California Independent
System Operator Corporation

REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN CONFIDENTIAL ATTACHMENT

November 10, 2011

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Filing of Second Revised Rate Schedule No. 19
Docket No. ER11-____-000

Dear Secretary Bose:

The California Independent System Operator Corporation submits for Commission filing and acceptance an amendment to the Interconnected Control Area Operating Agreement ("Amended ICAOA") between the CAISO and the Salt River Project Agricultural Improvement and Power District ("SRP").[1] The CAISO submits the instant filing in order to revise the existing ICAOA between the CAISO and SRP to incorporate provisions necessary to implement pseudo-ties consistent with the ISO's dynamic transfer policy recently approved by the Commission.[2] The CAISO proposes that the Amended ICAOA be made effective on November 12, 2011 as the second revised CAISO rate schedule no. 19.

The version of the Amended ICAOA included with this filing is intended to be publicly released. In addition, the CAISO includes, in a confidential attachment to the instant filing, the provisions of the Amended ICAOA for which

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[1] The CAISO submits the Amended ICAOA pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d and Part 35 of the Commission's regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009).

[2] *See* CAISO Tariff, Appendix N, Section 2.3 (requiring an operating agreement with the native balancing authority area as a condition to establishing a pseudo-tie as approved in ER11-4161-000); *see also*, FERC Docket No. ER11-4732-000 (approving a pilot pseudo participating generator agreement between the CAISO and Sempra Generation with respect to a pseudo-tie from the SRP balancing authority area).

the CAISO requests confidential and privileged treatment pursuant to 18 C.F.R. § 388.112.

I. Background and purpose of the ICAOA

The ICAOA sets forth the rates, terms, and conditions on which the CAISO and SRP, as NERC registered balancing authorities, operate the interconnection and provide emergency assistance as required by the reliability standards. The original version of the ICAOA was filed with the Commission on December 10, 1997 in Docket No. ER98-1030-000. The Commission accepted that filing, subject to suspension, hearing procedures, and refund procedures in *California Independent System Operator Corporation*, 82 FERC ¶ 61,174, at 61,622 and Ordering Paragraphs (B) and (D) (1998). On October 2, 1998, the CAISO filed an offer of settlement in the proceeding in which it proposed certain revisions to the ICAOA. The Commission approved the offer of settlement in *California Independent System Operator Corporation*, 87 FERC ¶ 61,231 (1999). Pursuant to the Commission's approval of the offer of settlement, on July 28, 1999, the CAISO submitted a compliance report containing the revised version of the ICAOA in Docket No. ER98-1030-001. The Commission accepted the compliance report by letter order issued on March 14, 2001. The ICAOA is designated as Rate Schedule FERC No. 19.

An amendment to the ICAOA was later submitted in Docket No. ER06-333-000, which provided for dynamic scheduling, and was approved by Commission letter order issued on February 2, 2006. This was designated as CAISO first revised rate schedule no. 19 and represents the currently effective ICAOA. The parties now desire to amend the ICAOA as described below.

II. Proposed changes to the ICAOA

The Amended ICAOA provides the foundation for implementation of pseudo-ties between the CAISO and SRP consistent with the CAISO tariff, and includes the following revisions to the ICAOA.

A. Section ICAA 5.5 has been added to authorize the parties to establish a pseudo-tie upon mutual agreement in accordance with the provisions of a new service schedule 18.

B. Service Schedule 18 has been added to:

1. Define pseudo-tie as an electrical arrangement by which the output of a generating facility physically interconnected to the electric grid of SRP's balancing authority area is telemetered to and deemed to be produced in the CAISO balancing authority area, and for which the CAISO is the sole obligator and provider of balancing authority services, and CAISO

exercises sole balancing authority jurisdiction over the pseudo-tie generating facility.

2. Require that operation of a pseudo-tie comply with all applicable NERC and WECC reliability standards, requirements, and provisions of the ICAOA regarding inter-balancing authority area scheduling.

3. Provide that the CAISO will register each pseudo-tie as a "Point(s) of Delivery" (POD) and "Point(s) of Receipt" on NERC's Transmission Service Information Network (TSIN).

4. Ensure that once registered with NERC as a POD and POR, each pseudo-tie shall remain in effect unless and until terminated by mutual agreement of the parties or upon two years written notice by either the CAISO or SRP.

5. Clarify that the generating facility and CAISO are solely responsible for arrangements to facilitate the continued delivery of energy and ancillary services from a pseudo-tie generating facility to the desired delivery points in the CAISO control area, including during any time the primary transmission contract path is unavailable or curtailed and/ or the Interconnection between SRP and the ISO is lost.

6. Establish that the Parties shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the other party's balancing authority area.

7. Allocate to the CAISO responsible for all balancing authority area services and related responsibilities, including reactive supply and voltage control, for any pseudo tie generating facility deemed to be in the CAISO balancing authority area.

Under the circumstances presented the CAISO agreed with SRP to assume responsibility for all balancing authority area services[3], including reactive supply and voltage control. While in the CAISO's view it perhaps would be more appropriate for SRP as the native balancing authority area to undertake responsibility for reactive supply and voltage control, the CAISO recognizes that there is nothing in the CAISO tariff or the NERC guidelines that prevents the

[3] The Amended ICAOA maintains the use of the term "Control Area" and "Control Area Operator." The CAISO recognizes that the term "Control Area" is now referred to as a "Balancing Authority Area" in the NERC Glossary of Terms, and that there is no parallel definition for "Control Area Operator" in the NERC functional model. Nevertheless, the CAISO has accepted the continued use of these terms in the ICAOA in order to facilitate negotiation of the Amended ICAOA. The CAISO proposed an alternative to SRP during the course of these negotiations and will continue to work with SRP to explore possible replacement of the ICAOA using updated terminology.

CAISO from agreeing to provide this service under the circumstances.[4] Indeed, the CAISO tariff requires the CAISO to provide a pseudo-tie generating unit all balancing authority area services provided to other generating units in the CAISO balancing authority area unless otherwise procured from some other source.[5]

The CAISO intends to work with all generating facility owners that desire to establish a pseudo-tie with the CAISO from the SRP balancing authority area to ensure implementation of the Amended ICAOA does not present any operational issues. Specifically, the CAISO will ensure the generating facilities are capable of self supplying reactive power and that the resource owners understand that the CAISO, not SRP, will control the voltage at the generating facility.

III. Request for Confidential and Privileged Treatment

Pursuant to Commission Order Nos. 630 and 630-A,[6] and Order No. 714, the CAISO includes, in a confidential attachment to the instant filing, the non-public portions of the Amended ICAOA, specifically, the SRP specific operational contact information included in service schedule 3. The CAISO is seeking confidential and privileged treatment for this information under 18 C.F.R. § 388.112, as it includes confidential information regarding CAISO and SRP operating personal contact information. The CAISO submits that public disclosure of the information in this service schedule would unnecessarily reveal sensitive information that could result in impairment to system operations and pose significant security problems as to the facilities referenced therein, and therefore the identified portions of the Schedules should be granted confidential and privileged treatment.

