scheduled circuit(s) or circuit(s) of equal load.

B. After UFLS has occurred:

1. The USO shall
 - a) Send out E-mail notification.
 - b) Notify Anaheim Police Department (APD) of circuits affected.
 - c) Notify Anaheim Fire Department (AFD) of circuits affected
 - d) Notify CAISO of amount of load reduced
 - e) Place customer message on recorder
 - f) Call for transcribers
2. The Senior Product Development Specialist notifies selected large customers.

CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT ELECTRIC SYSTEM ORDER

2518 – UNDERFREQUENCY LOAD SHEDDING

C. Manual Load Shedding

1. Manual load shedding may be required at the direction of CAISO if additional load needs shedding to help stabilize the electrical system.
 - a) If additional load shedding is required, CAISO will notify the USO, who will immediately:
 - a. Starting at top of Load Drop Circuit List, shed loads as closely approximating those requested by CASIO by opening 12KV circuits until required loads are reached.
 - b. Send out E-mail notification.
 - c. Notify APD of circuits affected.
 - d. Notify AFD of circuits affected
 - e. Notify CAISO of amount of load reduced
 - f. Place customer message on recorder
 - g. Call for transcribers
 - b) The Senior Product Development Specialist notifies selected large customers.
2. No load is to be manually restored unless the USO is directed by CAISO.
3. The USO is to remain in contact with CAISO until the electrical system is normal or until CAISO cancels the communication.

D. Restoration

1. USO
 - a) With loads as closely approximating those requested by CASIO, close 12KV circuits until required loads are reached or until all 12KV circuits are energized.
 - a. Send out E-mail notification.
 - b. Notify APD of circuits affected
 - c. Notify AFD of circuits affected
 - d. Notify CAISO of amount of load restored.
 - e. Change customer message on recorder
 - b) The Senior Product Development Specialist notifies selected large customers.

IV. RESPONSIBILITIES

A. Electric Operations Division

1. Update E.S.O 2518
2. The USO is the designated contact with CAISO for UFLS events.
3. The USO logs all communications and switching in the Dispatcher's Log.
4. The Senior Utilities Systems Scheduler shall update the Underfrequency Load Shedding Circuit List and deliver it to Electrical Engineering annually by April 1.

B. Integrated Resources Division

1. Amend the Metered Subsystem Agreement as required.

C. Business and Community Programs Division

1. Senior Product Development Specialist communicates with selected customers when UFLS occurs.

D. Electrical Engineering

1. Electrical Engineering delivers to Electric Systems new relay settings by May 1.

E. Electric Services

1. Electric Services updates all underfrequency relay settings by June 30.

V. ATTACHMENTS

1. COA UFLS Circuit List
2. Load Shedding Load Block List

LOAD SHEDDING LOAD BLOCK LIST

Block Number	MAXIMUM DAY MW PEAK	MINIMUM DAY MW PEAK
1713	2.13	1.53
1312	3.86	2.27
1206	5.87	3.04
1122	2.37	1.35
1311	5.25	1.90
2028	5.54	1.96
1203	3.48	1.70
1303	5.01	2.39
1123	4.24	2.61
1708	4.75	2.67
1309	5.02	1.35
1924	5.15	2.35
1511	7.86	3.06
1117	3.66	2.28
1114	4.00	1.52
1413	3.67	3.25
2027	8.99	1.69
1506	7.02	3.37
1824	5.23	3.80
1501	9.61	3.99
1509	2.28	0.82
1306	5.75	2.55
1706	9.04	3.30
1815	4.15	0.82
1107	6.50	3.41
2029	8.53	3.16
1406	4.20	2.92
1108	5.28	2.42
1508	9.70	4.15

LOAD SHEDDING LOAD BLOCK LIST

Block Number	MW *	MW *
2006	5.87	2.72
1110	7.76	3.38
1503	5.03	2.81
1711	2.87	1.35
1505	6.90	3.26
1305	9.40	4.45
1116	3.83	1.73
1205	8.30	4.66
1816	8.33	4.28
1415	3.28	1.88
2015	6.64	2.54
1502	3.93	2.25
1423	9.70	3.15
1827	8.47	4.56
2014	5.55	1.58
1424	9.40	2.55
1826	6.10	3.11
1308	9.51	3.45
1417	4.51	2.15
1425	8.58	3.13
1705	5.87	2.79
Based on 2004 day:		
Minimum day MW peak: 252.92 11/25/04		
Maximum day MW peak: 555.49 9/10/04		

MW Formula
3.127657573

SCHEDULE 9
OTHER AUTOMATIC LOAD SHEDDING

[Section 7.4.1]

There are no other automatic load shedding plans at the present time.

