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REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME

October 21, 2005

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

**Re: California Independent System Operator Corporation
Filing of Non-Conforming Service Agreement No. 626 and
Cancellation of Service Agreement No. 364
Docket No. ER06-____-000**

Dear Secretary Salas:

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

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

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

I. The MSS Agreement

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

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

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

² Section 3.3.8 of the MSS Agreement provides that the UDCOA will be cancelled upon the effective date of the MSS Agreement.

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

- The ISO will consider Vernon's interests, including cost causation and the option to elect Load following, when unilaterally proposing changes to the ISO Tariff.
- Vernon may participate in the ISO's markets.
- Vernon will coordinate Generating Unit and transmission outages with the ISO pursuant to the ISO Tariff.
- Vernon will be responsible for providing telemetry and revenue metering at Vernon's Generating Units and at each of the Points of Delivery of its MSS to the electric grid.
- The operation of Vernon's Generating Units will be subject to various limitations during normal conditions, but Vernon will provide available Generation to the ISO during a threatened or imminent System Emergency. However, Vernon will not be expected or required to curtail Load or offer to the ISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load serving entities to provide resources adequate to serve Load and maintain Operating Reserves or maintain an Approved Credit Rating in accordance with the ISO Tariff, provided that Vernon must demonstrate the adequacy of its resources to serve its Load in any System Emergency during which it was not called upon to curtail Load because it was deemed to have adequate resources.
- Vernon will be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within Vernon's System.
- Vernon has no must-offer requirements, except for any market mitigation requirement (including any must-offer requirement) that the Commission may impose on MSS Operators or any voluntary election by Vernon to be subject to a must-offer requirement.
- Vernon's Generating Units may only be designated by the ISO as Reliability Must-Run Generation if Vernon elects to make them available for that purpose.
- Vernon will have the option to elect to follow its own Load with its own resources within a deviation band of three percent (3%), subject to specified financial penalties for exceedance of the deviation band.

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

ISO Controlled Grid and, under current arrangements, with regard to satisfaction of Underfrequency Load Shedding and manual Load Shedding obligations.

- Certain provisions of other MSS agreements relating to a MSS's transmission facilities are not included in recognition that Vernon is a Participating Transmission Owner that has entered into the Transmission Control Agreement with the ISO.

The MSS Agreement differs in some respects from the Roseville and SVP MSS agreements, and the NCPA MSS aggregator agreement, described above, in order to reflect the particular features of Vernon as a MSS and the results of the negotiations that resulted in this MSS Agreement. These differences are permissible pursuant to the directives in the August 30, 2002 Order that the individual MSS agreements filed in that proceeding "were not intended to and do not establish a *pro forma* MSS agreement" and that "[t]he terms of an MSS agreement may reflect the unique nature of differing systems." August 30, 2002 Order at PP 52, 53. The MSS Agreement has been designated as Service Agreement No. 626.

Included in a separate volume along with this MSS Agreement, pursuant to Commission Order Nos. 630 and 630-A,⁴ is a sealed copy of the non-public portions of the MSS Agreement, specifically, all of Schedules 6, 14, and 15.1, a portion of Schedule 8 that includes Vernon's Electrical Operating Procedure No. 7, a portion of Schedule 10 that include Vernon's Electric Operating Procedure No. 20, and a portion of Schedule 17. The ISO is seeking privileged treatment for Schedule 6 under 18 C.F.R. § 388.112, because it contains confidential telephone numbers of ISO and Vernon operating personnel. Because public disclosure of the telephone numbers would unnecessarily reveal sensitive information, the ISO submits that these numbers should be exempt from public exposure and should be granted privileged treatment. The ISO is seeking privileged treatment for portions of Schedules 8 and 10 under the same C.F.R. provision that applies to Schedule 6, because those portions of Schedules 8 and 10 list specific electric circuits and customer names, respectively, in conjunction with Vernon's emergency operating procedures. The ISO is seeking privileged treatment for Schedules 14 and 15.1 under the same C.F.R. provision that applies to Schedule 6, because they contain confidential Generating Unit and meter information and addresses of key components of the Vernon System. The ISO is seeking privileged treatment for Schedule 17 under the same C.F.R. provision that

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

applies to Schedule 6, because it contains confidential telephone numbers, facsimile numbers and e-mail addresses. The ISO submits that public disclosure of the specified information in those Schedules would unnecessarily reveal sensitive information, and therefore the identified portions of the Schedules should be granted privileged treatment.

II. The UDCOA

The ISO submitted the UDCOA on January 3, 2001 in Docket No. ER01-871-000. The Commission accepted the UDCOA, subject to modification, in *California Independent System Operator Corporation*, 94 FERC ¶ 61,145 (2001). The ISO submitted the modified UDCOA on March 23, 2001 in Docket No. ER01-871-001, which the Commission accepted by a letter order issued on April 27, 2001. The UDCOA is designated as Service Agreement No. 364.

III. Request for Waiver

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

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

IV. Expenses

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

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

V. Service

Copies of this filing have been served upon Vernon, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service list for Docket No. ER98-871. In addition, the filing has been posted on the ISO's website.

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

- (1) this letter of transmittal;
- (2) the public version of the MSS Agreement, which is in a format that complies with Order No. 614, *Designation of Electric Rate Schedule Sheets*, FERC Stats. and Regs. ¶ 31,096 (2000) (Attachment A);
and
- (3) a notice of cancellation of the UDCOA (Attachment B).

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

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

VI. Correspondence

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

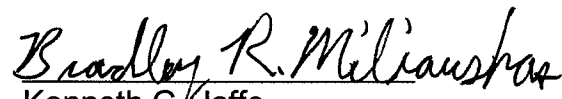
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Respectfully submitted,

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ATTACHMENT A

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

Issued by: Charles F. Robinson, Vice President and General Counsel
Issued on: October 21, 2005

Effective: December 1, 2005

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

AND

CITY OF VERNON

METERED SUBSYSTEM AGREEMENT

METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this 19 day of OCTOBER, 2005 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 ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom California 95630 (the "ISO").