V. Effective Date and Requested Waiver

The CAISO requests that the Amended ICAOA included in the instant filing be made effective on November 12, 2011. The CAISO requests waiver,

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[4] *See* NERC Dynamic Transfers Guidelines, Version 2, May 20, 2009 (allowing balancing authority areas to agree upon allocation of balancing authority area responsibilities, available at: http://www.nerc.com/docs/oc/is/IS_Dynamic_Transfer_Guidelines.pdf).

[5] *See* CAISO Tariff, Appendix N, Section 1.2.1.13 (establishing such a requirement depending on the availability of transmission service across the transmission path from the CAISO intertie to the pseudo-tie generating unit). Here the anticipated pseudo-tie generating units will be interconnected to the Hassayampa switchyard, which is operated as common bus and is adjacent to the interties between the CAISO and SRP. This configuration represents the circumstances under which the ISO was willing to accept responsibility for the provision of reactive supply and voltage control. Other configurations may require further consideration by the ISO and SRP, possibly including amendment of the ICAOA.

[6] *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. & Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. & Regs. ¶ 31,147 (2003).

pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), of the 60-day notice requirement set forth in Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3), and to the extent necessary, the CAISO respectfully requests that the Commission grant any other waivers of Part 35 of its regulations that may be required in connection with the requested effective date. November 12 is the effective date that the CAISO and SRP have agreed upon and it is important the pseudo-tie provisions of the ICAOA be made effective as of this date in order for Sempra Generation to begin testing of its Mesquite Solar 1 generating facility interconnected with SRP. Granting the requested effective date and waiver, therefore, is appropriate.

VI. Expenses

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

VII. Service

The CAISO has served copies of this filing upon SRP, the California Public Utilities Commission, and the California Energy Commission. In addition, the CAISO has posted the filing on the CAISO website.

The CAISO encloses the following for filing:

(1) this letter of transmittal;
(2) the executed Amended ICAOA (Attachment A);
(3) the public version of the ICAOA with revisions to the prior version of the ICAOA (Attachment B);
(4) the public version of the ICAOA with revisions to the prior version of the ICAOA in red-line format (Attachment C)
(5) the confidential version of the ICAOA for which the CAISO requests confidential and privileged treatment (in confidential Attachment D); and;
(6) the confidential version of the ICAOA with revisions to the prior version of the ICAOA in red-line format for which the CAISO requests confidential and privileged treatment (in confidential Attachment E).

VIII. Correspondence

The CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

John C. Anders*
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7287
Fax: (916) 608-7222
E-mail: janders@caiso.com

* Individual designated for service pursuant to Rule 203(b)(3), 18 C.F.R. § 203(b)(3).

IX. Conclusion

The CAISO respectfully requests that the Commission accept this filing and permit the CAISO's submittal of the Amended ICAOA to be effective as of the date requested. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

By: */s/ John C. Anders*

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Attorneys for the California Independent
System Operator Corporation

Attachment A

Executed Amendment No. 2 to the ICAOA between CAISO and SRP

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

AMENDMENT NO. 2 TO THE INTERCONNECTED CONTROL AREA OPERATING AGREEMENT

THIS AMENDMENT NO. 2 to the Interconnected Control Area Operating Agreement referenced above is dated November 10, 2011, and is entered into by and between:

(1) **Salt River Project Agricultural Improvement and Power District** ("SRP"), an agricultural improvement district organized and existing under the laws of the State of Arizona, having its registered and principal executive office at 1521 North Project Drive, Tempe, Arizona 85281-1206,

and

(2) **California Independent System Operator Corporation** ("ISO"), a California nonprofit public benefit corporation having a principal executive office located at 250 Outcropping Way, Folsom, California 95630.

SRP and the ISO are hereinafter referred to as the "Parties."

Whereas:

A. The Parties are signatories to an Interconnected Control Area Operating Agreement effective July 26, 1999 (the "ICAOA").

B. The Parties desire to amend the ICAOA to provide for implementation of Pseudo-Ties, as defined in a new Schedule 18 to the ICAOA, for generating facilities radially interconnected to the SRP electric grid.

C. In all other respects, the Parties intend that the ICAOA remain in full force and effect in accordance with its terms.

NOW THEREFORE, **THE PARTIES AGREE** as follows:

1. **Termination.** This Amendment No. 2 shall remain in full force and effect until termination of the ICAOA.

2. **Amendment to the ICAOA.** The ICAOA shall be amended as follows:

   2.1 A new Section ICAOA 5.5 shall be added as follows:

   ICAA 5.5 Pseudo-Tie Generating Facilities

   The CAISO and SRP may, subject to mutual agreement, upon request from generating facilities radially interconnected to the electric grid under the operational control of SRP, establish Pseudo-Ties, as such are defined in, and in accordance with, Service Schedule 18 to the ICAOA.

3. This Amendment No. 2 constitutes the complete and final agreement of the Parties with respect to the purpose of this Amendment No. 2 as described in the recitals hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter.

4. Except as expressly modified in this Amendment No. 2, the ICAOA shall remain in full force and effect in accordance with its terms, and the unmodified provisions of the ICAOA shall apply to any new rights and/or obligations established by this Amendment No. 2.

5. This Amendment No. 2 may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 2 to be duly executed by and through their respective authorized representatives **as** of the date hereinabove written.

California Independent System Operator Corporation

By: _____

Name: Steve Berberich

Title: President & Chief Executive Officer

Date: 11/10/11

Salt River Project Agricultural Improvement and Power District

By: Robert Kondziolka

Name: Robert Kondziolka

Title: Manager, Trans. & Gen. Operations

Date: November 4, 2011

SERVICE SCHEDULE 18

PSEUDO-TIE GENERATING FACILITIES

[ICAOA Section 5.5]

1. This Service Schedule 18 to the ICAOA sets forth the agreement of the Parties in regards to requests for implementation of Pseudo-Ties.

2. Pseudo-Tie shall mean an electrical arrangement by which the output of a generating facility physically interconnected to the electric grid of SRP's Control Area is telemetered to and deemed to be produced in the ISO Control Area, and for which the CAISO is the sole obligator and provider of Control Area Operator services, and CAISO exercises sole Control Area Operator jurisdiction over the Pseudo-Tie generating facility.

3. Operation of a Pseudo-Tie must comply with all applicable NERC and WECC reliability standards, requirements, and provisions of the ICAOA regarding inter-Control Area scheduling.

4. The CAISO will register each Pseudo-Tie as a "Point(s) of Delivery" (POD) on NERC's Transmission Service Information Network (TSIN).

5. The CAISO will register each Pseudo-Tie's "Point(s) of Receipt" (POR) on NERC's Transmission Service Information Network (TSIN).

