



TO: Loretta Lynch, President
California Public Utilities Commission

FROM: Tim Gage, Director
Department of Finance

Thomas Hannigan, Director
Department of Water Resources

Barbara Lloyd, Deputy Treasurer
State Treasurer's Office

DATE: July 2, 2001

We write to advise you of our understanding of a revised timetable for certain actions to be taken by the Public Utilities Commission (PUC) in connection with the Department of Water Resources (DWR) Power Supply Revenue Bonds.

Over the last few days, the Governor's Office, Department of Finance, DWR, State Treasurer's Office, and PUC have determined a new timetable for these actions that will take advantage of the provisions of SBX1 31, allowing expedited resolution of any administrative and judicial appeals of relevant PUC actions.

Under the revised timetable, we request that the PUC actions required to complete the financing be scheduled for mid-August, immediately after the expedited appeal and review provisions take effect. These actions include:

- Servicing Agreements and Servicing Order, as applicable to each IOU
- Rate Agreement between the PUC and the DWR
- Rate Order for DWR
- San Diego Gas & Electric Rate Adjustment
- Suspension of Retail Choice

By re-scheduling these PUC actions to occur following the effective date of the new law, the State is better able to resolve in the most expeditious manner any challenges that might be filed. The revised schedule also will permit the PUC to publish its draft

decisions well in advance of the scheduled actions, thus providing all interested parties with ample opportunity for review and comment. It is our understanding from conversations with PUC staff and officials that publication of all necessary documents related to the above actions will occur on or about July 16, 2001. We presently are relying on this publication timetable in order to prepare materials for delivery to credit analysts as soon as one week later.

As we have discussed, any delays in publication would negatively affect the State's ability to obtain timely credit ratings and enhancement for this transaction. Likewise, any delays in action on these matters would negatively affect the State's ability to complete marketing and sale of the bonds on a timely basis.

Thank you for your continued assistance in bringing about a successful sale of the department's revenue bonds.

(END OF APPENDIX B)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

In the Matter of the Application of)
SOUTHERN CALIFORNIA EDISON) Application No. _____
COMPANY (U 338-E) for Expedited)
Approval of Servicing Agreement between)
State of California Department of Water)
Resources and Southern California Edison)
Company Pursuant to Chapter 4 of the)
Statutes of 2001 (Assembly Bill 1 of the)
First 2001-2002 Extraordinary Session).)
_____)

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY
(U 338-E) FOR EXPEDITED APPROVAL OF SERVICING AGREEMENT**

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Dated: June 25, 2001

**Application of Southern California Edison Company
for Expedited Approval of Servicing Agreement**

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**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY
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I.

BACKGROUND AND REQUEST

Southern California Edison Company ("SCE" or "Applicant") hereby requests the California Public Utilities Commission's ("Commission") approval of the Servicing Agreement to be entered into between the State of California Department of Water Resources ("DWR") and SCE (the "Servicing Agreement"). The Servicing Agreement sets forth the terms under which SCE will provide for the transmission and distribution of DWR power as well as billing and related services as agent for DWR. A copy of the Servicing Agreement is attached hereto as Attachment A.

Chapter 4 of the Statutes of 2001 (Assembly Bill 1 of the First 2001-2002 Extraordinary Session), hereinafter referenced as "AB 1X-1," provides among other things that DWR shall make power available to electric consumers in California (Water Code Section 80012). AB 1X-1 (in Water Code Section 80106(a)) allows DWR to contract with SCE for SCE to transmit and distribute power being provided

by DWR to electric consumers, and for SCE to provide billing, collection, and other related services as agent for DWR on terms and conditions that reasonably compensate SCE for its services. The Servicing Agreement embodies those terms and conditions that DWR and SCE have agreed are reasonable in allowing SCE to provide the services contemplated by AB 1X-1.

In Decision (D).01-03-081 and D.01-05-064, the Commission set forth the method for the utilities to transfer revenues to DWR for electricity provided by DWR and sold to end-use customers. The Servicing Agreement provides for the remittance of revenues to DWR according to the methods outlined by the Commission in these decisions.

This Application submits for Commission approval the full agreement between SCE and DWR for the services contemplated by Section 80106(a) of the Water Code. The Servicing Agreement may be summarized as follows: Section 1 provides applicable definitions of terms. Section 2 provides for the transmission and delivery by SCE of DWR power to customers of SCE, consistent with the provisions of AB 1X-1, including Water Code Sections 80110 and 80104. Section 3 provides for SCE to furnish metering services, meter reading services, and billing services to DWR. Section 4 provides for the remittance to DWR by SCE of DWR revenues from the sale of power to customers of SCE, including the application of the "20/20 program" established by the Governor's Executive Order D-30-01 dated March 13, 2001. Section 5 provides the term of the agreement, and addresses events and consequences of default. Section 6 provides for the confidentiality of specified information. Section 7 provides the fees to be paid by DWR to SCE for the services to be provided by SCE. Section 8 provides for retention of records, audit rights, and other related matters. Sections 9 through 14 deal with representations, amendment, data retention, indemnity, liability and other miscellaneous provisions.

As discussed above, the Servicing Agreement between SCE and DWR is specifically contemplated and authorized by AB 1X-1 and its terms and conditions are in full compliance with applicable law as well as the prior Commission decisions referenced above. To the extent that the Servicing Agreement merely implements those prior Commission decisions, other parties have already had the opportunity to comment on those decisions and no further comment period is necessary or warranted. The Commission staff also has had the opportunity to comment and provide input on the Servicing Agreement. DWR and SCE have executed the Servicing Agreement attached as Attachment A. The Servicing Agreement as negotiated and executed by SCE and DWR exists as a complete package, and not as a collection of separate agreements on discrete issues. Changes, concessions, or compromises by a party in one section of the Servicing Agreement likely necessitate changes, concessions, or compromises by the other party in other sections. Further, AB 1X-1 (Water Code Section 870106) gives DWR and SCE the authority to contract together to determine “the terms and conditions that reasonably compensate [SCE] for its services.” Therefore, SCE’s commitment to enter into the Servicing Agreement is conditioned upon the Commission issuing a decision approving the entire Servicing Agreement without modification. If the Commission proposes modifications to particular sections, SCE may or may not be willing to execute the Servicing Agreement as modified. For these reasons, SCE requests that the Commission approve the Servicing Agreement in its entirety. If the Commission proposes modifications to the Servicing Agreement in any respect, then SCE will require a reasonable amount of time to decide whether to execute the modified agreement.

SCE requests that the Commission approve this Application by July 12, 2001. Prompt action is in the public interest because the Servicing Agreement formalizes necessary provisions for the critical role of DWR in meeting the essential needs of

the residents and businesses in SCE's service territory for electricity. Furthermore, the approval of the Application should not be controversial or require extensive review because the Servicing Agreement is specifically contemplated by statute and the terms of the Servicing Agreement are consistent with statute and applicable Commission decisions.

II.

COMPLIANCE WITH RULE 6(A)(1)

Under Rule 6(a)(1) of the Commission's Rules of Practice and Procedures, SCE is required to state "the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule."

A. Category

SCE proposes that this proceeding be categorized as "ratesetting."

B. Need For Hearing

SCE believes that hearings are not needed because AB 1X-1 authorizes SCE and DWR to contract to provide the services described in the Servicing Agreement. The terms of the Servicing Agreement also are consistent with the Commission's decisions for remittance of revenues to DWR. Further, there are no factual issues that would need to be resolved by a hearing.

C. Summary Of Issues To Be Decided And Relief Requested

SCE is unaware of any issues that might be justifiably raised, given that SCE and DWR are authorized to negotiate and enter into the Servicing Agreement by AB 1X-1. SCE asks the Commission to make the following finding in its decision on this Application:

1. A finding that the Servicing Agreement is approved in its entirety.

D. Proposed Schedule

Because it is in the interests of SCE, the Commission and all interested parties to resolve the issues identified herein expeditiously, SCE proposes the following schedule for this proceeding, which was suggested by the Commission's Energy Division representatives. This tight schedule is necessitated by the DWR's expressed need to have Commission approval of the Servicing Agreement by the July 12, 2001, meeting so as to be able to issue its Water Resources Electric Power Program bonds by September 2001.

Application filed: June 25, 2001 (by electronic service)

Deadline for Comments to Application: June 28, 2001 (by electronic service)

Deadline for Reply to Comments: June 29, 2001 (by electronic service)

Draft Decision released: July 2, 2001

Deadline for Comments to Draft Decision: July 5, 2001

Issuance of Decision: July 12, 2001

III.

OTHER STATUTORY AND PROCEDURAL REQUIREMENTS

A. Applicant

The applicant is Southern California Edison Company, an electric public utility organized and existing under the laws of the State of California. The location of SCE's principal place of business is 2244 Walnut Grove Avenue, Post Office Box 800, Rosemead, California 91770. Please address correspondence or communications in regard to this Application to:

Jennifer M. Tsao, Attorney
Southern California Edison Company
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6819

Facsimile: (626) 302-2050
E-mail: jennifer.tsao@sce.com

B. Articles Of Incorporation

A copy of SCE's Restated Articles of Incorporation, as amended and as presently in effect, certified by the California Secretary of State, was filed with the Commission on September 19, 1997, in connection with Application No. 97-09-038¹ and is incorporated by reference herein pursuant to Rule 16.

C. Balance Sheet And Statement Of Income

A copy of SCE's most recent Balance Sheet and Statement of Income was attached to SCE's A.01-06-007 filed June 6, 2001, and is incorporated herein by reference.

D. Description Of Southern California Edison Company

SCE is an investor-owned public utility engaged in the business of generating, transmitting, and distributing electric energy in portions of central and Southern California. In addition to its properties in California, it owns, in some cases jointly with others, facilities in Nevada, Arizona, and New Mexico, its share of which produces power and transmit energy for the use of its customers in California.

E. Service Territory

SCE's service territory is located in fourteen counties in central and Southern California, consisting of Fresno, Imperial, Inyo, Kern, Kings, Los Angeles, Madera,

¹ Application of Southern California Edison Company (U 338-E) for Order Approving Termination Agreement for Termination of ISO4 Purchase Power Agreements Between Southern California Edison Company and Geo East Mesa, L.P.

Mono, Orange, Riverside, San Bernardino, Santa Barbara, Tulare, and Ventura Counties, and includes about 184 incorporated communities as well as rural areas. A list of the counties and municipalities served by SCE was attached to SCE's A.01-06-007 filed June 6, 2001, and is incorporated herein by reference. SCE also supplies electricity to certain customers for resale under tariffs filed with the Federal Energy Regulatory Commission.

F. Statutory Authority

This Application is made pursuant to Chapter 4 of the Statutes of 2001 (Assembly Bill 1 of the First 2001-2002 Extraordinary Session), and the Commission's Rules of Practice and Procedures.

G. Request For An Expedited Proceeding

Because of the desire by SCE, the Commission, and other interested parties that SCE complete this Application in an expeditious manner, SCE requests that the Commission address this Application in accordance with the above-proposed schedule.

IV.

CONCLUSION

SCE respectfully requests an order from the Commission approving the Servicing Agreement in its entirety.

Respectfully submitted,

ANN P. COHN
MEGAN SCOTT-KAKURES
JENNIFER M. TSAO


By: _____
Jennifer M. Tsao

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June 25, 2001

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **25th day of June, 2001**, at Rosemead, California.

A handwritten signature in cursive script that reads "Pamela Bass". The signature is written in black ink and is positioned above a horizontal line.

Pamela A. Bass

Senior Vice President

SOUTHERN CALIFORNIA EDISON COMPANY

SERVICING AGREEMENT

Between

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

And

SOUTHERN CALIFORNIA EDISON COMPANY

THIS AGREEMENT HAS BEEN FILED WITH AND APPROVED BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION ("COMMISSION") FOR USE BETWEEN THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES ("DWR") AND SOUTHERN CALIFORNIA EDISON COMPANY ("UTILITY").

Execution Date: _____

Date of Commission Approval: _____

Effective Date: _____

SERVICING AGREEMENT

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ATTACHMENTS

<u>Attachment</u>	<u>Title</u>
SA1	Service Attachment 1 – Consolidated Utility Billing Services
A	Representatives and Contacts
B	Remittance Methodology
C	Sample Daily and Monthly Reports
D	General Terms and Conditions
E	Additional Provisions
F	Calculation Methodology for Reduced Remittances Pursuant to 20/20 Program
G	Fee Schedule
H	Adjustments to DWR Charges for Variances in DWR Power Delivered

SERVICING AGREEMENT

THIS SERVICING AGREEMENT (the "Agreement") is entered into by and between the State of California Department of Water Resources ("DWR"), separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and Southern California Edison Company, a California corporation ("Utility"). DWR and Utility are sometimes collectively referred to as the "Parties" and individually referred to as a "Party."

RECITALS

- A. Under the Act, DWR is authorized to sell electric power and energy to Customers. Amounts payable by DWR under this Agreement are payable solely from the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code or other appropriated amounts legally available therefor.
- B. Utility is engaged in, among other things, the transmission and distribution of electrical services to customers in its service territory, the billing and collection for electrical services and other charges, and the ownership, installation and reading of electrical meters for such customers.
- C. The Act and Applicable Commission Orders allow DWR and the Utility to enter into contracts under which the Utility provides for the transmission and distribution of all power sold or made available for sale by DWR to Customers, and provides billing, collection and related services, as agent for DWR, on terms and conditions that reasonably compensate Utility for its services.
- D. The Parties desire to set forth the terms under which Utility will provide for the transmission and distribution of DWR Power as well as billing and related services.

NOW, THEREFORE, in consideration of the mutual obligations of the Parties, the Parties agree as follows:

Section 1. Definitions.