Vernon and the ISO 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 ISO operates the ISO Control Area and is engaged in, among other things, exercising Operational Control over certain electric transmission facilities forming the ISO Controlled Grid, including transmission facilities 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 Imbalance Energy and Ancillary Services, pursuant to the terms of the ISO Tariff and has certain statutory obligations under California law to maintain the reliability of the ISO Controlled Grid, as well as certain NERC and Western Electricity Coordinating Council or its successor ("WECC") mandated responsibilities to ensure the reliable operation of the entire electric grid within the ISO Control 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 ISO Control Area, is directly interconnected to the SCE Distribution System, and is interconnected to the ISO 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 schedule transactions using the ISO Controlled Grid and participate in the ISO's markets as a buyer and a seller;
- F. The Parties are entering into this Metered Subsystem Agreement ("Agreement") in order to establish the terms and conditions on which (1) Vernon will operate Vernon's Generating Units within the ISO Control Area; (2) Vernon will, as or through its Scheduling Coordinator, schedule transactions within the ISO Controlled Area and participate in the ISO's markets; and (3) the Parties will meet their obligations under the ISO Tariff, as may be modified by this Agreement, in connection therewith;
- G. Vernon desires the option to utilize Vernon's resources to follow Vernon's Load and exports from its MSS;
- H. The intent of the Parties is that any ISO 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 WECC RMS Agreement requires the ISO to require all Generators in its Control Area, including Vernon, to comply with certain WECC reliability criteria and to be subject to penalties imposed by the WECC Reliability Criteria Agreement should they fail to do so, which requirements are set forth in Section 10.4; and
- J. The Parties acknowledge that the ISO is responsible for the efficient use and reliable operation of the ISO Controlled Grid and the operation of the ISO's Control Area consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the WECC and NERC and in accordance with the ISO Tariff. The Parties acknowledge that the ISO may not be able to satisfy fully these responsibilities if parties to agreements with the ISO, including 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 ISO fails to comply fully with all of its obligations under this Agreement and the ISO Tariff.

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

**ARTICLE I
DEFINITIONS AND INTERPRETATION**

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

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

“Point of Delivery” means any point at which Vernon’s System interfaces with the ISO Control Grid for transactions into ISO markets. The Point of Delivery is described in Schedule 1.

“Point of Interconnection” means any point at which Vernon’s System is interconnected with the ISO Controlled Grid in the ISO Control Area. The Point of 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 Interconnection for its MSS, as listed in Schedule 1. A description of the generating facilities and Point of Interconnection facilities comprising Vernon’s System is set forth in Schedule 1.

“Under Frequency Load Shedding” or “UFLS” means automatic Load Shedding, accomplished by the use of such devices as under frequency relays, intended to arrest frequency decline and assure continued operation within anticipated islands.

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

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

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

ARTICLE II TERM AND TERMINATION

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

2.2 Termination

2.2.1 Termination by Default. Either Party (the terminating Party) may terminate this Agreement by giving written notice of termination in the event that the other Party (the defaulting Party) commits any default under this Agreement or the applicable provisions of the ISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article XVIII of this Agreement.

- 2.2.2 Termination 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 ISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination set forth in Sections 2.2.1 or 2.2.2 have been met, and (2) the ISO 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 ISO 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 Control 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 ISO Tariff**
- 3.3.1** If and to the extent a matter is specifically addressed by a provision of this Agreement (including any schedules or other attachments to this Agreement), the provision of this Agreement shall govern notwithstanding any inconsistent provision of the ISO Tariff.
- 3.3.2** If and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the ISO Tariff, the applicable provisions of the ISO Tariff shall govern.
- 3.3.3** Except as provided in Section 3.3.1, 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 Article 5 of the ISO

Tariff and all other provisions of the ISO Tariff governing Participating Generators. Nothing in this Agreement shall obligate Vernon to execute a Participating Generator Agreement with respect to any Vernon Generating Units.

- 3.3.4** 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 Article 5 of the ISO Tariff and all other provisions of the ISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate Vernon to execute a Participating Load Agreement with respect to any Vernon Load.
- 3.3.5** 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 Article 4 of the ISO Tariff. Nothing in this Agreement shall obligate Vernon to execute a UDC Operating Agreement.
- 3.3.6** The applicability of any provision of the ISO Tariff to Vernon, including as provided in Sections 3.3.1 through 3.3.5, inclusive, shall, in the event of a dispute between the Parties, be determined through the ISO ADR Procedures in accordance with Article 13 of the ISO Tariff.
- 3.3.7** So long as Vernon remains a Participating TO, Vernon shall comply with the requirements applicable to Participating TOs under Article 3 of the ISO Tariff or any settlement of FERC Docket No. ER 00-2019.
- 3.3.8** This Agreement shall serve, with respect to Vernon, as the written agreements required by Sections 4.1.1, 5, 10.3.1, 23.1.1, and 23.4 of the ISO Tariff and the written agreement required for Participating Loads. Vernon's existing Utility Distribution Company Operating Agreement shall terminate simultaneously upon this Agreement becoming effective in accordance with Section 2.1 of this Agreement, subject to FERC acceptance of the notice of termination of the Utility Distribution Company Operating Agreement requesting that effective date, which shall be filed with FERC by the ISO concurrently with the filing of this Agreement.

3.4 Amendment to Agreement

- 3.4.1** Vernon and the ISO shall retain all rights under Section 206 of the Federal Power Act. Except with respect to the ISO's rights set forth in Section 3.4.2 of this Agreement and the Parties' rights under Section 206 of the Federal Power Act, this Agreement may be modified only by mutual written agreement between the Parties. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective.
- 3.4.2** The ISO shall have the right to apply unilaterally under Section 205 of the Federal Power Act to change the rates, terms, and conditions under this Agreement for services provided to Vernon. In proposing any changes, unless in

response to a FERC order as provided in Section 3.7, the ISO will consider the principles in this Agreement as detailed in Section 3.5.2. Additionally, unless in response to a FERC order as provided in Section 3.7, any changes proposed by the ISO shall be subject to the following:

- 3.4.2.1** The ISO shall provide Vernon written notice of such ISO proposed change, no fewer than 30 days in advance of the filing by the ISO for such proposed change.
 - 3.4.2.2** The ISO 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 ISO.
 - 3.4.2.4** The ISO 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 ISO's responsibilities and operations, as set forth in the ISO Tariff, and that 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 ISO with FERC.

