

**PILLSBURY WINTHROP LLP**

50 FREMONT STREET SAN FRANCISCO, CA 94105-2228 415.393.3000 F: 415.393.4200  
MAILING ADDRESS: P. O. BOX 7880 SAN FRANCISCO, CA 94120-7880

January 10, 2003

**STATEMENT OF CLAIM PURSUANT TO THE ISO TARIFF § 13.2.2**

To: California Independent System Operator Corporation  
Charles Robinson, General Counsel  
151 Blue Ravine Road  
Folsom, CA 95630

California Independent System Operator Corporation  
Board of Governors  
Mr. Michael Kahn  
151 Blue Ravine Road  
Folsom, CA 95630

American Arbitration Association (as delegated agent for  
the ISO ADR Committee)  
Ms. Molly Bargaquest, Vice President - Case Management Center  
1752 Galleria Tower  
13455 Noel Road  
Dallas, TX 75240-6636

Kelly M. Morton, Esq.  
Law Department  
Pacific Gas & Electric Company  
P.O. Box 7442  
San Francisco, CA 94120

From: Michael S. Hindus  
Benjamin L. Webster

Re: Statement of Claim of the Sacramento Municipal Utility District Pursuant to  
ISO Tariff § 13.2.2

In accordance with § 13.2.2 of the ISO Tariff, the Sacramento Municipal Utility District  
("SMUD") submits its Statement of Claim.

SMUD is seeking payment of \$16,678,251.54 plus accumulated interest (and any other  
appropriate related relief) for Spinning Reserves sold to the ISO between January 12 and  
February 21, 2001, inclusive, for which SMUD has never been paid. During this period,



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pursuant to agreements entered into between SMUD and the ISO in early 2001, SMUD made numerous sales of Spinning Reserves to the ISO at the ex post price for Ancillary Services. SMUD made these sales of Spinning Reserves to the ISO at the request of the ISO and Pacific Gas & Electric Company ("PG&E"), SMUD's Scheduling Coordinator. Notwithstanding SMUD's fulfillment of any and all of its obligations to the ISO, and the ISO's acknowledgement that Spinning Reserve sales were made and its promise to pay SMUD, the ISO has breached its agreements with SMUD and has failed and refused to pay any of the amount it owes to SMUD.

In the months prior to September 30, 2002, SMUD and the ISO held many meetings regarding payment for these sales, thereby satisfying the good faith negotiation requirement of § 13.2.1 of the ISO Tariff. A more detailed statement of the basis for SMUD's Claim is contained in the attached letter dated September 30, 2002 from SMUD to the ISO and should be fully incorporated as part of this Statement of Claim. Notably, despite the fact that SMUD requested a response from the ISO by October 31, SMUD has never received a written response to this letter. SMUD reserves the right to amend this Statement of Claim, *inter alia*, based on additional facts of which it becomes aware whether by discovery or any other means in the course of pursuing this Claim.

## STATEMENT OF CLAIM

Parties to the Dispute:	SMUD ISO
Other Potentially Interested Parties:	PG&E
Claim:	Between January 12, and February 21, 2001, SMUD sold Spinning Reserves to the ISO in the amount of \$16,678,251.54, and the ISO has failed and refused to pay for any such sales.
Relief sought:	Payment to SMUD of the \$16,678,251.54 plus applicable interest, and any other relief deemed just and reasonable; reasonable attorneys' fees and costs (including costs of arbitration).
Summary of Claim:	Refer to SMUD's September 30, 2002 demand for payment for Spinning Reserve sales (attached).



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**Knowledgeable individuals:**

**SMUD:**

Douglas Calvert  
Julie Hall  
Donald Anderson  
Eddy Lim  
Brian Jobson

**ISO:**

Jim Detmers  
Randy Abernathy  
Kyle Hoffman  
Jim McIntosh

**PG&E:**

Stephen Metague  
Judi Mosley  
Sandy Duncan  
Donald LaDue

**SERVICE:**

SMUD requests the following individuals be designated for communications:

Jim Shetler  
Sacramento Municipal Utility District  
P.O. Box 15830  
6301 S. Street  
Sacramento, CA 95817  
916-732-5939

Arlen Orchard  
Laura Lewis  
Sacramento Municipal Utility District  
6201 S Street  
Sacramento, CA 95817  
916-732-5830  
916-732-6581 (Fax)



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Michael S. Hindus  
Pillsbury Winthrop LLP  
50 Fremont Street  
San Francisco, CA 94105-2228  
415-983-1000  
415-983-1200 (Fax)

Benjamin L. Webster  
Pillsbury Winthrop LLP  
400 Capitol Mall, Suite 1700  
Sacramento, CA 95814-4419  
916-329-4700  
916-441-3583 (Fax)

Please contact Mr. Hindus or Mr. Webster if questions arise.

PILLSBURY WINTHROP LLP

By: *Michael S. Hindus*  
Michael S. Hindus  
Benjamin L. Webster

Attorneys for the Sacramento Municipal Utility District