The following terms, when used herein (and in the attachments hereto) with initial capitalization, shall have the meaning specified in this Section 1. Certain additional terms are defined in the attachments hereto. The singular shall include the plural and the masculine shall include the feminine and neuter, and *vice versa*. "Includes" or "including" shall mean "including without limitation." References to a section or attachment shall mean a section or attachment of this Agreement, as the case may be, unless the context requires otherwise, and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made (except

as otherwise specifically provided herein). Unless the context otherwise requires, references to Applicable Laws or Applicable Tariffs shall be deemed references to such laws or tariffs as they may be amended, replaced or restated from time to time. References to the time of day shall be deemed references to such time as measured by prevailing Pacific time.

- 1.1. **ACH** – Automated Clearing House, a nationwide payment and collection system which provides for the electronic distribution and settlement of funds.
- 1.2. **Act** – Chapter 4 of Statutes of 2001 (Assembly Bill 1 of the First 2001-02 Extraordinary Session) of the State of California.
- 1.3. **Additional Charges** – Additional Charges shall have the meaning set forth in Section 7.2 below.
- 1.4. **Agreement** – This Servicing Agreement, including all attachments hereto.
- 1.5. **Applicable Commission Orders** – Such rules, regulations, decisions, opinions or orders as the Commission may lawfully issue or promulgate from time to time, which further define the rights and obligations of the Parties under this Agreement.
- 1.6. **Applicable Law** – The Act, Applicable Commission Orders and any other applicable statute, constitutional provision, rule, regulation, ordinance, order, decision or code of a Governmental Authority.
- 1.7. **Applicable Tariffs** – Utility’s tariffs, including all rules, rates, schedules and preliminary statements, governing electric energy service to Customers in Utility’s service territory, as filed with and approved by the Commission and, if applicable, the Federal Energy Regulatory Commission.
- 1.8. **Assign(s)** – Assign(s) shall have the meaning set forth in Section 14.3(c).
- 1.9. **Billing Services** – Consolidated Utility Billing Service or Dual Billing Service, as the case may be.
- 1.10. **Bureau** – Bureau shall have the meaning set forth in Section 8.2(b).
- 1.11. **Business Days** – Regular Monday through Friday weekdays which are customary working days, excluding holidays, as established by Applicable Tariffs.
- 1.12. **Business Hours** – The period on a Business Day from 9:00 a.m. until 5:00 p.m.
- 1.13. **C.E.R.S.** – California Energy Resource Scheduling, a division of DWR.
- 1.14. **Charges** – DWR Charges and Utility Charges.
- 1.15. **Claims** – Claims shall have the meaning set forth in Section 12.

- 1.16. **Commission** – The California Public Utilities Commission.
- 1.17. **Confidential Information** – Confidential Information shall have the meaning set forth in Section 6.1(c).
- 1.18. **Consolidated Utility Billing Service** – Billing service through the use of Consolidated Utility Bills as described in Service Attachment 1 to this Agreement.
- 1.19. **Consolidated Utility Bill** – A consolidated bill prepared and presented by Utility to a Customer which includes both the Customer’s Utility Charges and DWR Charges.
- 1.20. **Customer** – A customer of Utility that purchases (or is deemed to purchase) DWR Power pursuant to Section 2.3.
- 1.21. **Daily Remittance Amount** – Daily Remittance Amount shall have the meaning set forth in Section 4.2(a).
- 1.22. **Daily Remittance Report** – Daily Remittance Report shall have the meaning set forth in Section 4.2(b).
- 1.23. **Day-Ahead Market** – The daily ISO forward market for which energy and ancillary services are scheduled for delivery on the following calendar day.
- 1.24. **Delinquent Payment** – Delinquent Payment shall mean the payment of any amount due under this Agreement after the time when payment is required to be made hereunder, as further described and/or limited hereunder.
- 1.25. **Discloser** – Discloser shall have the meaning set forth in Section 6.1(c).
- 1.26. **Dual Bills** – Separate bills prepared and presented by DWR (or its agent) and Utility to a Customer for the Customer’s DWR Charges and Utility Charges, respectively.
- 1.27. **Dual Billing Service** – Billing service through the use of Dual Bills.
- 1.28. **DWR Charges** – Charges assessed to Customers for DWR Power and any other amounts authorized to be collected pursuant to Sections 80110 and 80134 of the California Water Code in order to meet DWR’s revenue requirements under the Act, as calculated pursuant to Applicable Law.
- 1.29. **DWR Power** – The electric power and energy, including but not limited to capacity and output, or any of them supplied by DWR to Customers pursuant to the Act and Applicable Commission Orders.
- 1.30. **DWR Revenues** – Those amounts required to be remitted to DWR by Utility pursuant to Applicable Law.
- 1.31. **DWR’s Agent** – DWR’s Agent shall have the meaning set forth in Section 8.2(b).

- 1.32. **Effective Date** – The date this Agreement is effective in accordance with Section 14.16, as such date is set forth on the cover page hereof.
- 1.33. **Event of Default** – Event of Default shall have the meaning set forth in Section 5.2.
- 1.34. **Execution Date** – The date this Agreement is fully executed by the Parties, as such date is set forth on the cover page hereof.
- 1.35. **Final Hour-Ahead Schedule** – The final schedule of DWR Power submitted by DWR and Utility and published by the ISO for the Hour-Ahead Market.
- 1.36. **Fund** – Fund shall have the meaning set forth in Section 13.2.
- 1.37. **Governmental Authority** – Any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government, including the Commission.
- 1.38. **Governmental Program** - Any program or directive established by Applicable Law which directly or indirectly affects the rights or obligations of the Parties under this Agreement and which obligates or authorizes DWR to make payments or give credits to Customers or other third parties under such programs or directives.
- 1.39. **Hour-Ahead Market** – The ISO forward market for which energy and ancillary services are scheduled for subsequent hours for delivery on the current calendar day.
- 1.40. **Imbalance Energy** – The difference between electric power delivered to serve Customer loads and the electric power scheduled in the Day-Ahead Market or Hour-Ahead Market for provision to Customers.
- 1.41. **Indemnified Party** – Indemnified Party shall have the meaning set forth in Section 12.
- 1.42. **Indemnifying Party** – Indemnifying Party shall have the meaning set forth in Section 12.
- 1.43. **Initial Remittance Date** – Initial Remittance Date shall have the meaning set forth in Section 4.2(a).
- 1.44. **Insolvency Event** – With respect to Utility, (a) the filing of a decree or order for relief by a court having jurisdiction in its premises or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive calendar days; or (b) the commencement by it of a

voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by it to the entry of an order for relief in an involuntary case under any such law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for it or for any substantial part of its property, or the making by it of any general assignment for the benefit of creditors, or the taking of action by it in furtherance of any of the foregoing.

- 1.45. **ISO** – The State of California Independent System Operator.
- 1.46. **Late Payment Rate** – The Prime Rate plus 3%.
- 1.47. **Prime Rate** – The rate which Morgan Guaranty Trust Company of New York announces from time to time in New York, New York as its prime lending rate, the Prime Rate to change when and as such prime lending rate changes. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer.
- 1.48. **Recipient** – Recipient shall have the meaning set forth in Section 6.1(c).
- 1.49. **Recurring Fees** – Recurring Fees shall have the meaning set forth in Section 7.1.
- 1.50. **Remittance** – A payment by Utility to DWR or its Assign(s) in accordance with this Agreement.
- 1.51. **Scheduled Energy** – DWR Power set forth on schedules submitted by DWR to Utility and the ISO in the Day-Ahead Market and Hour-Ahead Market that, pursuant to Section 2.2(b), DWR will provide to Customers.
- 1.52. **Scheduling Coordinator – to – Scheduling Coordinator Trade** – Schedules for energy transferred from one ISO scheduling coordinator to another. Such schedules are deemed delivered by the ISO upon publication by the ISO of the final schedules.
- 1.53. **Services** – Billing Services, metering services and meter reading services which may be performed by Utility and related collection, remittance and other services provided by Utility for DWR pursuant to this Agreement.
- 1.54. **State** – The State of California.
- 1.55. **Set-Up Fee** – Set-Up Fee shall have the meaning set forth in Section 7.1.
- 1.56. **Term** – The term of this Agreement as set forth in Section 5.1.
- 1.57. **20/20 Program** – 20/20 Program shall have the meaning set forth in Section 4.3.
- 1.58. **Utility Charges** – Charges incurred by a Customer for electricity-related services and products provided by Utility to the Customer, as approved by the Commission and, as

applicable, the Federal Energy Regulatory Commission or other Governmental Authority (including, but not limited to, any Competition Transition Charges or Fixed Transition Amount Charges owing to Utility or its affiliates, as those terms are defined under the California Public Utilities Code). Utility Charges shall not include DWR Charges or charges related to natural gas related services and products.

- 1.59. **Utility-Provided Electric Power** – Utility-Provided Electric Power shall refer to electricity from Utility’s own generation, qualifying facility contracts, other power purchase agreements and bilateral contracts. Utility-Provided Electric Power shall not include DWR Power.

The terms used in the attachments, but not specifically defined herein or elsewhere in this Agreement, are understood by the Parties to have their ordinary meanings.

Section 2. Energy Delivery and Ownership.

2.1. Delivery of Power.

Pursuant to the Act and Applicable Commission Orders, Utility covenants and agrees to transmit, or provide for the transmission of, and distribute DWR Power to Customers over Utility’s transmission and distribution system in accordance with Applicable Law, Applicable Tariffs and any other agreements between the Parties.

2.2. Data and Information Communications Procedures.

- (a) Utility shall estimate Customer usage and Utility-retained generation for a given trade day and shall communicate the net of such estimate to DWR by 7:00 a.m. on the preceding Business Day. In the event that DWR observes a persistent deviation between estimated Customer usage and actual Customer usage, or between estimated Utility-retained generation and actual Utility-retained generation, DWR may request Utility to review, and Utility will promptly commence to review, Utility’s forecast methodology and will report the results of such review to DWR; provided, however, that Utility shall have no obligation to correct or minimize such deviation except as provided in Attachment H hereto.
- (b) DWR shall send to Utility in writing each day the Scheduling Coordinator-to-Scheduling Coordinator Trade between DWR and Utility. This information shall be delivered no later than 9:30 a.m. for trades in the Day-Ahead Market for the following day, and no later than two hours and twenty minutes prior to the start of the delivery hour for trades in the Hour-Ahead Market. Utility and DWR will separately provide these schedules to the ISO prior to the close of the respective markets. The above deadlines for DWR are set because the ISO Day-Ahead Market currently closes at 10:00 a.m. on the day before delivery and the ISO Hour-Ahead Market currently closes two hours before the delivery hour. If these closing times should change, the deadlines for

submission of DWR data to Utility shall change proportionately, which revised deadlines shall be confirmed in writing by DWR and Utility. Upon Utility's request, DWR shall supply information to Utility substantiating to Utility's reasonable satisfaction (i) the total amount of energy purchased by DWR in the Day-Ahead Market and Hour-Ahead Market; and (ii) other such information that may be required for Utility to verify the DWR Charges; including information regarding the allocation of such energy among Customers and other third parties to the extent so required.

- (c) To determine the basis for remittance of revenues to DWR, Utility shall use the ISO published Final Hour-Ahead Schedule which reflects the C.E.R.S. Scheduling Coordinator-to-Scheduling Coordinator Trade with Utility, divided by Utility's estimate of Customer usage. Until such time as DWR and Utility amend this Agreement to address Imbalance Energy, Imbalance Energy will not be included in the foregoing calculation or in Remittances.
- (d) Adjustments to the remittance of revenues to DWR in (c) above will be based on the following, (i) the difference between scheduled quantities and those scheduled quantities which are actually reflected in ISO settlement statements, and (ii) the difference between the Utility estimate of Customer usage and the actual Customer usage reflected in ISO settlement statements. Utility shall include an adjustment of DWR Power and DWR Charges on its next Consolidated Utility Bill if so provided for in Attachment H hereto.
- (e) All data and information to be exchanged between the Parties in connection with scheduling transactions shall be in the format agreed to by Utility and DWR and shall, except as otherwise provided by this Agreement or Utility Applicable Tariffs, or as may be approved by Utility in its reasonable discretion, be submitted electronically. If a Party receives any information that is unreadable, or contains data that cannot be processed by the receiving Party's system, or is otherwise damaged, such receiving Party shall inform the sending Party of such problem. Until any such problem is corrected, the receiving Party shall not be responsible for processing information received in this condition. The foregoing notwithstanding, a receiving Party shall not be excused from its obligation to process information if the receiving Party cannot read or otherwise process the information sent by the sending Party as a result of defects, errors, bugs, or viruses in the receiving Party's systems or software or due to negligence or wrongful act(s) or failure(s) to act on the part of the receiving Party's employees, agents, independent contractors, subcontractors or assigns.

2.3. Ownership of Power.

Notwithstanding any other provision herein, and in accordance with the Act and Section 80110 of the California Water Code, Utility and DWR agree that DWR shall

retain title to all DWR Power sold by DWR to Customers. In accordance with the terms hereof, Utility is acting solely as the servicing agent for DWR with respect to the sale of DWR Power by DWR directly to Customers. In accordance with the Act and Section 80104 of the California Water Code, upon the delivery of DWR Power to Customers, those Customers shall be deemed to have purchased that power from DWR, and payment for any such sale shall be a direct obligation of such Customers to DWR. Notwithstanding any other provision herein, DWR and Utility agree that Utility shall retain title to all Utility-Provided Electric Power supplied by Utility to Customers.

2.4. Allocation of DWR Power.

DWR Power will be allocated pursuant to the Act and other Applicable Law and Applicable Tariffs.