3.5 Amendment to ISO Tariff

- 3.5.1** Nothing in this Agreement shall affect in any way the authority of the ISO to modify unilaterally the ISO Tariff in accordance with Section 19 of the ISO Tariff or of the ISO and 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 ISO Tariff as provided in Section 3.5.1, the ISO will consider the impact on Metered Subsystems and the principles reached in this Agreement, including but not limited to:
 - 3.5.2.1** **Cost Causation:** The intent of the Parties is that ISO charges will be charged to 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 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 ISO 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 Market Redesign and Technology Upgrade.** The ISO is in the process, simultaneously with the negotiations of this Agreement, of redesigning the ISO markets ("MRTU"). To the extent possible, and consistent with the principles of Section 3.5.2, the components of MRTU that impact Metered Subsystems will be incorporated in this Agreement. If components of the MRTU design are not known until after the execution of this Agreement, the Parties agree to amend this Agreement in accordance with Sections 3.4 and 3.5.2.
- 3.7 Changes to Conform To FERC Orders.** Nothing in this Article III shall be interpreted to limit the ISO's right to modify the ISO Tariff or this Agreement to comply with or conform to any FERC order.
- 3.8 Facilities Financed by Local Furnishing Bonds or Other Tax-Exempt Bonds.** This Section 3.8 applies only to facilities which are under the Operational Control of the ISO and are owned by a MSS Operator with Local Furnishing Bonds or other tax-exempt bonds. Nothing in this Agreement shall compel (and the ISO is not authorized to request) any MSS Operator with Local Furnishing Bonds, or other tax-exempt bonds, to violate restrictions applicable to facilities which are part of a system that was financed in whole or in part with Local Furnishing Bonds or other tax-exempt bonds.

ARTICLE IV INTERCONNECTION

- 4.1 Points of Interconnection.** The Points of Interconnection are described in Schedule 1. Additional Points of Interconnection may be established only by mutual agreement of the Parties, which agreement shall not be unreasonably withheld.

- 4.2 Interconnection Operation Standards.** The ISO 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 criteria.
- 4.4 Expansion, Retirement, and Modification of Facilities.** Vernon shall coordinate with the ISO 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 Interconnection, and shall provide sufficient advance notice to enable the ISO to conduct any necessary studies. The Parties will amend Schedule 1, as necessary, should a new Point of Interconnection be established in accordance with Section 4.1.
- 4.5 Installation of Facilities and Rights of Access**
- 4.5.1** Pursuant to Schedule 3, the Parties shall permit one another, on reasonable notice and with mutual agreement in each case, to install equipment or have installed equipment or other facilities on the property of the other Party to enable the installing Party to meet its service obligations, unless doing so would negatively impact the reliability of service provided by the owning Party. Unless otherwise agreed, all costs of installation shall be borne by the installing Party.
- 4.5.2** A Party installing equipment on the property of the other Party shall be granted, free of charge, reasonable rights of access to inspect, repair, maintain and upgrade that equipment. Access shall be provided only on prior notice and such access shall not be unreasonably withheld.
- 4.5.3** Notwithstanding any other provision in this Section 4.5, Vernon shall provide the ISO with access for inspection or audit, to any equipment or other facilities of Vernon's System, the operation of which affects any Point of Interconnection or the ISO Controlled Grid. Vernon will allow access during normal working hours with no prior notice. For access during times outside of normal working hours, the ISO 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 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 ISO.

5.1.2 Vernon shall schedule with the ISO on an annual basis, pursuant to Schedule 4, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of 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 5 of the ISO Tariff, Vernon shall coordinate Outages of its Generating Units, and of transmission facilities constituting parts of Vernon's System, with the ISO, pursuant to any generally applicable program established by the ISO 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 and reliability standards, WECC and NERC requirements, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material impact on the ISO Controlled Grid. Without limiting the foregoing, 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 ISO Operating Procedures and standards. In the event any such ISO Operating Procedure or standard is revised to modify the requirements applicable to Utility Distribution Companies, the Parties shall comply with such revision.

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

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

ARTICLE VI INFORMATION SHARING

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

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- 6.4 Reliability Information.** Vernon and the ISO shall each have the obligation to inform the other Party, as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISO Controlled Grid or the integrity of Vernon's System respectively. Vernon and the ISO each shall also inform the other Party as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of Vernon, is reasonably likely to threaten the reliability of the ISO Controlled Grid, or, in the case of the ISO, is reasonably likely to adversely affect 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 threat and, in the case of the ISO, not unduly discriminatory with respect to the ISO's provision of similar information to other entities.
- 6.5 Major Outage Reports.** Vernon shall promptly provide such information as the ISO may reasonably request concerning Vernon's operation of Vernon's System to enable the ISO to meet its responsibility under the ISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the ISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The ISO shall have no responsibility to prepare reports on Outages that affect customers on Vernon's System, unless the Outage also affects customers connected to the system of another entity within the ISO Control 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 ISO shall make available to Vernon any public annual reviews or reports regarding performance standards, measurements or incentives relating to the ISO Controlled Grid that the ISO makes available to MSS Operators and Participating TOs.
- 6.6.2** Vernon shall make available to the ISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to Vernon's System that may affect the ISO Control Area.
- 6.6.3** The ISO 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 ISO's EMS system to provide real-time data to the ISO, subject to any exemption available in

accordance with the ISO Tariff. Such data points may include without limitation: output of Generating Units under 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 ISO Control 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 ISO's EMS system from those Generating Units before the appropriate bodies of the projects pursuant to the individual project agreements to the full extent allowed by such agreements and applicable laws and regulations. Additional data points to be transmitted to the ISO EMS system will be as mutually agreed by the ISO and 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 Demand, as determined in accordance with Section 4.5.3 of the ISO 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 ISO Control Area but instead occurs due to operating contingencies, which may include but not be limited to forced loss of resources and/or transmission components or may otherwise be caused by an Uncontrollable Force. In the event a System Emergency occurs or the ISO determines that a System Emergency is threatened or imminent, Vernon shall, in accordance with Good Utility Practice: (a) comply with all directions from the ISO concerning the management and alleviation of a threatened or actual System Emergency, which may include shutting down or starting a Generating Unit, altering the scheduled delivery of Energy or Ancillary Services throughout the ISO Control Area, or disconnecting Vernon Load; and (b) comply with all procedures concerning System Emergencies set out in the Vernon EEP, ISO Protocols, and ISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Without limiting the generality of the foregoing:

- 7.1.1** When requested by the ISO subsequent to the declaration by the ISO of an alert regarding a threatened or imminent System Emergency in accordance with the ISO's Operating Procedure applicable to System Emergencies, in the event Vernon has chosen not to follow its Load in accordance with Section 8.6, and otherwise during a System Emergency, Vernon shall operate all of its Generating Units listed in Schedule 14 to supply the ISO 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 ISO during the term of any System Emergency, consistent with: (a) maintaining the supply of Energy to 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 ISO 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 ISO shall be amendments to this Agreement. For that purpose, Vernon shall provide the ISO with any change in Schedule 14 with regard to the limitations on the operation of its Generating Units. Vernon shall provide the ISO updates regarding the status of the limitations in Schedule 14 promptly whenever it becomes aware of factors that affect such limitations, provided that updates shall be provided at least quarterly and no updates may be provided later than the deadline for the submission by other Generators of changes in limitations on the operation of Generating Units, which is currently the deadline for the submission of final Hour-Ahead Schedules, except when a change is due to a Forced Outage. In making as much generating capacity and/or Energy available that can be made available by its Generating Units to the ISO as possible for use subsequent to the declaration by the ISO of an alert regarding a threatened or imminent System Emergency in accordance with the ISO's Operating Procedure applicable to System Emergencies and during System Emergency conditions, subject to the foregoing, Vernon shall:

- 7.1.1.1** Schedule, reschedule 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 ISO's Control Area to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units and other resources to the ISO; 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 ISO.
- 7.1.2** In the event that the ISO issues a 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 ISO as soon as possible that it will not follow the 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 issued by the ISO in accordance with the ISO Tariff.
- 7.1.4** During a System Emergency, the ISO and Vernon shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the ISO Tariff.
- 7.1.5** Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X of this Agreement, or any ISO Tariff provision, Vernon shall not be expected or required to curtail Load or offer to the ISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load serving entities to provide resources adequate to serve Load and maintain Operating Reserves or maintain an Approved Credit Rating in accordance with the ISO 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 ISO 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 ISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the ISO Tariff.
- 7.4** **Load Shedding**
- 7.4.1** **Automatic Load Shedding.** Vernon shall implement and have at all times operational an automatic Under Frequency Load Shedding program, or shall be included in another MSS's or UDC's WECC-compliant UFLS program, as described in Schedule 8, and any undervoltage relay protection program that may be described in Schedule 9.
- 7.4.2** **Manual Load Shedding Priorities.** Section 4.5.3 of the ISO Tariff provides that the ISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the ISO 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 ISO), as determined in accordance with Section 4.5.3 of the ISO Tariff, and only if Vernon is short of resources to meet its forecasted Demand and exports, as determined in accordance with Section 4.5.3 of the ISO

Tariff, will Vernon be required to shed Load, as directed by the ISO. Vernon shall provide the ISO with detailed real time information, in graphical or tabular format for those contracts and resources that do not have direct telemetry, demonstrating its full resource sufficiency during any time that the ISO interrupted firm Load within the ISO Control Area or during which time an ISO direction to interrupt firm Load was in force, like other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and Vernon and its Scheduling Coordinator shall be subject to the provisions of Section 4.5.3 of the ISO Tariff for any failure to make such demonstration.

- 7.4.3 Manual Load Shedding.** When called upon to do so by the ISO 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 ISO 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 ISO determines that manual Load curtailment is required to manage a System Emergency, the ISO shall determine the amount and location of Load to be reduced and, to the extent practicable, shall allocate a portion of the required Demand reduction to Vernon and each UDC and MSS Operator based on the ratio of its Demand at the time of the ISO Control Area annual peak Demand for the previous year to total ISO Control Area annual peak Demand for the previous year, taking into account system considerations and 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 ISO shall use reasonable efforts to coordinate Vernon's Under Frequency Load Shedding program with the Under Frequency Load Shedding programs of other MSS Operators and Utility Distribution Companies, and the implementation of all such other programs, so that no one entity bears a disproportionate share of Under Frequency Load Shedding in the ISO Control Area. 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 ISO 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 ISO as a result of such Load Shedding in accordance with the ISO Tariff and ISO Operating Procedures and, in accordance with Section 11.2.4.1.2(a) of the ISO Tariff, shall not be subject to

any Uninstructed Deviation Penalty for positive Uninstructed Imbalance Energy for so long as the System Emergency condition exists.

7.5 Electrical Emergency Plan

- 7.5.1** Vernon shall cooperate with the ISO's implementation of the Electrical Emergency Plan ("ISO EEP") developed by the ISO in accordance with Section 2.3.2.4 of the ISO Tariff. Vernon shall implement Vernon's EEP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the ISO 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 ISO notifies Vernon pursuant to the ISO EEP.
- 7.5.3** When the ISO allocates an amount of Load curtailment to Vernon pursuant to Section 7.4 of this Agreement and to the ISO 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, regulatory requirements, and Good Utility Practice, subject to the responsibilities of the ISO as the operator of the Control 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 Control 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 ISO Control Area, except for Reliability Must-Run ("RMR") Generation costs on the ISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected and 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 ISO's markets in accordance with the terms of the ISO Tariff.

- 8.2.1** Nothing in this Agreement shall obligate Vernon to make any Generating Units available as Reliability Must-Run Generation, unless Vernon notifies the ISO that it desires to participate in the RMR Unit designation process. To the extent Vernon does not notify the ISO that it desires to participate in the RMR Unit designation process, the ISO agrees not to designate any Vernon Generating Units as RMR Units provided Vernon agrees that, in circumstances affecting local reliability of the ISO Controlled Grid that would otherwise be mitigated by RMR Units, any Generation not being used to serve Vernon Load and other firm power sales obligations will be made available to the ISO, subject to Article VII of this Agreement.
- 8.3 Voltage Support.** 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 ISO 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 ISO Control Area Black Start capability or, through its Scheduling Coordinator, shall bear a portion of the ISO's Black Start costs in accordance with Section 13.7.
- 8.5 Ancillary Services.** Vernon's responsibility for the ISO Control Area requirements of Ancillary Services shall be determined in accordance with the ISO Tariff. If Vernon's Scheduling Coordinator schedules sufficient self-provided capacity complying with the applicable requirements of the ISO Tariff, which capacity is committed to the various required Ancillary Services, and maintains the Ancillary Service capacity as available to the ISO for that purpose, Vernon's Scheduling Coordinator shall not be required to purchase capacity in the ISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not schedule sufficient capacity for this purpose, Vernon may, through its Scheduling Coordinator, purchase the required capacity in the ISO's Ancillary Service markets. To the extent Vernon's Scheduling Coordinator does not maintain the availability of capacity committed to the ISO for Ancillary Services for that purpose, the Scheduling Coordinator shall be responsible for the applicable charges under the ISO Tariff.
- 8.6 Imbalance Energy.** To the extent that Energy for the purpose of serving Load in Vernon's System and exports from Vernon's System, including losses, is not reflected in Schedules submitted by Vernon's Scheduling Coordinator and delivered in real time, Vernon's shall be deemed (through its Scheduling

Coordinator) to have purchased or sold Imbalance Energy in the ISO's Imbalance Energy market. The ISO will settle with Vernon's Scheduling Coordinator with regard to Imbalance Energy in accordance with the ISO Tariff. If Vernon elects in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow Vernon's Load and exports from the MSS with Vernon's resources and imports into the MSS, to the extent that the net Imbalance Energy for all of Vernon's Loads and exports from the MSS, and resources and imports into the MSS, is within Vernon's portfolio deviation band, as specified in Section 13.12, Vernon's Scheduling Coordinator will not be subject to costs or penalties, other than the cost of the Imbalance Energy itself. To the extent that Vernon's Scheduling Coordinator is operating outside of its portfolio deviation band, Vernon's Scheduling Coordinator shall be subject to penalties as specified in Section 13.12. In following Load, Vernon's Scheduling Coordinator may utilize any resource available to it, regardless of whether, or at what level, that resource is reflected in Schedules submitted by Vernon's Scheduling Coordinator, except with respect to any portion of the capacity of a resource for which Vernon's Scheduling Coordinator has submitted an Ancillary Services capacity bid to the ISO for that resource or to the extent the ISO has issued a System Emergency operating order consistent with Section 7.1.1.

