

December 21, 2000

**VIA OVERNIGHT DELIVERY**

American Arbitration Association  
(as delegated agent for the ISO  
ADR Committee)  
Ms. Molly Bargaquest, Vice President  
Case Management Center  
1750 Two Galleria Tower  
13455 Noel Road  
Dallas, TX 75240-6636

Re: Petition to Intervene in Cities of Anaheim, et al.  
v. California Independent System Operator  
(Arbitration)

Dear Ms. Bargaquest:

On December 7, 2000, the Cities of Anaheim, Azusa, Banning, Colton, and Riverside, California (the "Southern Cities"), submitted their Demand for Arbitration. Southern California Edison Company ("Edison") hereby petitions to intervene in the above-referenced action in accordance with Supplemental Procedure Number 3 to the ISO's Dispute Resolution Procedures in ISO Tariff §13. The Southern Cities' Demand for Arbitration was posted December 11, 2000, on the web site of the California Independent System Operator ("ISO"), and thus this Petition to Intervene is timely.

The Southern Cities claim that the ISO improperly billed them for charges totaling approximately \$1.5 million. The Southern Cities allege that the ISO should not have characterized the charges as Intra-Zonal Congestion costs and the ISO did not apply the proper mechanism for recovery. The Southern Cities alternatively assert that the charges are improper because transactions under existing transmission contracts are not subject to congestion management.

If the Southern Cities prevail on their claims, the disputed charges may be allocated to Edison, as the Participating Transmission Owner or Scheduling Coordinator. Accordingly, Edison has a substantial and direct interest in the outcome of this proceeding.

Edison opposes the relief sought by the Southern Cities in their Demand for Arbitration. Edison contends that, consistent with the ISO Tariff on file with the Federal Energy Regulatory Commission ("FERC"), the ISO properly characterized the

disputed charges as Intra-Zonal Congestion costs and properly allocated them to the Southern Cities. In addition, Edison contends that the Southern Cities' Demand for Arbitration should be denied outright because the claims they are raising are currently pending before the FERC as one of the unresolved issues in Docket No. ER98-3760-000. The Southern Cities are active participants in that proceeding. It is Edison's position that the ISO has properly applied the ISO Tariff on file with FERC by assessing the disputed charges to the Southern Cities. The Southern Cities' complaint is with the ISO Tariff; not with the ISO's implementation of the Tariff.

A copy of this Petition to Intervene is being served on all entities that Edison understands will be parties to the arbitration. Edison will submit a Statement of Claim when its Petition to Intervene is approved.

Very truly yours,

Joanna Moore

cc: Bonnie S. Blair (Southern Cities)  
Charles F. Robinson (ISO)