SCHEDULE 10

MANUAL LOAD SHEDDING

[Section 7.4.3]

City of Anaheim maintains a manual Load Shedding program under Electric System Order No. 7514, Emergency Load Drop Procedure, as revised September 23, 2005, which is attached hereto and incorporated herein by reference.

CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT EMERGENCY SYSTEM ORDER

7514 – ELECTRIC LOAD DROP PROCEDURE

I. BACKGROUND

System Order 7514 establishes standards for the emergency manual shedding of load. The City of Anaheim has agreed to shed load if requested by the California Independent System Operator (CAISO) during certain Transmission, System or Regional Emergencies. Anaheim may not be required to shed load during Resource Deficiencies if Anaheim is expected to be fully resourced. If a System, Regional or Transmission Emergency is identified by CAISO, either directly or through its assignee, they may call the on-duty Utilities Systems Operator (USO) to initiate load reduction. Load Blocks will normally be deenergized for one hour at a time (see Attachment 3).

In an emergency, other parties, such as Southern California Edison, may be delegated authority to act on behalf of the CAISO.

This Electric System Order supersedes all previous versions of E. S.O. 7514—Emergency Load Drop Procedure or Energy Shortage Contingency Plan.

II. APPLICABLE UTILITIES DEPARTMENT and CALIFORNIA ISO REGULATIONS

Electric System Order 7514 complies with the Utilities Department's and California Independent System Operator's rules and practices established in:

- Metered Subsystem Agreement with CAISO
- CAISO Operating Procedure E-502—Emergency Manual Load Shedding
- CAISO Operating Procedure E-503—Under-Frequency Load Shedding
- CAISO Operating Procedure E-508—Electric System Emergency
- CAISO Operating Procedure E-508A—Involuntary Load-Reduction Worksheets
- CAISO Operating Procedure N-703—Significant Event Notification, Reporting, and Investigation

III. PROCEDURE

An **Electrical System or Regional Emergency** is divided into three stages (see attachment 1). "It may be necessary to bypass certain Stage Emergency declarations entirely and proceed immediately to a higher-level emergency." --CASIO E-508

1. Stage 1 Emergency

- a) CAISO notifies the USO of Stage 1 Emergency
- b) USO makes E-mail notification
 - a. Senior Product Development Specialist notifies selected large customers that Stage 1 is in effect.
- c) CAISO notifies the USO that Stage 1 Emergency is cancelled
- d) USO makes E-mail notification
 - a. Senior Product Development Specialist notifies selected large customers.

2. Stage 2 Emergency

- a) CAISO notifies the USO of Stage 2 Emergency
- b) USO makes E-mail notification
 - a. Senior Product Development Specialist notifies selected large customers that Stage 2 is in effect.
- c) CAISO notifies the USO that Stage 2 Emergency cancelled
- d) USO notifies Power Resources by phone
- e) USO makes E-mail notification
 - a. Senior Product Development Specialist notifies selected large customers.

3. Transmission or Stage 3 Emergency

- a) CAISO may notify the USO to shed load
(note: If load shedding is ordered, the USO has ten minutes to begin load reduction.)

CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT EMERGENCY SYSTEM ORDER

7514 – ELECTRIC LOAD DROP PROCEDURE

- b) USO makes E-mail notification (see Attachment 5).
- c) If load reduction is ordered, USO proceeds with manual load shedding as follows: (If not, waits for further instructions from CAISO)
 - a. Starting at top of the Load Drop Circuit List, with loads as closely approximating those requested by CASIO, deenergizes 12KV circuits until required loads are reached.
 - b. Notifies Anaheim Police Department (APD) of circuits affected.
 - c. Notifies Anaheim Fire Department (AFD) of circuits affected
 - d. Calls for Lenain /Water Systems Operations to initiate load reduction.
 - i. Water Systems Operations notifies USO of amount of load shed.
 - e. Places customer message on recorder
 - f. Calls for transcribers
- d) Senior Product Development Specialist
 - a. Initiates demand response programs.
 - b. Notifies selected large customers that an Emergency is in effect
 - c. Notifies USO of amount of load shed.
- e) USO, after contracted load is shed, restores the like amount of circuit load, if possible.
- f) After CAISO notifies the USO that the Emergency is cancelled or stipulates the amount of load that can be restored, USO:
 - a. Energizes 12KV circuits until required loads are reached or until all 12KV circuits are energized.
Note: If a 12KV circuit is deenergized as a result of an Emergency, that circuit will be placed at the bottom of the Load Drop Circuit List and will not be reused until all other circuits on the List have been de-energized.
 - b. Notifies the APD of the circuits affected
 - c. Notifies the AFD of circuits affected
 - d. Notifies CAISO of amount of load restored.
 - e. Changes customer message on recorder
- g) USO notifies Power Resources by phone
- h) USO makes E-mail notification
- i) Senior Product Development Specialist,
 - a. Rescinds all or portions of demand response programs if additional load can be restored.
 - b. When applicable, notifies selected large customers that load reduction is no longer needed.
 - c. Notifies USO of load restored
- j) If additional load can be restored, the USO informs Lenain /Water Systems Operations that load reduction is no longer required.
- k) If the USO is not notified by CASIO after one hour to reenergize customers
 - a. Call CASIO.
 - b. If CASIO requests the City to continue or to expand the load drop, then, deenergize the additional load before reenergizing the load which has been off.
 - c. Repeat as necessary

IV. RESPONSIBILITIES

A. Electric Operations Division

- 1. Update E.S.O 7514, as required.

CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT EMERGENCY SYSTEM ORDER

7514 – ELECTRIC LOAD DROP PROCEDURE

2. The USO is the designated contact with CAISO for all load shedding emergencies
3. The USO will notify appropriate Anaheim personnel of emergency status
4. The USO will energize and de-energize 12KV circuits if directed by the CAISO to shed or restore load.
5. The USO shall log all communications and switching in the Dispatcher's Log.
6. The Senior Utilities Systems Scheduler will review and update the Load Drop Circuit List annually by May 1 each year.

B. Integrated Resources Division

1. Amend Metered Subsystem Agreement as required.
2. Power Resource Scheduler II will be the contact for all Alerts, Warnings, Forecasts and Probability notices from CAISO.
3. Power Resource Scheduler II will notify appropriate Anaheim personnel for concerning the status of CAISO notices.

C. Business and Community Programs Division

1. Senior Product Development Specialist communicates with demand response program customers.
2. Senior Product Development Specialist communicates with Utilities Systems Operator concerning amount of load reduced and restored by demand response program customers.

V. ATTACHMENTS

1. CAISO Operating Procedure E-508, "Electric System Emergency Definitions, Page 26".
2. Load Shedding Load Block List.
3. Demand Response Programs Summary.
4. USO e-mail message.