ARTICLE IX ACCESS TO THE ISO CONTROLLED GRID AND MARKETS

9.1 Access to the ISO Controlled Grid

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

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

9.2 Access to ISO Markets

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

Scheduling Coordinator submits a bid for Energy or Ancillary Services from a Generating Unit or Load within Vernon's System, any Energy produced from that Generating Unit or reduced from Load shall be accordingly added or subtracted to the calculation of Vernon's net metered Demand and exports from Vernon's System for purposes of determining deliveries to Vernon's System in assessing charges pursuant to Article XIII and consistent with Schedule 15.

- 9.2.2 Certification.** Vernon shall not use a Scheduling Coordinator to submit a bid for the provision of an Ancillary Service or submit a Schedule for the self-provision of an Ancillary Service unless the Scheduling Coordinator serving Vernon is in possession of a current certificate pursuant to Sections 2.5.6 and 2.5.24 of the ISO Tariff.
- 9.2.3 Supplemental Energy and Ancillary Service Bids.** Bids in the ISO's Supplemental Energy and Ancillary Service markets may only be submitted by Vernon's Scheduling Coordinator.
- 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 ISO 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 ISO, Vernon or its Scheduling Coordinator shall provide such services in accordance with the ISO Tariff.

ARTICLE X GENERATING UNITS AND MARKET-PARTICIPATING LOADS

- 10.1 Identification of Resources.** Vernon has identified in Schedule 14 the individual Generating Units and Loads proposed for participation in the ISO's markets that it owns, operates or to which it has a contractual entitlement that are included in Vernon's System.
- 10.1.1 Technical Characteristics.** Vernon has provided to the ISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and Loads listed in that schedule. The ISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto made pursuant to Section 10.1.2 of this Agreement, in accordance with Section 2.5.25 of the ISO Tariff.
- 10.1.2 Notification of Changes.** Vernon shall notify the ISO sixty (60) days prior to any change to the information provided in Schedule 14, provided that such notice shall not be required for changes to parameters of operating limitations set forth in Schedule 14, which shall be made in accordance with the ISO's Operating Procedures. The Parties shall amend Schedule 14, as applicable, to reflect that

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

10.1.3 Nothing in this section shall preclude Vernon from informing the ISO 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 ISO 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 ISO's EMS system for each Vernon Generating Unit under Vernon control that enables the ISO to view the status, voltage, and output of the Generating Unit and ISO certified meters that transmits data automatically to the ISO's meter data acquisition system. Vernon shall calculate and specify to the ISO any distribution loss factor applicable to its Generating Units.

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

10.3 ISO Authority to Dispatch Vernon Resources. The ISO's authority to Dispatch any portion of the capacity of any Generating Unit of Vernon, other than in accordance with a bid submitted to the ISO 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 5.4 of the ISO 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 5.4.3 of the ISO Tariff.

**ARTICLE XI
SCHEDULING**

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

11.2 Self-Provided Energy and Ancillary Services. Vernon may self-provide all or any portion of its obligation for Energy and Ancillary Services. 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 Schedules submitted to the ISO. If the ISO amends the ISO Tariff to relieve Scheduling Coordinators of the obligation to schedule gross Generation, imports, Loads, and exports, and the amendment would have applied to 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.

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

11.4 Load Following Resources. Schedule 14A identifies each power resource authorized for use by Vernon's Scheduling Coordinator in following Vernon's load.

11.4.1 The ISO may file with the FERC to remove a resource from Schedule 14A if the ISO determines that a resource identified in Schedule 14A adversely affects the reliable operation of the ISO Control Area. The ISO shall provide notice to Vernon at least 60 days in advance of such a

filing. Such notice to Vernon shall be accompanied by an ISO explanation of the grounds on which the ISO asserts that the resource adversely affects the reliable operation of the ISO Control Area.

11.4.2 Vernon may add additional resources to Schedule 14A through the following procedures. Vernon shall provide notice to the ISO 60 days in advance of the proposed date of an ISO filing at FERC to implement the addition of a resource to Schedule 14A. Within 60 days of such notice, the ISO must file at the FERC to add the resource to Schedule 14A unless, within that 60 day period, the ISO determines and notifies Vernon that such resource would adversely affect reliable operation of the ISO Control Area. Notice of such determination shall be accompanied by an ISO explanation of the grounds on which the ISO asserts that such resource would adversely affect the reliable operation of the ISO Control Area. If Vernon disagrees with an ISO determination that a resource Vernon proposes to add to Schedule 14A, would adversely affect reliable operation of the ISO Control Area, Vernon may bring a complaint at the FERC for a FERC determination of whether the resource would adversely affect reliable operation of the ISO Control Area, and thus whether the resource is to be added to Schedule 14A.

11.4.3 In no case shall resources located within Vernon's System be removed by the ISO from Schedule 14A or be rejected by the ISO for addition to Schedule 14A.

