

Re: American Arbitration Association
Case No. 71 198 00758 00
City of Anaheim; City of Azusa; City of Banning; City of
Colton and City of Riverside ("Southern Cities")
and
City of Vernon, California ("Vernon")
vs.
California Independent System Operator ("ISO")
and
Southern California Edison Company ("SCE")

This is a further description of the basis for the April 15, 2002 Award of Arbitrator on the subject. Some of the referenced documents may still be "Protected Materials" as previously defined by one or more of the parties. However, the Arbitrator has made no attempt to ascertain if this is currently still their status. Thus, to the extent that their contents may be a part of this description, it is the sole responsibility of the parties to restrict distribution accordingly.

- 1) Arbitrator received copies of the following relevant documents:
 - a) Demand for Arbitration by Southern Cities (December 7, 2000)
 - b) Petition to Intervene of Vernon (December 26, 2000)
 - c) Statement of Claim by SCE (January 10, 2001)
 - d) Comments by Southern Cities Concerning SCE Statement of Claim (February 1, 2001)
 - e) Statement of Claim by Vernon (February 1, 2001)
 - f) Response by SCE Concerning Comments by Southern Cities and Statement of Claim by Vernon (February 7, 2001)
 - g) Stipulations (circa November 14, 2001)
 - h) Motion by SCE to Strike Portions of Testimony by Southern Cities (December 28, 2001)
 - i) Opposition by Southern Cities to SCE Motion (January 11, 2002)
 - j) Answer of Vernon to SCE Motion (January 11, 2002)
- 2) Arbitrator held a Hearing on January 28, 2002 from which a transcript was published (and then corrected in later correspondence from the parties).

3) Related to the Hearing, Arbitrator also received copies of the following documents from the parties:

- a) Southern Cities Exhibits SC-1 through SC-8
- b) Vernon Exhibit VE-1
- c) ISO Exhibits H-1 through H-10
- d) Initial Brief on Behalf of Southern Cities and Vernon (March 1, 2002)
- e) Post-Hearing Initial Brief on Behalf of ISO (March 1, 2002)
- f) Opening Brief of SCE (March 1, 2002)
- g) Reply Brief on Behalf of Southern Cities and Vernon (March 22, 2002)
- h) Post-Hearing Reply Brief on Behalf of ISO (March 22, 2002)
- i) Reply brief of SCE (March 22, 2002)

Based on the above, Arbitrator finds the following:

I) Findings of Fact:

- A) Southern Cities and Vernon claimed that the ISO improperly charged them for certain voltage support costs during trading days occurring in February and March of 2000, and that SCE should pay those instead.
- B) ISO responded that those charges were for Intra-Zonal Congestion costs and, in any case, were the responsibility of Scheduling Coordinators (SCs) such as Southern Cities and Vernon to pay.
- C) The laws of physics and good utility practice, as applied to operating the ISO power system during the relevant time period, resulted in voltage support actions related to Intra-Zonal Congestion management.
- D) Southern Cities and Vernon further claimed that, even if these costs were for Intra-Zonal Congestion, Existing Transmission Contract (ETC) holders were not liable for them.
- E) During this same time period ETC holders were not exempt from ISO charges for such Intra-Zonal Congestion costs.

II) Conclusions of Law

- A) The Findings of Fact do not support the claims of Southern Cities and/or Vernon.
- B) All claims of Southern Cities and Vernon are hereby denied.

SIGNED: Richard P. Felak DATED: 1/23/03
Richard P. Felak, Arbitrator

CERTIFICATE OF SERVICE

I hereby certify that I have on this 26th day of February, 2003, caused a copy of the foregoing document to be sent by electronic mail and/or facsimile and first-class mail to all parties to the arbitration and on the Arbitrator through his designated representative at AAA.



Bonnie S. Blair
Attorney for the Cities of Anaheim, Azusa,
Banning, Colton, and Riverside, California

Law Offices of:

Thompson Coburn LLP
Suite 600
1909 K Street, N.W.
Washington, D.C. 20006-1167
202-585-6900