

May 23, 2014

The Honorable Kimberly D. Bose
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. 626
Docket No. ER14-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“CAISO”) submits for Commission filing and acceptance an Amendment No. 1 to the Second Amended and Restated City of Vernon MSS Agreement (“Amendment”) between the CAISO and the City of Vernon¹. This Amendment aligns with the CAISO Tariff changes to implement the Order 764 approved by the Commission’s orders issued on March 20, 2014.² The CAISO requests that the Amendment be made effective on July 23, 2014.

I. Background

The CAISO filed the original MSS Agreement (“MSSA”) with the City of Vernon on October 21, 2005 in Docket No. ER06-61-000. By letter order issued December 15, 2005, the Commission conditionally accepted it as Original Service Agreement No. 626. In response to that order, the CAISO submitted a compliance filing on January 17, 2006 in Docket No. ER06-61-001, and a subsequent filing of the signature page executed by the City of Vernon on February 10, 2006. The Commission accepted the compliance filing by letter order issued April 3, 2006. As described in the CAISO’s filing in that proceeding, the MSSA provides for treatment of City of Vernon as an MSS Operator in relation to the terms of the CAISO Tariff. The CAISO filed an amended and

¹ The CAISO submits the Amendment pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012).

² See *Calif. Ind. System Op.*, 146 FERC ¶ 61,204 (2014) and *Calif. Ind. System Op.*, 146 FERC ¶ 61,205 (2014).

restated MSSA between the CAISO and City of Vernon on November 20, 2008 in Docket No. ER09-321-000 to be effective upon implementation of the CAISO's locational marginal pricing market, which was accepted by letter order of the Commission issued on January 23, 2009. On December 21, 2011 the CAISO thereafter submitted a second amended and restated MSSA in Docket ER12-646-000 which the Commission accepted by letter order issued on February 10, 2012. This is the currently effective version on file with the Commission.

II. Purpose of the Amendment No. 1 to the Second Amended and Restated City of Vernon MSSA

The primary purpose of the Amendment is to align the current MSSA with the modifications to charge types associated with the Order 764 to replace "HASP" with "FMM" Self Scheduled Energy and provide clarity regarding charges that are based on MSS elections. These modifications include amendments to:

- a) Section 13.8: Allocation of Net Real-Time Market (RTM) Bid Cost Uplift,
- b) Section 13.9: Grid Management Charges Based on Market Services,
- c) Section 13.15: MSS Net Negative Uninstructed Deviation, and
- d) Section 13.17(c): Emissions Costs.

The CAISO is making these changes to align all five of its metered subsystem agreements, although these charge types only have an immediate relevance for those metered subsystems that are load following, which the City of Vernon is not.³ Accordingly, there is no need for this Amendment to be effective as of the May 1, 2014 implementation of Order 764.

III. Request for Privileged Treatment

Included in a confidential attachment to this Second Amended and Restated City of Vernon MSSA, pursuant to Commission Order Nos. 630 and 630-A, is a copy of the non-public portions of the Second Amended and Restated City of Vernon MSSA. Specifically, all of schedules 14 and 15.1, a portion of schedule 8 that includes Vernon's Electrical Operating Procedure No. 7, a portion of schedule 10 that includes Vernon's Electrical Operating Procedure No. 20, a portion of schedule 10B that includes Vernon's Electrical Operating Procedure No. 6, and a portion of schedule 17 are designated as confidential. These operating procedures have been replaced in their entirety. The CAISO is seeking privileged treatment of these materials under 18 C.F.R. § 388.112 as their public disclosure could impair system operations, unnecessarily reveal

³ The Northern California Power Agency, including Silicon Valley Power, is currently the only load following metered subsystem and those agreements were amended to coincide with implementation of the Order 764 changes on May 1, 2014. See Docket Nos. ER14-1789-000 and ER14-1790-000 (proposing amendments to metered subsystem agreements similar to those proposed here).

sensitive information, and pose significant security problems as to the facilities referenced therein. For these reasons, the CAISO submits that these materials should be exempt from public exposure and should be granted privileged treatment. This request is consistent with past treatment of this information in prior filings.

IV. Effective Date

The CAISO requests that the Amendment included in the instant filing be made effective as of July 23, 2014, 61 days from the date of this filing.

V. Service

Copies of this filing have been served upon City of Vernon, the California Public Utilities Commission, and all parties on the official service list for Docket No. ER12-646-000. In addition, the filing has been posted on the CAISO Website.

Enclosed for filing is each of the following:

- (1) this letter of transmittal;
- (2) Amendment No. 1 to the Second Amended and Restated City of Vernon MSSA (Attachment A);
- (3) Clean version of the Public version of the MSSA;
- (4) Black lined version of the Public version of the MSSA;
- (5) Clean version of the Confidential version of the MSSA; and
- (6) Black lined version of the Confidential version of the MSSA.

VI. Correspondence

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

John C. Anders*
Lead Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222
E-mail: janders@caiso.com

* Individual designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 203(b)(3).

VII. Conclusion

The CAISO respectfully requests that the Commission accept this filing and permit the CAISO's submittal of the Amendment to be effective as of the date requested. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,
By: /s/ John C. Anders
Roger Collanton
General Counsel
Sidney M. Davies
Assistant General Counsel
John C. Anders
Lead Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222
janders@caiso.com

Attorneys for the California Independent
System Operator Corporation

Attachment A – Amendment No. 1

California Independent System Operator Corporation

May 23, 2014

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND****CITY OF VERNON****Amendment No. 1 to the Second Amended and Restated
City of Vernon MSS Agreement**

THIS AMENDMENT NO. 1 is dated this 14 day of MAY, 2014 and is entered into, by and between:

- (1) The **City of Vernon**, 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 4305 Santa Fe Avenue, Vernon, California 90058 ("Vernon");

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 CAISO Governing Board may from time to time designate, 250 Outcropping Way, Folsom, California 95630 (the "CAISO").

Vernon, and the CAISO are hereinafter referred to individually as "Party" or collectively as the "Parties."

Whereas:

- A. The Parties are signatories to the Second Amended and Restated Vernon MSS Agreement ("MSSA"), which was effective January 1, 2012. The Second Amended and Restated MSSA replaced the original MSSA effective December 1, 2005, and the First Amended and Restated MSSA which was effective March 31, 2009.
- B. The Parties desire to amend the Second Amended and Restated MSSA to align with the CAISO's Order 764 initiative: Fifteen Minute Market (FMM) at the interties to include amendments to: a) Section 13.8: Allocation of Net Real-Time Market (RTM) Bid Cost Uplift, b) Sections 13.9: Grid Management Charges Based on Market Services, 13.15: MSS Net Negative Uninstructed Deviation, and 13.17(c): Emission Costs to replace "HASP" with "FMM" Self Scheduled Energy.

- C. In all other respects, the Parties intend that the Second Amended and Restated MSSA remain in full force and effect in accordance with its terms.

NOW THEREFORE, **THE PARTIES AGREE** as follows:

1. **Effective Date.** This Amendment No. 1 shall be effective on the date made effective by FERC.
2. **Termination.** The provisions of this Amendment No. 1 shall remain in full force and effect, unless subsequently amended, until the termination of the Second Amended and Restated MSSA.
3. **Amendment to the Agreement.** The Second Amended and Restated MSSA shall be amended as follows:
 - 3.1 Section 13.8 specifying “Allocation of Net RTM Bid Cost Uplift” is deleted in its entirety and replaced with the follow:

13.8 Allocation of Net RTM Bid Cost Uplift. The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to Vernon’s Measured Demand for the Trading Hour plus any FMM reductions not associated with valid and balanced ETCs or TORs Self –Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon’s MSS Aggregation Net Measured Demand plus any FMM reductions not associated with valid and balanced ETCs or TORs Self –Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that elected to Load follow, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon’s MSS Net Negative Uninstructed Deviation with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting, plus any FMM reductions not associated with valid and balanced ETC or TOR Self Schedules in the Day-Ahead Market and plus any FMM reductions not associated with FMM Self-Scheduled Energy from Load following resources listed in Schedule 14 B of this Agreement. Any real-time reductions to HASP Intertie Schedules after HASP results are published to HASP Block Intertie Schedules in response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid Cost Uplift.

- 3.2** Section 13.9 specifying “Grid Management Charges Based on Market Services” is deleted in its entirety and replaced with the follow:

13.9 Grid Management Charges Based on Market Services. If the CAISO is charging Grid Management Charges for Market Services Charge, and should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load-following, Vernon’s Scheduling Coordinator will not be assessed Grid Management Charges for Market Services Charge associated with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments.

- 3.3** Section 13.15 specifying “MSS Net Negative Uninstructed Deviation” is deleted in its entirety and replaced with the follow:

13.15 MSS Net Negative Uninstructed Deviation. The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments as part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocation. MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation.

- 3.4** Section 13.17(c) specifying “Emissions Costs” is deleted in its entirety and replaced with the follow:

(c) If Vernon elects to follow its load in accordance with Section 4.9.13 of the CAISO Tariff and if Vernon elects not to charge the CAISO for Emissions Costs of the Generating Units serving the Load of Vernon’s System, then Vernon’s Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon’s Net Negative Uninstructed Deviations with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting.

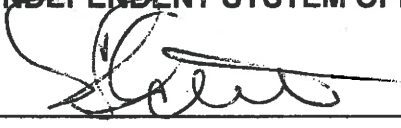
- 4.** This Amendment No. 1 constitutes the complete and final agreement of the Parties with respect to the purpose of this Amendment No. 1 as described in the Recitals hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter.

5. Except as expressly modified in this Amendment No. 1, the Second Amended and Restated MSSA shall remain in full force and effect in accordance with its terms, and the unmodified provisions of the Second Amended and Restated MSSA shall apply to any new rights and/or obligations established by this Amendment No.1.


6. This Amendment No. 1 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.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to be duly executed by and through their respective authorized representatives as of the date hereinabove written.

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: 
Name: Eric J. Schmitt
Title: Vice President, Operations
Date: 4/16/14

CITY OF VERNON

By: 
Name: Mark Whitworth
Title: City Administrator
Date: 5/14/14

APPROVED AS TO FORM:


Scott E. Porter,
Deputy City Attorney

ATTEST:


Ana Barcia, Deputy City Clerk

Attachment B – Clean version of the Public version of the MSSA

California Independent System Operator Corporation

May 23, 2014

California Independent System Operator Corporation
Non-Conforming Service Agreements
Revised Service Agreement No. 626

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND
CITY OF VERNON
METERED SUBSYSTEM OPERATING AGREEMENT
SECOND AMENDMENT AND RESTATED**

Proposed Effective Date: July 23, 2014
Version Number: 1.0.0
Option Code: A

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

CITY OF VERNON

**SECOND AMENDED & RESTATED
METERED SUBSYSTEM AGREEMENT**

SECOND AMENDED AND RESTATED METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, 20____, and is entered into, by and between:

- (1) The **City of Vernon**, 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 4305 Santa Fe Avenue, Vernon, California 90058 (“Vernon”);

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 CAISO Governing Board may from time to time designate, currently 250 Outcropping Way, Folsom California 95630 (the “CAISO”).

Vernon and the CAISO are hereinafter referred to individually as “Party” or collectively as the “Parties.”

Whereas:

- A.** The City of Vernon is a municipal electric utility engaged in, among other things, generating, transmitting and distributing electric power and Energy in the Vernon Service Area;
- B.** The CAISO operates the CAISO Balancing Authority Area and is engaged in, among other things, exercising Operational Control over certain electric transmission facilities forming the CAISO Controlled Grid, including transmission facilities and entitlements owned or controlled by Southern California Edison Company (hereinafter referred to as “SCE”) and Vernon, scheduling transactions that utilize those transmission facilities and Entitlements, and operating certain markets, including markets for Energy and Ancillary Services, pursuant to the terms of the CAISO Tariff and has certain statutory obligations under California law to maintain the reliability of the CAISO Controlled Grid, as well as certain responsibilities mandated by the North American Electric Reliability Corporation (“NERC”) and Western Electricity Coordinating Council (“WECC”) or its successor to ensure the reliable operation of the entire electric grid within the CAISO Balancing Authority Area;
- C.** Vernon is a Local Publicly Owned Electric Utility under the Constitution of the State of California and utilizes tax-exempt financing for one or more of its power supply resources that restricts the amount of private use of such projects;

- D.** Vernon's System is within the CAISO Balancing Authority Area, is directly interconnected to the SCE Distribution System, and is interconnected to the CAISO Controlled Grid through the Laguna Bell-Vernon Interconnection Service Agreement;
- E.** Vernon desires to continue to operate its generating resources, its transmission and the distribution resources of Vernon's System in an integrated manner to reliably serve Vernon's Loads and also desires, as or through a Scheduling Coordinator, to submit Bids, including Self-Schedules, to use the CAISO Controlled Grid and participate in the CAISO 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) Vernon will operate Vernon's Generating Units within the CAISO Balancing Authority Area; (2) Vernon will, as or through its Scheduling Coordinator, submit Bids, including Self-Schedules, into the CAISO Balancing Authority Area and participate in the CAISO Markets; and (3) the Parties will meet their obligations under the CAISO Tariff, as may be modified by this Agreement, in connection therewith;
- G.** Vernon desires the option to utilize Vernon's System resources, System Resources and Resource Specific System Resources, to follow Vernon's Load and exports from its MSS;
- H.** The intent of the Parties is that any CAISO charges will be charged to Vernon'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 Parties are required to comply with the NERC and WECC Reliability Standards, and the WECC RMS Agreement to the extent it remains in effect, applicable to the functional entity types for which the Parties are registered with NERC and WECC. Should any Party fail to meet its respective obligations, such Party shall be responsible for payment of any monetary sanctions accessed against it in accordance with Section 10.4; and
- J.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid and the operation of the CAISO's Balancing Authority 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 CAISO Tariff. The Parties acknowledge that the CAISO may not be able to satisfy fully these responsibilities if parties to agreements with the CAISO, including Vernon, fail to comply fully with all of their obligations under those agreements. The Parties further acknowledge that Vernon may not be able to satisfy fully its Native Load responsibilities in the

event the CAISO fails to comply fully with all of its obligations under this Agreement and the CAISO 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 Appendix A, the Master Definitions Supplement to the CAISO Tariff.
- 1.2 Special Definitions for this Agreement.** In this Agreement, the following terms shall have the meanings set opposite them:
- “Point of Delivery”** means any point at which Vernon’s System interfaces with the CAISO Controlled Grid for transactions into CAISO Markets. The Point of Delivery is described in Schedule 1.
- “Point of MSS Interconnection”** means any point at which Vernon’s System is interconnected with the CAISO Controlled Grid in the CAISO Balancing Authority Area. The Point of MSS Interconnection is described in Section 4.1.
- "Vernon's System"** means all transmission facilities, distribution facilities and Generating Units owned or controlled by Vernon on Vernon’s side of the Points of MSS Interconnection for its MSS, as listed in Schedule 1. A description of the generating facilities and Point of MSS Interconnection facilities comprising Vernon's System is set forth in Schedule 1.
- 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 CAISO Tariff or any provision of the CAISO Tariff will mean a reference to the CAISO 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 later of: (1) the date this Agreement is accepted for filing and made effective by FERC, or (2) the date the version of the CAISO Tariff implementing the CAISO’s Market Redesign and Technology Upgrade (“MRTU”) market design becomes effective, 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. If MRTU has become effective but this Agreement has not yet been made effective by FERC, the Parties will use the terms of this Agreement to interpret and implement the version of the CAISO Tariff implementing MRTU and the terms of the existing Metered Subsystem Agreement, to effectuate the intention of the Parties until such time as this Agreement is made effective by FERC. Upon the effective date of this Agreement, all prior versions will be superseded, provided that if this Agreement has become effective, but the CAISO exercises its rights under Section 44 of the CAISO Tariff and returns its operations and settlements to the pre-MRTU ISO Tariff, the Parties will use the terms of the version of the Metered Subsystem Agreement in existence prior to this Agreement during such period that the CAISO returns to the previously effective ISO Tariff to interpret and

implement the pre-MRTU ISO Tariff, except that the updated version of Schedule 17 attached to this Agreement will remain in effect.

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 CAISO 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.

2.2.2 Termination on Notice. Either Party shall have the right to terminate this Agreement in accordance with this Section 2.2.2, subject to the procedural requirements set forth in Section 2.2.3. 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.

2.2.3 Filing. With respect to any notice of termination given pursuant to this Section 2.2, the CAISO must file a timely notice of termination with FERC. The filing of the notice of termination by the CAISO 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 or 2.2.2 have been met, and (2) the CAISO files the notice of termination within 30 days of receipt of such request from Vernon or issuance of its own notice of termination. If the CAISO fails to make a filing with the FERC of a notice of termination requested by Vernon within 30 days of the Vernon request, Vernon may bring a complaint at the FERC for a FERC determination. This Agreement shall terminate upon the date on which the notice of termination is permitted by FERC to become effective.

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 Vernon's System and to Loads and Generating Units that comprise or are directly connected only to Vernon's System. Subject to the terms of Article II, this Agreement shall not affect Vernon's ability to join or establish another Balancing Authority Area or Vernon'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 CAISO 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 CAISO Tariff.
- 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 CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern.
- 3.3.3** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of the Metered Subsystem, comply with the requirements applicable to Metered Subsystems under Section 4.9 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Metered Subsystems including but not limited to Sections 31.5, 34.12 and 36.10 of the CAISO Tariff.
- 3.3.4** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any of the Generating Units listed in Schedule 14, comply with the requirements applicable to Participating Generators under Section 4.6 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Participating Generators. Nothing in this Agreement shall obligate Vernon to execute a Participating Generator Agreement with respect to any Vernon Generating Units.
- 3.3.5** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any Load listed in Schedule 14, comply with the requirements applicable to Participating Loads under Section 4.7 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate Vernon to execute a Participating Load Agreement with respect to any Vernon Load.
- 3.3.6** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of the distribution facilities of Vernon's System, comply with the requirements applicable to Utility Distribution Companies under Section 4.4 of the CAISO Tariff. Nothing in this Agreement shall obligate Vernon to execute a UDC Operating Agreement.
- 3.3.7** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any Resource Specific System Resource listed in Schedule 14 B, comply with the requirements applicable to Resource Specific System Resources under Section 4.12 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Resource Specific System Resources. Nothing in this Agreement shall obligate Vernon to execute a Resource Specific System Resource Agreement with respect to any Vernon Resource Specific System Resource.