**[PRIVILEGED MATERIAL REDACTED PURSUANT TO
18 C.F.R. § 388.112]**

ANAHEIM PUBLIC UTILITIES
Demand Response Programs
Summer 2005

Program	Demand Reductions	Program Description	Participating Customers
Voluntary Load Reduction (VLR)	8 to 13 MW	Large commercial/industrial customers with processes or significant loads that are curtailable upon notification from Anaheim voluntarily participate in this program. Businesses are notified and given time to prepare their loads for curtailment. This allows them to properly shut down processes and cycle equipment off. Customers are notified via pager, phone or e-mail to facility or operations managers.	<u>22 Participating Customers including:</u> Arrowhead Pond Hilton Hotel Anaheim Marriott Hotel SBC Anaheim Stadium Setco Adams Steel Weyerhaeuser Paper
Load Curtailment Exemption Program (LCEP)	7 MW	The LCEP program is offered to customers who can curtail load by 15% either at a single location or by aggregating their total electrical load (minimum 1 MW). Participating customers are exempt from rotating outages in exchange for a 15% load curtailment for the entire duration of every Stage 3 rotating outage event. Customers were required to comply with load reduction within 10 minutes of notification.	<u>3 Participating Customers:</u> Disney Boeing Alstyle
Fuel Cost Reimbursement Program (FCRP)	3 MW	The FCRP program is offered to customers with large backup generators. Participating customers transfer their facility loads from utility to generator power for up to 4 hour blocks during a Stage 3 emergency. Customers are reimbursed for their fuel, maintenance and operation costs. Anaheim complies with the limits set by the local air district on the use of the generators – South Coast Air Quality Management District issued a notice allowing backup generators to run during Stage 2 and 3 emergencies.	<u>2 Participating Customers:</u> Kaiser WilTel Communications
City Load Reduction	7 MW	Anaheim identified key City facilities and installed or modified emergency back-up generation systems. These loads are called upon as our first line of defense during a Stage 3 alert to reduce load.	Numerous City Facilities

Air Conditioning Load Control Program	200 KW	The A/C Load Control Program utilizes air conditioning at small businesses to provide a reduction in demand when required. The Department replaces the customer's thermostat with an advanced unit that is able to receive commands to increase temperature settings within a 15-minute window. The increase in temperature (usually by 4 degrees), causes the air conditioner to turn off for the duration of the event. Customers receive the thermostat and installation at no cost, and receive up to \$200 for the first year of participation. The pilot program includes 100 thermostats that accounts for 200 kW of available demand response.	Pilot Program – 100 Thermostats
"Spare the Power Days" Program	Estimate a 20% potential load reduction by program participants	On June 1, 2005, the award-winning Spare the Power Days program will resume and run through the end of the summer season. Eighty volunteer participants who participate in the Program and lower their consumption between noon and 6:00 pm on Peak Power Days (designated by the California Independent System Operator), will receive \$0.35 per kilowatt hour rebates. The participants receive advance notification by e-mail or telephone. Advanced metering and communication technologies are used to measure customer usage patterns and to determine load reductions. Customer feedback shows strong support for the program, and preliminary data indicates that potential load reductions in the range of 20% during critical peak events could be achieved.	80 Volunteer Participants

Rolling Blackout Script Message

The City of Anaheim is required to reduce electrical load by the California Independent System Operator. This rolling blackout is necessary to ensure the stability of California's electrical system.

If you live in the affected area bordered by,

_____ to the North, _____ to the South
_____ to the West, _____ to the East

Your power will be interrupted for approximately 1 hour - at the end of this 1 hour period your power will be restored and, if required, another area selected to be blacked out.

We apologize for the inconvenience and appreciate your cooperation during this electrical emergency.

This message was recorded at time _____

SCHEDULE 10A

ROTATING LOAD CURTAILMENT PROCEDURES

[Section 7.4.3]

Anaheim rotating Load curtailment procedures are described in Schedule 10. To maintain the required amount of continuously interrupted Load, as directed by the ISO in accordance with the provisions of Article VII for an extended amount of time, no portion of Anaheim's interrupted Load shall be restored unless an equal or greater amount of Load is interrupted first, as necessary to maintain the required amount of interrupted Load.

SCHEDULE 10B

INTERRUPTIBLE LOAD

[Section 7.4.3]

Anaheim has not implemented a program for interruptible Loads.

Should Anaheim seek to implement any interruptible Load program, Anaheim shall provide a complete description of the program to the ISO at least sixty (60) days prior to the incorporation of the program into the Anaheim EEP and all applicable Operating Procedures shall be followed.

SCHEDULE 11**ELECTRICAL EMERGENCY PLAN****[Section 7.5.1]**

The ISO Specifications will outline the basic criteria for the development, coordination, and implementation of the Anaheim EEP and the requirements for coordination with the ISO EEP. Schedule 11 includes the Anaheim EEP as coordinated with the ISO EEP.

