

**EXHIBIT NO. ISO-47**



180 Kirby Way • Roseville, CA 95678

San Diego Gas & Electric Co.  
Docket No. EL0-95-045, et al.

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JUN 07 2001

(916) 781-4200  
(916) 783-4254 FAX

June 6, 2001

Deborah A. LeVine  
Director of Contracts & Compliance  
California Independent System Operator  
P.O. Box 639014  
Folsom, CA 95763

**SUBJECT: Must Run Service Agreement: Statement of Claim and Notice of Dispute**

Dear Ms. LeVine:

Enclosed please find a Statement of Claim and Notice of Dispute, each of which is submitted pursuant to the terms of the Must Run Service Agreement dated January 1, 2000 ("Agreement") between Northern California Power Agency ("NCPA") and California Independent Operator Corporation ("ISO") pertaining to the Alameda and Lodi CT units. All initially-capitalized terms not otherwise defined in this letter shall have the meaning ascribed to them in the Agreement.

As you are aware, NCPA, the ISO and PG&E met on May 16, 2001 to discuss the termination of the Agreement in respect of the Alameda and Lodi CT units. At the May 16, 2001 meeting we expressed our position that NCPA has not accepted that the ISO has properly invoked the ADR procedures under the Agreement. Nevertheless, NCPA expressed its desire to continue in settlement discussions with the ISO in an attempt to reach a mutually satisfactory resolution of various issues pertaining to the Agreement and its willingness to participate in the ADR procedures purportedly invoked by the ISO until further notice. We also agreed that, notwithstanding the express provisions of Schedule K, NCPA could submit the enclosed Statement of Claim even while negotiations with the ISO are pending and neither PG&E nor the ISO would assert that submitting the Statement of Claim during the pendency of such negotiations fails to commence the 30 day waiting period prior to commencing arbitration under Schedule K. NCPA, PG&E and the ISO subsequently agreed, during our conference call of May 23, 2001, that NCPA could include the dispute pertaining to a second unpaid invoice, Invoice No. NCTP032001EF-0, in that Statement of Claim.

During our May 23, 2001 conference call we also discussed NCPA's concern with the ISO's attempt to reclassify several RMR calls made in December 2000 and January 2001 as out-of-market ("OOM") calls. Accordingly, NCPA is now submitting the enclosed Notice of Dispute in respect of the attempted reclassification of those RMR calls. Although arising from distinct factual circumstances, NCPA believes that it is appropriate to attempt to negotiate a resolution to both NCPA's action for termination as a result of the ISO's nonpayment and the RMR/OOM issues simultaneously.


- Deborah A. Levine  
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Please feel free to contact me at (916) 781-4200 if you have any questions or would like to discuss any of the matters herein in greater detail.

Sincerely,

  
GEORGE FRASER  
General Manager

GF/tlh

4.51

cc: Charles F. Robinson  
Brian Theaker  
Don Dame  
Matt Foskett  
Kevin Smith  
Doug Odom  
Dave Dockham  
Dennis DeCuir  
Joe Karp  
Stu Gardiner  
Richard Weingart



July 6, 2001

Mr. George Fraser  
General Manager  
Northern California Power Agency  
180 Cirby Way  
Roseville, CA 95678

JUL 10 2001

Dear Mr. Fraser:

By letter dated June 6, 2001, the Northern California Power Agency ("NCPA") submitted to the ISO a Statement of Claim pursuant to Schedule K, Section 1.4.2, of the January 1, 2000 Must Run Service Agreement ("Agreement") for NCPA's Alameda and Lodi CT units. In its Statement of Claim, NCPA alleges that non-payment of two invoices for the provision of Reliability Must Run ("RMR") services in February and March 2001 under the Agreement constitutes a material breach of such Agreement, which allows NCPA to elect to terminate the Agreement and seek removal of the units from Schedule 1 of the Participating Generator Agreement ("PGA").

NCPA, Pacific Gas and Electric Company ("PG&E"), and the ISO have engaged in numerous meetings and conference calls since May 16th in a good faith effort to resolve this matter. Such discussions continue.

During the conference call held on June 28th, NCPA, PG&E, and the ISO agreed that responses to NCPA's Statement of Claim should be submitted on or before July 6th. In accordance with that agreement and Schedule K, Section 1.4.3 of the RMR Agreement, the ISO submits its Statement of Claim, as attached, with respect to the February and March 2001 RMR invoices.

On a different matter, NCPA in its cover letter to its Statement of Claim purportedly reserves the right to amend the Statement of Claim to additionally dispute the ISO's reclassification of certain RMR calls as Out of Market calls. Please be advised that the ISO does not concur that NCPA has a right to amend its Statement of Claim to include that matter. Further, the reclassifications are completely unrelated in substance to the instant dispute, involve different facts and circumstances, and have only recently been the subject of a Notice of Dispute by NCPA. For these reasons, the ISO suggests that, should NCPA formally request good faith negotiation and arbitration of the reclassifications, it do so as a separate matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Beth Ann Burns".

Beth Ann Burns  
Litigation Counsel

cc: D. Le Vine  
P. Jordan