- 3.3.8 The applicability of any provision of the CAISO Tariff to Vernon, including as provided in Sections 3.3.1 through 3.3.7, inclusive, shall, in the event of a dispute between the Parties, be determined through the CAISO ADR Procedures in accordance with Article 13 of the CAISO Tariff.
- 3.3.9 So long as Vernon remains a Participating TO, Vernon shall comply with the requirements applicable to Participating TOs under Section 4.3 of the CAISO Tariff.
- 3.3.10 This Agreement shall serve, with respect to Vernon, as the written agreements required by Sections 4.4.1, 4.6, 4.7, and 10.1.4, of the CAISO Tariff.

3.4 Amendment to Agreement

- 3.4.1 Vernon and the CAISO shall retain all rights under Section 206 of the Federal Power Act. Except with respect to the CAISO'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 CAISO 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 Vernon. In proposing any changes, unless in response to a FERC order as provided in Section 3.7, the CAISO 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 CAISO shall be subject to the following:
 - 3.4.2.1 The CAISO shall provide Vernon written notice of such CAISO proposed change, no fewer than 30 days in advance of the filing by the CAISO for such proposed change.
 - 3.4.2.2 The CAISO shall meet and confer with Vernon regarding the change, provided that the scheduling of such meeting shall not be unreasonably delayed.
 - 3.4.2.3 Vernon's representative designated in Schedule 17 may, at Vernon's sole option, waive in writing these requirements upon written request by the CAISO.
 - 3.4.2.4 The CAISO shall provide Vernon with a copy of the FERC filing if, and when, made.
- 3.4.3 In addition to changes that may otherwise be contemplated by Section 3.6 or Section 3.7, the Parties recognize that the CAISO's responsibilities and

operations, as set forth in the CAISO Tariff, and Vernon's responsibilities and operations may change during the term of this Agreement. The Parties agree that, in the event any such change substantially affects the allocation of rights, responsibilities and obligations between the Parties under this Agreement, the Parties, while continuing to honor the terms and conditions of this Agreement, will make good faith efforts to negotiate an appropriate amendment to this Agreement and shall endeavor in that process to restore that allocation. 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 CAISO with FERC.

3.5 Amendment to CAISO Tariff

3.5.1 Nothing in this Agreement shall affect in any way the authority of the CAISO to modify unilaterally the CAISO Tariff in accordance with Section 15 of the CAISO Tariff or of the CAISO and Vernon 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 CAISO Tariff as provided in Section 3.5.1, the CAISO 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 CAISO charges will be charged to Vernon or Vernon'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: Vernon desires the option to elect to implement Load following capability, through its Scheduling Coordinator, to follow Vernon's Load and exports from its MSS with Vernon's resources and imports into its MSS approved in advance by the CAISO as not causing an undue operational burden, including not having the potential to exacerbate Congestion or otherwise adversely affect reliable operation of the CAISO Balancing Authority Area, and to make economic resource decisions with the resources in Vernon's portfolio.

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

3.5.2.4 Private Use Restrictions: One or more of Vernon's power supply resources has been financed with tax-exempt bonds, which bond indenture requires limitations on operational control of such resource.

3.6 Changes to CAISO Markets. To the extent possible, and consistent with the principles of Section 3.5.2, any subsequent changes to the CAISO Markets that

impact Metered Subsystems will be incorporated in this Agreement. If components of the CAISO Markets 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 CAISO's right to modify the CAISO 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 CAISO and are owned by a MSS Operator with Local Furnishing Bonds or other tax-exempt bonds. Nothing in this Agreement shall compel (and the CAISO 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 MSS Interconnection.** The Points of MSS Interconnection are described in Schedule 1. Additional Points of MSS Interconnection may be established only by mutual agreement of the Parties, which agreement shall not be unreasonably withheld.
- 4.2 Interconnection Operation Standards.** The CAISO and Vernon 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.** Vernon shall operate and maintain all facilities under Vernon control forming any part of Vernon'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 Vernon's System in accordance with Applicable Reliability Criteria, including WECC and NERC Reliability Standards and criteria.
- 4.4 Expansion, Retirement, and Modification of Facilities.** Vernon shall coordinate with the CAISO in the planning and implementation of any expansion, retirement, or modification of those facilities forming parts of Vernon's System that are identified in Schedule 1, replacements for such facilities, and other facilities forming parts of Vernon's System that serve similar functions or that otherwise will or may significantly affect the Points of MSS Interconnection, and shall provide sufficient advance notice to enable the CAISO to conduct any

necessary studies. To the extent the CAISO determines studies are required, those studies will be performed in a reasonable period of time. The Parties will amend Schedule 1, as necessary, should a new Point of MSS 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, Vernon shall provide the CAISO with access for inspection or audit, to any equipment or other facilities of Vernon's System, the operation of which affects any Point of MSS Interconnection or the CAISO Controlled Grid. Vernon will allow access during normal working hours with no prior notice. For access during times outside of normal working hours, the CAISO shall provide Vernon 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** Vernon shall coordinate Outages of its Generating Units and of transmission facilities, including the Points of MSS Interconnection, constituting parts of Vernon's System with the owners of the transmission or distribution facilities with which Vernon'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 CAISO in accordance with the CAISO Tariff.
- 5.1.2** Vernon shall schedule with the CAISO on an annual basis pursuant to Schedule 4, with updates submitted as required under CAISO Tariff Section 9.3.6, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of Vernon's System with the Participating TO with which Vernon's System is interconnected.

- 5.1.3** Notwithstanding anything to the contrary in this Agreement, to the extent required by any valid law, regulation or order issued by any state or federal authority having jurisdiction over Vernon or Vernon's System, which law, regulation or order applies to entities that have executed a written undertaking required by Section 4.6 of the CAISO Tariff, Vernon shall coordinate Outages of its Generating Units, and of transmission facilities constituting parts of Vernon's System, with the CAISO, pursuant to any generally applicable program established by the CAISO to implement such law, regulation or order.
- 5.2 Safety and Reliability.** Vernon shall operate and maintain Vernon's System in accordance with applicable safety standards and Reliability Standards pursuant to WECC and NERC requirements, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on the CAISO Controlled Grid. The CAISO shall operate and maintain the CAISO Controlled Grid and the operation of the CAISO Balancing Authority Area in accordance with applicable Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on Vernon's System. Without limiting the foregoing, Vernon shall operate and maintain Vernon's System, during normal and System Emergency conditions, in compliance with the requirements applicable to Utility Distribution Companies in the CAISO Operating Procedures and standards. In the event any such CAISO 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.** Vernon will coordinate with the CAISO, SCE, and any Generators on Vernon's System to ensure that CAISO 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 Vernon, SCE, and Generators. Vernon shall notify the CAISO 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 CAISO Controlled Grid Critical Protective Systems, including the systems described in Schedule 5.
- 5.4 Single Point of Contact.** Vernon shall provide a single point of contact and maintain and operate a control center that is staffed "at all hours" and shall, together with the CAISO, establish appropriate communications facilities and procedures between Vernon's control center and the CAISO Control Center. The Parties agree to exchange operational contact information for ensuring reliable communication in a format agreed to by the Parties. Each Party shall provide the other Party ten (10) calendar days advanced notice of updates to its operational contact information, as that information is expected to change.

- 5.5 Transmission Losses, Outages, and Congestion.** Vernon shall be responsible for transmission losses within Vernon's System and to any Points of Delivery. The CAISO is not responsible for transmission line Outages and transmission Congestion within Vernon's System and at the Points of MSS Interconnection as specified in CAISO Tariff Section 4.9.4.6. Congestion within Vernon's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3.

ARTICLE VI INFORMATION SHARING

- 6.1 Forecasts.** Vernon shall provide to the CAISO annually its ten-year forecasts of the MSS Demand growth, internal Generation, and expansions of or replacements for those transmission facilities that are part of Vernon's System identified in Schedule 1 and other transmission facilities that are part of Vernon's System that serve similar functions or that otherwise will or may significantly affect any Point of MSS Interconnection. Such forecast shall be provided on the date that Utility Distribution Companies are required to provide similar forecasts and shall be provided in accordance with the CAISO Tariff and the Business Practice Manual for the Transmission Planning Process. Peak MSS Demand Forecasts for Vernon's System shall be submitted by Vernon's Scheduling Coordinator in accordance with the CAISO Tariff and the Business Practice Manual for Market Instruments, and biannually as part of the CAISO's summer and winter assessment process as agreed by the Parties.
- 6.2 System Surveys and Inspections.** Vernon and the CAISO shall cooperate to perform system surveys and inspections of facilities at or near the Points of MSS Interconnection that may significantly affect the facilities of the other Party.
- 6.3 Maintenance Schedules.** Vernon shall provide the CAISO on an annual basis with a schedule of planned maintenance of those Generating Units identified in Schedule 1, in accordance with Schedule 4. Vernon and the CAISO shall also maintain records of the Maintenance Outages scheduled by Vernon on such facilities and their actual duration. Vernon shall coordinate maintenance of its transmission facilities with the CAISO in accordance with the Transmission Control Agreement. Should Vernon withdraw any of its transmission facilities from CAISO Operational Control pursuant to the Transmission Control Agreement, it shall coordinate maintenance of its transmission facilities within the CAISO Balancing Authority Area with the CAISO in accordance with this Agreement.
- 6.4 Reliability Information.** Vernon and the CAISO 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 CAISO Controlled Grid or the integrity of Vernon's System respectively. Vernon and the CAISO 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 Vernon, is reasonably likely to threaten the reliability of the CAISO Controlled Grid, or, in the case of the CAISO, is reasonably likely to adversely affect Vernon'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 potential threat and, in the case of the CAISO, not unduly discriminatory with respect to the CAISO's provision of similar information to other entities.

6.5 Major Outage Reports. Vernon shall promptly provide such information as the CAISO may reasonably request concerning Vernon's operation of Vernon's System to enable the CAISO to meet its responsibility under the CAISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the CAISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The CAISO shall have no responsibility to prepare reports on Outages that affect customers on Vernon's System, unless the Outage also affects customers connected to the system of another entity within the CAISO Balancing Authority Area. Vernon 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 Vernon's System.

6.6 Annual Reviews and Reports

6.6.1 The CAISO shall make available to Vernon any public annual reviews or reports regarding performance standards, measurements or incentives relating to the CAISO Controlled Grid that the CAISO makes available to MSS Operators and Participating TOs.

6.6.2 Vernon shall make available to the CAISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to Vernon's System that may affect the CAISO Balancing Authority Area.

6.6.3 The CAISO and Vernon shall jointly develop any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

6.7 Vernon shall cause to be installed and cause to be maintained direct telemetry links from facilities comprising Vernon's System including to the CAISO's EMS system to provide real-time data to the CAISO, subject to any exemption available in accordance with the CAISO Tariff. Such data points may include without limitation: output of Generating Units under Vernon control; and Vernon's power flows at the Vernon Points of Delivery; and bus voltages at each

Generating Unit. With regard to Generating Units in the CAISO Balancing Authority Area in which Vernon has an entitlement over which Vernon does not have legal authority to exercise control, Vernon shall, at a minimum, support the installation and maintenance of direct telemetry links to the CAISO'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 CAISO EMS system will be as mutually agreed by the CAISO and Vernon representatives.

ARTICLE VII EMERGENCY OPERATIONS

7.1 In General.

Except with respect to Sections 7.4.1, 7.4.4, 7.4.5, 7.5.1, and 7.5.2, or unless Vernon is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, the terms of this Article VII shall only apply during a System Emergency that is not a result of a deficiency of resources to serve Loads in the CAISO Balancing Authority 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. In the event a System Emergency occurs or the CAISO determines that a System Emergency is threatened or imminent, Vernon shall, in accordance with Section 7.7.2 of the CAISO Tariff and Good Utility Practice: (a) comply with all directions from the CAISO 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 CAISO Balancing Authority Area, or disconnecting Vernon Load; and (b) comply with all procedures concerning System Emergencies set out in Vernon's Electric Emergency Plan ("EEP"), CAISO applicable Business Practice Manuals, and CAISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Without limiting the generality of the foregoing:

- 7.1.1** When requested by the CAISO subsequent to the declaration by the CAISO of an alert regarding a threatened or imminent System Emergency in accordance with the CAISO's Operating Procedure applicable to System Emergencies, in the event Vernon has chosen not to follow its Load in accordance with Section 4.9.13 of the CAISO Tariff, and otherwise during a System Emergency, Vernon shall operate all of its Generating Units listed in Schedule 14 to supply the CAISO with generating capacity and/or Energy that can be made available by those Generating Units in order to make available as much generating capacity and/or Energy as possible to the CAISO during the term of any System Emergency, consistent with: (a) maintaining an adequate Supply of Energy to serve Loads on

Vernon's System, other than in accordance with Section 7.4 of this Agreement; and (b) due consideration for Vernon obligations specified in the EEP attached to Schedule 11 or limitations specified in Schedule 14 resulting from, but not necessarily limited to: (1) licenses/permits related to Generating Units (including air emission constraints), (2) water release constraints imposed by regulatory agencies, (3) internal policies related to fuel and contract management, and (4) abnormal Generating Unit and transmission maintenance, provided that Vernon shall provide the CAISO with advance notice of any changes to the limitations in Schedule 14 that Vernon's obligations impose on the operation of its Generating Units, and any changes agreed to by the CAISO shall be amendments to this Agreement. For that purpose, Vernon shall provide the CAISO with any change in Schedule 14 with regard to the limitations on the operation of its Generating Units. Vernon shall provide the CAISO 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 the deadline for the submission of Bids into the Real-Time Market, except when a change is due to a Forced Outage. In making as much generating capacity and/or Energy available that can be made available by its Generating Units to the CAISO as possible for use subsequent to the declaration by the CAISO of an alert regarding a threatened or imminent System Emergency in accordance with the CAISO's Operating Procedure applicable to System Emergencies and during System Emergency conditions, subject to the foregoing, Vernon shall:

- 7.1.1.1** Schedule, reschedule, Bid and operate, to the maximum extent possible, the Generating Units listed in Schedule 14, up to the limitations set forth in Section 2 of Schedule 14, and, to the extent possible, other Vernon resources within and outside the CAISO's Balancing Authority 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 CAISO; and
- 7.1.1.2** 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 CAISO.
- 7.1.2** In the event that the CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, that contravenes the Vernon EEP attached to Schedule 11 or any limitation set forth in Schedule 14 duly communicated in accordance with Section 7.1.1, Vernon or its Scheduling Coordinator shall not be required to follow that instruction, although it may consent to do so in a particular case (without prejudice to Vernon's right to direct its Scheduling Coordinator to decline any such instructions thereafter). If Vernon or its Scheduling Coordinator chooses not to follow such an instruction, it shall notify the CAISO as soon as

possible that it will not follow the Dispatch Instruction, including an Exceptional Dispatch Instruction, due to the previously communicated limitation.

- 7.1.3** Vernon's Scheduling Coordinator shall receive compensation for generating capacity and/or Energy supplied in response to System Emergency Dispatch Instructions, including Exceptional Dispatch Instructions, issued by the CAISO in accordance with the CAISO Tariff.
- 7.1.4** During a System Emergency, the CAISO and Vernon shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the CAISO Tariff.
- 7.1.5** Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X of this Agreement, or any CAISO Tariff provision, Vernon shall not be expected or required to curtail Load or offer to the CAISO 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 and maintain Operating Reserves in accordance with the CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff.
 - 7.1.5.1** Nothing in this Section 7.1.5 or this Agreement is intended to affect Vernon's obligation to comply with any market mitigation requirement, including any must-offer requirement that the FERC may impose on MSS Operators.
- 7.2** **Notice.** When a System Emergency occurs, the CAISO shall notify Vernon's control center as part of the process by which it notifies all Utility Distribution Companies and MSS Operators of System Emergency conditions. Details of the notification process are set forth in Schedule 7.
- 7.3** **Records.** Vernon and the CAISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the CAISO Tariff.
- 7.4** **Load Shedding**
 - 7.4.1** **Automatic Load Shedding.** Vernon shall implement and have at all times operational an automatic Underfrequency Load Shedding ("UFLS") 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 Priorities.** Section 7.7.11.4 of the CAISO Tariff provides that the CAISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the CAISO forecast. If 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 CAISO), as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, and only if Vernon is short of resources to meet its forecasted Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, will Vernon be required to shed Load, as directed by the CAISO. Vernon shall provide the CAISO 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 CAISO interrupted firm Load within the CAISO Balancing Authority Area or during which time an CAISO direction to interrupt firm Load was in force, like other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and Vernon and its Scheduling Coordinator shall be subject to the provisions of Section 7.7.11.4 of the CAISO Tariff for any failure to make such demonstration.

- 7.4.3 Manual Load Shedding.** When called upon to do so by the CAISO in accordance with Section 7.4.2 to avert, manage, or alleviate a System Emergency, Vernon shall implement the manual Load Shedding program described in Schedule 10. The CAISO shall notify Vernon when conditions exist that would require Vernon to implement the Load curtailment and Interruptible Load programs described in Schedules 10, 10A, and 10B. Subject to the provisions of Sections 7.1.2 and 7.4.2, if the CAISO determines that manual Load curtailment is required to manage a System Emergency, the CAISO 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 Vernon and each UDC and MSS Operator based on the ratio of its Demand at the time of the CAISO Balancing Authority Area annual peak Demand for the previous year to total CAISO Balancing Authority Area annual peak Demand for the previous year, taking into account system considerations and Vernon's curtailment rights.
- 7.4.4 Load Restoration.** Load shed in accordance with Section 7.4.1, 7.4.2, and 7.4.3 of this Agreement shall be restored pursuant to Schedule 12.
- 7.4.5** The CAISO shall use reasonable efforts to coordinate Vernon's Underfrequency Load Shedding program with the Underfrequency 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 Underfrequency Load Shedding in the CAISO Balancing Authority Area. Vernon 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.
- 7.4.6** To the extent Vernon reduces Vernon'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 CAISO with Energy, subject to the provisions of Section 7.1.2.