6. Once registered with NERC as a POD and POR, each Pseudo-Tie shall remain in effect unless and until terminated by mutual agreement of the Parties or upon two years written notice by either the CAISO or SRP.

7. The generating facility and CAISO are solely responsible for arrangements to facilitate the continued delivery of energy and ancillary services from a Pseudo-Tie generating facility to the desired delivery points in the CAISO Control Area, including during any time the primary transmission contract path is unavailable or curtailed and/ or the Interconnection between SRP and the ISO is lost.

8. The Parties shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the other Party's Control Area.

9. The CAISO shall be solely responsible for all Control Area Operator services and related responsibilities, including reactive supply and voltage control, for any Pseudo Tie generating facility deemed to be in the CAISO Control Area.

Attachment B

Clean version
ICAOA between CAISO and SRP incorporating Amendment 2 changes

[Privileged Material Redacted Pursuant to 18 C.F.R §388.112]

CALIFORNIA INDEPENDENT SYSTEM OPERATOR

INTERCONNECTED CONTROL AREA OPERATING AGREEMENT

Dated: 2nd day of December, 1997

SALT RIVER PROJECT

AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

and

CALIFORNIA INDEPENDENT SYSTEM

OPERATOR CORPORATION

INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

(Incorporating Amendment No. 2)

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INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

ICAA 1 STANDARD OPERATING AGREEMENT

Interconnected Control Area Operating Agreement

THIS OPERATING AGREEMENT is entered into this 2nd day of December, 1997 and is accepted, by

and between:

Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under the laws of the State of Arizona**,** having its registered and principal executive office at **1521 N. Project Drive, Tempe, AZ 85281-1206,** (SRP)

and

California Independent System Operator Corporation, a California nonprofit public benefit Corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

SRP and the ISO are hereinafter referred to as the "Parties".

Whereas:

1. The Parties operate interconnected Control Areas (connected by the "Interconnection").
2. The Parties wish to coordinate operation and maintenance of the Interconnection to satisfy NERC criteria and WSCC Minimum Operating Reliability Criteria and Good Utility Practice.
3. The ISO has certain statutory obligations under California law to maintain power system reliability.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ICAA 1.2 Purpose and Intent

ICAA 1.2.1 Purpose

The purpose of this Operating Agreement is to establish the rights and obligations of the Parties with respect to the operation, maintenance, and control of the Interconnection. This Operating Agreement is based upon procedural protocols drawn from the ISO Tariff and WSCC Minimum Operating Reliability Criteria (MORC), existing contracts between SRP and Participating Transmission Owners comprising the ISO, and established operating procedures. This Operating Agreement acknowledges that other Transmission Owners may have concurrent rights and responsibilities.

ICAA 1.2.2 Intent

The intent of this Operating Agreement is to acknowledge requirements, establish procedures and designate responsibilities for the operation and management of the Interconnection. It is not the intent of this Operating Agreement to abrogate or alter the rights and obligations under existing contracts pertaining to the subject of Interconnection.

ICAA 1.3 Term and Termination

This Operating Agreement shall become effective on the Effective Date, and shall continue in effect until terminated upon two years written notice to the other Party or upon mutual consent of both Parties. For entities subject to the FERC jurisdiction, termination will be effective upon approval by the FERC. The ISO shall timely file any notice of termination with the FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request.

ICAA 2 DEFINITIONS

ICAA 2.1 WSCC Definitions

Except as defined below, terms and expressions used in this Operating Agreement shall have the same meanings as those contained in the WSCC MORC Definitions.

ICAA 2.2 Specific Definitions

ICAA 2.2.1 **Effective Date**: The effective date of this Operating Agreement shall be the later of the date that the Parties listed as signatories have executed this Operating Agreement, or the date this Operating Agreement is accepted for filing and made effective by the FERC, but no sooner than January 1, 1998.

ICAA 2.2.2 **Entitlements:** The right of a Transmission Owner obtained through contract or other means to use another entity's transmission facilities for the transmission of energy.

ICAA 2.2.3 **Forced Outage:** An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the preschedule processes and the established outage coordination principles of the Control Areas.

ICAA 2.2.4 **Good Utility Practice:** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry in the WSCC region during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

ICAA 2.2.5 **Interconnection:** Transmission facilities that connect one Control Area to another Control Area. The Interconnection is described in more detail in Service Schedule 1.

ICAA 2.2.6 **ISO (The California Independent System Operator):** The California Independent System Operator Corporation, a state-chartered, nonprofit corporation that controls the transmission facilities of all Participating Transmission Owners and dispatches certain generating units and loads.

ICAA 2.2.7 **ISO Controlled Grid:** The system of transmission lines and associated facilities of the Participating Transmission Owners that have been placed under the ISO's operational control.

ICAA 2.2.8 **ISO Tariff:** ISO Operating Agreement and Tariff as amended from time to time, together with any appendices or attachments thereto.

ICAA 2.2.9 **Nomogram:** A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet WSCC Minimum Operating Reliability Criteria.

ICAA 2.2.10 **Outage:** Disconnection or separation, planned or forced, of one or more elements of an electric system.

ICAA 2.2.11 **Planned Outage:** An Outage for which sufficient notice has been given to allow the Outage to be factored into the processes and the established Outage coordination principles of the Control Areas.

ICAA 2.2.12 **Point of Contact:** A person or entity having the authority to receive and act upon scheduling or dispatch communications from the other Control Area operator and available through a communications device mutually agreed upon on a 24-hour, 7-day basis.

ICAA 2.2.13 **Participating Transmission Owner:** An owner of transmission that has placed its transmission assets and Entitlements under the ISO's operational control.

ICAA 2.2.14 **Real Time Operating Limits:** The rated transfer capability less reductions during any hour caused by, but not limited to, physical limitations beyond the control of Control Area operators, and operational limitations resulting from line Outages, equipment Outages, stability limits and loop flow.

ICAA 2.2.15 **Transmission Owner:** An entity owning transmission facilities or Entitlements at the Interconnection.

ICAA 2.2.16 **WSCC Security Coordinator:** One of the area control centers assigned by the WSCC to proactively anticipate and mitigate potential problems, facilitate notification, and coordinate restoration following a disturbance.

ICAA 3 OPERATIONAL RESPONSIBILITIES

ICAA 3.1.1 Standards to Be Met

Both Parties shall plan and operate the Interconnection in conformance with NERC standards, WSCC Minimum Operating Reliability Criteria (MORC), and Good Utility Practice.

ICAA 3.1.2 Existing Contracts

The ISO will assume certain rights and responsibilities of Participating Transmission Owners in existing contracts, operating agreements or procedures between SRP and the Participating Transmission Owners regarding the Interconnection where those rights and responsibilities pertain to the coordinated operation of the interconnected Control Areas. The Parties, after consulting with affected Transmission Owners, shall develop the procedures to be used regarding those rights and responsibilities mentioned herein. The specific provisions of the aforementioned agreements which are affected by this Operating Agreement and the procedures for implementing such existing agreements shall be identified in Service Schedule 2.