Section 3. Billing Services.

3.1. Provision of Services by Utility.

- (a) Utility shall provide metering services, meter reading services and Billing Services relating to the delivery of DWR Power. Metering services, meter reading services and Billing Services shall be provided in accordance with Applicable Commission Orders, Applicable Tariffs and Service Attachment 1 hereto.
- (b) On behalf of DWR, Utility shall (i) follow its customary standards, policies and procedures in performing its duties hereunder and (ii) perform its duties hereunder using the same degree of care and diligence that Utility exercises for its own account.

3.2. Termination of Consolidated Utility Billing Service.

Upon compliance with the requirements set forth in Section 5.3, DWR shall have the right to terminate Consolidated Utility Billing Service and to commence Dual Billing Service. DWR shall provide Utility at least 90 calendar days advance written notice of its intention to commence Dual Billing Service. Utility will (i) cooperate with DWR in order to permit DWR to establish and implement Dual Billing Service, and (ii) provide such data and other information as DWR may reasonably request to enable DWR to establish and implement such service; provided, however, that, without diminishing Utility's obligations described in items (i) and (ii) above, nothing in this Section 3.2 or elsewhere in this Agreement shall obligate Utility to ensure that Dual Billing Service can or will be commenced within 90 calendar days after advance written notice from DWR of its intention to commence Dual Billing Service. Utility's reasonable costs of (x) establishing and implementing Dual Billing Service and (y) ceasing implementation of Dual Billing Service and reverting to Consolidated Utility Billing Service as contemplated in Section 5.3(b) below, will be borne by

DWR, and such costs shall be invoiced to DWR as Additional Charges and shall be subject to the provisions of Section 7 of this Agreement.

3.3. Modification of Billing and Metering Systems.

Utility reserves the right to modify and replace its billing and metering systems, subject to the requirements of Applicable Law, if any. However, to the extent that such modifications and replacements materially interrupt Services provided by Utility to DWR, Utility shall provide to DWR, as soon as reasonably practicable, prior written notice of any such changes, including, but not limited to, such changes as are required by Applicable Law or Applicable Commission Order(s). Moreover, to the extent any such modifications would affect the collection of DWR Charges in a manner which is different from the collection of Utility Charges, Utility shall obtain DWR's prior written consent to such modifications, which consent shall not be unreasonably withheld or delayed.

3.4. Customer Inquiries.

So long as Consolidated Utility Billing Service is in place, Utility agrees to address all Customer inquiries regarding the DWR Charges. DWR agrees to provide all necessary information to Utility in order to permit Utility to respond to all Customer inquiries on a timely basis. In extraordinary circumstances, Utility will refer Customer inquiries to DWR in a manner to be agreed upon by the Parties. In the event that either (i) DWR's failure to provide all such necessary information to Utility, (ii) DWR's provision of inaccurate information or (iii) DWR's failure to handle Customer inquiries referred to it by Utility in extraordinary circumstances in the manner agreed upon by the Parties results in Utility's non-compliance with its obligations under this Section 3.4, such non-compliance will not constitute a material breach of this Agreement and will not give DWR the right to terminate this Agreement. Upon any election by DWR to proceed with Dual Billing pursuant to Section 3.2 above, and until such Dual Billing is in place and fully operational, Utility's obligations under this Section 3.4 shall continue, and Utility agrees to cooperate with DWR in responding to Customer inquiries regarding the transition to Dual Billing.

Section 4. DWR Charges; Remittance of DWR Revenues.

4.1. DWR Charges.

DWR Revenues required to be remitted to DWR under this Agreement shall be based upon DWR Charges in effect from time to time pursuant to Applicable Law.

4.2. Remittance of DWR Revenues.

As provided below and in Attachment B hereto, all DWR Revenues shall be held by Utility in trust for DWR (whether or not held together with other monies) and shall be remitted to DWR.

- (a) Within one Business Day after the Effective Date, Utility shall determine the Daily Remittance Amount in the manner set forth in Attachment B hereto (the "Daily Remittance Amount"). On the day of such determination (the "Initial Remittance Date"), Utility shall remit to DWR or its Assign(s) the Daily Remittance Amount, if any, for each day from the Effective Date up to and including the Initial Remittance Date. On each subsequent Business Day during the remainder of the Term, Utility shall determine and remit to DWR or its Assign(s) the Daily Remittance Amount for such Business Day. If the Utility determines that it has remitted amounts to DWR in error, Utility may provide notice of such event to DWR (accompanied by an explanation of the facts surrounding such erroneous deposit), and DWR shall review such notice and information as soon as practicable and promptly repay such funds if and to the extent DWR agrees with Utility, such agreement not to be unreasonably withheld or delayed.
- (b) Each Remittance shall be accompanied by a written report substantially in the form of that set forth in Attachment C hereto (the "Daily Remittance Report"). Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in the Attachments hereto.
- (c) Utility, from time to time, will make adjustments regarding amounts remitted as described in Attachment B hereto. In addition, monthly reconciliation reports, as described in Attachment C hereto, shall be filed with DWR by Utility.
- (d) Except as expressly provided in this Agreement (including the Attachments hereto), Utility shall not deduct from amounts due to DWR hereunder any amounts owing by DWR to Utility which relate to arrangements within or outside the scope of this Agreement, or any other amounts, and Utility expressly waives any right to do so. The foregoing shall not limit Utility's rights to seek any other remedies permitted under other arrangements with DWR.
- (e) The Parties recognize that prior to the Effective Date, Utility has been remitting DWR Charges to DWR based upon the interim remittance methodologies described in Decision 01-03-081, adopted by the Commission on March 27, 2001, and Decision 01-05-064, adopted by the Commission on May 15, 2001 (collectively the "Interim Remittance Methodologies"). Utility

shall reconcile the amounts remitted pursuant to the Interim Remittance Methodologies at the time and in the manner set forth in Attachment B hereto.

4.3. 20/20 Program.

To the extent that the program established in the California Governor's Executive Order D-30-01, dated March 13, 2001, and Executive Order D-33-01, dated April 26, 2001, as the foregoing orders may be amended, supplemented, extended or otherwise modified (the "20/20 Program"), obligates DWR to make payments or extend credits to Customers or other third parties under such program, Remittances to DWR may be reduced by such payments to the extent of DWR's responsibility as required by Applicable Law and Applicable Tariffs. Utility's reasonable initial implementation and recurring administrative costs associated with such program shall be paid by DWR in the same manner and at the same times as Utility's Set-Up Fee and Recurring Fees, respectively, as described in Sections 7.2 and 7.3 below. Additionally, Utility will invoice DWR for any other costs incurred by Utility under such program, and DWR shall pay such invoices as Additional Charges, in the manner contemplated in Section 7 below. The method for calculating reduced Remittances to DWR under this Section 4.3, as well as Utility's implementation and administration costs, shall be as set forth in Attachment F hereto.

Section 5. Term and Termination; Events of Default.

5.1. Term.

The term of this Agreement (the "Term") shall commence on the Effective Date and shall terminate on the earlier of (a) 180 calendar days after the last date DWR makes DWR Power available for sale to Customers, or (b) the earlier termination of this Agreement pursuant to this Section 5.

5.2. Events of Default by Utility.

The following events shall constitute "Events of Default" by Utility under this Agreement:

- (a) any failure by Utility to remit to DWR or its Assign(s) any required Remittance in the manner and at the time specified in this Agreement (except to the extent otherwise allowed under Sections 4.3 and 7.2) that continues unremedied for three Business Days after the earlier of the day Utility receives written notice thereof from DWR or the day the responsible manager at Utility first has actual knowledge of such failure; or
- (b) any failure by Utility to duly observe or perform in any material respect any other covenant or agreement of Utility set forth in this Agreement, which failure (i) materially and adversely affects the interests or rights of DWR or its Assign(s), and (ii) continues unremedied for a period of 60 calendar days after

written notice of such failure has been given to Utility by DWR or its Assign(s); or

- (c) any representation or warranty made by Utility in this Agreement proves to have been incorrect when made, which has a material adverse effect on DWR or its Assign(s) and which material adverse effect continues unremedied for a period of 60 calendar days after the date on which written notice thereof has been given to Utility by DWR or its Assign(s).

5.3. Consequences of Utility Events of Default.

- (a) Upon any Event of Default by Utility, DWR may, in addition to exercising any other remedies available under this Agreement or under Applicable Law, (i) terminate this Agreement in whole or in part (including Service Attachment 1); (ii) upon 90 days' prior written notice to Utility and the Commission, including in such notice a written determination by DWR to the Commission that the default materially and adversely affects the interests or rights of DWR or its Assign(s), and subject to subsection (b) of this Section, establish and implement Dual Billing Service as set forth in Section 3.2; and (iii) apply to the Commission and, if necessary, any court of competent jurisdiction for sequestration and payment to DWR or its Assign(s) of DWR Revenues. Remittances not made to DWR by Utility on the date due (except to the extent Remittances were not made by operation of Sections 4.3, 7.2, 14.4 or Attachment B hereto) shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the due date, and at the Late Payment Rate thereafter until paid.
- (b) During the 90 day period following the date of the notice referred to in subsection (a)(ii) of this Section, DWR shall cooperate with any and all Commission orders, decisions or other actions to obtain a cure of the Event of Default or to engage a replacement servicer satisfactory to DWR and the Commission upon terms and conditions comparable to the terms and conditions of this Agreement or otherwise reasonably satisfactory to DWR and the Commission. If, at the end of such 90 day period, (i) the Event of Default has not been cured, (ii) such Event of Default materially and adversely affects the interests or rights of DWR or its Assign(s) and (iii) the Commission has not made in a formal proceeding either a finding that a replacement servicer will be engaged within the next 30 days or a finding that Utility will cure the Event of Default within the next 30 days, then DWR may proceed to implement Dual Billing Service pursuant to Section 3.2 above. If, at any time after the date on which DWR is entitled to implement Dual Billing Service, Utility is ordered by the Commission to provide the Services hereunder and the Commission further determines that Utility or a replacement servicer is capable and willing to perform such Services, DWR will immediately take

steps to discontinue Dual Billing Service in a manner which will not materially and adversely affect the interests of its bondholders or Utility.

5.4. Defaults by DWR.

DWR shall be in default under this Agreement upon:

- (a) subject to subsections (b), (c), (d) and (e) below, DWR's failure to cure its material breach of any provision of this Agreement within 60 calendar days after receiving written notice thereof from Utility;
- (b) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the Set-Up Fee or Recurring Fees within three Business Days after the date they are due hereunder, as provided in Section 7;
- (c) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to pay to Utility the initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3;
- (d) Except for amounts to which DWR has objected in writing pursuant to Section 7.2, DWR's failure to fulfill any other monetary obligation hereunder within 15 calendar days after receiving written notice from Utility that such obligation is past due; or
- (e) DWR's failure to fulfill its obligations under Section 2.2 within 15 calendar days after receiving written notice thereof from Utility.

Upon any default by DWR under this Section 5.4, Utility may exercise any remedies available under this Agreement or under Applicable Law, provided that Utility shall have no right to terminate this Agreement either in whole or in part (including Service Attachment 1) or any obligation hereunder. Except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any Set-Up Fee or Recurring Fees, or any initial implementation and recurring administrative costs associated with Utility's implementation of the 20/20 Program, as provided in Section 4.3, which are not paid to Utility on the date due shall bear interest at the Prime Rate from the first day after the due date until the third Business Day after the date they are required to be made hereunder, and at the Late Payment Rate thereafter until paid. Except for amounts to which DWR has objected in writing pursuant to Section 7.2 and which are determined not to be owed, any other monetary obligation payable to Utility by DWR shall bear interest at the Prime Rate from the date due until 15 days after receiving written notice from Utility that such amount is overdue, and thereafter at the Late Payment Rate. When and to the extent that any amounts to which DWR has objected in writing pursuant to Section 7.2 are

determined to be owing, such amounts shall bear interest from the due date at the rates described above for the applicable category of obligation.

5.5. Survival of Payment Obligations.

Upon termination of this Agreement, each Party shall remain liable to the other Party for all amounts owing under this Agreement. Utility shall continue to collect and remit, pursuant to the terms of this Agreement and Attachment B hereto, any DWR Charges billed to Customers before the effective date of termination, except as provided in Attachment B.

Section 6. Confidentiality.

6.1. Proprietary Information.

- (a) Nothing in this Agreement shall affect Utility's obligations to observe any Applicable Law prohibiting the disclosure of Confidential Information regarding its Customers.
- (b) Nothing in this Agreement, and in particular nothing in Sections 6.1(e)(x) through 6.1(e)(z) of this Agreement, shall affect the rights of the Commission to obtain from Utility, pursuant to Applicable Law, information requested by the Commission, including Confidential Information provided by DWR to Utility. Applicable Law, and not this Agreement, will govern what information the Commission may disclose to third parties, subject to any confidentiality agreement between DWR and the Commission.
- (c) The Parties acknowledge that each Party may acquire information and material that is the other Party's confidential, proprietary or trade secret information. As used herein, "Confidential Information" means any and all technical, commercial, financial and customer information disclosed by one Party to the other (or obtained from one Party's inspection of the other Party's records or documents), including any patents, patent applications, copyrights, trade secrets and proprietary information, techniques, sketches, drawings, maps, reports, specifications, designs, records, data, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, object code, source code, and information related to the current, future and proposed products and services of each of the Parties, and includes, without limitation, the Parties' respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing, manufacturing, business forecasts, sales and merchandising, and marketing plans and information. In all cases, Confidential Information includes proprietary or confidential information of any third party disclosing such information to either Party in the course of such third party's business or relationship with such Party. Utility's Confidential Information also includes

any and all lists of Customers, and any and all information about Customers, both individually and aggregated, including but not limited to Customers' names, street addresses of Customer residences and/or facilities, email addresses, identification numbers, Utility account numbers and passwords, payment histories, energy usage, rate schedule history, allocation of energy uses among Customer residences and/or facilities, and usage of DWR Power. All Confidential Information disclosed by the disclosing Party ("Discloser") will be considered Confidential Information by the receiving Party ("Recipient") if identified as confidential and received from Discloser.