ARTICLE XII METERING

- 12.1** Vernon shall ensure installation of ISO-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 ISO Tariff applicable to ISO 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 Generally.** Except as may be provided otherwise in the provisions of this Article XIII, Vernon's Scheduling Coordinator shall be responsible for charges incurred in accordance with the ISO Tariff, provided that nothing in this Agreement shall prohibit Vernon from challenging the allocation of any new charge under the ISO Tariff to Vernon on the ground that the proposed charge is not appropriately assessed against a MSS Operator, or on any other ground. Further, except as specifically provided in this Agreement, Vernon shall only be responsible for charges allocated by the ISO Tariff to Participating TOs if it is a Participating TO, as provided in Section 3.3.7.
- 13.2 Transmission Losses.** Vernon's Scheduling Coordinator shall be responsible for transmission losses, in accordance with the ISO Tariff, only for the delivery of Energy to Vernon's System or from Vernon's System, provided Vernon fulfills its obligation to provide for transmission losses on the transmission facilities forming part of Vernon's System in accordance with Section 5.5 of this Agreement. A Generation Meter Multiplier ("GMM") shall be assigned to Vernon's Generating Units for use of the ISO Controlled Grid. That GMM shall be 1.0 for all Generating Units within Vernon's System that are located at or behind a Point of Interconnection, to the extent that the Load at the Point of Interconnection for that portion of Vernon's System exceeds the amount of Generation produced by the Generating Units connected to that portion of Vernon's System.
- 13.3 Congestion Costs.** Vernon's Scheduling Coordinator shall be responsible for Usage Charges and Grid Operations Charges, and any successor charges through which the ISO collects Congestion costs from Scheduling Coordinators, in accordance with the ISO Tariff only with respect to Vernon's Scheduling Coordinator's delivery of Energy and Ancillary Services to Vernon's System or from Vernon's System, including Vernon's Scheduling Coordinator's delivery of Energy and Ancillary Services from Vernon's Generating Units to Vernon's System Loads other than Loads within the same Service Area to which the Generating Units are connected, provided that the ISO is not responsible to manage Congestion on Vernon's System and at the Points of Interconnection in accordance with Section 5.5 of this Agreement.
- 13.4 Unaccounted-For Energy Costs.** Vernon's Service Area shall be treated as a Utility Distribution Company Service Area for purposes of allocating responsibility for Unaccounted-for Energy costs in accordance with the ISO Tariff.
- 13.5 Reliability Generation.** 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 ISO to support the reliability of Vernon's System.

- 13.6 Voltage Support Costs.** If and to the extent Vernon does not satisfy the Voltage Support obligations set forth in accordance with Section 8.3 of this Agreement, Vernon's Scheduling Coordinator shall bear a proportionate share of the ISO's Voltage Support cost in accordance with the ISO Tariff.
- 13.7 Black Start Costs.** If and to the extent Vernon does not provide its own Black Start capability in accordance with Section 8.4 of this Agreement, Vernon's Scheduling Coordinator shall bear a proportionate share of the ISO's Black Start cost in accordance with the ISO Tariff.
- 13.8 Neutrality Costs.** 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 Demand and exports from the ISO Control Area.
- 13.9 Peak Reliability Costs.** Vernon, through its Scheduling Coordinator, shall have the option to avoid any share of the ISO's costs for any peak Demand reduction program or for any peak reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8. In order to avoid such costs, Vernon shall secure capacity reserves on an annual basis at least equal to fifteen percent (15%) of its annual peak Demand responsibility, and shall provide documentation to the ISO of the resources proposed to meet that peak Demand responsibility plus such capacity reserves. Such capacity reserves may include peaking capacity and Demand reduction programs. To the extent that Vernon demonstrates its provision of capacity reserves, Vernon's Scheduling Coordinator shall not be obligated to bear any share of the ISO's costs for any peak Demand reduction program or for any peak reliability Generation procurement program pursuant to ISO Tariff Section 2.3.5.1.8.
- 13.10 Generating Unit Minimum Load, Emissions, and Start-Up Costs.** If the ISO is compensating Generating Units for Minimum Load Costs, Emissions Costs, and Start-Up Costs, and if Vernon has elected to follow its Load in accordance with Section 8.6, then Vernon shall elect either the option set forth in Section 13.10.1 or the option set forth in Section 13.10.2. If Vernon has not elected to follow its Load in accordance with Section 8.6, then Vernon may not elect the option set forth in Section 13.10.2, and shall elect either the option set forth in Section 13.10.1 or the option set forth in Section 13.10.3.
- 13.10.1** Vernon may elect to be eligible for recovery of Minimum Load Costs and charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Vernon's System whether following its Load or not. If Vernon makes such election, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the ISO in accordance with ISO Tariff Sections: 2.5.23.3.6.1, 2.5.23.3.7.1, and 5.11.6.1.4.
- 13.10.2** If Vernon has elected to follow its Load in accordance with Section 8.6, Vernon may elect not to be eligible for recovery of Minimum Load Costs and

choose not to charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Vernon's System. If Vernon makes such election, then Vernon's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the ISO based on Vernon's Net Negative Uninstructed Deviations.

13.10.3 If Vernon has elected not to follow its Load in accordance with Section 8.6, Vernon may elect not to be eligible for recovery of Minimum Load Costs and choose not to charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of Vernon's System. If Vernon makes such an election, then Vernon's Scheduling Coordinator shall be allocated Emissions Costs and Start-Up Costs in accordance with ISO Tariff Section 23.16.3 and shall be allocated Minimum Load Costs in accordance with ISO Tariff Section 5.11.6.1.4, except that the allocation of Minimum Load Costs pursuant to ISO Tariff Section 5.11.6.1.4(2) and 5.11.6.1.4(3)(a) shall be based on Vernon's net metered Demand and exports.

13.10.4 Vernon shall make the election whether to be eligible for Minimum Load Cost recovery and charge the ISO for the subject Generating Unit Emissions Costs and Start-Up Costs annually by November 1 for the following calendar year.

13.11 Grid Management Charge Adjustment for MSS Load Following. If the ISO is charging Grid Management Charges for uninstructed deviations (currently the Energy Transmission Services Uninstructed Deviations Charge and a portion of the Market Usage Charge), and if Vernon's Scheduling Coordinator has uninstructed deviations associated with Load following from resources listed in Schedule 14A, then the ISO will net the Generation and imports into the MSS to match the Load and exports out of the MSS, and will not assess Grid Management Charges associated with uninstructed deviations for such portion of Energy that is used to match MSS Load and net exports out of the MSS. If Generation and imports into the MSS are above the amount to cover Load and exports out of the MSS and were sold into the ISO's Imbalance Energy market, then Vernon's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. If Generation and imports into the MSS are below the amount to cover Load and exports out of the MSS, and Imbalance Energy is purchased from the ISO, then Vernon's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. Vernon's Scheduling Coordinator will otherwise be assessed all components of the Grid Management Charge in accordance with the ISO Tariff.

