

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR
NOTICE OF SUBMISSION AND SUMMARY OF STATEMENT OF CLAIM
PURSUANT TO ISO TARIFF § 13.2.2
BY THE CALIFORNIA DEPARTMENT OF WATER RESOURCES,
CALIFORNIA ENERGY RESOURCES SCHEDULING (CERS)**

PLEASE TAKE NOTICE that on July 20, 2004, the California Department of Water Resources, California Energy Resources Scheduling (CERS), submitted to the California Independent System Operator (ISO), the ISO Governing Board, the Chair of the ISO Governing Board, and the American Arbitration Association (AAA), a Statement of Claim pursuant to ISO Tariff §13.2.2.

The Statement of Claim alleges that, beginning in January 2001, CERS engaged in out of market (OOM) exchange, sales, and export transactions at ISO's request, to assist with maintaining grid balance and reliability to the benefit of all ISO market participants. These OOM transactions were performed solely to maintain or restore grid stability and reliability, and therefore benefitted the entire ISO Market. While Munis, generators, and other Load Serving Entities (LSEs) shared the OOM power acquired by CERS at times of system emergency, these market participants have not been required to reimburse CERS for their share of its actual costs of service, including applicable ISO charges and fees.

The Statement of Claim requests that ISO identify the market participants who received the benefits of CERS' OOM exchanges, and invoice them for the actual acquisition costs of the energy they consumed, including all grid management, grid access and other charges and fees attributable to that energy.

The Statement of Claim further requests that ISO reimburse CERS for all grid access and other charges and fees assessed in connection with OOM sales and exports, performed by CERS at ISO's request to relieve over-generation and to restore grid stability and reliability for the benefit of all ISO market participants.

CERS also seeks such other relief as may be appropriate, including allocation to non-IOU beneficiaries of all costs and fees arising from any order or award granted in this dispute.

Please address notices and communications regarding this claim to the following:

Robert W. Byrne
Annadel A. Almendras
Deputy Attorneys General
455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102
Telephone: (415) 703-5500
Fax: (415) 703-5480
Robert.Byrne@doj.ca.gov
Annadel.Almendras@doj.ca.gov

Bruce L. Yonehiro
Staff Counsel
Department of Water Resources
California Energy Resources Scheduling
P.O. Box 219001
Sacramento, CA 95821
Telephone: (916) 574-2234
Fax: (916) 574-2251
yonehiro@water.ca.gov