City of Anaheim maintains an Electrical Emergency Plan which is consistent with the CPUC's Standards for Operation, Reliability, and Safety During Emergencies and Disasters, and as reflected in the City of Anaheim Electric System Order No. 2518, which is incorporated herein by reference pursuant to Schedule 8; and City of Anaheim Electric System Order No. 7514, which are incorporated herein by reference pursuant to Schedule 10.

For purposes of this Agreement, Anaheim and the ISO agree that the Anaheim EEP shall be interpreted to provide that:

- 1) Anaheim shall continue to act upon ISO instructions in accordance with the provisions of Article VII and cause the required amount of Anaheim firm Load to be interrupted during any hour of any day (24 x 7);
- 2) Anaheim shall satisfy its requirement to interrupt the required amount of firm Load within ten minutes from the time of notification by the ISO dispatcher;
- 3) the implementation of any substitution of back-up generation and "voluntary" Load interruptions, on an "as-available" basis, for the required amount of firm Load interruption, as set out in the Anaheim EEP and incorporated herein by reference, shall not obviate or interfere with required timely compliance;
- 4) should Anaheim use, wholly or partially, any combination of back-up generation or "voluntary" Load interruption to substitute for an amount of its firm Load interruption obligation, the effects of such substitution shall be no different than those that would have resulted from an equivalent amount of firm Load interruption without such back-up generation or voluntary Load interruption, and the actual cumulative effect(s) of such substitution shall be subject to the same rules of verifiability and reporting as those for the firm Load conventionally interrupted on such occasions; and
- 5) should rotation of Anaheim's firm Load blocks be required to maintain a minimum amount of continuously interrupted Load, as defined by the ISO dispatcher in accordance with the provisions of Article VII, for an extended amount of time, no block of Anaheim's firm Load shall be restored unless an equal or greater amount of another block of Load is interrupted first, and in the event Anaheim uses any combination of substitutions for its firm Load interruption obligation as permitted in section 4) above, any rotation of, or changes to, such substitutions shall be made

such that the equivalent required Load relief level is maintained during the entire applicable time.

SCHEDULE 12**LOAD RESTORATION****[Section 7.4.4]**

Anaheim shall follow the procedures set forth below in this Schedule 12 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 Anaheim's System, Anaheim shall remain in contact with the Area Control Center (ACC) specified by the ISO, currently the SCE ACC, until normal frequency has been restored throughout the ISO Control Area or the ISO Shift Manager 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 Manager and the senior dispatcher present at the SCE ACC(s).
2. Manual Load restoration shall not normally be initiated until the California ACC Hot Line is attended. No Load is to be manually restored unless directed by the ISO, either directly or through its assignee, provided that the procedure for the ISO's designation of any assignee is agreed to by Anaheim, after the frequency has recovered and there is indication that the frequency can be maintained. Anaheim shall await direction from the ISO or its assignee, who will be in contact with the ISO Shift Manager. The ISO Shift Manager shall determine whether adequate Generation resources are available on line to support the Load to be restored consistent with the provisions of Article VII.
3. Anaheim's automatic Load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the ISO cannot meet the WECC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual Load restoration shall be permitted. If the frequency is such that automatic Load restoration occurs under these conditions, if Anaheim has restored Load automatically, it will manually shed an equivalent amount of Load to offset the Load which was automatically restored consistent with the provisions of Article VII.
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. Anaheim 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 Anaheim, UDCs, and MSS

Operators where Load Shedding shall be beneficial, and such Load Shedding shall be made in accordance with Section 7.4.

6. Anaheim shall 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.

SCHEDULE 13

[RESERVED]

SCHEDULE 14

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Section 10.1]

Anaheim has identified in the attached table all of the individual Generating Units over which it has operational control in the ISO Control Area, together with certain information required by the ISO. Anaheim does not currently have any Curtailable Demand eligible to participate in the ISO's markets as market-participating Load.