ICAA 3.1.3 Communication

The Parties shall each operate and maintain a 24-hour, 7-day control center with real time scheduling and control functions. Appropriate control center staff will be provided by each Party who shall be responsible for operational communications and who shall have sufficient authority to commit and bind that Party.

The Parties shall jointly develop communication facilities and procedures necessary to support scheduling and dispatch functions. The Points of Contact, the communication facilities and the procedures for insuring reliable functionality are identified in Service Schedule 3.

ICAA 3.2 Grid Operation

ICAA 3.2.1 Responsibility

The Parties shall coordinate efforts consistent with Good Utility Practice to mitigate adverse conditions that occur at the Interconnection. The Parties are each responsible for exercising operational control over facilities in their respective Control Areas, and shall not exercise operational control over any part of the Interconnection facilities owned or operated by the other Control Area. The respective jurisdictions for operational control by the Parties are identified in Service Schedule 4.

ICAA 3.2.2 Switching Operations

The Parties agree that the Transmission Owners retain possession of and will operate those interconnected facilities in accordance with the existing contracts and agreements in force between the Transmission Owners and SRP. Operations on the Interconnection shall be coordinated through the Parties except as otherwise indicated in ICAA 7.3.1. Specific switching responsibilities will be identified in Service Schedule 5.

ICAA 3.2.3 Real Time Operating Limits

ICAA 3.2.3.1 Real Time Operating Limits Established Jointly

The Parties, in consultation with the Transmission Owners shall jointly agree upon the Real Time Operating Limits of the Interconnection. Real time Operating Limits shall be based on the given real time conditions, current operating criteria, and established Nomograms, graphs, and charts specific to the transfer paths within SRP and the ISO. These established operating limits are specified in Service Schedule 6.

ICAA 3.2.3.2 Real Time Operating Limits Exceeded

If an operating limit is exceeded or the operation of either the SRP Control Area or the ISO Controlled Grid is jeopardized, the Parties shall communicate and coordinate actions to return the affected control area(s) to operating limits. In compliance with WSCC Mandatory Reliability Criteria for Stability Rated Paths, the ISO and SRP will make immediate Control Area to Control Area schedule adjustments to return overloaded stability rated facilities to Real Time Operating Limits within 10 minutes.

ICAA 3.2.4 Relay Action

The Parties shall provide pertinent relay data and related equipment condition and operational information concerning the Interconnection to each other as soon as practicable after the occurrence of any relay action on Interconnection equipment, including, as it becomes available, additional information regarding cause, condition, effects, and estimated corrective action. Notwithstanding the foregoing, the Parties shall agree upon corrective action and the procedure for returning to normal or adjusted operation.

ICAA 3.2.5 Voltage Control

The Parties shall coordinate the use of voltage control equipment to maintain transmission voltages and reactive flows at mutually agreed upon levels to ensure system stability within the operating range of electrical equipment and following WSCC MORC. The Parties shall operate the facilities at the Interconnection at reactive reserve margins that are adequate to maintain minimum acceptable voltage limits under facility Outage conditions. Agreed upon voltage schedule limits and reactive flows will be specified in Service Schedule 7.

ICAA 3.2.6 Information Exchange

The Parties shall coordinate directly the exchange of any information concerning the reliable operation of the Interconnection facilities and the status of the Control Areas. Such information shall be communicated through mutually acceptable methods. Procedures and forms for the exchange of emergency information shall be jointly developed and are contained in Service Schedule 8.

ICAA 3.2.6.1 Information Required to be Provided

Details regarding the information necessary to the reliable operation of the Interconnection shall be included in Service Schedule 9.

ICAA 3.2.7 Joint Operating Procedures

Procedures for coordinating the reliable operation of the Interconnection will be jointly implemented by the ISO, SRP and the Participating Transmission Owners. Such procedures are described in more detail in Service Schedule 10.

ICAA 4 SECURITY COORDINATION

The ISO shall be the designated WSCC Security Coordinator for the California Subregion.

ICAA 5 SCHEDULING AND DISPATCH

ICAA 5.1 Coordination and Exchange of Information

The Parties shall coordinate and exchange information on schedules and Control Area checkouts at the Interconnection. All schedules at the Interconnection shall match. In accordance with WSCC MORC, the Parties shall verify, at mutually acceptable times, the actual and scheduled interchange numbers for past hours as well as scheduled interchange numbers for current and future hours. The Parties shall jointly develop methods and details for coordinating scheduling procedures, information exchange, and notifications in normal, emergency, and curtailment conditions. These methods and details will be included in Service Schedule 11.

ICAA 5.2 Notifications

The Parties shall jointly develop methods for coordinating the notification of all affected scheduling entities within their respective Control Areas regarding schedule changes in emergency or curtailment conditions.

ICAA 5.3 [Intentionally Left Blank]

ICAA 5.4 Import of Dynamically Scheduled Energy and Non-Regulation Ancillary Services by ISO

The ISO and SRP shall allow for the ISO import of dynamically scheduled energy and non-regulation ancillary services from the SRP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 17; provided, however, SRP shall have the right to terminate Service Schedule 17 without prior ISO approval upon thirty (30) days advance written notice to the ISO, and in such case this Section 5.4 shall be of no further force or effect as of the termination of Service Schedule 17.

ICAA 5.5 Pseudo-Tie Generating Facilities

The CAISO and SRP may, subject to mutual agreement, upon request from generating facilities radially interconnected to the electric grid under the operational control of SRP, establish Pseudo-Ties, as such are defined in, and in accordance with, Service Schedule 18 to the ICAOA.

ICAA 6 OUTAGE COORDINATION

ICAA 6.1 Maintenance Coordination

Outages of facilities affecting the Interconnection shall be jointly coordinated by the Parties and the Transmission Owner to minimize a reduction and the duration of such reduction to the operating limits of the Interconnection. The Parties shall provide each other reasonable notice of Planned Outages and scheduled maintenance affecting the Interconnection in advance.

The Parties shall review Planned Outages and scheduled maintenance to determine the feasibility of initiating the switching process. If, given the current or anticipated system conditions at the time, the Parties jointly determine that system reliability may be impaired, the Outage may be canceled.

Outage coordination procedures to be followed will be jointly developed by the Parties and included in Service Schedule 12.

ICAA 6.2 Forced Outages

The Parties shall coordinate and implement operational changes necessary to accommodate Forced Outages, emergencies or curtailments. All notifications of Forced Outages, emergencies or curtailments shall be communicated between the ISO control center

and SRP power dispatch office as soon as possible. If notice prior to a Forced Outage, Emergency or curtailment cannot be given, the ISO or SRP shall notify the other Party of the event immediately after it occurs.