- (d) Each Party agrees to take all steps reasonably necessary to hold in trust and confidence the other Party's Confidential Information. Without limiting the generality of the immediately preceding sentence, each Party agrees (i) to hold the other Party's Confidential Information in strict confidence, not to disclose it to third parties or to use it in any way, commercially or otherwise, other than as permitted under this Agreement; and (ii) to limit the disclosure of the Confidential Information to those of its employees, agents or directly related subcontractors with a need to know who have been advised of the confidential nature thereof and who have acknowledged their express obligation to maintain such confidentiality.
- (e) The foregoing two paragraphs will not apply to any item of Confidential Information if: (i) it has been published or is otherwise readily available to the public other than by a breach of this Agreement; (ii) it has been rightfully received by Recipient from a third party without breach of confidentiality obligations of such third party and outside the context of the provision of Services under this Agreement; (iii) it has been independently developed by Recipient personnel having no access to the Confidential Information; or (iv) it was known to Recipient prior to its first receipt from Discloser. In addition, Recipient may disclose Confidential Information if and to the extent required by law or a Governmental Authority, provided that (x) Recipient shall give Discloser a reasonable opportunity to review and object to the disclosure of such Confidential Information, (y) Discloser may seek a protective order or confidential treatment of such Confidential Information, and (z) Recipient shall make commercially reasonable efforts to cooperate with Discloser in seeking such protective order or confidential treatment. Discloser shall pay Recipient its reasonable costs of cooperating.

6.2. No License.

Nothing contained in this Agreement shall be construed as granting to a Party a license, either express or implied, under any patent, copyright, trademark, service mark, trade dress or other intellectual property right, or to any Confidential Information now or hereafter owned, obtained, controlled by, or which is or may be licensable by, the other Party.

6.3. Survival of Provisions.

The provisions of this Section 6 shall survive the termination of this Agreement.

Section 7. Payment of Fees and Charges.

7.1. Utility Fees.

DWR will pay to Utility a fee, calculated in accordance with Attachment G hereto (the "Set-Up Fee"), in order to cover Utility's costs of establishing the procedures, systems, and mechanisms necessary to perform Services. In addition, DWR also agrees to pay to Utility an annual fee, calculated in accordance with Attachment G hereto, payable monthly in arrears as provided in Section 7.2 hereof (the "Recurring Fees") for Services rendered pursuant to Section 3.1, Section 3.4 and Service Attachment 1 to this Agreement. Additional fees to cover changes in costs or the costs of other services provided hereunder shall be as set forth in Attachment G, or if not set forth therein, shall be negotiated by the Parties. Except to the extent provided otherwise in subsequent agreements between the Parties and except to the extent otherwise provided under the 20/20 Program, if the Parties are unable to resolve any disputes relating to such additional fees, either Party may, upon giving seven calendar days advance written notice to the other, submit the dispute to the Commission for proposed resolution, in accordance with Applicable Law. Utility acknowledges that the Commission may adjust, with notice to Utility and an opportunity for Utility to be heard, Utility's rates to avoid double recovery of any costs paid by DWR hereunder which have already been included in Utility's rates.

7.2. Payment of Utility Fees and Charges.

The Set-Up Fee shall be due and payable on the Effective Date, and DWR will pay Utility the Set-Up Fee, in the manner provided in Section 7.3 below. After receipt of Utility's invoice 30 days in advance, DWR will pay to Utility its Recurring Fees in monthly installments by the 10th day of each month in the manner provided in Section 7.3 below. Additionally, with respect to all other fees and charges which are expressly identified as owing by DWR to Utility under this Agreement (the "Additional Charges") Utility shall (in paper format or, at DWR's option, electronically) submit to DWR an invoice reflecting such Additional Charges for such calendar month. Any invoiced amount for Recurring Fees or Additional Charges shall be due and payable within three Business Days after presentation, and any invoiced amount and the Set-Up Fee shall be considered past due 30 calendar days after presentation, after which interest shall accrue as provided in Section 7.4. To the extent that any invoiced amounts described in this Section 7.2 are not fully paid within 45 days after presentation, and DWR has not objected to Utility in writing by such date, Utility shall have the right to deduct from any future Remittance(s) the unpaid and overdue amount which is not the subject of any such objection by such date, until such invoice is paid in full or until the dispute over the amount due has been resolved.

7.3. Method of Payment.

- (a) Except as otherwise expressly provided herein, any payment from either Party to the other Party under this Agreement shall be made by ACH or, if ACH is unavailable, then by wire transfer of immediately available funds to the bank account designated by the receiving Party or, if mutually agreed, paid by means of a check or warrant sent to the recipient's address indicated in accordance with Section 14.14 hereof. Where the Parties have made arrangements for a bank or other third party to remit funds from one Party to the other Party, proper identification of the bank or third party, including the account number, shall be furnished in writing. The remitting Party shall reasonably cooperate in correcting any bank or other third-party errors and shall not be relieved of its payment responsibilities because of such errors.
- (b) Except as expressly provided otherwise herein or under any Applicable Law, Utility shall be required to pay all expenses incurred by it in connection with its activities under this Agreement (including any fees to and disbursements by accountants, counsel, or any other person, any taxes, fees, surcharges or levies imposed on Utility, and any expenses incurred in connection with reports to be provided hereunder) out of the compensation paid to it pursuant to this Section 7, and Utility shall not be entitled to any extra payment or reimbursement therefor. Notwithstanding anything to the contrary above, if and to the extent any additional taxes (excluding taxes on Utility's income), fees or charges are imposed on Utility due solely to Utility's performance of Services hereunder with respect to DWR Power and DWR Charges (such as franchise fees or taxes on DWR Power, the State of California electric energy surcharge, local utility user taxes, or Commission fees), to the extent these taxes, fees, or charges are not already included in Utility's rates and Utility has not been reimbursed therefor and is not authorized to seek reimbursement from Customers therefor, DWR shall reimburse Utility therefor as "Additional Charges" in accordance with Section 7.2.

7.4. Interest

Except as provided in Sections 5.3 or 5.4, any Delinquent Payment under this Agreement (whether or not a regularly scheduled payment) shall bear interest at the Late Payment Rate.

Section 8. Records; Audit Rights; Annual Certification.

8.1. Records.

Utility shall maintain accurate records and accounts relating to DWR Charges in sufficient detail to permit recordation of DWR Charges billed to Customers and DWR Revenues remitted by Utility to DWR. Utility shall provide to DWR and its Assign(s) access to such records. Access shall be afforded without charge, upon

reasonable request made pursuant to Section 8.2. Access shall be afforded only during Business Hours and in such a manner so as not to interfere unreasonably with Utility's normal operations. Utility shall not treat DWR Revenues as income or assets of the Utility or any affiliate for any tax, financial reporting or regulatory purposes, and the financial books or records of Utility and affiliates shall be maintained in a manner consistent with the absolute ownership of DWR Revenues by DWR and Utility's holding of DWR Revenues in trust for DWR (whether or not held together with other monies).

8.2. Audit Rights.

- (a) Upon 30 calendar days' prior written notice, DWR may request an audit, conducted by DWR or its agents (at DWR's expense), of Utility's records and procedures, which shall be limited to records and procedures containing information bearing upon: (i) DWR Charges being billed to Customers by Utility (and Customer payments of DWR Charges); (ii) fees to Utility for Services provided by Utility pursuant to this Agreement; (iii) Utility's performance of its obligations under this Agreement; (iv) allocation of DWR Power pursuant hereto or Applicable Law; (v) projection or calculation of DWR's revenue requirements as described in Sections 80110 and 80134 of the California Water Code from time to time; and (vi) such other matters as may be permitted by Applicable Commission Orders, Applicable Tariffs or as DWR or its Assign(s) may reasonably request. The audit shall be conducted during Business Hours without interference with Utility's normal operations, and in compliance with Utility's security procedures.
- (b) As provided in the Act, the State of California Bureau of State Audits (the "Bureau") shall conduct a financial and performance audit of DWR's implementation of Division 27 (commencing with Section 80000) of the California Water Code, such audit to be completed prior to December 31, 2001, and the Bureau shall issue a final report on or before March 31, 2003. In addition, as provided in Section 8546.7 of the California Government Code, Utility agrees that, pursuant to this Section 8.2, DWR or the State of California Department of General Services, the Bureau, or their designated representative ("DWR's Agent") shall have the right to review and to copy (at DWR's expense) any non-confidential records and supporting documentation pertaining to the performance of this Agreement and to conduct an on-site review of any Confidential Information pursuant to Sections 8.3 and 8.8 hereof. Utility agrees to maintain such records for such possible audit for three years after final Remittance to DWR. Utility agrees to allow such auditor(s) access to such records during Business Hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Utility agrees to include a similar right for DWR or DWR's Agent to audit records and interview staff in any contract between Utility and a subcontractor related to performance of this Agreement.

8.3. Confidentiality.

Materials reviewed by either Party or its agents in the course of an audit may contain Confidential Information subject to Section 6 above. The use of all materials provided to DWR or Utility or their agents, as the case may be pursuant to this Section 8, shall comply with the provisions in Section 6 and shall be limited to use in conjunction with the conduct of the audit and preparation of a report for appropriate distribution of the results of the audit consistent with Applicable Law.

8.4. Annual Reports.

At least annually, Utility shall cause a firm of independent certified public accountants (which may provide other services to Utility) to prepare, and Utility will deliver to DWR and its Assign(s), a report addressed to Utility (which may be included as part of Utility's customary auditing activities), for the information and use of DWR, to the effect that such firm has performed certain procedures (the scope of which shall be agreed upon with DWR) in connection with Utility's compliance with its obligations under this Agreement during the preceding year, identifying the results of such procedures and including any exceptions noted. Utility will deliver a copy of each report prepared hereunder to the Commission (at the address specified in section 14.14) at the same time it delivers each such report to DWR.

8.5. Annual Certifications.

At least annually, Utility will deliver to DWR, with a copy to the Commission, a certificate of an authorized officer certifying that to the best of such officer's knowledge, after a review of Utility's performance under this Agreement, Utility has fulfilled its obligations under this Agreement in all material respects and is in compliance herewith in all material respects.

8.6. Additional Applicable Laws.

Each Party shall make an effort to promptly notify the other Party in writing to the extent such Party becomes aware of any new Applicable Laws or changes (or proposed changes) in Applicable Tariffs hereafter enacted, adopted or promulgated that may have a material adverse effect on either Party's ability to perform its duties under this Agreement. A Party's failure to so notify the other Party pursuant to this Section 8.6 will not constitute a material breach of this Agreement, and will not give rise to any right to terminate this Agreement or cause either Party to incur any liability to the other Party or any third party.

8.7. Other Information.

Upon the reasonable request of DWR or its Assign(s), Utility shall provide to the Commission and to DWR or its Assign(s) any public financial information in respect of the Utility applicable to Services provided by Utility under this Agreement, or any

material information regarding the sale of DWR Power, to the extent such information is reasonably available to Utility, which (i) is reasonably necessary and permitted by Applicable Law to monitor the performance by Utility hereunder, or (ii) otherwise relates to the exercise of DWR's rights or the discharge of DWR's duties under this Agreement or any Applicable Law. In particular, but without limiting the foregoing, Utility shall provide to DWR, with a copy to the Commission, any such information that is necessary or useful to calculate DWR's revenue requirements (as described in Sections 80110 and 80134 of the California Water Code) or DWR Charges.

8.8. Customer Confidentiality.

Nothing in this Section 8 shall affect the obligation of Utility to observe any Applicable Law prohibiting disclosure of information regarding Customers, and the failure of Utility to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8 or this Agreement.

Section 9. Representations and Warranties.

- (a) Each person executing this Agreement for the respective Parties expressly represents and warrants that he or she has authority to bind the Party on whose behalf he or she has executed this Agreement.
- (b) Each Party represents and warrants that it has the full power and authority to execute and deliver this Agreement and to perform its terms, that execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate or other action by such Party, and that this Agreement constitutes such Party's legal, valid and binding obligation, enforceable against such Party in accordance with its terms.

Section 10. Amendment Upon Changed Circumstances.

- (a) The Parties acknowledge that compliance with any Commission decision, legislative action or other governmental action (whether issued before or after the Effective Date of this Agreement) affecting the operation of this Agreement, including but not limited to (i) dissolution of the ISO, (ii) changes in the ISO market structure, (iii) a decision regarding the "Fixed Department of Water Resources Set-Aside" as such term is defined in Section 360.5 of the California Public Utilities Code, or (iv) the establishment of other Governmental Programs, may require that amendment(s) be made to this Agreement. The Parties therefore agree that if either Party reasonably determines that such a decision or action would materially affect the Services to be provided hereunder or the reasonable costs thereof, then upon the issuance of such decision or the approval of such action (unless and until it is stayed), the Parties will negotiate the amendment(s) to this Agreement that is (or are) appropriate in order to effectuate the required changes in Services to

be provided or the reimbursement thereof. Notwithstanding Section 5.4, if the Parties are unable to reach agreement on such amendments within 60 days after the issuance of such decision or approval of such action, either Party may, in the exercise of its sole discretion, submit the disagreement to the Commission for proposed resolution, in accordance with Applicable Law. Nothing herein shall preclude either Party from challenging the decision or action which such Party deems may adversely affect its interests in any appropriate forum of the Party's choosing.