Vernon's Scheduling Coordinator shall receive compensation for any Energy or Ancillary Services made available to the CAISO as a result of such Load Shedding in accordance with the CAISO Tariff and CAISO Operating Procedures and, in accordance with Section 11.23(a) of the CAISO Tariff, shall not be subject to any Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy for so long as the System Emergency condition exists.

7.5 Electrical Emergency Plan

- 7.5.1** Vernon shall cooperate with the CAISO's implementation of the Electrical Emergency Plan ("CAISO EEP") developed by the CAISO in accordance with Section 7.7.5 of the CAISO Tariff. Vernon shall implement Vernon's EEP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the CAISO shall cooperate with Vernon's implementation of Vernon's EEP.
- 7.5.2** Vernon shall make an effort to notify its customers of any requests for voluntary Load curtailments of which the CAISO notifies Vernon pursuant to the CAISO EEP.
- 7.5.3** When the CAISO allocates an amount of Load curtailment to Vernon pursuant to Section 7.4 of this Agreement and to the CAISO EEP to manage a System Emergency, Vernon shall cause customers to curtail that amount of Load except to the extent such Load is being served by an emergency generator pursuant to the provisions of Schedule 11.

ARTICLE VIII LOCAL AND REGIONAL RELIABILITY

8.1 Reliability Within Vernon's System

- 8.1.1** Vernon shall be solely responsible for maintaining the reliability of electric service to customers in Vernon's System in accordance with Applicable Reliability Criteria, WECC and NERC Reliability Standards, regulatory requirements, and Good Utility Practice, subject to the responsibilities of the CAISO as the Balancing Authority for the Balancing Authority Area in which Vernon's System is located.
- 8.1.2** Vernon shall be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within Vernon's System. Except as may be imposed in section 7.1.5.1 or Vernon voluntarily elects to be subject to must-offer requirement, Vernon has no must-offer requirements.

- 8.2 Balancing Authority Area Reliability.** For the costs specified in this Article VIII, Vernon, 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 CAISO Balancing Authority Area, except for Reliability Must-Run ("RMR") Generation costs on the CAISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected and Vernon is not the applicable Participating TO. Vernon, 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 CAISO Markets in accordance with the terms of the CAISO Tariff.

8.2.1 [INTENTIONALLY LEFT BLANK]

8.3 Voltage Support. Vernon shall maintain stable operating parameters and control of real and reactive power flows in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations to maintain stable operating parameters and control of real and reactive power flows in coordination with SCE in a manner that meets the requirements of the CAISO Tariff and the operation standards set forth in Schedule 2), which is incorporated herein by reference.

8.4 Black Start. Vernon shall either provide its own share of CAISO Balancing Authority Area Black Start capability or, through its Scheduling Coordinator, shall bear a portion of the CAISO's Black Start costs in accordance with Section 4.9.4.5 of the CAISO Tariff.

8.5 Ancillary Services. The CAISO is entrusted with the responsibility of procuring Ancillary Services for the CAISO Balancing Authority Area. Vernon's responsibility for the CAISO Balancing Authority Area requirements of Ancillary Services shall be determined in accordance with the CAISO Tariff. If Vernon's Scheduling Coordinator's Submission to Self Provide an Ancillary Service is sufficient to meet Vernon's Ancillary Service Obligation, which capacity is committed to the various required Ancillary Services, and maintains the Ancillary Service capacity as available to the CAISO for that purpose, Vernon's Scheduling Coordinator shall not be required to purchase capacity in the CAISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not self-provide sufficient capacity for this purpose, Vernon may, through its Scheduling Coordinator, purchase the required capacity in the CAISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not maintain the availability of capacity committed to the CAISO for Ancillary Services for that purpose, the Scheduling Coordinator shall be responsible for the applicable charges under the CAISO Tariff.

**ARTICLE IX
ACCESS TO THE CAISO CONTROLLED GRID AND MARKETS**

9.1 Access to the CAISO Controlled Grid

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

9.1.2 Vernon may use the CAISO Controlled Grid in accordance with the CAISO Tariff to buy and sell electric products in the CAISO Markets and in bilateral transactions with other Market Participants.

9.2 Access to CAISO Markets and CAISO Controlled Grid

9.2.1 Bids to Supply Energy, Ancillary Services and RUC Capacity. Energy, Ancillary Services and RUC Capacity provided by Vernon's Generating Units and Loads listed in Schedule 14 may be sold in the CAISO Markets on the terms applicable under the CAISO Tariff to Participating Generators and Participating Loads, respectively, and further applicable to MSS Operators and MSS Aggregators in accordance with the CAISO Tariff.

9.2.2 Self-Provided Ancillary Services and Self-Scheduled Energy. Vernon may self-provide and self-schedule all or any portion of its obligation for Ancillary Services and Energy. Whether or not Vernon engages in such self-provision, Vernon's Scheduling Coordinator shall include the gross output, less auxiliary load, of each Generating Unit and import from which Vernon meets that obligation and the gross Load served on Vernon's System and gross exports from Vernon's System in Bids, including Self-Schedules submitted to the CAISO. If the CAISO amends the CAISO Tariff to relieve Scheduling Coordinators of the obligation to submit Bids and Self-Schedules for gross Generation, imports, Loads, and exports, and the amendment would have applied to Vernon 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.

9.2.3 Scheduling Timelines. Vernon's Scheduling Coordinator shall submit all Bids and Self-Schedules, including Self-Schedules for the use of its Existing Contracts and Encumbrances, Bids and Self-Schedules for the use of the CAISO Controlled Grid as a new firm use, and Bids, including but not limited to Self-Schedules, for the delivery of Energy and Ancillary Services, within the timelines established by the CAISO Tariff.

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

9.3 Congestion Revenue Rights. Vernon as a Load Serving Entity is eligible for the CRR Allocation in accordance with Section 36 of the CAISO Tariff. Vernon, in order to participate in the CRR Allocation process, must execute a pro forma CRR Entity Agreement in accordance with the CAISO Tariff.

ARTICLE X GENERATING UNITS AND MARKET-PARTICIPATING LOADS

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

10.1.1 Technical Characteristics. Vernon has provided to the CAISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and market-participating Loads listed in that schedule. The CAISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto made pursuant to Section 10.1.2 of this Agreement, in accordance with Section 8.10 of the CAISO Tariff.

10.1.2 Notification of Changes. Vernon shall notify the CAISO 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 CAISO'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 market-participating Load identified in Schedule 14 upon the effective date for the next scheduled update to the CAISO's Master File.

10.1.3 Nothing in this section shall preclude Vernon from informing the CAISO of changes in limitations on the operation of a Generating Unit, as provided in Section 7.1 of this Agreement, or to comply with environmental laws and regulations, provided that Vernon provides the CAISO with advance notice of any changes in such limitations.

10.2 Generating Unit Operation

10.2.1 Vernon shall install and maintain direct telemetry links to the CAISO's EMS system for each Vernon Generating Unit under Vernon control that enables the CAISO to view the status, voltage, and output of the Generating Unit and CAISO certified meters that transmits data automatically to the CAISO's Revenue Meter Data Acquisition and Processing System. Vernon shall calculate and specify to the CAISO any distribution loss factor applicable to its Generating Units.

10.2.2 If Vernon, through its Scheduling Coordinator, chooses to submit Bids to supply Regulation or to make a Submission to Self-Provide an Ancillary Service for Regulation from a Generating Unit, it must provide the CAISO with control over the Generating Unit providing Regulation and place the Generating Unit on Automatic Generation Control ("AGC") responsive to the CAISO's Regulation signal. Regulation service shall be provided in accordance with the CAISO Tariff. Vernon or its Scheduling Coordinator may adjust output of Vernon's Generating Units, in response to Vernon's Load following needs, if elected in accordance with Section 4.9.13 of the CAISO Tariff, provided that, if Vernon is providing Regulation to the CAISO from any Generating Unit, it may not adjust the output of that Generating Unit unless the integrity of the CAISO's Regulation signal, and the continuous responsiveness of such Generating Unit, via AGC, to the CAISO's Regulation signal, is not compromised. If the CAISO determines that the integrity of the CAISO's Regulation signal or the continuous responsiveness to the CAISO's Regulation signal is compromised, Vernon's Generating Unit shall be deemed not to have provided the Regulation, and Vernon shall be subject to the provisions of the CAISO Tariff applicable to failure to provide Regulation. To the extent that Vernon chooses not to provide Regulation from a Vernon Generating Unit, the CAISO shall not control the Generating Unit via a direct link between the CAISO and the Generating Unit without Vernon's consent.

10.3 CAISO Authority to Dispatch Vernon Resources. The CAISO's authority to issue Dispatch Instructions, including Exceptional Dispatch Instructions, for any portion of the capacity of any Generating Unit of Vernon, other than in accordance with a Bid submitted to the CAISO by Vernon's Scheduling Coordinator, is set forth in and subject to Section 7.1 of this Agreement.

10.4 WECC Requirements Applicable to Participating Generators

10.4.1 Reliability Criteria. Vernon shall comply with the requirements of Section 4.6.5 of the CAISO Tariff applicable to Participating Generators.

10.4.2 Payment of WECC Sanctions. Vernon shall be responsible for payment directly to the WECC of any monetary sanction assessed against Vernon by the WECC, as provided in Section 4.6.5.3 of the CAISO Tariff.

10.5 Market-Participating Load Operation

10.5.1 Technical Characteristics. As required by Section 8.4 of the CAISO Tariff, Vernon shall provide the CAISO with all technical and operational information requested in Schedule 14 for each Curtailable Demand that it owns, operates, or has a contractual entitlement to. For those Loads designated by Vernon as providing Curtailable Demand, Schedule 14 requires Vernon to indicate in Schedule 14 whether the Load can submit a Bid or self-provide as Non-Spinning Reserve. Pursuant to Section 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in Schedule 14 for Curtailable Demands.

10.5.2 Metering and Communication. Pursuant to Sections 8.4.5 and 8.4.6 of the CAISO Tariff, Curtailable Demand that is Bid or self-provided as Non-Spinning Reserve is required to comply with the CAISO's communication and metering requirements.

10.5.3 UDC Interruptible Load Programs. Due to the CAISO's reliance on interruptible Loads to relieve System Emergencies and its contractual relationship with each UDC, the CAISO will not accept, and Vernon shall not submit, Energy Bids, Ancillary Service Bids or Submission to Self-Provide an Ancillary Service from interruptible Loads which are subject to curtailment criteria established under existing retail tariffs, except under such conditions as may be specified in the CAISO 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, Vernon shall not receive a capacity payment or credit for Ancillary Service Bids or Submission to Self-Provide an Ancillary Service and for the time, if any, that there exists an overlap between such Ancillary Services Bids or Submissions to Self-Provide an Ancillary Service 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 CAISO under the CAISO Tariff in any other respect.

ARTICLE XI RESOURCES

11.1 Load Following Resources. Schedule 14A identifies each power resource authorized for use by Vernon's Scheduling Coordinator in following Vernon's Load if Vernon elects to Load follow.

- 11.1.1** The CAISO may file with the FERC to remove a resource from Schedule 14A if the CAISO determines that a resource identified in Schedule 14A adversely affects the reliable operation of the CAISO Balancing Authority Area. The CAISO shall provide notice to Vernon at least 60 days in advance of such a filing. Such notice to Vernon shall be accompanied by a CAISO explanation of the grounds on which the CAISO asserts that the resource adversely affects the reliable operation of the CAISO Balancing Authority Area.
- 11.1.2** Vernon may add additional resources to Schedule 14A through the following procedures. Vernon shall provide notice to the CAISO 60 days in advance of the proposed date of a CAISO filing at FERC to implement the addition of a resource to Schedule 14A. Within 60 days of such notice, the CAISO must file at the FERC to add the resource to Schedule 14A unless, within that 60 day period, the CAISO determines and notifies Vernon that such resource would adversely affect reliable operation of the CAISO Balancing Authority Area. Notice of such determination shall be accompanied by a CAISO explanation of the grounds on which the CAISO asserts that such resource would adversely affect the reliable operation of the CAISO Balancing Authority Area. If Vernon disagrees with a CAISO determination that a resource Vernon proposes to add to Schedule 14A, would adversely affect reliable operation of the CAISO Balancing Authority Area, Vernon may bring a complaint at the FERC for a FERC determination of whether the resource would adversely affect reliable operation of the CAISO Balancing Authority Area, and thus whether the resource is to be added to Schedule 14A.
- 11.1.3** In no case shall resources located within Vernon's System be removed by the CAISO from Schedule 14A or be rejected by the CAISO for addition to Schedule 14A.

ARTICLE XII METERING

- 12.1** Vernon shall ensure installation of CAISO-certified revenue quality meters and associated equipment at or near (a) the Points of Delivery, and (b) at each bus to which one or more Generating Units is connected and the associated Generating Units auxiliary Load.
- 12.2** The provisions of the CAISO Tariff applicable to CAISO Metered Entities shall apply to Vernon, 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 Vernon's meters.
- 12.3** The calculation of Vernon's Settlement Quality Meter Data shall be in accordance with Schedule 15.

ARTICLE XIII CHARGES

- 13.1 Charges.** Vernon's Scheduling Coordinator shall be responsible for charges incurred in accordance with Sections 4.9 and 11 of the CAISO Tariff, provided that nothing in this Agreement shall prohibit Vernon from challenging the allocation of any new charge under the CAISO Tariff to Vernon on the ground that the proposed charge is not appropriately assessed against a MSS Operator, or on any other ground. CAISO and Vernon recognize that the CAISO Tariff provisions on which Section 13.7.2 is based are currently before the FERC and subject to modification based on a prospective FERC order. The Parties recognize that the FERC is expected to rule on the CAISO's Request for Clarification or Rehearing filed on July 21, 2008 and that such ruling could impact Section 13.7.2. To the extent that the anticipated FERC order requires a change to the existing language of Section 13.7.2, the Parties will promptly meet to amend this Agreement consistent with the FERC order.
- 13.2 Congestion Management.** Vernon shall be responsible for the cost of managing and relieving Congestion within Vernon's System, as specified in Section 5.5, only to the extent that the cause of Congestion is attributed to Vernon's System operations. If the cause of Congestion is not directly attributed to Vernon's System operations, and the CAISO utilizes Exceptional Dispatch Instructions to resolve the identified Congestion, the resulting costs shall be allocated pursuant to the provisions specified in Section 11.5.6.2.5.2 of the CAISO Tariff, and will not be solely allocated to Vernon.
- 13.3 Unaccounted for Energy Costs.** Vernon's System shall be treated as a Utility Distribution Company Service Area for purposes of allocating responsibility for Unaccounted for Energy costs in accordance with the CAISO Tariff.
- 13.4 Reliability Generation.** Vernon shall be responsible for the costs of maintaining the reliability of facilities in Vernon's System, including costs of Generating Units operated by or on behalf of Vernon for that purpose. If and to the extent Vernon does not maintain sufficient Generation, then Vernon may be assessed costs incurred by the CAISO to support the reliability of Vernon's System.
- 13.5 Neutrality Costs.** Vernon's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) shall be based on Vernon's net metered MSS Demand and exports from the CAISO Balancing Authority Area irrespective of Vernon's MSS Settlement election as specified in Section 4.9.13 of the CAISO Tariff.
- 13.6 CAISO Balancing Authority Area Summer Reliability Costs.** Vernon, through its Scheduling Coordinator, shall have the option to avoid any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section

42.1.8. In order to avoid such costs, Vernon shall secure capacity reserves on an annual basis at least equal to one hundred fifteen percent (115%) of the peak MSS Demand responsibility and provide documentation to the CAISO of the resources proposed to meet that MSS peak Demand. Such capacity reserves may include on-demand rights to Energy, peaking resources, and MSS Demand reduction programs. For the purposes of this Section 13.6, the MSS peak Demand responsibility shall be equal to the forecasted annual coincident MSS peak Demand Forecast plus any firm power sales by the MSS plus any MSS on-demand obligations to third parties, less interruptible Loads, and less any firm power purchases. Firm power for the purposes of this Section 13.6 shall be Energy that is intended to be available to the purchaser without being subject to interruption or curtailment by the supplier except for Uncontrollable Forces or emergency, and for which the supplier carries WECC-required operating reserves. To the extent that Vernon demonstrates its provision of capacity reserves in accordance with this Section 13.6, Vernon's Scheduling Coordinator shall not be obligated to bear any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section 42.1.8.

13.7 Allocation of Net IFM Bid Cost Uplift. Vernon's Scheduling Coordinator's obligation to pay Net IFM Bid Cost Uplift charges shall be based on the following two tier structure:

13.7.1 Tier 1 IFM Bid Cost Uplift. The hourly Net IFM Bid Cost Uplift is allocated to Vernon's Scheduling Coordinator in proportion to Vernon's non-negative IFM Load Uplift Obligation, but with an IFM Bid Cost Uplift rate not exceeding the ratio of the hourly Net IFM Bid Cost Uplift for the Trading Hour divided by the sum of all hourly Generation scheduled in the Day-Ahead Schedule and IFM upward AS Awards for all Scheduling Coordinators from CAISO-committed Bid Cost Recovery Eligible Resources in that Trading Hour. The IFM Load Uplift Obligation for Vernon's Scheduling Coordinator is the difference between the total Demand scheduled in the Day-Ahead Schedule of that Scheduling Coordinator and the sum of the scheduled Generation and scheduled imports from Self-Schedules in the Day-Ahead Schedule of that Scheduling Coordinator, adjusted by any applicable Inter-SC Trades of IFM Load Uplift Obligations.

13.7.2 Tier 2 IFM Bid Cost Uplift. The Scheduling Coordinator for Vernon as an MSS Operator that has elected both to not follow its Load and gross Settlement will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to Vernon's Measured Demand. The Scheduling Coordinator for Vernon as an MSS Operator that has elected to follow its Load or net Settlement, or both, will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to Vernon's MSS Aggregation Net Measured Demand.