All Forced Outage notifications shall be communicated by both control centers to other Control Area operators likely to be affected by the Outage.

ICAA 7 EMERGENCY OPERATION

ICAA 7.1 Emergency Assistance Arrangements

Service Schedule 13 details emergency assistance arrangements.

ICAA 7.2 Unscheduled Flow Mitigation (Loop Flow)

The ISO shall be the administrator for Unscheduled Flow Mitigation Procedures for the California subregion, consistent with WSCC procedures.

ICAA 7.3 Emergency Action

In the event of a system emergency, the Parties shall take coordinated action as they consider necessary to preserve or restore stable operation of the interconnected grid and to preserve or restore reliable, safe and efficient service as quickly as reasonably practicable. The Parties shall, where practicable, keep operators in affected Control Areas and the appropriate Security Coordinators informed as to the nature and extent of the system emergency.

ICAA 7.3.1 Operations Exercised Independently

Emergency operation in response to unforeseen system occurrences that may jeopardize the safety of personnel and the general public and/or system stability may be performed independently by SRP and the Transmission Owner. SRP and Transmission Owners shall forward the outcomes to the ISO Control Center as soon as practicable after the occurrence. The ISO Control Center shall forward the outcomes of emergency operation to which it is a party to SRP as soon as it is practicable after the occurrence. The duties and responsibilities for the ISO Control Center, SRP Power Dispatch Office, and the Transmission Owner under the foregoing circumstances are described in more detail in Service Schedule 14.

ICAA 7.4 Restoration Coordination

The Parties shall coordinate restoration of the facilities affecting the Interconnection, and shall take necessary restoration measures on facilities affecting the Interconnection in their respective Control Areas following an interruption, including coordinating the restarting of either or both systems from a black start, if requested. The Parties shall develop Interconnection restoration procedures, which shall be included in Service Schedule 15.

ICAA 7.5 Voltage Collapse

The Parties shall take measures in their respective Control Areas to arrest collapsing voltage that affects the Interconnection.

ICAA 8 LIABILITY

ICAA 8.1 Uncontrollable Forces

An uncontrollable force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of a Control Area operator which could not be avoided through the exercise of Good Utility Practice.

Neither Party will be considered in default of any obligation under this Operating Agreement or liable to the other for direct, indirect, or consequential damages if prevented from fulfilling that obligation due to the occurrence of an uncontrollable force.

In the event of the occurrence of an uncontrollable force, which prevents either Party from performing any obligations under this Operating Agreement, the affected entity shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the uncontrollable force. Each Party shall use its best efforts to mitigate the effects of such uncontrollable force, remedy its inability to perform, and resume full performance of its obligations hereunder.

ICAA 8.2 Liability To Third Parties

Except as otherwise expressly provided herein, nothing in this Operating Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of ISO or SRP.

ICAA 8.3 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge or expense, whether direct, indirect or consequential, arising from the Party's performance or nonperformance under this Operating Agreement, except for a Party's gross negligence, or willful misconduct.

ICAA 8.4 Liability For Electric Disturbance

The Parties shall plan, operate and maintain their respective systems to minimize or avoid electric disturbances that may interfere with the system of the other Party, consistent with Good Utility Practice. The limits of responsibility for The Parties shall each be for protecting their own respective systems from possible damage by reason of electric disturbance or faults caused by the operation, faulty operation or non-operation of their facilities

ICAA 8.5 Liability For Interruptions

Neither Party shall be liable to the other Party for any claim, demand, liability, loss or damage, whether direct, indirect, or consequential, incurred by the Parties or their respective customers, which results from the separation of the systems in an Emergency.

If an end-use customer within the Control Area of a Party makes a claim or brings an action against the other Party for any death, injury, loss or damage arising out of or in connection with electric service to such end-use customer and caused by the operation or failure of operation of the other Party's Control Area or any portion thereof, The first Party shall indemnify and hold harmless the other Party, its directors, officers and employees from and against any liability for such injury, loss or damage.

ICAA 9 SERVICE SCHEDULES

The Service Schedules referenced in various sections of this Operating Agreement are hereby made a part of this Operating Agreement. The Parties may from time to time establish with each other and, where appropriate, with the Transmission Owner additional specific procedures for the reliable operation and scheduling of Interconnection facilities. The details of these particular operating procedures will also be set forth in an applicable Service Schedule.

ICAA 10 MISCELLANEOUS

ICAA 10.1 Assignments

Either Party to this Agreement may assign its obligations under this Operating Agreement, with the other Party's prior written consent. Such consent shall not be unreasonably withheld.

Obligations and liabilities under this Operating Agreement shall be binding on the successors and assigns of the Parties. No assignment of this Operating Agreement shall relieve the original party from its obligations or liabilities under this Operating Agreement arising or accruing due prior to the date of assignment.

ICAA 10.2 Notices

Any notice, demand or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Service Schedule 3 relating to its address as that information changes.

ICAA 10.3 Waivers

Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.

ICAA 10.4 Governing Law and Forum

Subject to ICAA 10.5, this Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California, except that if a dispute concerns the operation of transmission lines or facilities, the law of the state where the transmission lines or facilities are located will control. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Operating Agreement shall be brought in any of the following forums, as appropriate: court of the State of California or any federal court of the United States of America located in the State of California or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission. No provision of this Operating Agreement shall be deemed to waive the right of any party to protest, or challenge in any manner, whether this Operating Agreement, or any action or proceeding arising under or relating to this Operating Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

ICAA 10.5 Consistency with Federal Laws and Regulations

(a) Nothing in this Operating Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

(b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are

necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.

ICAA 10.6 Severability

If any term, covenant, or condition of this Operating Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.

ICAA 10.7 Section Headings

Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.

ICAA 10.8 Amendments

This Operating Agreement and the Schedules and Attachments attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that are subject to FERC approval shall not take effect until FERC has accepted such amendments for filing and has made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.

ICAA 10.9 Counterparts

This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date written in ICAA 1.

California Independent System Operator Corporation

By: _____

Name:_____

Title: _____

Date; _____

Salt River Project Agricultural Improvement and Power District

By: _____

Name:_____

Title: _____

Date; _____

SERVICE SCHEDULE #1

INTERCONNECTION

[Section 2.2.5]

The Interconnection between the California Independent System Operator (ISO) and the Salt River Project (SRP) is comprised of 2 lines. These lines are described below.

- **North Gila – Palo Verde 500 kV Line**

This line connects the Palo Verde Nuclear Generating Station near Phoenix in Arizona to the North Gila Substation located near Yuma, Arizona. The point of control area interconnection is the first line dead-end structure located in the Palo Verde 500 kV switchyard.

