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February 1, 2001

**BY FACSIMILE AND AIR COURIER**

Ms. Jacqueline Pelphrey  
Supervisor of Case Management  
American Arbitration Association  
Case Management Center  
1750 Two Galleria Tower  
13455 Noel Road  
Dallas, TX 75240-6636  
Facsimile No. (972) 490-9008

Re: "Statement of Claim" of City of Vernon, California in Cities of Anaheim, California, et al. v. the California Independent System Operator Corporation, No. 71 198 000758 00

Dear Ms. Pelphrey:

Pursuant to Section 3 of Supplemental Procedure 3 published by the ISO in connection with Section 13 of the ISO Federal Energy Regulatory Commission ("FERC") California Independent System Operator Corporation ("ISO") Electric Tariff, Section 13.2.2 of that tariff, and conversations with personnel of the American Arbitration Association, the City of Vernon, California files its Statement of Claim in connection with its intervention in this proceeding. As Vernon stated in its December 26, 2000 petition to intervene, at page 2, Vernon does not yet have enough information to state specific positions and reserves its rights to take positions as the arbitration develops. Among other things, at this point, the ISO has not responded to the Southern Cities demand for arbitration.

Vernon intervened herein to protect its rights as they may be affected by this proceeding. Nevertheless, out an abundance of caution, Vernon submits its position to the best of its ability at this time in the form of a "Statement of Claim". In particular, Vernon states the amount of charges to Vernon in dispute.

Southern Cities' December 7, 2000 Demand for Arbitration seeks recovery from the ISO of certain charges imposed by the ISO for trading days during February and March of 2000, which were stated by the ISO to be charges for Intra-Zonal Congestion. Among other things, Southern Cities contend that that is not a proper classification of the charges at issue. Southern Cities state that the ISO has stated that the dispatch orders that

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gave rise to the charges at issue were necessary to provide voltage support services in replacement for service that would have been provided by RMR units if they had been available.

The ISO likewise, in the time period at issue, imposed upon Vernon such charges said by the ISO to be for Intra-Zonal Congestion. Such charges to Vernon total \$351,559.70. If Southern Cities prevail here, Vernon is entitled to the same treatment with respect to that sum.

Parties to the dispute include Southern Cities, the ISO, SCE, and Vernon. Vernon does not have information at this time as to the identity of individuals having knowledge of these claims but reserves its rights to provide such information at a later date, as appropriate.

As stated in Vernon's petition to intervene, the following Vernon representatives designated for service:

**Mr. Bruce V. Malkenhorst**  
**City Administrator/City Clerk**  
**City of Vernon**  
**4305 Santa Fe Avenue**  
**Vernon, California 90058**  
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The undersigned hereby certifies that service of this filing was made this same day, by facsimile (where a facsimile number is indicated), by first class mail, and in some cases by electronic mail, on the individuals indicated as "cc's" below. Vernon understands that these individuals are the appropriate party representatives for service for all parties to this proceeding.

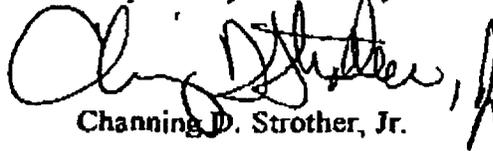
Pursuant to Section 2.2 of ISO Supplemental Procedures, Vernon encloses a check for \$150, payable to the AAA.

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Pursuant to Section 2.3 of the ISO Supplemental Procedures, Vernon is submitting herewith a summary of its Statement of Claim in hardcopy and on diskette in electronic (i.e., Microsoft Word and ASCII) format.

Please contact the undersigned with any questions or concerns.

Respectfully submitted,



Channing D. Strother, Jr.

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City of Vernon, California

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