13.12 Deviation Band and Penalties Calculation. Subject to an election by Vernon made in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow Load, the ISO will settle with Vernon's Scheduling Coordinator with regard to Imbalance Energy, based on the applicable zonal or locational ex post prices, in accordance with the ISO Tariff. For purposes of assessing

penalties to Vernon's Scheduling Coordinator associated with operating outside the portfolio deviation band described in Section 8.6, the portfolio deviation band shall be three percent (3%) of the lesser of Vernon's metered or Hour-Ahead scheduled Demand and exports from the MSS, adjusted for Forced Outages and any ISO directed firm Load Shedding, for Vernon's portfolio as a whole. Penalties for operating outside of the deviation band will be based on a price that is the effective weighted average ex post price applicable to Vernon for the billing interval. If the metered Generation resources and imports into the MSS exceed the Demand, exports from the MSS, and Energy expected to be delivered by Vernon in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the deviation band, then the ISO will take back its payment for Imbalance Energy by assessing Vernon's Scheduling Coordinator a penalty of one hundred percent (100%) of the amount of Imbalance Energy that is outside the deviation band. If metered Generation resources and imports into the MSS are deficient in meeting Demand, exports from the MSS, and Energy expected to be delivered by Vernon in response to the ISO's Dispatch instructions and/or Regulation set-point signals issued by the ISO's AGC by more than the deviation band, then Vernon's Scheduling Coordinator shall be assessed a two hundred percent (200%) penalty for the amount of Imbalance Energy that is outside of the deviation band, in addition to the Imbalance Energy charges that may be applicable. Vernon shall not oppose the ISO's allocation of the proceeds of any deviation band penalties as an offset to the ISO's Grid Management Charge.

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

some circumstances result in Ancillary Services capacity penalties that are inappropriate when the Generating Unit is being used simultaneously to follow Load and provide Ancillary Services Energy.

13.14 Operating and Maintenance Costs. 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.

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

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 ISO Tariff and has been approved by FERC; and (b) the ISO Tariff provides for the imposition of the same penalty or sanction on a UDC, MSS Operator, or Participating Generator, or Participating Load in the same circumstances. Nothing in this Agreement, with the exception of the provisions of Article XV, shall be construed as waiving the rights of Vernon to oppose or protest any penalty or sanction proposed by the ISO to the FERC or the specific imposition by the ISO of any FERC-approved penalty or sanction on 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 ISO Tariff, the ISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the ISO Tariff that the ISO deems to be necessary to correct the situation.

ARTICLE XV DISPUTE RESOLUTION

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

**ARTICLE XVI
REPRESENTATIONS AND WARRANTIES**

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

**ARTICLE XVII
LIABILITY AND INDEMNIFICATION**

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

**ARTICLE XVIII
UNCONTROLLABLE FORCES**

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

**ARTICLE XIX
MISCELLANEOUS**

- 19.1 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in writing to the employee or official identified in Schedule 17 of this Agreement, and shall be deemed properly given: (a) upon delivery, if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 17 as the information changes. Such changes shall not constitute an amendment to this Agreement.
- 19.2 Waivers.** Any waiver at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 19.3 Governing Law and Forum.** This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of laws provisions. The Parties agree that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply shall be brought in one of the following forums as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission.
- 19.4 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to the provisions of this Agreement.
- 19.5 Counterparts.** This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.
- 19.6 Consistency with Federal Laws and Regulations.** Nothing in this Agreement shall compel either Party to violate federal statutes or regulations, or orders lawfully promulgated thereunder. If any provision of this Agreement is inconsistent with any obligation imposed on a Party by such federal statute, regulation or order, to that extent, it shall be inapplicable to that Party. No Party shall incur any liability by failing to comply with a provision of this Agreement that is inapplicable to it by reason of being inconsistent with any such federal statutes,

regulations, or orders lawfully promulgated thereunder; provided, however, that such Party shall use its best efforts to comply with this Agreement, to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

- 19.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.
- 19.8 Assignments.** Either Party may assign its rights and obligations under this Agreement, with the other Party's prior written consent, in accordance with Section 17 of the ISO Tariff, which is incorporated by reference into this Agreement. Such consent shall not be unreasonably withheld.
- 19.9 No Regional Transmission Organization or Participating TO Obligation:** Nothing in this Agreement shall obligate or commit 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: _____
Title: _____
Date: _____

CITY OF VERNON

By: Leonis C. Malburg
Name: Leonis C. Malburg
Title: Mayor
Date: October 19, 2005

ATTEST:

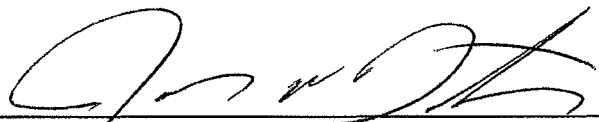
Bruce V. Malkenhorst, Jr.
Bruce V. Malkenhorst, Jr.
Acting City Clerk

APPROVED AS TO FORM:

Bruce V. Malkenhorst, Jr.
Bruce V. Malkenhorst, Jr.
Assistant City Attorney

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: Jim Detmers
Title: Vice President, Grid Operations
Acting Chief Operations Officer
Date: 12/19/05

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 Interconnection and Point of Delivery.

For Vernon:

A) Point Of Interconnection: Laguna Bell kV bus

The Point of Interconnection of the City of Vernon to the ISO Control 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 ISO Controlled Grid is at the Laguna Bell 230 kV bus, which is the Point of Delivery for transactions in the ISO wholesale market.

C) Vernon Load

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

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

SCHEDULE 2
OPERATION STANDARDS
[Section 4.2]

The ISO 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 ISO 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 ISO Control 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 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).

ISO Responsibilities

- 2.0 The ISO shall operate the ISO Controlled Grid in such manner as to avoid any material or adverse impact on Vernon facilities. In accordance with this performance goal, the ISO 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 ISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover. Any anticipated reduction in operating voltages on ISO Controlled Grid facilities shall be studied and established by Vernon and the ISO.
- 2.3 Approve Vernon's maintenance requests in a timely manner for transmission facilities that impact the ISO Controlled Grid, and shall not unreasonably withhold

approval of such requests for authorization to perform energized insulator washing work or to take planned Outages needed to replace or insul-grease insulators.

- 2.4 Support Vernon investigation of power quality incidents, and provide related data to Vernon in a timely manner.
- 2.5 Support installation of apparatus on the ISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate power quality concerns caused by actions or events in neighboring systems or Control Areas.

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]

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

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

Applications for scheduled work shall be submitted to the ISO by 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 ISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or busses when activated. These would include any of the following:

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

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

SCHEDULE 6

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

SCHEDULE 7

EMERGENCIES

[Section 7.2]

The ISO shall notify Vernon's Electric System Dispatcher, as identified in Schedule 6, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. Depending on the nature of the emergency and the particular response required, such notification shall be made to Vernon either directly by the ISO or through the Area Control Center (ACC) specified by the ISO, 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 ISO regarding emergencies through contacts to the ISO's Operations Shift Manager, by Vernon's Electric System Dispatcher, or Vernon's Communication Coordinator may coordinate public information with the ISO 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 ISO of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

Non-confidential Vernon and non-confidential ISO data recorded in ISO Grid Control Center logs, Electric Switching Orders and Energy Management System temporal database will be used in preparation of outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching program, etc.