- (b) The Parties acknowledge that this Agreement has not been reviewed by the rating agencies which are rating DWR's bonds. The Parties agree that, if the rating agencies request changes to this Agreement which the Parties reasonably determine are necessary or appropriate, the Parties will negotiate to amend this Agreement to accommodate the rating agency requests and will cooperate in obtaining any required approvals of the Commission or other entities for such amendments.
- (c) The Parties acknowledge that this Agreement shall be modified to implement the California Governor's Executive Order D-39-01, dated June 9, 2001, concerning load curtailment programs. Therefore, the Parties agree to negotiate an amendment to this Agreement and to cooperate in obtaining any required approvals of the Commission or other entity for such amendment.

Section 11. Data Retention.

All data associated with the provision and receipt of services pursuant to this Agreement shall be maintained for the greater of (a) the retention time required by Applicable Law or Applicable Tariffs for maintaining such information, or (b) three years.

Section 12. Indemnity.

Utility and, to the extent allowed under Applicable Law, DWR (each, the "Indemnifying Party") shall defend, indemnify, and hold the other Party, together with its affiliates, and each of their respective officers, agents, employees, assigns and successors in interest (collectively, the "Indemnified Party"), harmless from and against all claims, losses, demands, actions and expenses, damages and liabilities of any nature whatsoever (collectively "Claims") with respect to the acts or omissions of the Indemnifying Party or its officers, agents, contractors and employees or with respect to Indemnifying Party's performance of its obligations under this Agreement. Notwithstanding the above, the provisions of this Section 12 shall not apply to any Claims to the extent they involve the negligence, gross negligence, recklessness, willful misconduct or breach of this Agreement by either Indemnified Party. Each Indemnified Party shall bear its own attorneys' fees and costs under this Section 12. The Indemnifying Party's obligations under this Section 12 shall survive termination of this Agreement. This Section 12 notwithstanding, DWR makes no representation

that it has the express or implied legal authority to perform any obligation under this Section 12.

Section 13. Limitations on Liability.

13.1. Consequential Damages.

In no event will either Party be liable to the other Party for any indirect, special, exemplary, incidental, punitive, or consequential damages under any theory. Nothing in this Section 13.1 shall limit either Party's rights as provided in Section 12 above.

13.2. Limited Obligations of DWR and Utility.

DWR agrees that it will be liable for all amounts owing to Utility for the Services hereunder, irrespective of (a) any Customer's failure to make full and timely payments owed for DWR Power, or (b) Utility's rights under Sections 4.3 and 7.2 to deduct certain amounts in calculating Remittances owing by Utility to DWR under Attachment B. Utility will not be required at any time to advance or pay any of its own funds in the fulfillment of its responsibilities hereunder with respect to DWR Charges, except to the extent provided otherwise in Attachments B and H hereto. Any amounts payable by DWR under this Agreement shall be payable solely from moneys on deposit in the Department of Water Resources Electric Power Fund established pursuant to Section 80200 of the California Water Code (the "Fund"). Neither the full faith and credit nor the taxing power of the State of California are or may be pledged for any payment under this Agreement. Revenues and assets of the State Water Resources Development System are not available to make payments under this Agreement. If moneys on deposit in the Fund are insufficient to pay all amounts payable by DWR under this Agreement, or if DWR has reason to believe such funds may become insufficient to pay all amounts payable by DWR under this Agreement, DWR shall diligently pursue an increase to its revenue requirements as permitted under the Act from the appropriate Governmental Authority as soon as practicable.

Section 14. Miscellaneous.

14.1. Independent Contractor.

Utility and its agents and employees shall perform their obligations under this Agreement as independent contractors and not as officers or employees of the State of California. Notwithstanding the above, Utility shall act as the agent of DWR in billing and collecting DWR Charges hereunder, as provided in the Act and Section 80106 of the California Water Code.

14.2. Remedies Cumulative.

Except as otherwise provided in this Agreement, all rights of termination, cancellation, or other remedies in this Agreement are cumulative. Use of any remedy shall not preclude any other remedy available under this Agreement.

14.3. Assignment.

- (a) Except as provided in paragraphs (b), (c) and (d) below, neither Party shall assign or otherwise dispose of this Agreement, its right, title or interest herein or any part hereof to any entity, without the prior written consent of the other Party. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee. When duly assigned in accordance with this Section 14.3(a) and when accepted by the assignee, this Agreement shall be binding upon and shall inure to the benefit of the assignee. Any assignment in violation of this Section 14.3(a) shall be void.
- (b) Notwithstanding the provisions of this Section 14.3, Utility may delegate its duties under this Agreement to an agent or subcontractor, provided that Utility shall remain fully responsible for performance of any delegated duties and shall provide DWR with 30 calendar days' prior written notice of any such delegation, and further provided that such delegation does not, in the sole discretion of DWR, materially adversely affect DWR's or its Assigns' interests hereunder.
- (c) Utility acknowledges and agrees that DWR may assign or pledge its rights to receive performance (including payment of Remittances) hereunder to a trustee or another party ("Assign(s)") in order to secure DWR's obligations under its bonds (as that term is defined in the Act), and any such Assign shall be a third party beneficiary of this Agreement; provided, however, that this authority to assign or pledge rights to receive performance hereunder shall in no event extend to any person or entity that sells power or other goods or services to DWR. Notwithstanding the immediately preceding sentence, DWR may assign or pledge its rights to receive Remittances hereunder to another party in order to secure DWR's other obligations under the Act.
- (d) Any person (i) into which Utility may be merged or consolidated, (ii) which may result from any merger or consolidation to which Utility shall be a party or (iii) which may succeed to the properties and assets of Utility substantially as a whole, which person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Utility hereunder, shall be the successor to Utility under this Agreement without further act on the part of any of the Parties to this Agreement; provided, however, that Utility shall have delivered to DWR and its Assign(s) an opinion of counsel reasonably

acceptable to DWR stating that such consolidation, merger or succession and such agreement of assumption complies with this Section 14.3(d) and that all of Utility's obligations hereunder have been validly assumed and are binding on any such successor or assign.

- (e) Notwithstanding anything to the contrary herein, DWR's rights and obligations hereunder shall be transferred, without any action or consent of either Party hereto, to any entity created by the State legislature which is required under Applicable Law to assume the rights and obligations of DWR under Division 27 of the California Water Code.

14.4. Force Majeure.

Neither Party shall be liable for any delay or failure in performance of any part of this Agreement (including the obligation to remit money at the times specified herein) from any cause beyond its reasonable control, including but not limited to, unusually severe weather, flood, fire, lightning, epidemic, quarantine restriction, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, restraint by court order or Government Authority, or any combination of these causes, which by the exercise of due diligence and foresight such Party could not reasonably have been expected to avoid and which by the exercise of due diligence is unable to overcome. An Insolvency Event shall not constitute *force majeure*. Notwithstanding anything to the contrary above, each Party's obligation to pay money hereunder shall continue to the extent such Party is able to make such payment, and any amounts owed by Utility hereunder and received by Utility shall be held in trust for DWR (whether or not held together with other monies) and remitted to DWR as soon as reasonably practicable. Any amounts paid or remitted pursuant to this Section 14.4 shall not bear interest which would otherwise accrue under Section 7.

14.5. Severability.

In the event that any one or more of the provisions of this Agreement shall for any reason be held to be unenforceable in any respect under Applicable Law, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such unenforceable provision or provisions had never been contained herein.

14.6. Third-Party Beneficiaries.

The provisions of this Agreement are exclusively for the benefit of the Parties and any permitted assignee of either Party.

14.7. Governing Law.

This Agreement shall be interpreted, governed and construed under the laws of the State of California as if executed and performed wholly within the State of California.

14.8. Multiple Counterparts.

This Agreement may be executed in multiple counterparts, each of which shall be an original.

14.9. Section Headings.

Section and paragraph headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

14.10. Entire Agreement; Applicable Law.

- (a) This Agreement, including all attachments and agreements contemplated herein, contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement, and merges and supersedes all prior oral or written agreements, commitments, representations and discussions between the Parties or made to third parties regarding the subject matter of this Agreement, except that this Agreement and the Parties' obligations hereunder shall be subject in all cases to the provisions of Applicable Law, and except that this Agreement shall have no effect on the terms of any agreement between DWR and Utility, as modified from time to time after the Execution Date hereof, referenced in Attachment E hereto. Furthermore, no default under any such other agreement between the Parties shall constitute a default hereunder, and each party hereby waives any right to set off any amounts owing to it under any such other agreement against any amounts owing hereunder.
- (b) Should a conflict exist between the provisions contained in this Agreement (including the attachments hereto) and either Applicable Law or the 20/20 Program, the provisions of Applicable Law or the 20/20 Program, as the case may be, shall govern. The General Terms and Conditions contained in Attachment D are hereby incorporated by reference. In the event of a conflict between the provisions of this Agreement and any attachment hereto (including Service Attachment 1), then the provisions of the attachment shall govern. Nothing in this subsection (b) shall relieve the Parties from complying with their obligations under Section 10 to make amendments to this Agreement to reflect changed circumstances.

14.11. Amendments.

No amendment, modification, or supplement to this Agreement shall be effective unless it is in writing and signed by the authorized representatives of both Parties and approved as required, and by reference incorporates this Agreement and identifies the specific portions that are amended, modified, or supplemented or indicates that the material is new. No oral understanding or agreement not incorporated in this Agreement is binding on either of the Parties.

14.12. Waivers.

None of the provisions of this Agreement shall be considered waived by either Party unless the Party against whom such waiver is claimed gives such waiver in writing. The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect. Waiver by either Party of any default by the other Party shall not be deemed a waiver of any other default.

14.13. Construction.

This Agreement and the provisions contained herein shall not be construed or interpreted for or against any Party because that Party drafted or caused its legal representative to draft any of such provisions.

14.14. Notices and Demands.

- (a) Except as otherwise provided under this Agreement, all notices, demands, or requests pertaining to this Agreement shall be in writing and shall be deemed to have been given (i) on the date delivered in person, (ii) on the date when sent by facsimile (with receipt confirmed by telephone by the intended recipient or his or her authorized representative) or electronic transmission (with receipt confirmed telephonically or electronically by the intended recipient or his or her authorized representative) or by special messenger, or (iii) 72 hours following delivery to a United States post office when sent by certified or registered United States mail postage prepaid, and addressed as set forth below:

Utility: Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770

Attn: Doug Campbell, Contract Manager
7300 Fenwick Lane
Westminster, California 92683
Telephone: (714) 895-0275
Facsimile: (714) 895-0243
Email: campbeda@sce.com

DWR: State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Attn: Raymond D. Hart
Deputy Director
Telephone: (916) 574-2733
Facsimile: (916) 574-2512
Email: hartr@water.ca.gov

- (b) Each Party shall be entitled to specify as its proper address any other address in the United States, or specify any change to the above information, upon written notice to the other Party complying with this Section 14.14.
- (c) Each Party shall designate on Attachment A the person(s) to be contacted with respect to specific operational matters. Each Party shall be entitled to specify any change to such person(s) upon written notice to the other Party complying with this Section 14.14.
- (d) Copies of documents required by this Agreement to be delivered to the Commission shall be delivered in accordance with this Section 14.14 and shall be addressed as set forth below:

California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Attn: Paul Clanon
Energy Division Director
Telephone: (415) 703-2237
Facsimile: (415) 703-2200
Email: pac@cpuc.ca.gov

14.15. Good Faith.

Each party hereby covenants that it shall perform all its actions, obligations and duties in connection with this Agreement in good faith.

14.16. Approval.

This Agreement shall be effective when it has been executed by both Parties and approved by the Commission. Except as expressly provided otherwise herein, neither

Party may commence performance hereunder until such date. Any delay in the commencement of performance hereunder as a consequence of waiting for such approval(s) shall not be a breach or default under this Agreement.

DWR has determined, pursuant to Section 80014(b) of the California Water Code, that application of certain provisions of the Government Code and Public Contract Code applicable to State contracts, including but not limited to advertising and competitive bidding requirements and prompt payment requirements, would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the California Water Code and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement.

14.17. Attachments.

The following attachments are incorporated in this Agreement:

Service Attachment 1 – Consolidated Utility Billing Services

Attachment A – Representatives and Contacts

Attachment B – Remittance Methodology

Attachment C – Sample Daily and Monthly Reports

Attachment D – General Terms and Conditions

Attachment E – Additional Provisions

Attachment F – Calculation Methodology for Reduced Remittances Pursuant to 20/20 Program

Attachment G – Fee Schedule

Attachment H – Adjustments to DWR Charges for Variances in DWR Power Delivered

IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.

**CALIFORNIA STATE DEPARTMENT
OF WATER RESOURCES**

**SOUTHERN CALIFORNIA EDISON
COMPANY**

By: *R.D. Hart*

By: _____

Name: Raymond D. Hart

Name: _____

Title: Deputy Director

Title: _____

Date: June 22, 2001

Date: _____

IN WITNESS WHEREOF, the Parties have executed this Servicing Agreement on the date or dates indicated below, to be effective as of the Effective Date.

CALIFORNIA STATE DEPARTMENT OF WATER RESOURCES

SOUTHERN CALIFORNIA EDISON COMPANY

By: _____

By: *Pamela A. Bass*

Name: _____

Name: Pamela A. Bass

Title: _____

Title: Sr. Vice President of Customer Service

Date: _____

Date: 6/23/01

SERVICE ATTACHMENT 1
SOUTHERN CALIFORNIA EDISON
CONSOLIDATED UTILITY BILLING SERVICES

<u>Section</u>	<u>Title</u>	<u>Page</u>
Section 1	Establishment and Maintenance of Consolidated Utility Billing	SA 1-2
Section 2	Customer Billings Procedures.....	SA 1-2
Section 3	Customer Payments	SA 1-4
Section 4	Collection and Nonpayment.....	SA 1-4
Section 5	Taxes and Fees Service	SA 1-4
Section 6	Late Payments.....	SA 1-5

SERVICE ATTACHMENT 1
SOUTHERN CALIFORNIA EDISON
CONSOLIDATED UTILITY BILLING SERVICES

Section 1. Establishment and Maintenance of Consolidated Utility Billing.