13.8 Allocation of Net RTM Bid Cost Uplift. The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO

Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to Vernon's Measured Demand for the Trading Hour plus any FMM reductions not associated with valid and balanced ETCs or TORs Self –Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Aggregation Net Measured Demand plus any FMM reductions not associated with valid and balanced ETCs or TORs Self – Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that elected to Load follow, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Net Negative Uninstructed Deviation with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting, plus any FMM reductions not associated with valid and balanced ETC or TOR Self Schedules in the Day-Ahead Market and plus any FMM reductions not associated with FMM Self-Scheduled Energy from Load following resources listed in Schedule 14 B of this Agreement. Any real-time reductions to HASP Intertie Schedules after HASP results are published to HASP Block Intertie Schedules in response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid Cost Uplift.

- 13.9 Grid Management Charges Based on Market Services.** If the CAISO is charging Grid Management Charges for Market Services Charge, and should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load-following, Vernon's Scheduling Coordinator will not be assessed Grid Management Charges for Market Services Charge associated with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments.
- 13.10 MSS Deviation Band.** The amount by which a Load following MSS Operator can deviate from Expected Energy without incurring a Load Following Deviation Penalty, as defined in Section 13.12 and Schedule 19, is equal to three percent (3%) of an MSS Operator's gross metered MSS Demand in the MSS and exports from the MSS, adjusted for Forced Outages and any CAISO directed firm Load Shedding from the MSS's portfolio as a whole.
- 13.11 Load Following Deviation Band Compliance.** To the extent that sufficient Energy for the purposes of serving Vernon's MSS Demand and exports from the MSS, including losses, is not reflected in Bids, including Self-Schedules, submitted by Vernon's Scheduling Coordinator and delivered in real time, Vernon shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the CAISO's Real-Time Market. The CAISO will settle with Vernon's Scheduling Coordinator with regard to Imbalance Energy in accordance

with the CAISO Tariff. However, should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff, to follow Vernon MSS Demand and exports from the MSS with Vernon's System resources and imports into the MSS, including Self-Scheduled System Resources and Self-Scheduled Resource Specific System Resources listed in Schedule 14 B, to the extent that the net Imbalance Energy for all of Vernon's MSS Demand and exports from the MSS, and Vernon's System resources and imports into the MSS, including Self-Scheduled System Resources and Self-Scheduled Resource Specific System Resources listed in Schedule 14 B, is within Vernon's portfolio MSS Deviation Band, as specified in Section 13.10 and Schedule 19, Vernon's Scheduling Coordinator will not be subject to the Load Following Deviation Penalty, as specified in Section 13.12, or costs other than the cost of the Imbalance Energy itself. Schedule 19 of this Agreement describes the process for the calculating the applicable amount of net Imbalance Energy, which is referred to as deviation energy within Schedule 19. To the extent that Vernon's Scheduling Coordinator is operating outside of its portfolio MSS Deviation Band, Vernon's Scheduling Coordinator shall be subject to the Load Following Deviation Penalty. In following Load, Vernon's Scheduling Coordinator may utilize any resource available to it regardless of whether, or at what level, the resource is reflected in Schedules submitted by Vernon's Scheduling Coordinator, submitted in the form of a Bid or Self-Schedule, except with respect to any portion of the capacity of a resource for which Vernon's Scheduling Coordinator has scheduled to provide an Ancillary Service and or RUC Capacity to the CAISO for that resource or to the extent the CAISO has issued a System Emergency operating order consistent with Section 7.1.1.

13.12 Deviation Band Penalties Calculation. Vernon's Scheduling Coordinator will pay the Load Following Deviation Penalties for (i) excess MSS Generation supplied to the CAISO Markets and (ii) excess MSS Demand relying on CAISO Markets and not served by Vernon resources. To the extent that Vernon's Scheduling Coordinator has provided excess MSS Generation outside of the MSS Deviation Band to the CAISO Markets, measured as defined in Section 11.7.1.1 of the CAISO Tariff, then the payment for excess Energy outside of the MSS Deviation Band shall be rescinded and thus Vernon's Scheduling Coordinator will pay the CAISO an amount equal to one hundred percent (100%) of the product of the highest LMP paid to the MSS Operator for its Generation in the Settlement Interval for the amount of the Imbalance Energy that is supplied in excess of the MSS Deviation Band. To the extent that Vernon's Scheduling Coordinator has excess MSS Demand outside of the MSS Deviation Band that is relying on CAISO Markets that is not served by Vernon resources, measured as provided in Section 11.7.1.2 of the CAISO Tariff, then Vernon's Scheduling Coordinator shall pay the CAISO an amount equal to the product of the Default LAP price for the Settlement Interval and two hundred percent (200%) of the shortfall that is outside of the MSS Deviation Band. The two hundred percent (200%) penalty is in addition to the charges for the Imbalance Energy that serves the excess MSS Demand relying on CAISO Markets.

13.13 Operating and Maintenance Costs. Vernon shall be responsible for all its costs incurred in connection with procuring, installing, operating, and maintaining Vernon's facilities, including the Generating Units and Loads listed in Schedule 14, for the purpose of maintaining Vernon's System.

13.14 Billing and Payment. Billing and payment will be in accordance with the CAISO Tariff.

13.15 MSS Net Negative Uninstructed Deviation. The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments as part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocation. MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation.

13.16 Residual Unit Commitment. Should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff, to perform Load-following, Vernon will be considered to have automatically opted-out of RUC participation, and Vernon's Scheduling Coordinator will be exempt from costs associated with RUC and Bid Cost Recovery for RUC.

13.17 Emissions Costs. Unless specified otherwise in this Agreement, if the CAISO compensates Generating Units for Emissions Costs, such costs shall be allocated as set forth in this section. No later than November 1 of each year, Vernon shall report to the CAISO its election of whether or not to charge the CAISO for Emissions Costs. This annual election shall apply for the following calendar year.

- (a) If Vernon elects to charge the CAISO for the Emissions Costs of the Generating Units serving Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's gross Measured Demand excluding out-of-state exports and the Generating Units shall be made available to the CAISO through the submittal of Energy Bids.
- (b) If Vernon elects not to charge the CAISO for the Emissions Costs of the Generating Units serving Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total

amount of those costs incurred by the CAISO based on Vernon's net Measured Demand excluding out-of-state exports.

- (c) If Vernon elects to follow its load in accordance with Section 4.9.13 of the CAISO Tariff and if Vernon elects not to charge the CAISO for Emissions Costs of the Generating Units serving the Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's Net Negative Uninstructed Deviations with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting.

ARTICLE XIV PENALTIES AND SANCTIONS

- 14.1 Penalties.** Vernon 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 CAISO Tariff and has been approved by FERC; and (b) the CAISO 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 Vernon to oppose or protest any penalty or sanction proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty or sanction on Vernon.
- 14.2 Corrective Measures.** If Vernon fails to meet or maintain the requirements set forth in this Agreement or in the applicable provisions of the CAISO Tariff, the CAISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the CAISO Tariff, that the CAISO 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 CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to Vernon and references to the CAISO 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 CAISO Tariff will apply to liability and indemnification arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to Vernon and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XVIII
UNCONTROLLABLE FORCES**

- 18.1** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement, except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to Vernon and references to the CAISO 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 CAISO 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 22.2 of the CAISO 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 Vernon to become a member of any regional transmission organization (RTO) or to remain a Participating TO.
- 19.10 FERC Jurisdiction over Vernon.** Vernon 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 Vernon.

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: Eric J. Schmitt

Title: Vice President, Operations

Date: December 15, 2011

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1
VERNON'S SYSTEM FACILITIES
[Section 1.2]

The following facilities form Vernon's System, including the Points of MSS Interconnection and Points of Delivery.

For Vernon:

A) Point of MSS Interconnection: Laguna Bell kV bus

The Point of MSS Interconnection of the City of Vernon to the CAISO Balancing Authority Area grid is at Line Disconnect Switches 45, 46, 47, 48, and 49 which are in the 66 kV lines emanating from the Laguna Bell 66 kV bus that go to the City of Vernon's system.

B) Point of Delivery: Laguna Bell 230 kV bus

The interface between the City of Vernon and the CAISO Controlled Grid is at the Laguna Bell 230 kV bus, which is the Point of Delivery for transactions in the CAISO wholesale market.

C) Vernon Load

At Laguna Bell 230 kV bus interconnections (SP15 Demand Zone)

D) Generation Facilities: H. Gonzales Units #1 and #2

1. Malburg Generation Station

SCHEDULE 2
OPERATION STANDARDS
[Section 4.2]

The CAISO shall maintain stable operating parameters and control of real and reactive power flows in accordance with the following Operation Standards. Vernon shall maintain stable operating parameters and control of real and reactive power flows in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations to maintain stable operating parameters and control of real and reactive power flows in coordination with SCE in a manner that meets the requirements of the CAISO Tariff and in accordance with Section 8.3 of this Agreement and this Schedule 2), which is incorporated herein by reference.

Vernon Responsibilities

- 1.0 Vernon shall operate the facilities of Vernon's System in such manner as to avoid any material or adverse impact on the CAISO Balancing Authority Area. In accordance with this performance goal, Vernon shall:
- 1.1 Operate the facilities of Vernon's System and maintain protective systems and reactive power flows at each Point of MSS Interconnection within established operating parameters including normal ratings, emergency ratings, voltage limits, and balance of Load between electrical phases in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement that meets the requirements described above).

CAISO Responsibilities

- 2.0 The CAISO shall operate the CAISO Controlled Grid in such manner as to avoid any material or adverse impact on Vernon facilities. In accordance with this performance goal, the CAISO shall:
- 2.1 Participate with Vernon and SCE in the development of joint power quality performance standards and jointly maintain compliance with such standards.
- 2.2 Observe Vernon grid voltage limits specified in Attachment 1 including requirements for reduced voltage on CAISO 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 CAISO Controlled Grid facilities shall be studied and established by Vernon and the CAISO.
- 2.3 Approve Vernon's maintenance requests in a timely manner for transmission facilities that impact the CAISO 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 Vernon investigation of power quality incidents, and provide related data to Vernon in a timely manner.
- 2.5 Support installation of apparatus on the CAISO 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 Balancing Authority Areas.

SCHEDULE 2
ATTACHMENT 1

VERNON GRID VOLTAGE LIMITS

There are no Vernon 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]

Vernon shall exchange with the CAISO a provisional planned Outage program for all lines and equipment in Schedule 1 in accordance with the CAISO Tariff. That document will be updated quarterly and as changes occur to the proposed schedule.

The CAISO shall approve all proposed Outages on the generating facilities listed on Schedule 1 unless a proposed Outage would cause the CAISO to violate Applicable Reliability Criteria. Approval of Outages shall not be unreasonably withheld.

Applications for scheduled work shall be submitted to the CAISO by Vernon via means to be agreed to by both Parties. The documents submitted by Vernon 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 CAISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or busses when activated. These would include any of the following:

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

With respect to Vernon, operational control and maintenance responsibilities related to the facilities described above reside with SCE.

SCHEDULE 6
RESERVED

SCHEDULE 7

EMERGENCIES

[Section 7.2]

The CAISO shall notify Vernon's Electric System Dispatcher 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 Vernon either directly by the CAISO or through the Area Control Center (ACC) specified by the CAISO, currently the SCE ACC. The Vernon Electric System Dispatcher shall make the appropriate notifications within the Vernon organization. The Vernon Electric System Dispatcher shall then take such actions as are appropriate for the emergency in accordance with Section 7 of this Agreement.

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

Vernon 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. Vernon will communicate necessary information to appropriate state, local governmental entities, and its customers as needed. For Vernon Outages that may be caused by events affecting the transmission system, the Vernon Electric System Dispatcher will make appropriate notifications to the CAISO of any information related to the Outage such as cause, nature, extent, potential duration and customers affected.

Non-confidential Vernon and non-confidential CAISO data recorded in CAISO 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.

Vernon shall retain records in accordance with its 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 Corporation and Vernon. Vernon's UFLS program is set forth in its UFLS Procedures and pursuant to the Laguna Bell-Vernon Interconnection Service Agreement with SCE. Such agreement provides that Vernon's Load Shedding equipment will be compatible and coordinated with Edison's Load Shedding equipment.

Vernon currently maintains an Underfrequency Load Shedding Procedure under Electrical Operating Procedure (EOP) No. 7, as revised December 6, 2011, which is attached hereto and incorporated herein by reference. This procedure is in support of SCE's System Operating Bulletin (SOB) No. 115.

Vernon shall develop a separate UFLS program prior to such time as the SCE plans described above may cease to apply to Vernon. Upon such replacement program Vernon shall comply with directions from the CAISO to implement Vernon's Load Shedding program in accordance with the WECC 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). Vernon's UFLS program shall utilize WECC planning criteria in this area. Per WECC requirements, UFLS shall be on the feeder side of the transformer.

This Schedule will be revised to incorporate that separate UFLS program by reference upon its implementation by Vernon. Vernon shall notify the CAISO of any changes to its existing UFLS program prior to implementation of such changes. At no time shall Vernon be exempt from either participating in a CAISO-sanctioned third party UFLS program (currently with SCE) or implementing such program independently in full compliance with WECC requirements.

Vernon shall also comply with directions from the CAISO to implement the requirements of 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 Vernon's compliance with SILT requirements is not satisfied through Vernon's UFLS program.

ELECTRIC OPERATING PROCEDURE NO. 7

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 9

OTHER AUTOMATIC LOAD SHEDDING

[Section 7.4.1]

Vernon currently employs an automatic Underfrequency Load Shedding program only, as described in Schedule 8. At present Vernon does not utilize an under-voltage Load Shedding program.

SCHEDULE 10

MANUAL LOAD SHEDDING

[Section 7.4.3]

Vernon currently maintains a plan, under Electric Operating Procedure No. 20 as revised December 6, 2011 which is attached hereto, whereby nonessential distribution circuits are subjected to manual Load Shedding and rotating service interruptions when required by Southern California Edison Company (SCE) in accordance with SCE System Operating Bulletin No. 21 and its applicable Attachments and the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations in accordance with this Schedule 10), both of which are incorporated herein by reference. Until such time as Vernon implements a plan for manual Load Shedding and rotating service interruptions independent of SCE, Vernon shall continue to operate in accordance with the existing plan.

ELECTRIC OPERATING PROCEDURE NO. 20

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 10A

ROTATING LOAD CURTAILMENT PROCEDURES

[Section 7.4.3]

Vernon rotating Load curtailment procedures are described in Schedule 10. To maintain the required amount of continuously interrupted Load, as directed by the CAISO, for an extended amount of time, no portion of Vernon'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]

Vernon has an Interruptible Service Agreement where the customer has agreed to interrupt 12.65 MW of Load within a 30 minute notification. A period of interruption can occur upon notification from the CAISO requiring Vernon to shed Load or upon the unscheduled outage of the Malburg Generating Station (MGS) or any other generating unit internal to Vernon's System. The periods of interruption will not exceed ten per month or twenty-four per year nor last longer than twelve hours.

Vernon currently maintains an Interruptible Procedure under Electric Operating Procedure (EOP) No. 6 as revised on November 11, 2008, which is attached hereto.

ELECTRIC OPERATING PROCEDURE NO. 6

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 11

ELECTRICAL EMERGENCY PLAN

[Section 7.5.1]

The City of Vernon currently supports SCE's EEP program as reflected in Vernon's Electric Operating Procedure No. 7 which is incorporated herein by reference pursuant to Schedule 8 and Vernon's Electric Operating Procedure No. 20, which is incorporated herein by reference pursuant to Schedule 10.

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

- 1) Vernon shall continue to act upon CAISO instructions in accordance with the provisions of Article VII and cause the required amount of Vernon firm Load to be interrupted during any hour of any day (24 x 7);
- 2) Vernon shall satisfy its requirement to interrupt the required amount of firm Load within ten minutes from the time of notification by the CAISO 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 Vernon EEP and incorporated herein by reference, shall not obviate or interfere with required timely compliance;
- 4) should Vernon 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 Vernon's firm Load blocks be required to maintain a minimum amount of continuously interrupted Load, as defined by the CAISO dispatcher in accordance with the provisions of Article VII, for an extended amount of time, no block of Vernon's firm Load shall be restored unless an equal or greater amount of another block of Load is interrupted first, and in the event Vernon 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]

Vernon 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 Vernon's System, Vernon shall remain in contact with the Area Control Center (ACC) specified by the CAISO, currently the SCE ACC, until normal frequency has been restored throughout the CAISO Balancing Authority Area or the CAISO Shift Supervisor has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the CAISO Shift Supervisor 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 CAISO, either directly or through its assignee, provided that the procedure for the CAISO's designation of any assignee is agreed to by Vernon, after the frequency has recovered and there is indication that the frequency can be maintained. Vernon shall await direction from the CAISO or its assignee, who will be in contact with the CAISO Shift Supervisor. The CAISO Shift Supervisor shall determine whether adequate Generation resources are available on line to support the Load to be restored.
3. Vernon's automatic Load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the CAISO cannot meet the WECC and NERC Balancing Authority 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 Vernon has restored Load automatically, it will manually shed an equivalent amount of Load to offset the Load which was automatically restored.
5. Restoration of ties and off-site power supply to nuclear generating facilities should be given top priority. Manual Load restoration will be deferred during periods of tie restoration. Vernon should be equipped and prepared to drop Load manually when necessary to allow frequency recovery sufficient to re-establish CAISO intra-area ties and Interties between the CAISO Balancing Authority Area and outside systems. Where manual Load Shedding is required, the CAISO shall make reasonable efforts to allocate the Load Shedding requirement equitably among Vernon, UDCs, and MSS Operators where Load Shedding shall be beneficial, and such Load Shedding shall be made in accordance with Section 7.4.

6. Vernon shall use its existing plans and priorities to restore Load within the parameters given by the CAISO, giving the appropriate priority to essential services such as military, public safety agencies, water treatment plants, sewage treatment plants, etc.