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 Council 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 and that Edison will set the amount to be shed.

Vernon currently maintains an Underfrequency Load Shedding Procedure under Electrical Operating Procedure (EOP) No. 7, as revised October 18, 2005, 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 ISO 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 ISO 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 an ISO-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 ISO 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.

ELECTRICAL 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 June 28, 2004 which is attached hereto, whereby nonessential distribution circuits are subjected to manual shedding and rotating service interruptions when required by Southern California Edison Company (SCE) in accordance with SCE System Operating Bulletin No. 21 and its applicable Attachments and the Laguna Bell-Vernon Interconnection Service Agreement between SCE and 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.

Vernon shall develop a separate manual Load Shedding program prior to such time as the SCE plans described above may cease to apply to Vernon. This Schedule will be revised to incorporate that separate manual Load Shedding program by reference upon its implementation by Vernon.

ELECTRICAL 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 ISO, 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 not implemented a program for interruptible Loads.

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

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 ISO agree that the Vernon EEP shall be interpreted to provide that:

- 1) Vernon shall continue to act upon ISO 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 ISO dispatcher;
- 3) the implementation of any substitution of back-up generation and "voluntary" Load interruptions, on an "as-available" basis, for the required amount of firm Load interruption, as set out in the 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 ISO 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 ISO, currently the SCE ACC, until normal frequency has been restored throughout the ISO Control Area or the ISO Shift Manager has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the ISO Shift Manager and the senior dispatcher present at the SCE ACC(s).
2. Manual Load restoration shall not normally be initiated until the California ACC Hot Line is attended. No Load is to be manually restored unless directed by the ISO, either directly or through its assignee, provided that the procedure for the ISO's designation of any assignee is agreed to by Vernon, after the frequency has recovered and there is indication that the frequency can be maintained. Vernon shall await direction from the ISO or its assignee, who will be in contact with the ISO Shift Manager. The ISO Shift Manager shall determine whether adequate Generation resources are available on line to support the Load to be restored.
3. Vernon's automatic Load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the ISO cannot meet the WECC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual Load restoration shall be permitted. If the frequency is such that automatic Load restoration occurs under these conditions, if 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 ISO intra-area ties and ties between the ISO Control Area and outside systems. Where manual Load shedding is required, the ISO shall make reasonable efforts to allocate the Load Shedding requirement equitably among 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 ISO, 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

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

SCHEDULE 14 A

GENERATING UNITS AND MARKET-PARTICIPATING LOADS

[Section 11.4]

1. Vernon's Generating Units
 - a. Malburg Generating Station including CTG Unit 1 & 2 and STG Unit 3
 - b. H. Gonzales Unit 1 & 2
2. Vernon's Entitlement from the Boulder Canyon Power Project (Hoover Dam) through Vernon power purchase agreement with Western Area Power Administration.

SCHEDULE 15

METERING OBLIGATIONS

[Section 12.2]

Obligations and Rights of Vernon

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

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

Obligations and Rights of the ISO

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

$$\text{Vernon SQMD} = \begin{array}{l} \text{MSS Meter Data at the Points of Interconnection} \\ + \text{Meter Data for Generation from Generating Units} \\ \text{within the MSS} \end{array}$$

SCHEDULE 15.1

**[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
NOTICES
[Section 19.1 and 3.4.3]

Vernon

Name of Primary

Representative:

Donal O'Callaghan

Title:

Director of Light & Power

Address:

4305 Santa Fe Ave.

City/State/Zip Code:

Vernon, CA, 90041

Email Address:

Phone:

Fax No:

Name of Alternative

Representative:

Daniel E. Garcia

Title:

Power & Gas Procurement Manager

Address:

4305 Santa Fe Ave.

City/State/Zip Code:

Vernon, CA, 90058

Email Address:

Phone:

Fax No:

Authorized Representative (§ 3.4.3):

Representative:

Dennis M. P. Ehling, Esq.

Address:

10100 Santa Monica Blvd, 7th Floor

City/State/Zip Code:

Los Angeles, CA, 90067

Email Address:

Phone:

Fax No:

ISO

Name of Primary

Representative: Michael Dozier

Title: Lead, Contracts Negotiator

Address: 151 Blue Ravine Road

City/State/Zip Code: Folsom, CA 95630

Email Address:

Phone:

Fax No:

Name of Alternative

Representative: Philip D. Pettingill

Title: Manager of Infrastructure Policy & Contract Negotiation

Address: 151 Blue Ravine Road

City/State/Zip Code: Folsom, CA 95630

Email Address:

Phone:

Fax No:

Authorized Representative (Section 3.4.3):

Representative: Jim Detmers

Title: Vice President, Operations

Address: 151 Blue Ravine Road

City/State/Zip Code: Folsom, CA 95630

Email Address:

Phone:

Fax No:

ATTACHMENT B

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System
Operator Corporation

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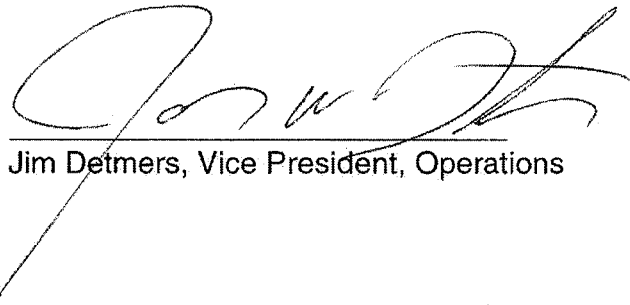
Docket No. ER06-____-000

NOTICE OF CANCELLATION

Notice is hereby given that effective the 1st day of December, 2005, Service Agreement No. 364 and all supplements thereto, effective January 1, 2001, and filed with the Federal Energy Regulatory Commission by the California Independent System Operator Corporation is to be canceled. Notice of the proposed cancellation has been served upon the City of Vernon, California, the California Public Utilities Commission, the California Electricity Oversight Board, and all parties on the official service list for Docket No. ER01-871.

CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

By:




Jim Detmers, Vice President, Operations

Dated: October 21, 2005

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents as described in those documents, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Folsom, California, on this 21st day of October, 2005.

 B147

John Anders