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November 3, 1999

VIA FACSIMILE

Ms. Nicole Billmyre
Senior Case Manager
American Arbitration Association
13455 Noel Road
1750 Galleria Tower
Dallas, TX 75240

Dear Ms. Billmyre:

Re: Reliant Energy Power Generation, Inc., et al. v. California Independent System Operator Corp., et al., Case No. 71 198 00295 99.

I am responding on behalf of California Independent System Operator Corporation ("CAISO") to your request for our comments on Ms. Reid's letter to you of October 25 submitted on behalf of Pacific Gas and Electric ("PG&E") and San Diego Gas and Electric. I also am responding to Mr. Eagan's fax communication to you of October 26, 1999.

I turn first to Ms. Reid's communication. Speaking on behalf of PG&E and San Diego Gas and Electric, Ms. Reid has objected to their exclusion from the process of selecting an arbitrator and demands the right to participate. In earlier communications filed in this proceeding, CAISO has made clear its position that PG&E and San Diego Gas and Electric have no right to participate in the selection of an arbitrator and, in the same communications, CAISO has made clear the basis for that position. Briefly stated, (1) neither PG&E nor San Diego Gas and Electric is a party to this arbitration. While they have petitioned to intervene, CAISO has objected in substantial part to those petitions to intervene. Thus, until determined by the arbitrator, neither PG&E nor San Diego Gas and Electric has any standing in this arbitration. Second, even were PG&E and San Diego Gas and Electric presently entitled to claim intervenor status in this arbitration, such status would not entitle either of them to the right to participate in the selection of an arbitrator. Under the Rules establishing the alternative dispute resolution procedures applicable to this proceeding, only the original parties - in this case CAISO and Reliant - have the right to participate in the selection of the arbitrator. This conclusion is compelled not only by the Rules themselves, but by practical considerations. Were PG&E and San Diego Gas and Electric correct in their claim to standing to participate in the selection of an arbitrator, then intervenors would be in a position to cripple the arbitration selection process.

Ms. Nicole L. Billmyre
[REDACTED]

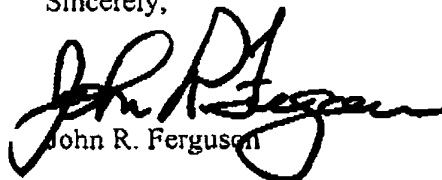
Page 2
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The discussion below responding to Mr. Eagan's letter illustrates this point.

On behalf of Reliant, Mr. Eagan has taken the position reported in his letter of October 26 that the parties – CAISO and Reliant – have reached an impasse in the effort to select a single arbitrator. In addition, Mr. Eagan has designated Ernest L. Edwards, Esquire, as its interest or party arbitrator, assuming that he is willing and able to serve. CAISO accepts Reliant's declaration of an impasse and will timely designate its selection of a party arbitrator.

Returning momentarily to Ms. Reid's letter, we raise the following hypothetical questions that would, in fact, be raised were PG&E and San Diego Gas and Electric entitled to participate in the selection of an arbitrator: Under the ADR Rules applicable when an impasse is reached, each side is to nominate an arbitrator and they are to select a third. Were PG&E and San Diego Gas and Electric entitled to participate, would they be entitled to participate in the selection of Reliant's arbitrator or of CAISO's nominee? And, if agreement could not be reached between the original parties and the intervenor, is the arbitration process thereby brought to a halt? Momentary considerations of these and other questions compel the conclusion, as do the Rules themselves, that intervenors have no right to participate in the arbitrator selection process.

Sincerely,


John R. Ferguson

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15214.0032

cc: Attached Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing letter to Ms. Billmyre dated November 3, 1999, was transmitted on this 3rd day of November 1999, by Telecopy only, as indicated on the attached facsimile cover sheet.

A handwritten signature in black ink, appearing to read "John R. Leppan", is written over a horizontal line. The signature is cursive and stylized.

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