SCHEDULE 13

[NOT USED]



SCHEDULE 14

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 14 A

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Section 11.1]

City of Vernon has elected not to Load follow at this time

SCHEDULE 14 B - LOAD FOLLOWING SYSTEM RESOURCES DESCRIPTION

[Sections 3.3.7, 13.8, 13.9, 13.11, 13.15, 13.18 (c), and Schedule 19]

System Resources

City of Vernon has elected not to Load follow at this time

SCHEDULE 15

METERING OBLIGATIONS

[Section 12.2]

Obligations and Rights of Vernon

- 1.0 Submission of Meter Data through the CAISO's Settlement Quality Meter Data Systems ("SQMDS") Revenue Meter Data Acquisition and Processing System ("RMDAPS").** Vernon agrees to make available to the CAISO through SQMDS and RMDAPS its Meter Data in accordance with the CAISO Tariff. The CAISO's requirements regarding the frequency with which it requires Meter Data to be made available to it through SQMDS and RMDAPS by Vernon are referred to in the CAISO Tariff and the Business Practice Manual for Metering.
- 1.1 Meter Information.** Vernon 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 CAISO. Vernon must immediately notify the CAISO of any changes to the information provided to the CAISO in accordance with this Section and provide the CAISO with any information in relation to such change as reasonably requested by the CAISO. Vernon 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.** Vernon shall use the loss correction factor referred to in the Laguna Bell-Vernon Interconnection Service Agreement.
- 1.3 Rights to Access Metering Facilities.** Vernon shall use its best efforts to procure any rights necessary for the CAISO to access all Metering Facilities of Vernon to fulfill its obligations under the CAISO Tariff, and its obligations under this Agreement. If, after using its best efforts, Vernon is unable to provide the CAISO with such access rights, Vernon shall ensure that an CAISO Authorized Inspector undertakes, at the CAISO's request, the certification, testing, inspection and/or auditing of those Metering Facilities in accordance with the procedures established pursuant to the Business Practice Manual for Metering and the CAISO Tariff, including the requirement to complete and provide to the CAISO all necessary documentation. The CAISO acknowledges that it will not be prevented from fulfilling its obligations under the CAISO Tariff or this Agreement by reason of the fact that it is provided with escorted access to the Metering Facilities of Vernon.
- 1.4 Security and Validation Procedures.** The security measures and the validation, editing, and estimation procedures that the CAISO shall apply to Meter Data made available to the CAISO by Vernon shall be as referred to in the CAISO Tariff and the Business Practice Manual for Metering.

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

Obligations and Rights of the CAISO

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

Calculation of Vernon Settlement Quality Meter Data

The calculation of Vernon'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:

Vernon SQMD = MSS Meter Data at the Points of MSS Interconnection or Points of Delivery + Meter Data for Generation from Generating Units within the MSS

SCHEDULE 15.1
METER INFORMATION

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 15.2

ACCESS TO METER DATA AND AUTHORIZED USERS

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

Southern California Edison (read only)

SCHEDULE 16

[NOT USED]

SCHEDULE 17
CONTACTS FOR NOTICES
[Sections 19.1 and 3.4.3]

Vernon

Name of Primary

Representative: Carlos R. Fandino Jr.
Title: Director of Light & Power
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA, 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Name of Alternative

Representative: Abraham Alemu
Title: Electric Resources Planning & Development Manager
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA, 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Authorized Representative (§ 3.4.3):

Representative: Carlos R. Fandino Jr.
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

CAISO

Name of Primary

Representative: Roni L. Reese
Title: Senior Contracts Analyst
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Name of Alternative

Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Authorized Representative (Section 3.4.3):

Representative: Eric Schmitt
Title: Vice President, Operations
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

SCHEDULE 19

MSS LOAD FOLLOWING DEVIATION ENERGY FORMULA

[Section 13.12]

Currently the City of Vernon has elected not to follow its Load

Attachment C – Marked version of the Public version of the MSSA

California Independent System Operator Corporation

May 23, 2014

California Independent System Operator Corporation
Non-Conforming Service Agreements
Revised Service Agreement No. 626

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND
CITY OF VERNON
METERED SUBSYSTEM OPERATING AGREEMENT
SECOND AMENDMENT AND RESTATED**

Proposed Effective Date: ~~January 1,~~
~~2012~~July 23, 2014
Version Number: 10.0.0
Option Code: A

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

CITY OF VERNON

**SECOND AMENDED & RESTATED
METERED SUBSYSTEM AGREEMENT**

SECOND AMENDED AND RESTATED METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, 20____, and is entered into, by and between:

- (1) The **City of Vernon**, 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 4305 Santa Fe Avenue, Vernon, California 90058 (“Vernon”);

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 CAISO Governing Board may from time to time designate, currently 250 Outcropping Way, Folsom California 95630 (the “CAISO”).

Vernon and the CAISO are hereinafter referred to individually as “Party” or collectively as the “Parties.”

Whereas:

- A.** The City of Vernon is a municipal electric utility engaged in, among other things, generating, transmitting and distributing electric power and Energy in the Vernon Service Area;
- B.** The CAISO operates the CAISO Balancing Authority Area and is engaged in, among other things, exercising Operational Control over certain electric transmission facilities forming the CAISO Controlled Grid, including transmission facilities and entitlements owned or controlled by Southern California Edison Company (hereinafter referred to as “SCE”) and Vernon, scheduling transactions that utilize those transmission facilities and Entitlements, and operating certain markets, including markets for Energy and Ancillary Services, pursuant to the terms of the CAISO Tariff and has certain statutory obligations under California law to maintain the reliability of the CAISO Controlled Grid, as well as certain responsibilities mandated by the North American Electric Reliability Corporation (“NERC”) and Western Electricity Coordinating Council (“WECC”) or its successor to ensure the reliable operation of the entire electric grid within the CAISO Balancing Authority Area;
- C.** Vernon is a Local Publicly Owned Electric Utility under the Constitution of the State of California and utilizes tax-exempt financing for one or more of its power supply resources that restricts the amount of private use of such projects;

- D.** Vernon's System is within the CAISO Balancing Authority Area, is directly interconnected to the SCE Distribution System, and is interconnected to the CAISO Controlled Grid through the Laguna Bell-Vernon Interconnection Service Agreement;
- E.** Vernon desires to continue to operate its generating resources, its transmission and the distribution resources of Vernon's System in an integrated manner to reliably serve Vernon's Loads and also desires, as or through a Scheduling Coordinator, to submit Bids, including Self-Schedules, to use the CAISO Controlled Grid and participate in the CAISO 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) Vernon will operate Vernon's Generating Units within the CAISO Balancing Authority Area; (2) Vernon will, as or through its Scheduling Coordinator, submit Bids, including Self-Schedules, into the CAISO Balancing Authority Area and participate in the CAISO Markets; and (3) the Parties will meet their obligations under the CAISO Tariff, as may be modified by this Agreement, in connection therewith;
- G.** Vernon desires the option to utilize Vernon's System resources, System Resources and Resource Specific System Resources, to follow Vernon's Load and exports from its MSS;
- H.** The intent of the Parties is that any CAISO charges will be charged to Vernon'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 Parties are required to comply with the NERC and WECC Reliability Standards, and the WECC RMS Agreement to the extent it remains in effect, applicable to the functional entity types for which the Parties are registered with NERC and WECC. Should any Party fail to meet its respective obligations, such Party shall be responsible for payment of any monetary sanctions accessed against it in accordance with Section 10.4; and
- J.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid and the operation of the CAISO's Balancing Authority 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 CAISO Tariff. The Parties acknowledge that the CAISO may not be able to satisfy fully these responsibilities if parties to agreements with the CAISO, including Vernon, fail to comply fully with all of their obligations under those agreements. The Parties further acknowledge that Vernon may not be able to satisfy fully its Native Load responsibilities in the

event the CAISO fails to comply fully with all of its obligations under this Agreement and the CAISO 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 Appendix A, the Master Definitions Supplement to the CAISO Tariff.
- 1.2 Special Definitions for this Agreement.** In this Agreement, the following terms shall have the meanings set opposite them:
- “Point of Delivery”** means any point at which Vernon’s System interfaces with the CAISO Controlled Grid for transactions into CAISO Markets. The Point of Delivery is described in Schedule 1.
- “Point of MSS Interconnection”** means any point at which Vernon’s System is interconnected with the CAISO Controlled Grid in the CAISO Balancing Authority Area. The Point of MSS Interconnection is described in Section 4.1.
- "Vernon's System"** means all transmission facilities, distribution facilities and Generating Units owned or controlled by Vernon on Vernon’s side of the Points of MSS Interconnection for its MSS, as listed in Schedule 1. A description of the generating facilities and Point of MSS Interconnection facilities comprising Vernon's System is set forth in Schedule 1.
- 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 CAISO Tariff or any provision of the CAISO Tariff will mean a reference to the CAISO 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 later of: (1) the date this Agreement is accepted for filing and made effective by FERC, or (2) the date the version of the CAISO Tariff implementing the CAISO’s Market Redesign and Technology Upgrade (“MRTU”) market design becomes effective, 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. If MRTU has become effective but this Agreement has not yet been made effective by FERC, the Parties will use the terms of this Agreement to interpret and implement the version of the CAISO Tariff implementing MRTU and the terms of the existing Metered Subsystem Agreement, to effectuate the intention of the Parties until such time as this Agreement is made effective by FERC. Upon the effective date of this Agreement, all prior versions will be superseded, provided that if this Agreement has become effective, but the CAISO exercises its rights under Section 44 of the CAISO Tariff and returns its operations and settlements to the pre-MRTU ISO Tariff, the Parties will use the terms of the version of the Metered Subsystem Agreement in existence prior to this Agreement during such period that the CAISO returns to the previously effective ISO Tariff to interpret and

implement the pre-MRTU ISO Tariff, except that the updated version of Schedule 17 attached to this Agreement will remain in effect.

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 CAISO 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.

2.2.2 Termination on Notice. Either Party shall have the right to terminate this Agreement in accordance with this Section 2.2.2, subject to the procedural requirements set forth in Section 2.2.3. 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.

2.2.3 Filing. With respect to any notice of termination given pursuant to this Section 2.2, the CAISO must file a timely notice of termination with FERC. The filing of the notice of termination by the CAISO 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 or 2.2.2 have been met, and (2) the CAISO files the notice of termination within 30 days of receipt of such request from Vernon or issuance of its own notice of termination. If the CAISO fails to make a filing with the FERC of a notice of termination requested by Vernon within 30 days of the Vernon request, Vernon may bring a complaint at the FERC for a FERC determination. This Agreement shall terminate upon the date on which the notice of termination is permitted by FERC to become effective.

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 Vernon's System and to Loads and Generating Units that comprise or are directly connected only to Vernon's System. Subject to the terms of Article II, this Agreement shall not affect Vernon's ability to join or establish another Balancing Authority Area or Vernon'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 CAISO 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 CAISO Tariff.
- 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 CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern.
- 3.3.3** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of the Metered Subsystem, comply with the requirements applicable to Metered Subsystems under Section 4.9 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Metered Subsystems including but not limited to Sections 31.5, 34.12 and 36.10 of the CAISO Tariff.
- 3.3.4** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any of the Generating Units listed in Schedule 14, comply with the requirements applicable to Participating Generators under Section 4.6 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Participating Generators. Nothing in this Agreement shall obligate Vernon to execute a Participating Generator Agreement with respect to any Vernon Generating Units.
- 3.3.5** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any Load listed in Schedule 14, comply with the requirements applicable to Participating Loads under Section 4.7 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate Vernon to execute a Participating Load Agreement with respect to any Vernon Load.
- 3.3.6** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of the distribution facilities of Vernon's System, comply with the requirements applicable to Utility Distribution Companies under Section 4.4 of the CAISO Tariff. Nothing in this Agreement shall obligate Vernon to execute a UDC Operating Agreement.
- 3.3.7** Except as provided in Section 3.3.1, Vernon shall, with respect to the operation of any Resource Specific System Resource listed in Schedule 14 B, comply with the requirements applicable to Resource Specific System Resources under Section 4.12 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Resource Specific System Resources. Nothing in this Agreement shall obligate Vernon to execute a Resource Specific System Resource Agreement with respect to any Vernon Resource Specific System Resource.

- 3.3.8** The applicability of any provision of the CAISO Tariff to Vernon, including as provided in Sections 3.3.1 through 3.3.7, inclusive, shall, in the event of a dispute between the Parties, be determined through the CAISO ADR Procedures in accordance with Article 13 of the CAISO Tariff.
- 3.3.9** So long as Vernon remains a Participating TO, Vernon shall comply with the requirements applicable to Participating TOs under Section 4.3 of the CAISO Tariff.
- 3.3.10** This Agreement shall serve, with respect to Vernon, as the written agreements required by Sections 4.4.1, 4.6, 4.7, and 10.1.4, of the CAISO Tariff.

3.4 Amendment to Agreement

- 3.4.1** Vernon and the CAISO shall retain all rights under Section 206 of the Federal Power Act. Except with respect to the CAISO'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 CAISO 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 Vernon. In proposing any changes, unless in response to a FERC order as provided in Section 3.7, the CAISO 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 CAISO shall be subject to the following:
- 3.4.2.1** The CAISO shall provide Vernon written notice of such CAISO proposed change, no fewer than 30 days in advance of the filing by the CAISO for such proposed change.
- 3.4.2.2** The CAISO shall meet and confer with Vernon regarding the change, provided that the scheduling of such meeting shall not be unreasonably delayed.
- 3.4.2.3** Vernon's representative designated in Schedule 17 may, at Vernon's sole option, waive in writing these requirements upon written request by the CAISO.
- 3.4.2.4** The CAISO shall provide Vernon with a copy of the FERC filing if, and when, made.
- 3.4.3** In addition to changes that may otherwise be contemplated by Section 3.6 or Section 3.7, the Parties recognize that the CAISO's responsibilities and

operations, as set forth in the CAISO Tariff, and Vernon's responsibilities and operations may change during the term of this Agreement. The Parties agree that, in the event any such change substantially affects the allocation of rights, responsibilities and obligations between the Parties under this Agreement, the Parties, while continuing to honor the terms and conditions of this Agreement, will make good faith efforts to negotiate an appropriate amendment to this Agreement and shall endeavor in that process to restore that allocation. 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 CAISO with FERC.

3.5 Amendment to CAISO Tariff

3.5.1 Nothing in this Agreement shall affect in any way the authority of the CAISO to modify unilaterally the CAISO Tariff in accordance with Section 15 of the CAISO Tariff or of the CAISO and Vernon 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 CAISO Tariff as provided in Section 3.5.1, the CAISO 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 CAISO charges will be charged to Vernon or Vernon'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: Vernon desires the option to elect to implement Load following capability, through its Scheduling Coordinator, to follow Vernon's Load and exports from its MSS with Vernon's resources and imports into its MSS approved in advance by the CAISO as not causing an undue operational burden, including not having the potential to exacerbate Congestion or otherwise adversely affect reliable operation of the CAISO Balancing Authority Area, and to make economic resource decisions with the resources in Vernon's portfolio.

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

3.5.2.4 Private Use Restrictions: One or more of Vernon's power supply resources has been financed with tax-exempt bonds, which bond indenture requires limitations on operational control of such resource.

3.6 Changes to CAISO Markets. To the extent possible, and consistent with the principles of Section 3.5.2, any subsequent changes to the CAISO Markets that

impact Metered Subsystems will be incorporated in this Agreement. If components of the CAISO Markets 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 CAISO's right to modify the CAISO 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 CAISO and are owned by a MSS Operator with Local Furnishing Bonds or other tax-exempt bonds. Nothing in this Agreement shall compel (and the CAISO 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 MSS Interconnection.** The Points of MSS Interconnection are described in Schedule 1. Additional Points of MSS Interconnection may be established only by mutual agreement of the Parties, which agreement shall not be unreasonably withheld.
- 4.2 Interconnection Operation Standards.** The CAISO and Vernon 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.** Vernon shall operate and maintain all facilities under Vernon control forming any part of Vernon'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 Vernon's System in accordance with Applicable Reliability Criteria, including WECC and NERC Reliability Standards and criteria.
- 4.4 Expansion, Retirement, and Modification of Facilities.** Vernon shall coordinate with the CAISO in the planning and implementation of any expansion, retirement, or modification of those facilities forming parts of Vernon's System that are identified in Schedule 1, replacements for such facilities, and other facilities forming parts of Vernon's System that serve similar functions or that otherwise will or may significantly affect the Points of MSS Interconnection, and shall provide sufficient advance notice to enable the CAISO to conduct any

necessary studies. To the extent the CAISO determines studies are required, those studies will be performed in a reasonable period of time. The Parties will amend Schedule 1, as necessary, should a new Point of MSS 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, Vernon shall provide the CAISO with access for inspection or audit, to any equipment or other facilities of Vernon's System, the operation of which affects any Point of MSS Interconnection or the CAISO Controlled Grid. Vernon will allow access during normal working hours with no prior notice. For access during times outside of normal working hours, the CAISO shall provide Vernon 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** Vernon shall coordinate Outages of its Generating Units and of transmission facilities, including the Points of MSS Interconnection, constituting parts of Vernon's System with the owners of the transmission or distribution facilities with which Vernon'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 CAISO in accordance with the CAISO Tariff.
- 5.1.2** Vernon shall schedule with the CAISO on an annual basis pursuant to Schedule 4, with updates submitted as required under CAISO Tariff Section 9.3.6, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of Vernon's System with the Participating TO with which Vernon's System is interconnected.