Under Consolidated Utility Billing, Utility will include the DWR Charges with its Utility Charges on the Customer's Bill.

Section 2. Customer Billing Procedures.

2.1. Compliance with Metering Standards.

- (a) Utility shall comply with all metering standards pursuant to Applicable Tariffs.
- (b) Utility shall read and validate data from meters, and edit and estimate such data, under the terms of Applicable Tariffs.
- (c) Utility shall maintain, store and provide current and historical meter and usage data as required by Applicable Tariffs.

2.2. Presentation of DWR Charges on Consolidated Utility Bill.

- (a) Except as otherwise required by Applicable Law and Applicable Tariffs, Utility shall present a separate line item for the DWR Charges on all Consolidated Utility Bills in the manner and at the time required by Applicable Law and Applicable Tariffs.
- (b) Notwithstanding subsection (a) above, the Utility may change the manner of bill presentation of DWR Charges upon the agreement of DWR or at the request of DWR and upon agreement by the Utility. Such agreement by DWR or Utility is not to be unreasonably withheld.
- (c) Notwithstanding subsections (a) and (b) above, no change shall be made to Consolidated Utility Bill formats without the approval of the Commission, if the Commission's approval is required under Applicable Law and Applicable Tariffs.

2.3. Billing Costs.

Utility shall be reimbursed for the reasonable costs of the Billing Services it performs for DWR under this Agreement, except for those costs that would have been incurred in providing Billing Services for Customers in the absence of this Agreement. The Parties agree that the Commission has jurisdiction to address any dispute concerning

the reasonableness of the costs of Billing Services charged to DWR under this Agreement.

2.4. Adjustments to DWR Charges.

Utility will resolve all disputes with Customers relating to DWR Charges consistent with Applicable Tariffs and prevailing industry standards. Utility will not waive any late payment fee or modify the terms of payment of any amounts payable by Customer unless such action is consistent with the action taken with respect to its own Charges and Applicable Tariffs. In the event that DWR is entitled by Applicable Law to collect Exit Fees as a component of DWR Charges, this Agreement may be amended to facilitate the calculation and collection of such Exit Fees, and any such amendment shall be submitted to the Commission. For purposes of this Section 2.4, "Exit Fee" means any fee that DWR is entitled, under Applicable Law, to assess and collect from a Customer in the event such Customer ceases purchasing DWR Power.

2.5. Format of Consolidated Utility Bills.

Utility shall conform to such requirements in respect of the format, structure and text of Consolidated Utility Bills as Applicable Law and Applicable Tariffs shall from time to time prescribe. Utility shall, subject to the requirements of Sections 1 and 2 of this Service Attachment 1, determine the format and text of Consolidated Utility Bills in accordance with its reasonable business judgment, and its policies and practices with respect to its own charges.

2.6. Customer Notices.

- (a) If DWR Charges are revised at any time, Utility shall, to the extent and in the manner and timeframe required by Applicable Law, provide Customers with notice announcing such revised DWR Charges. Such notice shall, as appropriate, include publication, inserts to or in the text of the bills or on the reverse side of bills delivered to Customers, and/or such other means as Utility may from time to time use to communicate with its customers. The format of any such notice shall be determined by the mutual agreement of the Parties, subject to approval by the Commission's public advisor.
- (b) In addition, at least once each year, to the extent permitted by Applicable Law, Utility shall cause to be prepared and delivered to Customers a notice stating, in effect, that DWR Power and DWR Charges are owned by DWR and not Utility. Such notice shall be included, in a manner and format to be agreed upon by the Parties, subject to approval by the Commission's public advisor, either as an insert to or in the text of the bills or on the reverse side of bills delivered to such Customers or shall be delivered to Customers by electronic means or such other means as Utility may from time to time use to communicate with its Customers.

2.7. Delivery.

Utility shall deliver all Consolidated Utility Bills (i) by United States Mail in such class or classes as are consistent with polices and practices followed by Utility with respect to its own charges or (ii) by any other means, whether electronic or otherwise, that Utility may from time to time use to present its own charges to its customers. In the case of Consolidated Utility Billing Service, Utility shall pay from its own funds all costs of issuance and delivery of Consolidated Utility Bills, including but not limited to printing and postage costs as the same may increase or decrease from time to time, except to the extent that the presentation of DWR Charges and any associated bill messages or notices (including, without limitation, bill inserts and published notices) materially increase the costs in which case such increase in costs shall be borne solely by DWR. To the extent practicable, Utility agrees to give DWR seven calendar days prior written notice of any such additional costs. Any such increased costs shall be invoiced to DWR as Additional Charges and shall be subject to the provisions of Section 7 of the Agreement.

Section 3. Customer Payments.

Utility shall permit Customers to pay DWR Charges through any of the payment options then offered by Utility to Customers for payment of Utility Charges appearing on the Consolidated Utility Bill. Utility shall not permit Customers to direct how partial payments of balances due on Consolidated Utility Bills will be applied. Utility will credit all payments received from a Customer as set forth in Attachment B hereto.

Section 4. Collection and Nonpayment.

4.1. Collection of DWR Charges.

Utility will collect DWR Charges in accordance with its standard practices, and will notify Customers of amounts overdue for DWR Charges in accordance with such practices. Such collection practices shall conform to all requirements of Applicable Law and Applicable Tariffs. Utility will post all payments for DWR Charges as promptly as practicable, but in no case less promptly than Utility posts payments for Utility Charges.

4.2. Termination of Customer's Electrical Service.

Utility shall adhere to and carry out disconnection policies in accordance with Applicable Law.

Section 5. Taxes and Fees Service.

Subject to Section 7.3, Utility will collect and remit to the various authorities the taxes and fees assessed to Customers on the DWR Charges.

Section 6. Late Payments.

In the event that Utility receives late payment interest charges from a Customer, such payment shall be allocated to DWR based upon the same proportion that DWR Charges bear to the total Utility Charges on the Consolidated Utility Bill. Utility shall not allocate to DWR any other late payment service charges or collection fees (including but not limited to disconnection or reconnection services or similar charges related to Customer defaults).

ATTACHMENT A
SOUTHERN CALIFORNIA EDISON COMPANY
REPRESENTATIVES AND CONTACTS

A. Parties Representatives:

Utility Representative:

Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager
7300 Fenwick Lane, Westminster, CA 92683
Telephone: (714) 895-0275
Facsimile: (714) 895-0243
Email: campbeda@sce.com

DWR Representative:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821

Attn: Viju Patel
Energy Advisor
Telephone: (916) 574-0339
Facsimile: (916) 574-2512
Email: vpatel@water.ca.gov

B. Contact Persons:

The Parties shall make the following contact person(s) available with respect to the operational matters described below:

1. Billing Services:

Utility Contact (Primary):

Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager
7300 Fenwick Lane, Westminster, CA 92683
Telephone: (714) 895-0275
Facsimile: (714) 895-0243
Email: campbeda@sce.com

Utility Contact (Secondary):

Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Attn: Gail Higashi, Tariff Compliance & Implementation
P.O. Box 6109, Covina, CA 91722
Telephone: (626) 967-8261
Facsimile: (626)967-8327
Email: higashgm@sce.com

DWR Contact:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821

Attn: Jim Olson, Deputy Comptroller
Chief of Financial Management and Reporting
Telephone: (916) 574-1297
Facsimile: (916) 574-0301
Email: jolson@water.ca.gov

2. Scheduling, delivery and transmission:

Utility Contact (Primary):

Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Attn: Doug Campbell, Contract Manager
7300 Fenwick Lane, Westminster CA 92683
Telephone: (714) 895-0275
Facsimile: (714) 895-0243
Email: campbeda@sce.com

Utility Contact (Secondary):

Southern California Edison Company
2244 Walnut Grove Ave.
Rosemead, CA 91770

Attn: Mark Reardon, Energy Supply and Marketing
2244 Walnut Grove Ave, G.O. 1 Quad 1C,
Rosemead CA 91770
Telephone: (626) 302-3288
Facsimile: (626) 302-3276
Email: reardomb@sce.com

DWR Contact:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821

Attn: Susan Lee, Principal HEP Utility Engineer
Chief of Energy Scheduling and Trading
Telephone: (916) 574-1304
Facsimile: (916) 574-0301
Email: slee@water.ca.gov

ATTACHMENT B
SOUTHERN CALIFORNIA EDISON COMPANY
REMITTANCE METHODOLOGY

Daily Remittances

Payments for DWR Power will be collected by Utility as an agent for DWR. Payments will be allocated and applied using Utility's payment posting priority process (described below). All partial payments to Utility will be prorated based on the payment posting priority. During Utility's nightly Accounts Receivable System processing, payments collected on behalf of DWR will be identified and applied against DWR Charges. On the next day, SCE will identify and process payment to DWR for amounts collected. DWR will receive wire payment directly from SCE on the 2nd Business Day after payment is received. If DWR prefers, DWR may request the Utility to remit payments via Automated Clearing House (ACH).

DWR Outbound Payment: Proposed Process Wire Transfer and Sample Timeline:

1. Customer statements are sent out.
2. Day 0 - SCE receives payment and payment is allocated per SCE's payment posting priority.
3. Day 0 - SCE Accounts Receivable System identifies payments and applies DWR portion to pre-established AR reporting categories (after hours).
4. Day 1 - Daily report of payments applied to DWR Charges from previous nights payment processing is generated by approximately 9:00 A.M.
5. Day 1 - Cash voucher for DWR payment generated by approximately 11:00 A.M.
6. Day 1 - Cash voucher approved and DWR payment entered into Accounts Payable system for processing by approximately 1:00 P.M.
7. Day 2 - SCE Cash Management receives DWR Accounts Payable instructions by 10:00 A.M. Note: All SCE payables (cash vouchers) for the day must be received by 10:00 A.M. to be processed and analyzed to ensure funds are available. Due to SCE's current financial status, the bank will not authorize payments without available funds.
8. Day 2 - Wire Payment is sent to DWR no later than 2:30 P.M.

Adjustments for misapplied payments, returned checks, payment transfers, miscellaneous adjustments, excess 20/20 credits greater than DWR Charges, and any routine billing or payment corrections will be reflected in the daily DWR remittance as those adjustments are made in Utility's billing system.

Transition

The Parties recognize that prior to the Effective Date of this Agreement, Utility has been remitting DWR Charges to DWR based upon the Interim Remittance Methodologies. As described in Section 4.2(e), the Utility will reconcile the amounts remitted pursuant to the Interim Remittance Methodologies with the Remittances to be made pursuant to this Agreement as follows:

Utility shall continue to make remittances to DWR pursuant to the Interim Remittance Methodologies for usage through June 2, 2001, with the final remittance pursuant to the Interim Remittance Methodologies to occur on July 17, 2001. Utility shall also make Remittances to DWR for usage beginning June 3, 2001, utilizing the method set forth in Section 2.2, Attachment B and Attachment H of this Agreement.

Collection of DWR Charges

SCE will follow its existing collection policies and practices consistent with Applicable Law and Applicable Tariffs and apply them to both SCE and DWR Charges. As permitted by Applicable Law and Applicable Tariffs, Utility will disconnect Customers' electric service for unpaid DWR Charges, in the same manner as SCE disconnects for its own charges.

For accounting purposes, uncollectable balances are written off 180 days after the final statement is issued. At this time, DWR will be provided a report reflecting uncollected DWR Charges. SCE will continue to collect and remit DWR payments as received until any one of the following occur:

- Three years after the final statement is issued
- Notification of a customer's death
- Notification of a customer's filing for bankruptcy protection
 - DWR is responsible for filing claim on DWR Charges included in a bankruptcy filing.
 - SCE will continue to bill and pursue post petition DWR charges.
- Total balance due is \$15.00 or less

Responsibility for collection of any DWR Charges that remain unpaid after one of the above conditions occurs will revert to DWR.

Deposits Securing DWR Charges

SCE will collect security deposits from Customers and return those security deposits to Customers both in accordance with applicable tariffs. Such security deposits will be applied based on SCE's payment posting priority in the event a security deposit is no longer required.

Other Operating Revenue Collected by Utility

DWR shall have no rights to charges associated with Utility's collection or payment activities, including but not limited to, returned check charge, reconnection of service charge, field assignment charge, and QuickCheck charge. However, in accordance with Section 6 of Service Attachment 1, late payment interest charges assessed on DWR Charges will be remitted to DWR when collected.

Payment Posting Priority Process

Utility payment posting rules will assign equal priority to DWR Charges, SCE Energy, UUT, and Edison OnCall charges (together, "Priority Charges") by statement. Payments will be prorated among all categories of unpaid Priority Charges based on the amount owing in each statement. Priority Charges are paid first statement by statement. Any other non-priority charges will be paid with any remaining credit balance.

Payment Posting Rules:

1. Payments will be applied to the oldest statements and payment arrangements, first.
2. Within each statement or Payment Arrangement installment, the payment/credit will be prorated among all unpaid Priority Charges based on the amount owing in each category.