SCHEDULE 14

**Section 2: Limitations
City of Anaheim**

Reference #	Description of Limitation
ANHM-1	The Unit is designed to operate at 46.6MW (Pmax)
ANHM-2	Output varies based on ambient temperature and humidity
ANHM-3	The Unit can only be dispatched to Pmax or shutdown due to the physical operating constraints of the unit
ANHM-4	Online calibration of the unit takes approximately 40 minutes and is conducted within two hours after the unit reached Pmax
ANHM-5	Water treatment system/Treated Water Storage tank can only sustain the unit for 36 consecutive hours of operations before unit will have to be secured.
ANHM-6	If Unit has been shut down more than 6 hours (cold start), it will take 90 minutes from the time the dispatch instruction is received to be online.
ANHM-7	If Unit has been shut down less than 6-hours (warm start), it will take 60 minutes from the time the dispatch instruction is received to be online.
ANHM-8	The facility is available for dispatch from 7am to 10pm, Monday through Friday, excluding City of Anaheim Holidays as a result of staffing limitations.
ANHM-9	In the event of an emergency outside the hours listed in ANHM-8, it will take 120 minutes from the time the dispatch instruction is received to bring the Unit online.
ANHM-10	For a cold start as described in ANHM-6, 40 minutes is required to reach Pmax once Unit is online.
ANHM-11	For a warm start as described in ANHM-7, 30 minutes is required to reach Pmax once Unit is online.
ANHM-12	30 minutes is required to reach offline from Pmax once dispatched to secure

SCHEDULE 15**METERING OBLIGATIONS****[Section 12.2]****Obligations and Rights of Anaheim**

- 1.0 Submission of Meter Data through the ISO's Revenue Meter Data Acquisition and Processing System ("MDAS").** Anaheim agrees to make available to the ISO through MDAS its Meter Data in accordance with the ISO Tariff. The ISO's requirements regarding the frequency with which it requires Meter Data to be made available to it through MDAS by Anaheim are referred to in the Metering Protocol of the ISO Tariff.
- 1.1 Meter Information.** Anaheim shall provide in the format prescribed by Schedule 15.1 the required information with respect to all of its meters used to provide Meter Data to the ISO. Anaheim must immediately notify the ISO of any changes to the information provided to the ISO in accordance with this Section and provide the ISO with any information in relation to such change as reasonably requested by the ISO. Anaheim shall have the right to modify Schedule 15.1, although such modification shall not constitute an amendment to this Agreement.
- 1.2 Transformer and/or Line Loss Correction Factor.** If Anaheim uses low voltage side metering, it shall use the ISO approved transformer and/or line loss correction factor referred to in the Metering Protocol of the ISO Tariff.
- 1.3 Rights to Access Metering Facilities.** Anaheim shall use its best efforts to procure any rights necessary for the ISO to access all Metering Facilities of Anaheim to fulfill its obligations under the ISO Tariff, and its obligations under this Agreement. If, after using its best efforts, Anaheim is unable to provide the ISO with such access rights, Anaheim shall ensure that one of its employees is an ISO Authorized Inspector and such employee undertakes, at the ISO's request, the certification, testing, inspection and/or auditing of those Metering Facilities in accordance with the procedures established pursuant to the Metering Protocol of the ISO Tariff, including the requirement to complete and provide to the ISO all necessary documentation. The ISO acknowledges that it will not be prevented from fulfilling its obligations under the ISO Tariff or this Agreement by reason of the fact that it is provided with escorted access to the Metering Facilities of Anaheim.
- 1.4 Security and Validation Procedures.** The security measures and the validation, editing, and estimation procedures that the ISO shall apply to Meter

Data made available to the ISO by Anaheim shall be as referred to in the Metering Protocol of the ISO Tariff.