- 5.1.3** Notwithstanding anything to the contrary in this Agreement, to the extent required by any valid law, regulation or order issued by any state or federal authority having jurisdiction over Vernon or Vernon's System, which law, regulation or order applies to entities that have executed a written undertaking required by Section 4.6 of the CAISO Tariff, Vernon shall coordinate Outages of its Generating Units, and of transmission facilities constituting parts of Vernon's System, with the CAISO, pursuant to any generally applicable program established by the CAISO to implement such law, regulation or order.
- 5.2 Safety and Reliability.** Vernon shall operate and maintain Vernon's System in accordance with applicable safety standards and Reliability Standards pursuant to WECC and NERC requirements, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on the CAISO Controlled Grid. The CAISO shall operate and maintain the CAISO Controlled Grid and the operation of the CAISO Balancing Authority Area in accordance with applicable Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on Vernon's System. Without limiting the foregoing, Vernon shall operate and maintain Vernon's System, during normal and System Emergency conditions, in compliance with the requirements applicable to Utility Distribution Companies in the CAISO Operating Procedures and standards. In the event any such CAISO 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.** Vernon will coordinate with the CAISO, SCE, and any Generators on Vernon's System to ensure that CAISO 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 Vernon, SCE, and Generators. Vernon shall notify the CAISO 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 CAISO Controlled Grid Critical Protective Systems, including the systems described in Schedule 5.
- 5.4 Single Point of Contact.** Vernon shall provide a single point of contact and maintain and operate a control center that is staffed "at all hours" and shall, together with the CAISO, establish appropriate communications facilities and procedures between Vernon's control center and the CAISO Control Center. The Parties agree to exchange operational contact information for ensuring reliable communication in a format agreed to by the Parties. Each Party shall provide the other Party ten (10) calendar days advanced notice of updates to its operational contact information, as that information is expected to change.

- 5.5 Transmission Losses, Outages, and Congestion.** Vernon shall be responsible for transmission losses within Vernon's System and to any Points of Delivery. The CAISO is not responsible for transmission line Outages and transmission Congestion within Vernon's System and at the Points of MSS Interconnection as specified in CAISO Tariff Section 4.9.4.6. Congestion within Vernon's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3.

ARTICLE VI INFORMATION SHARING

- 6.1 Forecasts.** Vernon shall provide to the CAISO annually its ten-year forecasts of the MSS Demand growth, internal Generation, and expansions of or replacements for those transmission facilities that are part of Vernon's System identified in Schedule 1 and other transmission facilities that are part of Vernon's System that serve similar functions or that otherwise will or may significantly affect any Point of MSS Interconnection. Such forecast shall be provided on the date that Utility Distribution Companies are required to provide similar forecasts and shall be provided in accordance with the CAISO Tariff and the Business Practice Manual for the Transmission Planning Process. Peak MSS Demand Forecasts for Vernon's System shall be submitted by Vernon's Scheduling Coordinator in accordance with the CAISO Tariff and the Business Practice Manual for Market Instruments, and biannually as part of the CAISO's summer and winter assessment process as agreed by the Parties.
- 6.2 System Surveys and Inspections.** Vernon and the CAISO shall cooperate to perform system surveys and inspections of facilities at or near the Points of MSS Interconnection that may significantly affect the facilities of the other Party.
- 6.3 Maintenance Schedules.** Vernon shall provide the CAISO on an annual basis with a schedule of planned maintenance of those Generating Units identified in Schedule 1, in accordance with Schedule 4. Vernon and the CAISO shall also maintain records of the Maintenance Outages scheduled by Vernon on such facilities and their actual duration. Vernon shall coordinate maintenance of its transmission facilities with the CAISO in accordance with the Transmission Control Agreement. Should Vernon withdraw any of its transmission facilities from CAISO Operational Control pursuant to the Transmission Control Agreement, it shall coordinate maintenance of its transmission facilities within the CAISO Balancing Authority Area with the CAISO in accordance with this Agreement.
- 6.4 Reliability Information.** Vernon and the CAISO 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 CAISO Controlled Grid or the integrity of Vernon's System respectively. Vernon and the CAISO 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 Vernon, is reasonably likely to threaten the reliability of the CAISO Controlled Grid, or, in the case of the CAISO, is reasonably likely to adversely affect Vernon'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 potential threat and, in the case of the CAISO, not unduly discriminatory with respect to the CAISO's provision of similar information to other entities.

6.5 Major Outage Reports. Vernon shall promptly provide such information as the CAISO may reasonably request concerning Vernon's operation of Vernon's System to enable the CAISO to meet its responsibility under the CAISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the CAISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The CAISO shall have no responsibility to prepare reports on Outages that affect customers on Vernon's System, unless the Outage also affects customers connected to the system of another entity within the CAISO Balancing Authority Area. Vernon 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 Vernon's System.

6.6 Annual Reviews and Reports

6.6.1 The CAISO shall make available to Vernon any public annual reviews or reports regarding performance standards, measurements or incentives relating to the CAISO Controlled Grid that the CAISO makes available to MSS Operators and Participating TOs.

6.6.2 Vernon shall make available to the CAISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to Vernon's System that may affect the CAISO Balancing Authority Area.

6.6.3 The CAISO and Vernon shall jointly develop any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

6.7 Vernon shall cause to be installed and cause to be maintained direct telemetry links from facilities comprising Vernon's System including to the CAISO's EMS system to provide real-time data to the CAISO, subject to any exemption available in accordance with the CAISO Tariff. Such data points may include without limitation: output of Generating Units under Vernon control; and Vernon's power flows at the Vernon Points of Delivery; and bus voltages at each

Generating Unit. With regard to Generating Units in the CAISO Balancing Authority Area in which Vernon has an entitlement over which Vernon does not have legal authority to exercise control, Vernon shall, at a minimum, support the installation and maintenance of direct telemetry links to the CAISO'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 CAISO EMS system will be as mutually agreed by the CAISO and Vernon representatives.

ARTICLE VII EMERGENCY OPERATIONS

7.1 In General.

Except with respect to Sections 7.4.1, 7.4.4, 7.4.5, 7.5.1, and 7.5.2, or unless Vernon is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, the terms of this Article VII shall only apply during a System Emergency that is not a result of a deficiency of resources to serve Loads in the CAISO Balancing Authority 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. In the event a System Emergency occurs or the CAISO determines that a System Emergency is threatened or imminent, Vernon shall, in accordance with Section 7.7.2 of the CAISO Tariff and Good Utility Practice: (a) comply with all directions from the CAISO 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 CAISO Balancing Authority Area, or disconnecting Vernon Load; and (b) comply with all procedures concerning System Emergencies set out in Vernon's Electric Emergency Plan ("EEP"), CAISO applicable Business Practice Manuals, and CAISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Without limiting the generality of the foregoing:

- 7.1.1** When requested by the CAISO subsequent to the declaration by the CAISO of an alert regarding a threatened or imminent System Emergency in accordance with the CAISO's Operating Procedure applicable to System Emergencies, in the event Vernon has chosen not to follow its Load in accordance with Section 4.9.13 of the CAISO Tariff, and otherwise during a System Emergency, Vernon shall operate all of its Generating Units listed in Schedule 14 to supply the CAISO with generating capacity and/or Energy that can be made available by those Generating Units in order to make available as much generating capacity and/or Energy as possible to the CAISO during the term of any System Emergency, consistent with: (a) maintaining an adequate Supply of Energy to serve Loads on

Vernon's System, other than in accordance with Section 7.4 of this Agreement; and (b) due consideration for Vernon obligations specified in the EEP attached to Schedule 11 or limitations specified in Schedule 14 resulting from, but not necessarily limited to: (1) licenses/permits related to Generating Units (including air emission constraints), (2) water release constraints imposed by regulatory agencies, (3) internal policies related to fuel and contract management, and (4) abnormal Generating Unit and transmission maintenance, provided that Vernon shall provide the CAISO with advance notice of any changes to the limitations in Schedule 14 that Vernon's obligations impose on the operation of its Generating Units, and any changes agreed to by the CAISO shall be amendments to this Agreement. For that purpose, Vernon shall provide the CAISO with any change in Schedule 14 with regard to the limitations on the operation of its Generating Units. Vernon shall provide the CAISO 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 the deadline for the submission of Bids into the Real-Time Market, except when a change is due to a Forced Outage. In making as much generating capacity and/or Energy available that can be made available by its Generating Units to the CAISO as possible for use subsequent to the declaration by the CAISO of an alert regarding a threatened or imminent System Emergency in accordance with the CAISO's Operating Procedure applicable to System Emergencies and during System Emergency conditions, subject to the foregoing, Vernon shall:

- 7.1.1.1** Schedule, reschedule, Bid and operate, to the maximum extent possible, the Generating Units listed in Schedule 14, up to the limitations set forth in Section 2 of Schedule 14, and, to the extent possible, other Vernon resources within and outside the CAISO's Balancing Authority 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 CAISO; and
- 7.1.1.2** 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 CAISO.
- 7.1.2** In the event that the CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, that contravenes the Vernon EEP attached to Schedule 11 or any limitation set forth in Schedule 14 duly communicated in accordance with Section 7.1.1, Vernon or its Scheduling Coordinator shall not be required to follow that instruction, although it may consent to do so in a particular case (without prejudice to Vernon's right to direct its Scheduling Coordinator to decline any such instructions thereafter). If Vernon or its Scheduling Coordinator chooses not to follow such an instruction, it shall notify the CAISO as soon as

possible that it will not follow the Dispatch Instruction, including an Exceptional Dispatch Instruction, due to the previously communicated limitation.

- 7.1.3** Vernon's Scheduling Coordinator shall receive compensation for generating capacity and/or Energy supplied in response to System Emergency Dispatch Instructions, including Exceptional Dispatch Instructions, issued by the CAISO in accordance with the CAISO Tariff.
- 7.1.4** During a System Emergency, the CAISO and Vernon shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the CAISO Tariff.
- 7.1.5** Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X of this Agreement, or any CAISO Tariff provision, Vernon shall not be expected or required to curtail Load or offer to the CAISO 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 and maintain Operating Reserves in accordance with the CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff.
 - 7.1.5.1** Nothing in this Section 7.1.5 or this Agreement is intended to affect Vernon's obligation to comply with any market mitigation requirement, including any must-offer requirement that the FERC may impose on MSS Operators.
- 7.2** **Notice.** When a System Emergency occurs, the CAISO shall notify Vernon's control center as part of the process by which it notifies all Utility Distribution Companies and MSS Operators of System Emergency conditions. Details of the notification process are set forth in Schedule 7.
- 7.3** **Records.** Vernon and the CAISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the CAISO Tariff.
- 7.4** **Load Shedding**
 - 7.4.1** **Automatic Load Shedding.** Vernon shall implement and have at all times operational an automatic Underfrequency Load Shedding ("UFLS") 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 Priorities.** Section 7.7.11.4 of the CAISO Tariff provides that the CAISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the CAISO forecast. If 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 CAISO), as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, and only if Vernon is short of resources to meet its forecasted Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, will Vernon be required to shed Load, as directed by the CAISO. Vernon shall provide the CAISO 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 CAISO interrupted firm Load within the CAISO Balancing Authority Area or during which time an CAISO direction to interrupt firm Load was in force, like other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and Vernon and its Scheduling Coordinator shall be subject to the provisions of Section 7.7.11.4 of the CAISO Tariff for any failure to make such demonstration.

- 7.4.3 Manual Load Shedding.** When called upon to do so by the CAISO in accordance with Section 7.4.2 to avert, manage, or alleviate a System Emergency, Vernon shall implement the manual Load Shedding program described in Schedule 10. The CAISO shall notify Vernon when conditions exist that would require Vernon to implement the Load curtailment and Interruptible Load programs described in Schedules 10, 10A, and 10B. Subject to the provisions of Sections 7.1.2 and 7.4.2, if the CAISO determines that manual Load curtailment is required to manage a System Emergency, the CAISO 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 Vernon and each UDC and MSS Operator based on the ratio of its Demand at the time of the CAISO Balancing Authority Area annual peak Demand for the previous year to total CAISO Balancing Authority Area annual peak Demand for the previous year, taking into account system considerations and Vernon's curtailment rights.
- 7.4.4 Load Restoration.** Load shed in accordance with Section 7.4.1, 7.4.2, and 7.4.3 of this Agreement shall be restored pursuant to Schedule 12.
- 7.4.5** The CAISO shall use reasonable efforts to coordinate Vernon's Underfrequency Load Shedding program with the Underfrequency 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 Underfrequency Load Shedding in the CAISO Balancing Authority Area. Vernon 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.
- 7.4.6** To the extent Vernon reduces Vernon'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 CAISO with Energy, subject to the provisions of Section 7.1.2.

Vernon's Scheduling Coordinator shall receive compensation for any Energy or Ancillary Services made available to the CAISO as a result of such Load Shedding in accordance with the CAISO Tariff and CAISO Operating Procedures and, in accordance with Section 11.23(a) of the CAISO Tariff, shall not be subject to any Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy for so long as the System Emergency condition exists.

7.5 Electrical Emergency Plan

- 7.5.1** Vernon shall cooperate with the CAISO's implementation of the Electrical Emergency Plan ("CAISO EEP") developed by the CAISO in accordance with Section 7.7.5 of the CAISO Tariff. Vernon shall implement Vernon's EEP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the CAISO shall cooperate with Vernon's implementation of Vernon's EEP.
- 7.5.2** Vernon shall make an effort to notify its customers of any requests for voluntary Load curtailments of which the CAISO notifies Vernon pursuant to the CAISO EEP.
- 7.5.3** When the CAISO allocates an amount of Load curtailment to Vernon pursuant to Section 7.4 of this Agreement and to the CAISO EEP to manage a System Emergency, Vernon shall cause customers to curtail that amount of Load except to the extent such Load is being served by an emergency generator pursuant to the provisions of Schedule 11.

ARTICLE VIII LOCAL AND REGIONAL RELIABILITY

8.1 Reliability Within Vernon's System

- 8.1.1** Vernon shall be solely responsible for maintaining the reliability of electric service to customers in Vernon's System in accordance with Applicable Reliability Criteria, WECC and NERC Reliability Standards, regulatory requirements, and Good Utility Practice, subject to the responsibilities of the CAISO as the Balancing Authority for the Balancing Authority Area in which Vernon's System is located.
- 8.1.2** Vernon shall be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within Vernon's System. Except as may be imposed in section 7.1.5.1 or Vernon voluntarily elects to be subject to must-offer requirement, Vernon has no must-offer requirements.

- 8.2 Balancing Authority Area Reliability.** For the costs specified in this Article VIII, Vernon, 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 CAISO Balancing Authority Area, except for Reliability Must-Run ("RMR") Generation costs on the CAISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected and Vernon is not the applicable Participating TO. Vernon, 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 CAISO Markets in accordance with the terms of the CAISO Tariff.

8.2.1 [INTENTIONALLY LEFT BLANK]

8.3 Voltage Support. Vernon shall maintain stable operating parameters and control of real and reactive power flows in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations to maintain stable operating parameters and control of real and reactive power flows in coordination with SCE in a manner that meets the requirements of the CAISO Tariff and the operation standards set forth in Schedule 2), which is incorporated herein by reference.

8.4 Black Start. Vernon shall either provide its own share of CAISO Balancing Authority Area Black Start capability or, through its Scheduling Coordinator, shall bear a portion of the CAISO's Black Start costs in accordance with Section 4.9.4.5 of the CAISO Tariff.

8.5 Ancillary Services. The CAISO is entrusted with the responsibility of procuring Ancillary Services for the CAISO Balancing Authority Area. Vernon's responsibility for the CAISO Balancing Authority Area requirements of Ancillary Services shall be determined in accordance with the CAISO Tariff. If Vernon's Scheduling Coordinator's Submission to Self Provide an Ancillary Service is sufficient to meet Vernon's Ancillary Service Obligation, which capacity is committed to the various required Ancillary Services, and maintains the Ancillary Service capacity as available to the CAISO for that purpose, Vernon's Scheduling Coordinator shall not be required to purchase capacity in the CAISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not self-provide sufficient capacity for this purpose, Vernon may, through its Scheduling Coordinator, purchase the required capacity in the CAISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not maintain the availability of capacity committed to the CAISO for Ancillary Services for that purpose, the Scheduling Coordinator shall be responsible for the applicable charges under the CAISO Tariff.

**ARTICLE IX
ACCESS TO THE CAISO CONTROLLED GRID AND MARKETS**

9.1 Access to the CAISO Controlled Grid

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

9.1.2 Vernon may use the CAISO Controlled Grid in accordance with the CAISO Tariff to buy and sell electric products in the CAISO Markets and in bilateral transactions with other Market Participants.

9.2 Access to CAISO Markets and CAISO Controlled Grid

9.2.1 Bids to Supply Energy, Ancillary Services and RUC Capacity. Energy, Ancillary Services and RUC Capacity provided by Vernon's Generating Units and Loads listed in Schedule 14 may be sold in the CAISO Markets on the terms applicable under the CAISO Tariff to Participating Generators and Participating Loads, respectively, and further applicable to MSS Operators and MSS Aggregators in accordance with the CAISO Tariff.

9.2.2 Self-Provided Ancillary Services and Self-Scheduled Energy. Vernon may self-provide and self-schedule all or any portion of its obligation for Ancillary Services and Energy. Whether or not Vernon engages in such self-provision, Vernon's Scheduling Coordinator shall include the gross output, less auxiliary load, of each Generating Unit and import from which Vernon meets that obligation and the gross Load served on Vernon's System and gross exports from Vernon's System in Bids, including Self-Schedules submitted to the CAISO. If the CAISO amends the CAISO Tariff to relieve Scheduling Coordinators of the obligation to submit Bids and Self-Schedules for gross Generation, imports, Loads, and exports, and the amendment would have applied to Vernon 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.

9.2.3 Scheduling Timelines. Vernon's Scheduling Coordinator shall submit all Bids and Self-Schedules, including Self-Schedules for the use of its Existing Contracts and Encumbrances, Bids and Self-Schedules for the use of the CAISO Controlled Grid as a new firm use, and Bids, including but not limited to Self-Schedules, for the delivery of Energy and Ancillary Services, within the timelines established by the CAISO Tariff.

- 9.2.4 Black Start and Voltage Support.** Vernon or its Scheduling Coordinator shall be entitled to Bid its Generating Units and the resources on Vernon's System in any open solicitation held by the CAISO for Black Start or Voltage Support services, provided that the supply of any service by Vernon shall not impair its ability to provide the service it is required by Article VIII of this Agreement to provide for Vernon's System, and, if the services are sold to the CAISO, Vernon or its Scheduling Coordinator shall provide such services in accordance with the CAISO Tariff.
- 9.3 Congestion Revenue Rights.** Vernon as a Load Serving Entity is eligible for the CRR Allocation in accordance with Section 36 of the CAISO Tariff. Vernon, in order to participate in the CRR Allocation process, must execute a pro forma CRR Entity Agreement in accordance with the CAISO Tariff.