Sample:	SCE	DWR	UUT	EOC	Total
Bill due 6/10/01	\$30.00	\$60.00	\$5.00	\$5.00	\$100.00
% Of Total	30%	60%	5%	5%	100%
Payment 6/25/01	\$15.00	\$30.00	\$2.50	\$2.50	\$50.00
% Of Total	30%	60%	5%	5%	100%

ATTACHMENT C
SOUTHERN CALIFORNIA EDISON COMPANY
SAMPLE DAILY AND MONTHLY REPORTS

Utility will develop monthly reports providing information on sales (quantities of energy), revenues and other information that DWR may reasonably request. If available, Utility shall provide this information categorized by Customer class.

Sample: Daily Remittance Report

Process Date: xx/xx/xxxx Process Time: xx:xx
Settlement Date: xx/xx/xxxx

Provider Name	Payment Mode	Payment Amount
DWR	EFT	\$xxx,xxx.xx

Sample Report: Daily DWR Percentage of Power

Date	Daily %
6/3/01	0.25918
6/4/01	0.28901
6/5/01	0.26900
6/6/01	0.27000
6/7/01	0.30191

Monthly Summary Report

A monthly report will be provided showing total amount billed, adjusted, and collected at the summary level. The report will include total of DWR Charges billed, adjusted, returned (written off at day 180). See Sample.

Sample Report: Monthly

DPBXXXX	<u>DWR RECEIVABLES - OUTSTANDING AND COLLECTED</u>
XX-XX-XXXX	<u>MONTH, 2001</u>
ID: XXXXXXXX2	NAME: DWR
MONTH : XX-XX-XXXX TO XX-XX-XXXX	
DWR AMOUNT BILLED:	
NET AMOUNT BILLED	\$XXX,XXX.XX
AMOUNT CHARGED OFF:	\$XXX,XXX.XX
AMOUNT ADJUSTED - CR:	\$XXX,XXX.XX
<u>AMOUNT ADJUSTED - DB:</u>	<u>\$XXX,XXX.XX</u>
TOTAL AMOUNT BILLED:	\$XXX,XXX.XX
DWR AMOUNT COLLECTED:	
AMOUNT COLLECTED:	\$XXX,XXX.XX
<u>AMOUNT OTHER CREDITS:</u>	<u>\$XXX,XXX.XX</u>
TOTAL AMOUNT COLLECTED:	\$XXX,XXX.XX
<u>DWR AMOUNT PREVIOUSLY REMITTED ADJUSTMENT:</u>	<u>\$XXX,XXX.XX</u>
TOTAL AMOUNT TO BE REMITTED:	\$XXX,XXX.XX
DWR Outstanding day 180 (Inactive Accounts)	\$XXX,XXX.XX

YEAR-TO-DATE: XX-XX-XXXX TO XX-XX-XXXX

DWR AMOUNT BILLED:

NET AMOUNT BILLED:	\$XXX,XXX.XX
AMOUNT CHARGED OFF:	\$XXX,XXX.XX
AMOUNT ADJUSTED - CR:	\$XXX,XXX.XX
<u>AMOUNT ADJUSTED - DB:</u>	<u>\$XXX,XXX.XX</u>

TOTAL AMOUNT BILLED:	\$XXX,XXX.XX
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DWR AMOUNT COLLECTED:

AMOUNT COLLECTED:	\$XXX,XXX.XX
<u>AMOUNT OTHER CREDITS:</u>	<u>\$XXX,XXX.XX</u>

TOTAL AMOUNT COLLECTED:	\$XXX,XXX.XX
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<u>DWR AMOUNT PREVIOUSLY REMITTED ADJUSTMENT:</u>	<u>\$XXX,XXX.XX</u>
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TOTAL AMOUNT REMITTED:	\$XXX,XXX.XX
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ATTACHMENT D
SOUTHERN CALIFORNIA EDISON COMPANY
GENERAL TERMS AND CONDITIONS

For purposes of this Attachment D, Utility shall be deemed to be the "Contractor" hereunder. To the extent that Contractor's compliance with any of the terms of this Attachment D results in additional costs and expenses for Contractor (except to the extent the terms of this Attachment D merely require compliance with laws or regulations which apply to the Contractor irrespective of the existence of this Agreement), Contractor will invoice DWR for such additional costs and expenses, and DWR shall pay such invoices as Additional Charges, in the manner contemplated by Section 7 of the Agreement.

1. **RECYCLING CERTIFICATION:** The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of recycled content, both post consumer waste and secondary waste as defined in the Public Contract Code, Sections 12161 and 12200, in materials, goods, or supplies offered or products used in the performance of this Agreement, regardless of whether the product meets the required recycled product percentage as defined in the Public Contract Code, Sections 12161 and 12200. Contractor may certify that the product contains zero recycled content. (PCC 10233, 10308.5, 10354)

2. **NON-DISCRIMINATION CLAUSE:** During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all contracts with subcontractors to perform work under the Agreement.

3. **CERTIFICATION CLAUSES:** The CONTRACTOR CERTIFICATION CLAUSES attached hereto are hereby incorporated by reference and made a part of this Agreement.

4. CHILD SUPPORT COMPLIANCE ACT: "For any Agreement in excess of \$100,000, the contractor acknowledges that:

a. the contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and

b. the contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department."

5. UNION ORGANIZING: Contractor by signing this Agreement hereby acknowledges the applicability of Government Code Section 16645 through Section 16649 to this Agreement.

a. Contractor will not assist, promote or deter union organizing by employees performing work on a state service contract, including a public works contract.

b. No state funds received under this agreement will be used to assist, promote or deter union organizing.

c. Contractor will not, for any business conducted under this agreement, use any state property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote or deter union organizing, unless the state property is equally available to the general public for holding meetings.

d. If Contractor incurs costs, or makes expenditures to assist, promote or deter union organizing, Contractor will maintain records sufficient to show that no reimbursement from state funds has been sought for these costs, and that Contractor shall provide those records to the Attorney General upon request.

CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY, or EXECUTE THIS CERTIFICATION, in the manner required by Applicable Law, certifying thereby that I am duly authorized to legally bind the entity identified below to the clause(s) listed in the following numbered paragraphs 1-5. This certification is made under the laws of the State of California.

Southern California Edison Company

By: *Pamela Bass*

Name: Pamela A. Bass

Title: Sr. Vice President of Customer Service

Date: 6/23/01

Federal ID Number 95-1240335

Executed in the County of Los Angeles

CONTRACTOR CERTIFICATION CLAUSES

1. **STATEMENT OF COMPLIANCE:** Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103) .

2. **DRUG-FREE WORKPLACE REQUIREMENTS:** Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

- 1) the dangers of drug abuse in the workplace;
- 2) the person's or organization's policy of maintaining a drug-free workplace;
- 3) any available counseling, rehabilitation and employee assistance programs; and,
- 4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

- 1) receive a copy of the company's drug-free workplace policy statement; and,
- 2) agree to abide by the terms of the company's statement as a condition of employment.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 et seq.)

3. **NATIONAL LABOR RELATIONS BOARD CERTIFICATION:** Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders

Contractor to comply with an order of the National Labor Relations Board. (PCC 10296)

4. **RECYCLED MATERIALS:** Contractor hereby certifies under penalty of perjury that at least 0% of the materials, goods and supplies offered or products used in the performance of this Agreement meet or exceed the minimum percentage of recycled materials as defined in Sections 12161 and 12200 of the Public Contract Code.

5. **UNION ACTIVITIES:** In compliance with California Government Code Sections 16645 – 16649, Contractor hereby certifies that no request for reimbursement, or payment under this agreement, will be made for costs incurred to assist, promote or deter union organizing.

DOING BUSINESS WITH THE STATE OF CALIFORNIA

The following laws apply to persons or entities doing business with the State of California.

1. **CONFLICT OF INTEREST:** Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

Current State Employees (PCC 10410):

- 1) No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.
- 2) No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

Former State Employees (PCC 10411):

- 1) For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.
- 2) For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (PCC 10430 (e))

2. **LABOR CODE/WORKERS' COMPENSATION:** Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. **AMERICANS WITH DISABILITIES ACT:** Contractor assures the State that it

complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)

4. **CONTRACTOR NAME CHANGE:** An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

5. **AIR OR WATER POLLUTION VIOLATION:** Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

6. **PAYEE DATA RECORD FORM STD. 204:** All contractors that are not another state agency or other government entity must complete this form.

ATTACHMENT E
SOUTHERN CALIFORNIA EDISON COMPANY
ADDITIONAL PROVISIONS

Section 1. Memorandum of Understanding

Memorandum of Understanding, entered as of April 9, 2001, by and among the California Department of Water Resources and Southern California Edison Company, a California corporation, and, as to Sections 5, 8, and 12, Edison International, a California corporation ("MOU"). The MOU sets forth the understandings of the parties about a plan to provide affordable and reliable electricity to customers of SCE.

Section 2. Letter Agreement

Letter Agreement dated June __, 2001, between California Department of Water Resources and Southern California Edison Company, regarding payment by DWR of SCE invoices for implementation and recurring fees and ability of SCE to reduce Remittances by amount of customer credits under the 20/20 program and other interruptible programs prior to the Effective Date of the Servicing Agreement.

Section 3. Reservation of Rights

Notwithstanding (i) the terms, execution or operation of the Agreement, (ii) the approval of, any modification to, or any other action taken with respect to or having an effect on the Agreement by the Commission or any other Governmental Authority, or (iii) any other action taken by a Governmental Authority, Utility hereby reserves all rights (if any) in any forum to contest, oppose, appeal, comment on, or otherwise seek to revisit, alter, modify or set aside any present or future decisions, orders, opinions, rulings, or actions or omissions to act by the Commission or any other Governmental Authority, whether in draft, interim or final form, arising out of, relating to, or connected with (x) the calculation of DWR Charges or DWR Revenues and the allocation of costs and amounts of electric capacity and output among the customers of electrical corporations, (y) the interpretation and/or legality of Applicable Law or Applicable Commission Orders, or (z) remittance of such calculated amounts by Utility to DWR or its Assign(s) under Applicable Law or Applicable Commission Orders in a manner inconsistent with this Agreement or Utility's ability to perform its utility functions.

Section 4. Orders of the Federal Energy Regulatory Commission

Nothing in the Agreement shall operate to modify any of the requirements of any order of the Federal Energy Regulatory Commission. Without limiting the generality of the foregoing, nothing in the Agreement shall obligate Utility to pay for costs that would be inconsistent with any order of the Federal Energy Regulatory Commission or the ISO tariff.

ATTACHMENT F
SOUTHERN CALIFORNIA EDISON COMPANY
CALCULATION METHODOLOGY FOR REDUCED REMITTANCES
PURSUANT TO 20/20 PROGRAM

Reimbursement of 20/20 Rebate Costs

Utility will utilize the method set forth in Attachment B to remit DWR Revenues to DWR. Payments to DWR (less the 20/20 rebate deduction) for DWR Charges will be remitted as the bills are paid by the customer. The 20/20 rebate will credit (reduce) the current DWR Charges on the Customer's bill. If the current DWR Charges on the Customer's bill are less than the 20/20 rebate, the remaining rebate will be applied to older DWR Charges. If there is still a remaining credit after all DWR Charges are offset, the remaining rebate will be applied as a credit pursuant to Utility payment posting priority rules and will offset other charges. Because DWR is funding the rebate program, Utility will recover any excess rebate amount by deducting it from the Daily Remittance(s) made to DWR. This will be reflected in the Utility's monthly summary report as "amount previously remitted." If, upon or after termination of this Agreement, excess rebates are owed, Utility will invoice DWR for such rebates as Additional Charges pursuant to Section 7 of the Agreement.

Reimbursement of 20/20 Implementation Costs

DWR will pay to Utility an implementation fee and recurring fees in order to cover Utility's reasonable development and on-going costs for the procedures, systems and mechanisms that are necessary to implement the 20/20 Program. Utility shall invoice DWR for payment of the implementation fee and recurring fees with reasonable supporting documentation in accordance with Section 7.2 of the Servicing Agreement.

20/20 Fee Schedule

The intent is to reimburse the actual, incremental costs incurred by Southern California Edison (SCE). SCE will exercise its best efforts in managing their operations to minimize costs and keep within the budgeted costs shown below:

Estimated 20/20 Governor's Executive Order (March 13, 2001)

Incremental Costs

			Start Up	Ongoing			
				2002	2003	2004	
1	Billing Infrastructure Maintenance	Annual Cost	-	-	182,801	181,199	172,068
2	Billing Application System Maintenance	Annual Cost	-	12,171	33,378	34,720	36,039
3	Bundled Svc/C&I Letters, postage, Internet Access	Annual Cost	-	188,766	-	-	-
4	Rebills	Annual Cost	-	84,698	-	-	-
4	Field Visit	Annual Cost	-	108,844	-	-	-
5	Call Center Billing Inquiry	Annual Cost	-	315,742	-	-	-
6	Call Center Training Development, Delivery and Materials	One Time Fee	98,049	-	-	-	-
Total O&M Expenses			98,049	710,220	216,179	215,919	208,108

Capital Item							
1	Billing System Infrastructure Upgrade	One Time Purchase	898,825	-	-	-	-
2	Billing Application System Development	One Time Fee	514,500	-	-	-	-
Total Capital			1,413,325	-	-	-	-

Key Cost Assumptions:

- ⇒ 20/20 Rebate Program effective date June 1, 2001; termination date Oct. 31, 2001.
- ⇒ Billing Infrastructure includes CSS and CRISS systems upgrade.
- ⇒ Programming costs include changes to SCE billing system for residential and non-residential customers to establish and display rebate information, including prior usage, baseline allowance, credit, etc.
- ⇒ Survival of Payment Obligation Clause: System infrastructure and application will be maintained up to 2004 with the anticipation of continued rebill and collection activities.
- ⇒ CCO (Customer Communication Org.) anticipates average 30% increase of handle time from
TURN ON/OFF calls; average 20% increase in billing inquiries from July to October; average 30% of Billing Inquiries (BI) will be escalated to BI cases demanding higher level involvement for resolution.
- ⇒ Average 10% of BI cases will result in field visits.
- ⇒ Anticipate an average of additional 3,000 monthly rebills. Rebills will be continued up to 2004, as part of our continued ongoing operation.
- ⇒ Costs are estimated, SCE reserves the right to adjust costs as needed.