- 1.5 Authorized Users.** In addition to the persons referred to in the ISO Tariff, including Anaheim and the relevant Scheduling Coordinator, as being entitled to access Meter Data on MDAS, Anaheim may set forth in Schedule 15.2 of this Agreement any additional authorized users that shall be entitled to access Anaheim's Settlement Quality Meter Data held by the ISO. Anaheim shall include in Schedule 15.2 as authorized users the relevant UDCs and TOs. The ISO shall provide the authorized users with any password or other information necessary to access Anaheim's Settlement Quality Meter Data held by the ISO on MDAS. Any amendment or addition to Schedule 15.2 shall not constitute an amendment to this Agreement.
- 1.6 Certification, Inspection, and Auditing of Meters.** Anaheim shall be responsible for all reasonable costs incurred by the ISO or an ISO Authorized Inspector in connection with them carrying out the certification, inspection, testing or auditing of the meters identified in Schedule 15.1 from which Anaheim provides Meter Data to the ISO. The ISO or ISO Authorized Inspector shall furnish Anaheim, upon request, an itemized bill for such costs.

Obligations and Rights of the ISO

- 2.0 Direct Polling of MDAS.** The ISO shall allow the Scheduling Coordinator representing Anaheim and all authorized users to directly poll MDAS for the Meter Data relating to Anaheim in accordance with the procedures referred to in the Metering Protocol of the ISO Tariff.
- 2.1 ISO as a Third-Party Beneficiary.** The ISO shall be a third-party beneficiary to any future agreement between Anaheim and any other party relating to the Metering Facilities of Anaheim for the purpose of granting the ISO access to any relevant information, records and facilities as needed by the ISO to fulfill its obligations under the ISO Tariff and its obligations under this Agreement.
- 2.2 Remote and Local Access to Metering Data.** The ISO shall provide Anaheim any password or other requirements necessary for Anaheim to access its Meter Data remotely or locally at the meter.

Calculation of Anaheim Settlement Quality Meter Data

The calculation of Anaheim's Settlement Quality Meter Data ("SQMD") shall be made in accordance with a calculation procedure that is mutually agreed by the Parties, which calculation procedure will generally be as follows:

$$\text{Anaheim SQMD (Gross Load)} = \text{MSS Meter Data at the Points of Interconnection} \\ + \text{Meter Data for Generation from Generating Units} \\ \text{within the MSS}$$

SCHEDULE 15.1

**[PRIVILEGED MATERIAL REDACTED PURSUANT TO
18 C.F.R. § 388.112]**

SCHEDULE 15.2

**ACCESS TO METER DATA
AND AUTHORIZED USERS**

[Anaheim shall provide in Schedule 15.2 a list of all authorized users of Anaheim's Settlement Quality Meter Data and any restrictions or limitations placed on them.]

None

SCHEDULE 16

TRANSMISSION RELIABILITY CRITERIA

[Section 13.5]

For transmission reliability, Anaheim shall abide by all NERC and WECC Planning Criteria and the following:

Power Flow Assessment:

	Criteria	
Contingencies	Thermal ³	Voltage ⁴
Generating Unit ¹	A/R	A/R
Transmission line ¹	A/R	A/R
Transformer ¹	A/R ⁵	A/R ⁵
Overlapping ²	A/R	A/R

- 1 All single contingency outages (i.e. Generating Unit, transmission line or transformer) will be simulated on Participating Transmission Owners' local area systems.
- 2 Key Generating Unit out, system readjusted, followed by a line outage.
- 3 Applicable Rating – Based on ISO Transmission Register or facility upgrade plans.
- 4 Applicable Rating – ISO Grid Planning Criteria or facility owner criteria as appropriate.
- 5 Based on judgment of ISO and facility owner, a thermal or voltage criterion violation resulting from a transformer outage may not be cause for Reliability Must-Run Generation solution if the violation is considered marginal (e.g. acceptable loss of life or low voltage), otherwise (e.g. unacceptable loss of life or voltage collapse) a Reliability Must-Run Generation solution would be indicated.

Post Transient Load Flow Assessment:

Contingencies	Reactive Margin Criteria ²
Selected ¹	A/R

- 1 If power flow results indicate significant low voltages for a given power flow contingency, simulate that outage using the post transient load flow program. The post-transient assessment will develop appropriate Q/V and/or P/V curves.
- 2 Applicable Rating – positive margin based on 105% of 1 in 2 year Load forecast.