ARTICLE X GENERATING UNITS AND MARKET-PARTICIPATING LOADS

- 10.1 Identification of Resources.** Vernon has identified in Schedule 14 the individual Generating Units and Loads proposed for participation in the CAISO Markets that it owns, operates or to which it has a contractual entitlement that are included in Vernon's System.
- 10.1.1 Technical Characteristics.** Vernon has provided to the CAISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and market-participating Loads listed in that schedule. The CAISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto made pursuant to Section 10.1.2 of this Agreement, in accordance with Section 8.10 of the CAISO Tariff.
- 10.1.2 Notification of Changes.** Vernon shall notify the CAISO 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 CAISO'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 market-participating Load identified in Schedule 14 upon the effective date for the next scheduled update to the CAISO's Master File.
- 10.1.3** Nothing in this section shall preclude Vernon from informing the CAISO of changes in limitations on the operation of a Generating Unit, as provided in Section 7.1 of this Agreement, or to comply with environmental laws and regulations, provided that Vernon provides the CAISO with advance notice of any changes in such limitations.

10.2 Generating Unit Operation

10.2.1 Vernon shall install and maintain direct telemetry links to the CAISO's EMS system for each Vernon Generating Unit under Vernon control that enables the CAISO to view the status, voltage, and output of the Generating Unit and CAISO certified meters that transmits data automatically to the CAISO's Revenue Meter Data Acquisition and Processing System. Vernon shall calculate and specify to the CAISO any distribution loss factor applicable to its Generating Units.

10.2.2 If Vernon, through its Scheduling Coordinator, chooses to submit Bids to supply Regulation or to make a Submission to Self-Provide an Ancillary Service for Regulation from a Generating Unit, it must provide the CAISO with control over the Generating Unit providing Regulation and place the Generating Unit on Automatic Generation Control ("AGC") responsive to the CAISO's Regulation signal. Regulation service shall be provided in accordance with the CAISO Tariff. Vernon or its Scheduling Coordinator may adjust output of Vernon's Generating Units, in response to Vernon's Load following needs, if elected in accordance with Section 4.9.13 of the CAISO Tariff, provided that, if Vernon is providing Regulation to the CAISO from any Generating Unit, it may not adjust the output of that Generating Unit unless the integrity of the CAISO's Regulation signal, and the continuous responsiveness of such Generating Unit, via AGC, to the CAISO's Regulation signal, is not compromised. If the CAISO determines that the integrity of the CAISO's Regulation signal or the continuous responsiveness to the CAISO's Regulation signal is compromised, Vernon's Generating Unit shall be deemed not to have provided the Regulation, and Vernon shall be subject to the provisions of the CAISO Tariff applicable to failure to provide Regulation. To the extent that Vernon chooses not to provide Regulation from a Vernon Generating Unit, the CAISO shall not control the Generating Unit via a direct link between the CAISO and the Generating Unit without Vernon's consent.

10.3 CAISO Authority to Dispatch Vernon Resources. The CAISO's authority to issue Dispatch Instructions, including Exceptional Dispatch Instructions, for any portion of the capacity of any Generating Unit of Vernon, other than in accordance with a Bid submitted to the CAISO by Vernon's Scheduling Coordinator, is set forth in and subject to Section 7.1 of this Agreement.

10.4 WECC Requirements Applicable to Participating Generators

10.4.1 Reliability Criteria. Vernon shall comply with the requirements of Section 4.6.5 of the CAISO Tariff applicable to Participating Generators.

10.4.2 Payment of WECC Sanctions. Vernon shall be responsible for payment directly to the WECC of any monetary sanction assessed against Vernon by the WECC, as provided in Section 4.6.5.3 of the CAISO Tariff.

10.5 Market-Participating Load Operation

10.5.1 Technical Characteristics. As required by Section 8.4 of the CAISO Tariff, Vernon shall provide the CAISO with all technical and operational information requested in Schedule 14 for each Curtailable Demand that it owns, operates, or has a contractual entitlement to. For those Loads designated by Vernon as providing Curtailable Demand, Schedule 14 requires Vernon to indicate in Schedule 14 whether the Load can submit a Bid or self-provide as Non-Spinning Reserve. Pursuant to Section 8.10 of the CAISO Tariff, the CAISO may verify, inspect and test the capacity and operating characteristics provided in Schedule 14 for Curtailable Demands.

10.5.2 Metering and Communication. Pursuant to Sections 8.4.5 and 8.4.6 of the CAISO Tariff, Curtailable Demand that is Bid or self-provided as Non-Spinning Reserve is required to comply with the CAISO's communication and metering requirements.

10.5.3 UDC Interruptible Load Programs. Due to the CAISO's reliance on interruptible Loads to relieve System Emergencies and its contractual relationship with each UDC, the CAISO will not accept, and Vernon shall not submit, Energy Bids, Ancillary Service Bids or Submission to Self-Provide an Ancillary Service from interruptible Loads which are subject to curtailment criteria established under existing retail tariffs, except under such conditions as may be specified in the CAISO 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, Vernon shall not receive a capacity payment or credit for Ancillary Service Bids or Submission to Self-Provide an Ancillary Service and for the time, if any, that there exists an overlap between such Ancillary Services Bids or Submissions to Self-Provide an Ancillary Service 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 CAISO under the CAISO Tariff in any other respect.

ARTICLE XI RESOURCES

11.1 Load Following Resources. Schedule 14A identifies each power resource authorized for use by Vernon's Scheduling Coordinator in following Vernon's Load if Vernon elects to Load follow.

- 11.1.1** The CAISO may file with the FERC to remove a resource from Schedule 14A if the CAISO determines that a resource identified in Schedule 14A adversely affects the reliable operation of the CAISO Balancing Authority Area. The CAISO shall provide notice to Vernon at least 60 days in advance of such a filing. Such notice to Vernon shall be accompanied by a CAISO explanation of the grounds on which the CAISO asserts that the resource adversely affects the reliable operation of the CAISO Balancing Authority Area.
- 11.1.2** Vernon may add additional resources to Schedule 14A through the following procedures. Vernon shall provide notice to the CAISO 60 days in advance of the proposed date of a CAISO filing at FERC to implement the addition of a resource to Schedule 14A. Within 60 days of such notice, the CAISO must file at the FERC to add the resource to Schedule 14A unless, within that 60 day period, the CAISO determines and notifies Vernon that such resource would adversely affect reliable operation of the CAISO Balancing Authority Area. Notice of such determination shall be accompanied by a CAISO explanation of the grounds on which the CAISO asserts that such resource would adversely affect the reliable operation of the CAISO Balancing Authority Area. If Vernon disagrees with a CAISO determination that a resource Vernon proposes to add to Schedule 14A, would adversely affect reliable operation of the CAISO Balancing Authority Area, Vernon may bring a complaint at the FERC for a FERC determination of whether the resource would adversely affect reliable operation of the CAISO Balancing Authority Area, and thus whether the resource is to be added to Schedule 14A.
- 11.1.3** In no case shall resources located within Vernon's System be removed by the CAISO from Schedule 14A or be rejected by the CAISO for addition to Schedule 14A.

ARTICLE XII METERING

- 12.1** Vernon shall ensure installation of CAISO-certified revenue quality meters and associated equipment at or near (a) the Points of Delivery, and (b) at each bus to which one or more Generating Units is connected and the associated Generating Units auxiliary Load.
- 12.2** The provisions of the CAISO Tariff applicable to CAISO Metered Entities shall apply to Vernon, 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 Vernon's meters.
- 12.3** The calculation of Vernon's Settlement Quality Meter Data shall be in accordance with Schedule 15.

ARTICLE XIII CHARGES

- 13.1 Charges.** Vernon's Scheduling Coordinator shall be responsible for charges incurred in accordance with Sections 4.9 and 11 of the CAISO Tariff, provided that nothing in this Agreement shall prohibit Vernon from challenging the allocation of any new charge under the CAISO Tariff to Vernon on the ground that the proposed charge is not appropriately assessed against a MSS Operator, or on any other ground. CAISO and Vernon recognize that the CAISO Tariff provisions on which Section 13.7.2 is based are currently before the FERC and subject to modification based on a prospective FERC order. The Parties recognize that the FERC is expected to rule on the CAISO's Request for Clarification or Rehearing filed on July 21, 2008 and that such ruling could impact Section 13.7.2. To the extent that the anticipated FERC order requires a change to the existing language of Section 13.7.2, the Parties will promptly meet to amend this Agreement consistent with the FERC order.
- 13.2 Congestion Management.** Vernon shall be responsible for the cost of managing and relieving Congestion within Vernon's System, as specified in Section 5.5, only to the extent that the cause of Congestion is attributed to Vernon's System operations. If the cause of Congestion is not directly attributed to Vernon's System operations, and the CAISO utilizes Exceptional Dispatch Instructions to resolve the identified Congestion, the resulting costs shall be allocated pursuant to the provisions specified in Section 11.5.6.2.5.2 of the CAISO Tariff, and will not be solely allocated to Vernon.
- 13.3 Unaccounted for Energy Costs.** Vernon's System shall be treated as a Utility Distribution Company Service Area for purposes of allocating responsibility for Unaccounted for Energy costs in accordance with the CAISO Tariff.
- 13.4 Reliability Generation.** Vernon shall be responsible for the costs of maintaining the reliability of facilities in Vernon's System, including costs of Generating Units operated by or on behalf of Vernon for that purpose. If and to the extent Vernon does not maintain sufficient Generation, then Vernon may be assessed costs incurred by the CAISO to support the reliability of Vernon's System.
- 13.5 Neutrality Costs.** Vernon's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) shall be based on Vernon's net metered MSS Demand and exports from the CAISO Balancing Authority Area irrespective of Vernon's MSS Settlement election as specified in Section 4.9.13 of the CAISO Tariff.
- 13.6 CAISO Balancing Authority Area Summer Reliability Costs.** Vernon, through its Scheduling Coordinator, shall have the option to avoid any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section

42.1.8. In order to avoid such costs, Vernon shall secure capacity reserves on an annual basis at least equal to one hundred fifteen percent (115%) of the peak MSS Demand responsibility and provide documentation to the CAISO of the resources proposed to meet that MSS peak Demand. Such capacity reserves may include on-demand rights to Energy, peaking resources, and MSS Demand reduction programs. For the purposes of this Section 13.6, the MSS peak Demand responsibility shall be equal to the forecasted annual coincident MSS peak Demand Forecast plus any firm power sales by the MSS plus any MSS on-demand obligations to third parties, less interruptible Loads, and less any firm power purchases. Firm power for the purposes of this Section 13.6 shall be Energy that is intended to be available to the purchaser without being subject to interruption or curtailment by the supplier except for Uncontrollable Forces or emergency, and for which the supplier carries WECC-required operating reserves. To the extent that Vernon demonstrates its provision of capacity reserves in accordance with this Section 13.6, Vernon's Scheduling Coordinator shall not be obligated to bear any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section 42.1.8.

13.7 Allocation of Net IFM Bid Cost Uplift. Vernon's Scheduling Coordinator's obligation to pay Net IFM Bid Cost Uplift charges shall be based on the following two tier structure:

13.7.1 Tier 1 IFM Bid Cost Uplift. The hourly Net IFM Bid Cost Uplift is allocated to Vernon's Scheduling Coordinator in proportion to Vernon's non-negative IFM Load Uplift Obligation, but with an IFM Bid Cost Uplift rate not exceeding the ratio of the hourly Net IFM Bid Cost Uplift for the Trading Hour divided by the sum of all hourly Generation scheduled in the Day-Ahead Schedule and IFM upward AS Awards for all Scheduling Coordinators from CAISO-committed Bid Cost Recovery Eligible Resources in that Trading Hour. The IFM Load Uplift Obligation for Vernon's Scheduling Coordinator is the difference between the total Demand scheduled in the Day-Ahead Schedule of that Scheduling Coordinator and the sum of the scheduled Generation and scheduled imports from Self-Schedules in the Day-Ahead Schedule of that Scheduling Coordinator, adjusted by any applicable Inter-SC Trades of IFM Load Uplift Obligations.

13.7.2 Tier 2 IFM Bid Cost Uplift. The Scheduling Coordinator for Vernon as an MSS Operator that has elected both to not follow its Load and gross Settlement will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to Vernon's Measured Demand. The Scheduling Coordinator for Vernon as an MSS Operator that has elected to follow its Load or net Settlement, or both, will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to Vernon's MSS Aggregation Net Measured Demand.

13.8 Allocation of Net RTM Bid Cost Uplift. The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO

Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to Vernon's Measured Demand for the Trading Hour plus any FMM reductions not associated with valid and balanced ETCs or TORs Self –Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Aggregation Net Measured Demand plus any FMM reductions not associated with valid and balanced ETCs or TORs Self – Schedules in the Day-Ahead Market for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that elected to Load follow, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Net Negative Uninstructed Deviation with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting, plus any FMM reductions not associated with valid and balanced ETC or TOR Self Schedules in the Day-Ahead Market and plus any FMM reductions not associated with FMM Self-Scheduled Energy from Load following resources listed in Schedule 14 B of this Agreement. Any real-time reductions to HASP Intertie Schedules after HASP results are published to HASP Block Intertie Schedules in response to Dispatch Instructions or real-time scheduling curtailments are not allocated any Net RTM Bid Cost Uplift.

Allocation of Net-RTM Bid Cost Uplift.— The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to Vernon's Measured Demand for the Trading Hour. For the Scheduling Coordinator for Vernon as an MSS Operator that has elected to not follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Aggregation Net Measured Demand. For the Scheduling Coordinator for Vernon as an MSS Operator that elected to Load follow, the hourly RTM Bid Cost Uplift is allocated in proportion to Vernon's MSS Net Negative Uninstructed Deviation with MSS Load Following Energy and HASP Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting, plus any HASP reductions not associated with the HASP Self-Scheduled Energy from Load following resources listed in Schedule 14 B of this Agreement.

- 13.9** **Grid Management Charges Based on Market Services.** If the CAISO is charging Grid Management Charges for Market Services Charge, and should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load-following, Vernon's Scheduling Coordinator will not be assessed Grid Management Charges for Market Services Charge associated with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated

~~Operational Adjustments. **Grid Management Charges Based on Market Services.** If the CAISO is charging Grid Management Charges for Market Services Charge, and should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load following, Vernon's Scheduling Coordinator will not be assessed Grid Management Charges for Market Services Charge associated with MSS Load Following Energy and HASP Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments.~~

13.10 MSS Deviation Band. The amount by which a Load following MSS Operator can deviate from Expected Energy without incurring a Load Following Deviation Penalty, as defined in Section 13.12 and Schedule 19, is equal to three percent (3%) of an MSS Operator's gross metered MSS Demand in the MSS and exports from the MSS, adjusted for Forced Outages and any CAISO directed firm Load Shedding from the MSS's portfolio as a whole.

13.11 Load Following Deviation Band Compliance. To the extent that sufficient Energy for the purposes of serving Vernon's MSS Demand and exports from the MSS, including losses, is not reflected in Bids, including Self-Schedules, submitted by Vernon's Scheduling Coordinator and delivered in real time, Vernon shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the CAISO's Real-Time Market. The CAISO will settle with Vernon's Scheduling Coordinator with regard to Imbalance Energy in accordance with the CAISO Tariff. However, should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff, to follow Vernon MSS Demand and exports from the MSS with Vernon's System resources and imports into the MSS, including Self-Scheduled System Resources and Self-Scheduled Resource Specific System Resources listed in Schedule 14 B, to the extent that the net Imbalance Energy for all of Vernon's MSS Demand and exports from the MSS, and Vernon's System resources and imports into the MSS, including Self-Scheduled System Resources and Self-Scheduled Resource Specific System Resources listed in Schedule 14 B, is within Vernon's portfolio MSS Deviation Band, as specified in Section 13.10 and Schedule 19, Vernon's Scheduling Coordinator will not be subject to the Load Following Deviation Penalty, as specified in Section 13.12, or costs other than the cost of the Imbalance Energy itself. Schedule 19 of this Agreement describes the process for the calculating the applicable amount of net Imbalance Energy, which is referred to as deviation energy within Schedule 19. To the extent that Vernon's Scheduling Coordinator is operating outside of its portfolio MSS Deviation Band, Vernon's Scheduling Coordinator shall be subject to the Load Following Deviation Penalty. In following Load, Vernon's Scheduling Coordinator may utilize any resource available to it regardless of whether, or at what level, the resource is reflected in Schedules submitted by Vernon's Scheduling Coordinator, submitted in the form of a Bid or Self-Schedule, except with respect to any portion of the capacity of a resource for which Vernon's Scheduling Coordinator has scheduled to provide an Ancillary Service and or RUC Capacity to the CAISO for that resource or to the

extent the CAISO has issued a System Emergency operating order consistent with Section 7.1.1.

13.12 Deviation Band Penalties Calculation. Vernon's Scheduling Coordinator will pay the Load Following Deviation Penalties for (i) excess MSS Generation supplied to the CAISO Markets and (ii) excess MSS Demand relying on CAISO Markets and not served by Vernon resources. To the extent that Vernon's Scheduling Coordinator has provided excess MSS Generation outside of the MSS Deviation Band to the CAISO Markets, measured as defined in Section 11.7.1.1 of the CAISO Tariff, then the payment for excess Energy outside of the MSS Deviation Band shall be rescinded and thus Vernon's Scheduling Coordinator will pay the CAISO an amount equal to one hundred percent (100%) of the product of the highest LMP paid to the MSS Operator for its Generation in the Settlement Interval for the amount of the Imbalance Energy that is supplied in excess of the MSS Deviation Band. To the extent that Vernon's Scheduling Coordinator has excess MSS Demand outside of the MSS Deviation Band that is relying on CAISO Markets that is not served by Vernon resources, measured as provided in Section 11.7.1.2 of the CAISO Tariff, then Vernon's Scheduling Coordinator shall pay the CAISO an amount equal to the product of the Default LAP price for the Settlement Interval and two hundred percent (200%) of the shortfall that is outside of the MSS Deviation Band. The two hundred percent (200%) penalty is in addition to the charges for the Imbalance Energy that serves the excess MSS Demand relying on CAISO Markets.