ISO Terminal:	North Gila
Participating Transmission Owner:	SDG&E
Other Transmission Owner:	APS, IID
Salt River Project Terminal:	Palo Verde
Point of Interconnection:	First dead-end structure at Palo Verde
Voltage:	500 kV

- **Devers -- Palo Verde 500 kV Line**

This line connects the Palo Verde Nuclear Generating Station about 50 miles West of Phoenix in Arizona, to the SCE Devers Substation near Palm Springs, California. The point of interconnection is the first line dead-end structure located in the Palo Verde 500 kV switchyard.

ISO Terminal:	SCE Devers Substation
Participating Transmission Owner	SCE
Salt River Project Terminal:	Palo Verde
Point of Interconnection:	First dead-end structure at Palo Verde
Voltage:	500 kV

SERVICE SCHEDULE 2

EXISTING CONTRACT PROVISIONS AND PROCEDURES

[Section 3.1.2]

The responsible PTO (i.e., SCE, or SDGE) with respect to Existing Contracts will provide for this Schedule the Instructions that are necessary to implement the exercise of the Existing Rights and/or the Non-Converted Rights in accordance with the ISO Protocols (see, in particular, the ISO Schedules and Bids Protocols, Section 3, and the ISO Scheduling Protocols, Section 7).

This schedule may be modified upon the mutual agreement of the Parties.

SERVICE SCHEDULE 3

POINTS OF CONTACT

[PRIVILEGED MATERIAL REDACTED PURSUANT TO 18 C.F.R. § 388.112]

SERVICE SCHEDULE 4

RESPECTIVE JURISDICTION FOR OPERATIONAL CONTROL

[Section 3.2.1]

- **North Gila – Palo Verde 500 kV Line**

  Jurisdictional Boundary:

  First dead-end structure at Palo Verde

  Responsibility:

  The line is operated and maintained by APS. SRP has control over the Palo Verde terminal. All switching must be coordinated with SDGE, ISO, APS, SRP, and real time operating personnel prior to actual switching. Related transmission service and scheduling changes must be coordinated as well with IID and SCE. (SDGE handles the communications with IID)
  Note: Under the terms of a Mutual Assistance Transmission Agreement between APS, SDGE, SCE and IID, the parties each retain limited scheduling rights out of Palo Verde during outages of the Palo Verde – North Gila 500 kV line.

- **Devers -- Palo Verde 500 kV Line**

  Jurisdictional Boundary:

  First dead-end structure at Palo Verde

  SCE Switching Responsibility:

  The ISO operates and the Southern California Edison Company (SCE) owns and maintains the Devers-Palo Verde 500 kV line between Devers Substation and the first dead-end structure located in the Palo Verde Generating Station's 500 kV switchyard. The SCE Devers System Operator has jurisdiction of the line as stated including the Arizona and California series capacitors and the shunt reactors at Devers Substation.

  Salt River Project Switching Responsibility:

  The Salt River Project (SRP) operates and maintains the Devers-Palo Verde 500 kV line between the Palo Verde 500 kV switchyard and the last dead-end structure located at Palo Verde. The SRP Power Dispatcher has jurisdiction of the line as stated including the shunt reactors at Palo Verde.

Operational Responsibility:

The SRP Dispatcher and the ISO Transmission Dispatcher will coordinate and monitor the planned energizing and de-energizing of the Devers-Palo Verde 500 kV line as well as testing and paralleling after relay operations.

Maintenance Responsibility:

The Southern California Edison Company (SCE) owns and maintains the Devers-Palo Verde 500 kV line between Devers Substation and the first dead-end structure located in the Palo Verde Generating Station's 500 kV switchyard. The SCE Devers System Operator has jurisdiction of the line as stated including the Arizona and California series capacitors and the shunt reactors at Devers Substation.

SERVICE SCHEDULE 5

SWITCHING OPERATIONS

[Section 3.2.2]

- **North Gila – Palo Verde 500 kV Line**

Clearance/Switching Instructions:
SRP maintains and switches the terminal equipment at Palo Verde. Switching and outages are coordinated with SDGE, ISO, APS and SCE. APS maintains the line and the North Gila switchyard and is responsible for coordinating outage or energized line work requests with SDGE, ISO, SRP, IID, and SCE. SDGE handles communications with IID.

Refer to SRP documents OP-48604, OP-48609, and OP-41809 for detailed Operating Procedures for this circuit.

Line Restoration Instructions:
Series capacitors on the Palo Verde – North Gila 500 kV line must be bypassed and at least two 500 kV line reactors must be switched on before this line section can be energized. The line is energized from Palo Verde then synchronized at North Gila. Synch check relays will not allow synchronizing at North Gila or Palo Verde when the line-closing angle exceeds 50 degrees. If necessary, reduce Arizona imports into California to allow synchronization.

Testing Instructions:
Miguel – Imperial Valley and Imperial Valley – North Gila 500 kV lines must be in service prior to testing.

- **Devers -- Palo Verde 500 kV Line**

Switching
The SRP Dispatcher and the SCE Devers System Operator will review the required switching at each terminal before issuing any switching orders. Each agency will issue switching orders only to the station and/or personnel under its jurisdiction.

Refer to SRP documents OP-48604, OP-48609, and OP-41809 for detailed Operating Procedures for this circuit.

Line Switching Procedure
The line will normally be opened at Palo Verde and de-energized from Devers via the inadvertent transfer trip. The Devers 500 kV bus voltage is not to exceed 500 kV prior to opening the line.

All disconnect switching on the Devers-Palo Verde 500 kV line terminals will be handled jointly by the SRP Dispatcher and the SCE Devers System Operator.

The line is to be energized for test from Devers with both 500 kV shunt reactors in service. The Devers 500 kV bus voltage is not to exceed 500 kV.

Following a successful test, open the Palo Verde 500 kV CB at Devers.

The SRP Dispatcher will energize the Devers 500 kV line from Palo Verde.

Synchronize and close the Palo Verde 500 kV CB at Devers.

Clearances
An intercompany Clearance will only be issued to the agency performing the work. Neither agency will issue a Clearance to its station or field personnel on the line until it has obtained a Clearance from the other agency. Each agency will record such Clearances.

SERVICE SCHEDULE 6

REAL TIME OPERATING LIMITS

[Section 3.2.3.1]

The ISO – SRP interconnection makes up a portion of the WSCC Transfer Path 21 and the Arizona-California (East of the River) Path.

The operational rating and scheduling entitlements of this Interconnection must consider the other facilities in or out of service, compensation levels, generation at Palo Verde, etc. The real-time ratings are established by APS (or the Arizona Security Coordinator) by application of appropriate procedures and nomograms contained in the Arizona Security Monitor Manual.

SERVICE SCHEDULE 7

VOLTAGE CONTROL

[Section 3.2.5]

- **North Gila – Palo Verde 500 kV Line**

The voltage and VAR flow at the interconnection are controlled by the Palo Verde generators and switching of the line reactors at the North Gila and Palo Verde Substations. APS switches the reactors at North Gila Substation and SRP switches the reactors at Palo Verde Substation. SRP normally controls the Palo Verde bus voltage to 535 kV. APS and ISO normally maintain North Gila voltage @ 525 kV.