If SCE's monthly expense tracking systems or mechanisms show that costs are running greater than 15% higher or lower than estimated, SCE shall notify DWR of the reasons for the variance. SCE will invoice as "additional fees" or refund to DWR on a quarterly basis for any over or under collection of fees if greater than 15% or as agreed upon by the parties. Requests for additional services, not provided for in the Agreement or Attachment G, will be mutually agreed upon by the parties prior to rendering service to determine labor and systems constraints. Cost for additional services shall be negotiated in good faith by the parties prior to rendering service.

Approved costs will be reimbursed in accordance with Section 7.2 of the Servicing Agreement. Each invoice for additional costs must include:

- Appropriate documentation for fixed amounts where tracking these costs is burdensome. For example: CCO (Customer Communication Organization) assumes increase in billing related inquiries from July to October will be approximately 20% or 17,800 additional calls. The CCO cost per call in 2001 is approximately \$4.02 per call. 2001 annual total of \$71,556 to be paid monthly by DWR.
- Hourly labor rates and total hours to complete a task acceptable, such as programming the billing systems (Estimates should always cover maximum effort expected with any contingencies. This will avoid having to come back and amend service agreement if total authorized amounts are exceeded).
- Provide invoices or vendor receipts for equipment purchases.

20/20 Program Reporting

1. **Bi Monthly** – To the extent reasonably possible, SCE shall provide DWR with a report showing the aggregated dollar amount and number of 20/20 credits applied to Customer accounts at least twice monthly.
2. **Monthly** – To the extent reasonably possible, SCE shall provide DWR with monthly reports showing the monthly total number of Customer accounts by customer class, average percent amount and average credit amount of 20/20 credits. In addition, SCE will provide prior year and current years system wide monthly kWh average. Monthly reports will be completed within 10 Business Days after the first of each month.
3. **Program Summary** – To the extent that SCE completes any additional analysis of the results of the 20/20 Program, such as by qualification type, SCE will provide to DWR such analysis. Any additional findings, including "lessons learned" and recommendations for future similar programs, will also be provided to DWR.

ATTACHMENT G
SOUTHERN CALIFORNIA EDISON COMPANY
FEE SCHEDULE

The intent is to reimburse the actual, incremental costs incurred by Southern California Edison Company (SCE). SCE will exercise its best efforts in managing their operations to minimize costs and keep within the budgeted costs shown below:

Estimated DWR / ABX 1 Incremental Costs

			Start Up	Ongoing			
1	Billing Infrastructure Maintenance	Annual Cost	-	-	96,380	86,433	78,084
2	Billing Application System Maintenance	Annual Cost	-	32,124	57,207	59,507	61,763
3	Bank Charges - Wire Transfer	Annual Cost	-	1,285	2,227	1,140	771
4	Remittance Processes	Annual Cost	-	948	1,642	841	569
5	Call Center DWR Line Item Billing Inquiry	Annual Cost	-	94,530	67,673	-	-
6	Call Center Training Development, Delivery and Materials	One Time Fee	30,003	-	-	-	-
Total O&M Expenses			30,003	128,887	225,129	147,921	141,192
1	Billing System Infrastructure Upgrade	One Time Purchase	564,846	-	-	-	-
2	Billing Application System Development	One Time Fee	1,236,400	-	-	-	-
Total Capital			1,801,246	-	-	-	-

Key Cost Assumptions:

- ⇒ Service Agreement effective date June 3, 2001; DWR purchase of power agreement terminates 1/2/2003; Remittance for DWR funds can occur for up to 3 years after final bill presentation.
- ⇒ Billing Infrastructure includes CSS (Customer Service System) and CRRIS (Revenue Reporting System) systems upgrade.
- ⇒ Programming costs include changes to SCE billing system for residential and non-residential customers and presentation of a DWR line item on the bill.
- ⇒ Remittances will be on a daily basis via wire transfer using the “precise billing method” described in the March 27, 2001 decision (D.01-03-081) and further defined in SCE Attachment B.
- ⇒ CCO (Customer Communication Organization) anticipates an average 12% increase in Billing Inquiries (BI) the first 7 months, with diminishing inquiries down to 6% the 2nd year.
- ⇒ Excludes 20/20 Rebate programming and service costs.
- ⇒ Costs are estimated, SCE reserve the right to adjust costs as needed.

If SCE’s monthly expense tracking systems or mechanisms show that costs are running greater than 15% higher or lower than estimated, SCE shall notify DWR of the reasons for the variance. SCE will invoice as “additional fees” or refund to DWR on a quarterly basis for any over or under collection of fees if greater than 15% or as agreed upon by the parties. Requests for additional services, not provided for in the Agreement or Attachment G, will be mutually agreed upon by the parties prior to rendering service to determine labor and systems constraints. Cost for additional services will be negotiated in good faith by the parties prior to rendering service.

Approved costs will be reimbursed in accordance with Section 7.2 of the Servicing Agreement. Each invoice for additional costs must include:

- Appropriate documentation for fixed amounts where tracking these costs is burdensome. For example: CCO (Customer Communication Organization) assumes increase in billing related inquiries from June 3, 2001 to December 31, 2001 will be approximately 12.21% or 23,544 additional calls. The CCO cost per call in 2001 is approximately \$4.02 per call. 2001 annual total of \$94,530 to be paid monthly by DWR.
- Hourly labor rates and total hours to complete a task acceptable, such as programming the billing systems (Estimates should always cover maximum effort expected with any contingencies. This will avoid having to come back and amend service agreement if total authorized amounts are exceeded).
- Provide invoices or vendor receipts for equipment purchases.

ATTACHMENT H
SOUTHERN CALIFORNIA EDISON
ADJUSTMENTS TO DWR CHARGES FOR VARIANCES IN DWR POWER
DELIVERED

SCE Remittance Percentage Calculation and True-Up

Southern California Edison's (SCE) Energy Supply and Management Department will provide to the SCE Billing Department the daily DWR Percentage. This Percentage will be used by the Billing Department to identify the amount of the customer usage provided by DWR and shall be the initial basis for remittance of revenues to DWR. This factor is calculated by dividing the daily California Energy Resource Scheduling (CERS) Final Hour Ahead Schedule by the SCE estimate of total customer usage. Upon receipt and review of the Final Settlement Statements from the ISO (in approximately 90 days) the DWR Percentage will be prospectively adjusted to reflect any past estimation error. This adjustment will be reflected in the next day's DWR Percentage and included in the next Customer Bill. The DWR Percentage will be updated daily.

NOTE:

1. Until such time as DWR and Utility come to agreement as to how Imbalance Energy will be procured and billed, Imbalance Energy will not be included in this remittance calculation. Upon agreement, appropriate changes will be formulated by DWR and Utility for this Attachment H.
2. "Day t" is the Trade Day, the date energy was used. For example, energy used on "Day t" will be included in a factor transmitted to billing on day t+1.

The DWR Percentage will be calculated as the sum of the 24 hourly values of (i) the scheduled CERS energy (from published CERS Hour Ahead Final Schedule) and (ii) the True-up Energy, divided by forecasted customer usage for that day. The True-up Energy, for each hour, is the difference between the Forecasted DWR Energy and the Actual DWR Energy as determined from the Final Settlement Statements for the day t-90.

Detailed Process:

Refer to attached Process Flow Diagram.

Daily Percentage Calculation:

This calculation is performed on **t+1** (the day after the energy is used)

For each day **t**, SCE will retrieve from ISO published CERS Hour Ahead Final Schedule the amount of the energy that is scheduled to SCE from DWR. This energy is scheduled to SCE in the form of a Scheduling Coordinator to Scheduling Coordinator Trade.

For each day **t**, SCE will develop a forecast of Customer Usage.

SCE will calculate the DWR Percentage Factor for trade day **t** by dividing the sum of (i) energy scheduled by CERS for each hour in day **t** and (ii) any True-Up Energy for day **t-90**, by the SCE forecast of Customer Usage for day **t**.

True-up Energy

Since the DWR Percentage Factor provided for day **t** on day **t+1** includes an estimate of SCE Customer Usage, an adjustment or true-up will be required at a later date, when actual Customer Usage data becomes available. This True-up Process will occur on **t+1** for **t-90**.

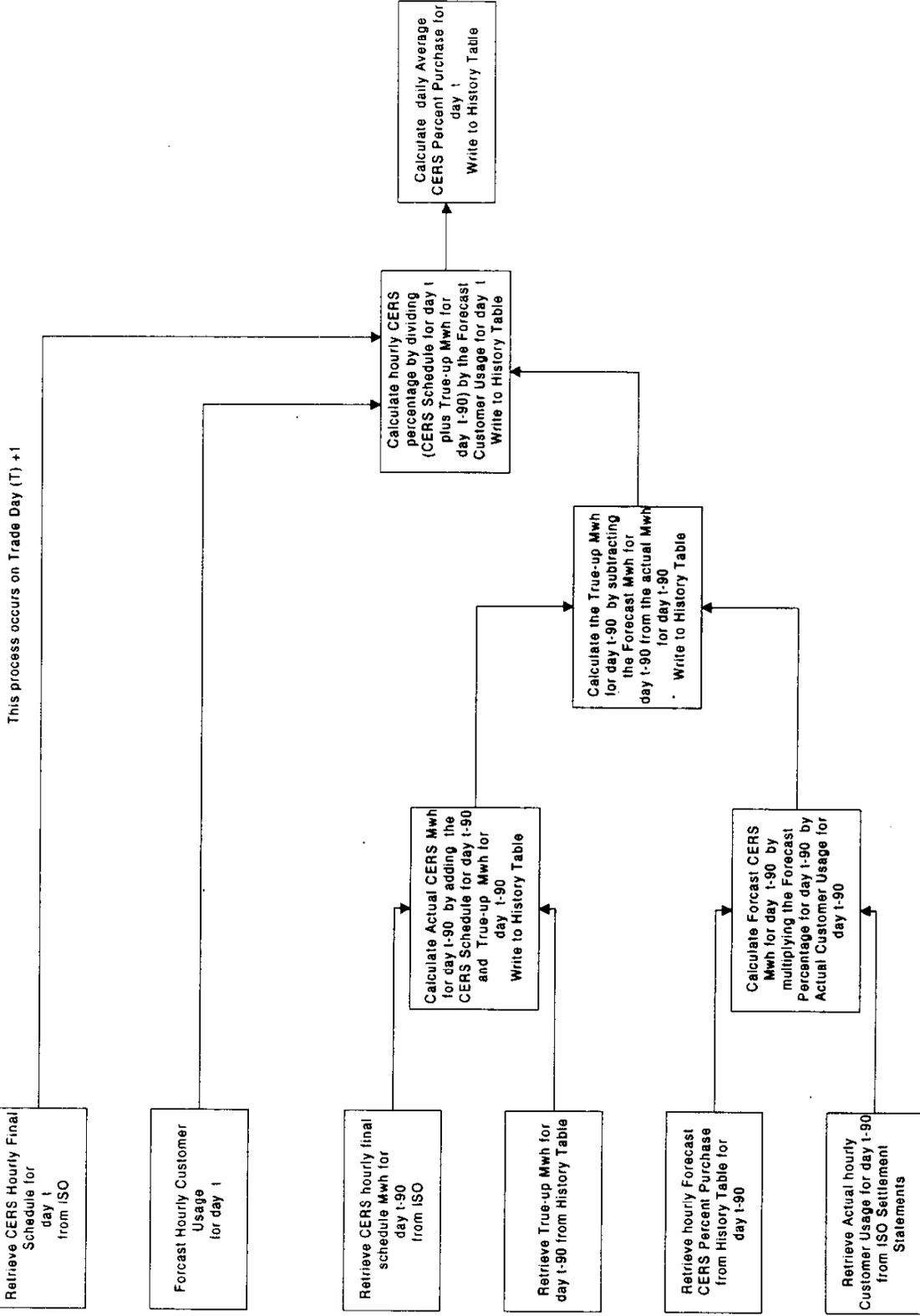
On day **t+1**, Final Settlement Statements from the ISO have been received and validated for **t-90**.

The True-up Energy for day **t-90** is calculated by subtracting the Forecast DWR MWh for day **t-90** from the Actual DWR MWh for day **t-90**. The Forecast DWR Energy is the DWR Percentage for **t-90** multiplied by the actual customer usage for **t-90**. The Actual DWR Energy is the CERS Schedule. The difference between the two arises because the DWR Percentage is calculated by dividing the CERS Schedule by the estimate of customer usage.

Daily Percentage Factor Calculation

The Daily Percentage Factor will be used by SCE's Billing Department to calculate the customer's bills for the next day.

CERS Purchase Remittance Process

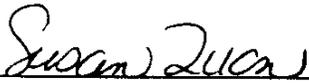


CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of **APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) FOR EXPEDITED APPROVAL OF SERVICING AGREEMENT** on all parties identified on the attached service list. Service was effected by means indicated below:

- Placing the copies in properly addressed sealed envelopes and depositing such envelopes in the United States mail with first-class postage prepaid (Via First Class Mail);
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand to the offices of each addressee (Via Courier);
- Transmitting the copies via facsimile, modem, or other electronic means (Via Electronic Means).

Executed this **25th day of June 2001**, at Rosemead, California.



Susan Quon
Project Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770