13.13 Operating and Maintenance Costs. Vernon shall be responsible for all its costs incurred in connection with procuring, installing, operating, and maintaining Vernon's facilities, including the Generating Units and Loads listed in Schedule 14, for the purpose of maintaining Vernon's System.

13.14 Billing and Payment. Billing and payment will be in accordance with the CAISO Tariff.

13.15 MSS Net Negative Uninstructed Deviation. The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments as part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocation. MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation. ~~**MSS Net Negative Uninstructed Deviation.** The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy and HASP Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments as~~

~~part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocation. MSS Load Following Energy and HASP Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation.~~

13.16 Residual Unit Commitment. Should Vernon elect, in accordance with Section 4.9.13 of the CAISO Tariff, to perform Load-following, Vernon will be considered to have automatically opted-out of RUC participation, and Vernon's Scheduling Coordinator will be exempt from costs associated with RUC and Bid Cost Recovery for RUC.

13.17 Emissions Costs. Unless specified otherwise in this Agreement, if the CAISO compensates Generating Units for Emissions Costs, such costs shall be allocated as set forth in this section. No later than November 1 of each year, Vernon shall report to the CAISO its election of whether or not to charge the CAISO for Emissions Costs. This annual election shall apply for the following calendar year.

(a) If Vernon elects to charge the CAISO for the Emissions Costs of the Generating Units serving Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's gross Measured Demand excluding out-of-state exports and the Generating Units shall be made available to the CAISO through the submittal of Energy Bids.

(b) If Vernon elects not to charge the CAISO for the Emissions Costs of the Generating Units serving Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's net Measured Demand excluding out-of-state exports.

(c) If Vernon elects to follow its load in accordance with Section 4.9.13 of the CAISO Tariff and if Vernon elects not to charge the CAISO for Emissions Costs of the Generating Units serving the Load of Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's Net Negative Uninstructed Deviations with MSS Load Following Energy and FMM Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting.~~If Vernon elects to follow its load in accordance with Section 4.9.13 of the CAISO Tariff and if Vernon elects not to charge the CAISO for Emissions Costs of the Generating Units serving the Load of~~

~~Vernon's System, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on Vernon's Net Negative Uninstructed Deviations with MSS Load Following Energy and HASP Self-Scheduled Energy from Load following resources identified in Schedule 14 B of this Agreement and associated Operational Adjustments included in the netting.~~

ARTICLE XIV PENALTIES AND SANCTIONS

- 14.1 Penalties.** Vernon 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 CAISO Tariff and has been approved by FERC; and (b) the CAISO 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 Vernon to oppose or protest any penalty or sanction proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty or sanction on Vernon.
- 14.2 Corrective Measures.** If Vernon fails to meet or maintain the requirements set forth in this Agreement or in the applicable provisions of the CAISO Tariff, the CAISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the CAISO Tariff, that the CAISO 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 CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to Vernon and references to the CAISO 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 CAISO Tariff will apply to liability and indemnification arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to Vernon and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XVIII
UNCONTROLLABLE FORCES**

- 18.1** Section 14.1 of the CAISO Tariff shall be incorporated by reference into this Agreement, except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to Vernon and references to the CAISO 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 CAISO 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 22.2 of the CAISO 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 Vernon to become a member of any regional transmission organization (RTO) or to remain a Participating TO.

19.10 FERC Jurisdiction over Vernon. Vernon 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 Vernon.

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: Eric J. Schmitt

Title: Vice President, Operations

Date: December 15, 2011

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1
VERNON'S SYSTEM FACILITIES
[Section 1.2]

The following facilities form Vernon's System, including the Points of MSS Interconnection and Points of Delivery.

For Vernon:

A) Point of MSS Interconnection: Laguna Bell kV bus

The Point of MSS Interconnection of the City of Vernon to the CAISO Balancing Authority Area grid is at Line Disconnect Switches 45, 46, 47, 48, and 49 which are in the 66 kV lines emanating from the Laguna Bell 66 kV bus that go to the City of Vernon's system.

B) Point of Delivery: Laguna Bell 230 kV bus

The interface between the City of Vernon and the CAISO Controlled Grid is at the Laguna Bell 230 kV bus, which is the Point of Delivery for transactions in the CAISO wholesale market.

C) Vernon Load

At Laguna Bell 230 kV bus interconnections (SP15 Demand Zone)

D) Generation Facilities: H. Gonzales Units #1 and #2

1. Malburg Generation Station

SCHEDULE 2
OPERATION STANDARDS
[Section 4.2]

The CAISO shall maintain stable operating parameters and control of real and reactive power flows in accordance with the following Operation Standards. Vernon shall maintain stable operating parameters and control of real and reactive power flows in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations to maintain stable operating parameters and control of real and reactive power flows in coordination with SCE in a manner that meets the requirements of the CAISO Tariff and in accordance with Section 8.3 of this Agreement and this Schedule 2), which is incorporated herein by reference.

Vernon Responsibilities

- 1.0 Vernon shall operate the facilities of Vernon's System in such manner as to avoid any material or adverse impact on the CAISO Balancing Authority Area. In accordance with this performance goal, Vernon shall:
- 1.1 Operate the facilities of Vernon's System and maintain protective systems and reactive power flows at each Point of MSS Interconnection within established operating parameters including normal ratings, emergency ratings, voltage limits, and balance of Load between electrical phases in accordance with the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement that meets the requirements described above).

CAISO Responsibilities

- 2.0 The CAISO shall operate the CAISO Controlled Grid in such manner as to avoid any material or adverse impact on Vernon facilities. In accordance with this performance goal, the CAISO shall:
- 2.1 Participate with Vernon and SCE in the development of joint power quality performance standards and jointly maintain compliance with such standards.
- 2.2 Observe Vernon grid voltage limits specified in Attachment 1 including requirements for reduced voltage on CAISO 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 CAISO Controlled Grid facilities shall be studied and established by Vernon and the CAISO.
- 2.3 Approve Vernon's maintenance requests in a timely manner for transmission facilities that impact the CAISO 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 Vernon investigation of power quality incidents, and provide related data to Vernon in a timely manner.
- 2.5 Support installation of apparatus on the CAISO 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 Balancing Authority Areas.

SCHEDULE 2
ATTACHMENT 1

VERNON GRID VOLTAGE LIMITS

There are no Vernon 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]

Vernon shall exchange with the CAISO a provisional planned Outage program for all lines and equipment in Schedule 1 in accordance with the CAISO Tariff. That document will be updated quarterly and as changes occur to the proposed schedule.

The CAISO shall approve all proposed Outages on the generating facilities listed on Schedule 1 unless a proposed Outage would cause the CAISO to violate Applicable Reliability Criteria. Approval of Outages shall not be unreasonably withheld.

Applications for scheduled work shall be submitted to the CAISO by Vernon via means to be agreed to by both Parties. The documents submitted by Vernon 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 CAISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or busses when activated. These would include any of the following:

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

With respect to Vernon, operational control and maintenance responsibilities related to the facilities described above reside with SCE.

SCHEDULE 6
RESERVED

SCHEDULE 7
EMERGENCIES

[Section 7.2]

The CAISO shall notify Vernon's Electric System Dispatcher 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 Vernon either directly by the CAISO or through the Area Control Center (ACC) specified by the CAISO, currently the SCE ACC. The Vernon Electric System Dispatcher shall make the appropriate notifications within the Vernon organization. The Vernon Electric System Dispatcher shall then take such actions as are appropriate for the emergency in accordance with Section 7 of this Agreement.

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

Vernon 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. Vernon will communicate necessary information to appropriate state, local governmental entities, and its customers as needed. For Vernon Outages that may be caused by events affecting the transmission system, the Vernon Electric System Dispatcher will make appropriate notifications to the CAISO of any information related to the Outage such as cause, nature, extent, potential duration and customers affected.

Non-confidential Vernon and non-confidential CAISO data recorded in CAISO 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.

Vernon shall retain records in accordance with its 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 Corporation and Vernon. Vernon's UFLS program is set forth in its UFLS Procedures and pursuant to the Laguna Bell-Vernon Interconnection Service Agreement with SCE. Such agreement provides that Vernon's Load Shedding equipment will be compatible and coordinated with Edison's Load Shedding equipment.

Vernon currently maintains an Underfrequency Load Shedding Procedure under Electrical Operating Procedure (EOP) No. 7, as revised December 6, 2011, which is attached hereto and incorporated herein by reference. This procedure is in support of SCE's System Operating Bulletin (SOB) No. 115.

Vernon shall develop a separate UFLS program prior to such time as the SCE plans described above may cease to apply to Vernon. Upon such replacement program Vernon shall comply with directions from the CAISO to implement Vernon's Load Shedding program in accordance with the WECC 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). Vernon's UFLS program shall utilize WECC planning criteria in this area. Per WECC requirements, UFLS shall be on the feeder side of the transformer.

This Schedule will be revised to incorporate that separate UFLS program by reference upon its implementation by Vernon. Vernon shall notify the CAISO of any changes to its existing UFLS program prior to implementation of such changes. At no time shall Vernon be exempt from either participating in a CAISO-sanctioned third party UFLS program (currently with SCE) or implementing such program independently in full compliance with WECC requirements.

Vernon shall also comply with directions from the CAISO to implement the requirements of 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 Vernon's compliance with SILT requirements is not satisfied through Vernon's UFLS program.

ELECTRIC OPERATING PROCEDURE NO. 7

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 9

OTHER AUTOMATIC LOAD SHEDDING

[Section 7.4.1]

Vernon currently employs an automatic Underfrequency Load Shedding program only, as described in Schedule 8. At present Vernon does not utilize an under-voltage Load Shedding program.

SCHEDULE 10

MANUAL LOAD SHEDDING

[Section 7.4.3]

Vernon currently maintains a plan, under Electric Operating Procedure No. 20 as revised December 6, 2011 which is attached hereto, whereby nonessential distribution circuits are subjected to manual Load Shedding and rotating service interruptions when required by Southern California Edison Company (SCE) in accordance with SCE System Operating Bulletin No. 21 and its applicable Attachments and the Laguna Bell-Vernon Interconnection Service Agreement between SCE and Vernon (or a replacement agreement provided that any replacement agreement preserves Vernon's obligations in accordance with this Schedule 10), both of which are incorporated herein by reference. Until such time as Vernon implements a plan for manual Load Shedding and rotating service interruptions independent of SCE, Vernon shall continue to operate in accordance with the existing plan.

ELECTRIC OPERATING PROCEDURE NO. 20

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 10A

ROTATING LOAD CURTAILMENT PROCEDURES

[Section 7.4.3]

Vernon rotating Load curtailment procedures are described in Schedule 10. To maintain the required amount of continuously interrupted Load, as directed by the CAISO, for an extended amount of time, no portion of Vernon'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]

Vernon has an Interruptible Service Agreement where the customer has agreed to interrupt 12.65 MW of Load within a 30 minute notification. A period of interruption can occur upon notification from the CAISO requiring Vernon to shed Load or upon the unscheduled outage of the Malburg Generating Station (MGS) or any other generating unit internal to Vernon's System. The periods of interruption will not exceed ten per month or twenty-four per year nor last longer than twelve hours.

Vernon currently maintains an Interruptible Procedure under Electric Operating Procedure (EOP) No. 6 as revised on November 11, 2008, which is attached hereto.

ELECTRIC OPERATING PROCEDURE NO. 6

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 11

ELECTRICAL EMERGENCY PLAN

[Section 7.5.1]

The City of Vernon currently supports SCE's EEP program as reflected in Vernon's Electric Operating Procedure No. 7 which is incorporated herein by reference pursuant to Schedule 8 and Vernon's Electric Operating Procedure No. 20, which is incorporated herein by reference pursuant to Schedule 10.

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

- 1) Vernon shall continue to act upon CAISO instructions in accordance with the provisions of Article VII and cause the required amount of Vernon firm Load to be interrupted during any hour of any day (24 x 7);
- 2) Vernon shall satisfy its requirement to interrupt the required amount of firm Load within ten minutes from the time of notification by the CAISO 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 Vernon EEP and incorporated herein by reference, shall not obviate or interfere with required timely compliance;
- 4) should Vernon 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 Vernon's firm Load blocks be required to maintain a minimum amount of continuously interrupted Load, as defined by the CAISO dispatcher in accordance with the provisions of Article VII, for an extended amount of time, no block of Vernon's firm Load shall be restored unless an equal or greater amount of another block of Load is interrupted first, and in the event Vernon 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]

Vernon 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 Vernon's System, Vernon shall remain in contact with the Area Control Center (ACC) specified by the CAISO, currently the SCE ACC, until normal frequency has been restored throughout the CAISO Balancing Authority Area or the CAISO Shift Supervisor has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the CAISO Shift Supervisor 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 CAISO, either directly or through its assignee, provided that the procedure for the CAISO's designation of any assignee is agreed to by Vernon, after the frequency has recovered and there is indication that the frequency can be maintained. Vernon shall await direction from the CAISO or its assignee, who will be in contact with the CAISO Shift Supervisor. The CAISO Shift Supervisor shall determine whether adequate Generation resources are available on line to support the Load to be restored.
3. Vernon's automatic Load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the CAISO cannot meet the WECC and NERC Balancing Authority 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 Vernon has restored Load automatically, it will manually shed an equivalent amount of Load to offset the Load which was automatically restored.
5. Restoration of ties and off-site power supply to nuclear generating facilities should be given top priority. Manual Load restoration will be deferred during periods of tie restoration. Vernon should be equipped and prepared to drop Load manually when necessary to allow frequency recovery sufficient to re-establish CAISO intra-area ties and Interties between the CAISO Balancing Authority Area and outside systems. Where manual Load Shedding is required, the CAISO shall make reasonable efforts to allocate the Load Shedding requirement equitably among Vernon, UDCs, and MSS Operators where Load Shedding shall be beneficial, and such Load Shedding shall be made in accordance with Section 7.4.

6. Vernon shall use its existing plans and priorities to restore Load within the parameters given by the CAISO, giving the appropriate priority to essential services such as military, public safety agencies, water treatment plants, sewage treatment plants, etc.

SCHEDULE 13

[NOT USED]

SCHEDULE 14

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 14 A

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Section 11.1]

City of Vernon has elected not to Load follow at this time

SCHEDULE 14 B - LOAD FOLLOWING SYSTEM RESOURCES DESCRIPTION

[Sections 3.3.7, 13.8, 13.9, 13.11, 13.15, 13.18 (c), and Schedule 19]

System Resources

City of Vernon has elected not to Load follow at this time

SCHEDULE 15

METERING OBLIGATIONS

[Section 12.2]

Obligations and Rights of Vernon

- 1.0 Submission of Meter Data through the CAISO's Settlement Quality Meter Data Systems ("SQMDS") Revenue Meter Data Acquisition and Processing System ("RMDAPS").** Vernon agrees to make available to the CAISO through SQMDS and RMDAPS its Meter Data in accordance with the CAISO Tariff. The CAISO's requirements regarding the frequency with which it requires Meter Data to be made available to it through SQMDS and RMDAPS by Vernon are referred to in the CAISO Tariff and the Business Practice Manual for Metering.
- 1.1 Meter Information.** Vernon 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 CAISO. Vernon must immediately notify the CAISO of any changes to the information provided to the CAISO in accordance with this Section and provide the CAISO with any information in relation to such change as reasonably requested by the CAISO. Vernon 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.** Vernon shall use the loss correction factor referred to in the Laguna Bell-Vernon Interconnection Service Agreement.
- 1.3 Rights to Access Metering Facilities.** Vernon shall use its best efforts to procure any rights necessary for the CAISO to access all Metering Facilities of Vernon to fulfill its obligations under the CAISO Tariff, and its obligations under this Agreement. If, after using its best efforts, Vernon is unable to provide the CAISO with such access rights, Vernon shall ensure that an CAISO Authorized Inspector undertakes, at the CAISO's request, the certification, testing, inspection and/or auditing of those Metering Facilities in accordance with the procedures established pursuant to the Business Practice Manual for Metering and the CAISO Tariff, including the requirement to complete and provide to the CAISO all necessary documentation. The CAISO acknowledges that it will not be prevented from fulfilling its obligations under the CAISO Tariff or this Agreement by reason of the fact that it is provided with escorted access to the Metering Facilities of Vernon.
- 1.4 Security and Validation Procedures.** The security measures and the validation, editing, and estimation procedures that the CAISO shall apply to Meter Data made available to the CAISO by Vernon shall be as referred to in the CAISO Tariff and the Business Practice Manual for Metering.

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

Obligations and Rights of the CAISO

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

Calculation of Vernon Settlement Quality Meter Data

The calculation of Vernon'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:

Vernon SQMD = MSS Meter Data at the Points of MSS Interconnection or Points of Delivery + Meter Data for Generation from Generating Units within the MSS

SCHEDULE 15.1
METER INFORMATION

[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]

SCHEDULE 15.2

ACCESS TO METER DATA AND AUTHORIZED USERS

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

Southern California Edison (read only)

SCHEDULE 16

[NOT USED]

SCHEDULE 17
CONTACTS FOR NOTICES
[Sections 19.1 and 3.4.3]

Vernon

Name of Primary

Representative: Carlos R. Fandino Jr.
Title: Director of Light & Power
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA, 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Name of Alternative

Representative: Abraham Alemu
Title: Electric Resources Planning & Development Manager
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA, 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Authorized Representative (§ 3.4.3):

Representative: Carlos R. Fandino Jr.
Address: 4305 Santa Fe Ave.
City/State/Zip Code: Vernon, CA 90058
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

CAISO

Name of Primary

Representative: Roni L. Reese
Title: Senior Contracts Analyst
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Name of Alternative

Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Fax No: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

Authorized Representative (Section 3.4.3):

Representative: Eric Schmitt
Title: Vice President, Operations
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**
Phone: **[Privileged Material Redacted Pursuant to 18 C.F.R § 388.112]**

SCHEDULE 19

MSS LOAD FOLLOWING DEVIATION ENERGY FORMULA

[Section 13.12]

Currently the City of Vernon has elected not to follow its Load