- **Devers -- Palo Verde 500 kV Line**

Voltage Schedule at Devers: 495 kV to 525 kV
MVAR Schedule: Zero plus or minus 100 MVAR at Palo Verde

Refer to SRP documents OP-45800 for detailed Operating Procedures for voltage and VAR control on these circuit.

SERVICE SCHEDULE 8

INFORMATION EXCHANGE PROCEDURES FOR GRID OPERATIONS

[Section 3.2.6]

Information Exchange

The ISO and SRP shall coordinate, either directly or through their Security Coordinators, the exchange of any information specified in Section 3.2.6 concerning the Interconnection facilities and the status of the Control Areas that may affect the operation of the Interconnection or either of the interconnected Control Areas. Real Time information shall be communicated in the most efficient method possible through any shared electronic, voice, or facsimile media or via their respective WSCC Security Coordinators. Such communication equipment may be common networked mass communication equipment in place and shared by WSCC participants or regional transmission groups. Service Schedule 9 lists information necessary to the reliable operation of the ISO, SRP, and the WSCC.

SERVICE SCHEDULE 9

INTERCONNECTION INFORMATION

[Section 3.2.6.1]

Information necessary to the reliable operation of the ISO, SRP, and the WSCC shall include, but not be limited to, the following operational data:

1) Major transmission outages, planned or unplanned, as they occur or are effected;
2) Restoration of major transmission facilities after Planned or unplanned Outages;
3) Loss or impairment of certain reactive equipment;
4) Loss of load or resources resulting in detectable frequency variation;
5) Detectable significant weather data and/or atmospheric conditions;
6) Significant conditions such as fires, floods, and earthquakes;
7) Activation or deactivation of RAS equipment;
8) Any planned or unplanned operation that can or will impair the availability or transfer capability of resources; and
9) Activation of Emergency command centers.

Additional information requirements may be added by mutual agreement of the ISO and SRP.

SERVICE SCHEDULE 10

JOINT OPERATING PROCEDURES

[Section 3.2.7]

ISO and SRP comply with the reliability criteria established by the North American Electric Reliability Council (NERC) and the Western Systems Coordinating council (WSCC).

The ISO may be called upon to provide a path for emergency off-site power to Palo Verde Nuclear Generating Station during a system shutdown in Arizona.

The ISO and SRP may agree to add joint operational procedures as they become necessary.

SERVICE SCHEDULE 11

INFORMATION EXCHANGE AND COORDINATION

FOR SCHEDULING AND DISPATCH

[Section 5.1]

A. PRESCHEDULE CHECKOUT PROCEDURES

Day-Ahead Process: As more fully described in Attachment A, the California ISO will confirm net interchange schedules with adjacent Control Areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Day Ahead market after the ISO issues final day ahead schedules (at 1300 hours each day prior to the trading day).

Hour-Ahead Process: As more fully described in Attachment A, the California ISO will confirm hourly net interchange schedules with adjacent Control Areas based on Schedules submitted by Scheduling Coordinators within the parameters of the ISO's Hour Ahead market one hour prior to the start of the Settlement Period. Interchange schedules submitted by Scheduling Coordinators for Existing Contract rights-holders that retain rights to submit schedules after the close of the ISO's Hour Ahead market parameters will be accepted and the California ISO will confirm net interchange schedules with the adjacent Control Area when the schedule is submitted.

B. REAL TIME CHECKOUT PROCEDURES

The California ISO will confirm net interchange schedules with adjacent Control Areas on real time as required to meet NERC and WSCC criteria.

C. AFTER THE FACT CHECKOUT PROCEDURES

The California ISO will confirm net interchange schedules with adjacent Control Areas after the close of each Settlement Period as required to meet the obligations of inadvertent interchange energy accounting of prevailing NERC or WSCC policy. This is more fully described in Attachment A.

SERVICE SCHEDULE 12

MAINTENANCE COORDINATION PROCEDURES

[Section 6.1]

ISO OUTAGE COORDINATION PRINCIPLES

The ISO Outage Coordination Office (OCO) will coordinate outage scheduling with the Participating Transmission Owners and the Interconnected Control Area operators on the following types of equipment:

1. interconnected transmission lines;
2. interconnected transmission equipment including circuit breakers, transformers, disconnects, reactive devices, wave traps;
3. protection and control schemes, including RAS, SCADA, EMS, or AGC.

In some cases it may be necessary for the party requesting an outage to submit procedures and diagrams to facilitate the switching for the outage.

The preferred outage coordination schedule for the ISO is developed in accordance with the following general schedule:

October outage coordination conference.

1. Each year by October 1 the ISO will gather annual outage schedules from the ISO Participating Transmission Owners. The ISO will confer with other WSCC entities to begin the annual outage coordination process.

2. Quarterly Confirmation:
   Each quarter (on the 15th of January, April, and July) the Participating Transmission Owners will update and confirm their outage schedules with the ISO and Interconnected Control Areas. At that time the ISO OCO will look ahead at the following quarter and at the three following quarters and will confirm outage schedules for the coming year.

3. Outage Schedule Revisions:
   Requests for changes, additions, and cancellations to the annual/quarterly outage schedule can be made at any time. However, the minimum notification for outage request is governed by the Three Day and One Day Confirmation process listed in 4 and 5 below.

4. Three Day Prior Confirmation/Notification:

   Any request to confirm or change the schedule of an outage that may affect transfer capability must be submitted no later that 1130 at least three working days prior to the starting date of the scheduled outage. (Acknowledgement of requests to the ISO OCO will be made within two working hours and approval will be made by 1530 the following day.) This applies to the following:

   a. all 500 kV facilities;
   b. any line outage;
   c. any load transformer outage;
   d. any bus outage;

e. relay protection outages that reduce the transfer capability of a line or path;
f. any outage that requires coordination by two or more connected entities;
g. communication system outages, including SCADA facilities; and
h. any other outage that will affect the transfer capability of any line or path.

5. One Day Prior Confirmation/Notification:
   Any request to confirm or change the schedule of an outage not covered in 4 above must be submitted no later than 11:30 am at least one day prior to the starting date of the outage.
6. Final Approval:
   On the day of the scheduled outage the ISO Control Center will consult with the Interconnected Control Area operator and determine whether to approve the scheduled outage.

Forced Outages will be handled as follows:

1. Immediate Forced Outages:

   Situations likely to result in a Forced Outage within the next twenty-four hours unless immediate corrective action is taken should be communicated directly to the ISO Control Center. The ISO Control Center operators will work with the Participating Transmission Owner and/or the Interconnected Control Area operator to take actions as necessary.

2. Imminent Forced Outages:

   Situations not requiring a removal from service of transmission facilities until some time more than twenty-four hours in the future should be communicated to the ISO OCO and will be scheduled for outage. Time limits for notification will be waived and the request will be expedited by the ISO OCO provided notice is given as soon as possible.