Stability Assessment:

Contingencies

Stability Criteria ²

Selected ¹ A/R

- 1 If power flow or post transient study results indicate significant low voltages or marginal reactive margin for a given contingency, simulate that outage using the dynamic stability program.
- 2 Applicable Rating – ISO Grid Planning Criteria or facility owner criteria as appropriate.

**SCHEDULE 17
NOTICES**

[Section 19.1 and 3.4.3]

Anaheim

Name of Primary

Representative: Stephen J. Sciortino
Title: Integrated Resources Manager
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City/State/Zip Code: Anaheim, CA 92805
Email Address: ssciortino@anaheim.net
Phone: (714) 765-5177
Fax No: (714) 765-4140

Name of Alternative

Representative: Graham A. Bowen
Title: Principal Integrated Resources Planner
Address: 201 South Anaheim Blvd., Suite 802
City/State/Zip Code: Anaheim, CA 92805
Email Address: gbowen@anaheim.net
Phone: (714) 765-5261
Fax No: (714) 765-4140

Anaheim Representative Designated Pursuant to Section 3.4.3:

Name: Marcie L. Edwards
Title: Public Utilities General Manager
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City/State/Zip Code: Anaheim, CA 92805
Email Address: medwards@anaheim.net
Phone: (714) 765-5137
Fax No: (714) 765-4140

ISO**Name of Primary**

Representative: Michael D. Dozier
Title: Lead Contracts Negotiator
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: mdozier@caiso.com
Phone: (916) 608-5708
Fax No: (916) 351-2487

Name of Alternative

Representative: Philip D. Pettingill
Title: Manager of Infrastructure Policy & Contract Negotiation
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: ppettingill@caiso.com
Phone: (916) 608-7241
Fax No: (916) 351-2264

ISO Representative Designated Pursuant to Section 3.4.3:

Name: Jim Detmers
Title: Vice President, Operations
Address: 151 Blue Ravine Road
City/State/Zip Code: Folsom, CA 95630
Email Address: jdetmers@caiso.com
Phone: (916) 351-2123
Fax No: (916) 351-2350

ATTACHMENT B

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

**California Independent System
Operator Corporation**

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Docket No. ER05-____-000

NOTICE OF CANCELLATION

Notice is hereby given that effective the 1st day of December, 2005, Service Agreement No. 78 and all supplements thereto, effective May 16, 2002, and filed with the Federal Energy Regulatory Commission by the California Independent System Operator Corporation is to be canceled. Notice of the proposed cancellation has been served upon the City of Anaheim, California, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service lists for Docket Nos. ER98-1912, ER98-1914, ER98-1923, ER98-4553, ER00-3352, ER02-1429, and ER02-2394.

CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

By: _____


Jim Detmers, Vice President, Operations

Dated: October 13, 2005

ATTACHMENT C

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

**California Independent System
Operator Corporation**

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Docket No. ER05-____-000

NOTICE OF CANCELLATION

Notice is hereby given that effective the 1st day of December, 2005, Service Agreement No. 173 and all supplements thereto, effective May 9, 2000, and filed with the Federal Energy Regulatory Commission by the California Independent System Operator Corporation is to be canceled. Notice of the proposed cancellation has been served upon the City of Anaheim, California, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service lists for Docket Nos. ER98-1912, ER98-1914, ER98-1923, ER98-4553, ER00-3352, ER02-1429, and ER02-2394.

CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

By: _____


Jim Detmers, Vice President, Operations

Dated: October 13, 2005

ATTACHMENT D

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

**California Independent System
Operator Corporation**

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Docket No. ER05-____-000

NOTICE OF CANCELLATION

Notice is hereby given that effective the 1st day of December, 2005, Service Agreement No. 178 and all supplements thereto, effective August 22, 2000, and filed with the Federal Energy Regulatory Commission by the California Independent System Operator Corporation is to be canceled. Notice of the proposed cancellation has been served upon the City of Anaheim, California, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service lists for Docket Nos. ER98-1912, ER98-1914, ER98-1923, ER98-4553, ER00-3352, ER02-1429, and ER02-2394.

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

By: 

Jim Detmers, Vice President, Operations

Dated: October 13, 2005