Switching for scheduled outages will be coordinated by the ISO Control Center, the Interconnected Control Area operator, and the Transmission Owner. The ISO Control Center will work with the Participating Transmission Owner and the Interconnected Control Area Operator to create a phone bridge linking the ISO, the Participating Transmission Owner, the Interconnected Control Area Operator and switchmen, as necessary, to monitor the opening of circuit breakers. The ISO Control Center will direct the Transmission Owner to perform the remainder of the necessary switching in coordination with the Interconnected Control Area operator and then to report to the ISO Control Center the condition of the affected facilities.

Likewise, when returning facilities to service, the ISO Control Center will direct the Participating Transmission Owner to work with the Interconnected Control Area

operator to perform necessary switching in preparation for closing circuit breakers and then will monitor via linked phone lines the actual closing of the circuit breakers.

Clearances will be exchanged between the Transmission Owners and the Interconnected Control Area operators. The ISO Control Center will also keep records of the outages and Clearances.

The ISO OCO will maintain a record of each outage as it is implemented. Such records will available for inspection.

A suggested Outage Request form follows:

CALIFORNIA ISO OUTAGE COORDINATION OFFICE

TRANSMISSION OUTAGE REQUEST

Transmission Owner / Operator:_____

New Request:_____ Change to Existing Approved Request:_____
Original Start Date_____Time:_____Hours

Facility:_____
_____

Outage Start Date:_____/___/_____Start Time:_____Hours

Outage End Date:_____/___/_____End Time:_____Hours

NOTE: All start and end times include switching.

Work to be Performed:_____
_____
_____
_____
_____
_____

Special Conditions:_____
_____
_____
_____
_____

Emergency Return to Service Time:_____Hours

Requestor:_____

Primary Telephone No._____ Alternate Telephone No._____

ISO Approval:_____

Other Notifications of Approval:_____
_____
_____

SERVICE SCHEDULE 13

EMERGENCY ASSISTANCE ARRANGEMENTS

[Section 7.1]

To the extent possible, the Parties will assist each other in an emergency by scheduling energy and/or capacity. Such emergency assistance is available at the sole discretion of the Party supplying it and will be recallable without advance notice as required to meet reliability requirements. ISO and SRP operators will agree upon and log MW values, start and end times, ramp rates and times, and integrated MWH values for any emergency assistance provided.

During operating emergencies, the Arizona Nuclear Power Project (ANPP) Switchyard Participants and the Palo Verde-North Gila Line Participants shall make available to each other, through the ANPP Switchyard Operating Agent, such ANPP switchyard Capacity as may be determined to be available in the sole judgement of the supplier. The ANPP Switchyard Capacity provided shall be on an interruptible basis and shall be provided only when it will not result in the impairment of or jeopardy to service in the system of the supplier.

The price paid for ISO emergency assistance will be at the ISO market price for energy and/or capacity, plus all applicable charges, as specified in the ISO Tariff and Protocols. Such price may be estimated prior to delivery and finalized in the settlement process. The ISO will establish a Scheduling Coordinator account for SRP for the sole purpose of facilitating the settlement of such emergency assistance. Payment to the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

The price paid for SRP emergency assistance will be at a price agreed upon by the Parties at the time of the emergency assistance request. Payment by the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

SERVICE SCHEDULE 14

INDEPENDENT OPERATION DUTIES AND RESPONSIBILITIES

[Section 7.3.1]

Normally all switching operations are coordinated with all appropriate control area operators prior to performing actual switching. In situations where the immediate personnel or public safety is an issue, switching may be accomplished without coordination with other control area entities, and notification provided afterwards (as stated in ICAA 7.3.1).
Beyond that included in the body of the agreement, no additional independent operation duties and responsibilities currently exist.

The ISO and SRP may agree to add additional understandings as appropriate.

SERVICE SCHEDULE 15

RESTORATION COORDINATION

[Section 7.4]

The SRP Power Dispatch Office and the ISO will work in close cooperation to maximize the reliability of interconnected operations. The WSCC MORC and off-nominal frequency procedures will be utilized as applicable. As appropriate, priority will be placed by both parties on restoration of the interconnection. The Interconnection will be closed only on orders from the ISO and the SRP Energy Control Center.

SERVICE SCHEDULE 16

[INTENTIONALLY LEFT BLANK]

SERVICE SCHEDULE 17

[Section 5.4]

INTER-CONTROL AREA REQUIREMENTS FOR SCHEDULING AND DYNAMIC DELIVERY OF ENERGY, SUPPLEMENTAL ENERGY, AND ENERGY ASSOCIATED WITH NON-REGULATION ANCILLARY SERVICES TO THE ISO

1. General

1.1 Purpose. This Service Schedule 17 sets forth the requirements that must be satisfied by SRP (referred to herein as the "Host Control Area") should it elect to support Scheduling Coordinators' requests for implementation of a dynamic scheduling functionality and delivery of energy, supplemental energy, and energy associated with ancillary services (except regulation service) into the ISO Control Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry, and aspects of interconnected Control Area operations.

1.2 The Host Control Area may elect, at any time and in its sole discretion, to initiate or decline support of and agreement to Scheduling Coordinators' requests for implementation of dynamic scheduling functionality for delivery of energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area. Support of and agreement to any such implementation of dynamic scheduling functionality for delivery of energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area may be withdrawn by the Host Control Area at any time and in its sole discretion. Subject only to Good Utility Practices to ensure continued reliability of the Interconnection facilities, a decision by the Host Control Area to terminate a Scheduling Coordinator's ability to dynamically schedule and deliver energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area shall be effective immediately or at any other time as the Host Control Area shall require, provided that the Host Control Area shall notify the ISO as soon as practical of that action. A decision by the Host Control Area to terminate any given Scheduling Coordinator's ability to dynamically schedule and deliver energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area shall not foreclose the ability of the Host Control Area to grant such permission in the future to such Scheduling Coordinator or any other Scheduling Coordinator.

1.3 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 17 is intended to change, supercede, or alter either Party's obligations to abide by NERC and WECC standards and policies.

1.4 Applicable Standards. This Service Schedule 17 incorporates, by reference, the ISO Tariff Dynamic Scheduling Protocol. Where provisions of this Service Schedule 17 conflict with said document, the provisions of this Service Schedule 17 and this Operating Agreement shall prevail.

1.5 Meaning of "System Resource". "System Resource" is defined in the ISO Tariff and, in the context of this Service Schedule 17, may include combinations of resources as described in the ISO Tariff Dynamic Scheduling Protocol.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant, diversely routed, communications links between the ISO EMS and the Host Control Area EMS, with the primary link utilizing the standard inter-Control Area communications protocol ("ICCP") in accordance with the ISO Tariff Dynamic Scheduling Protocol.

3. Telemetry

For each operating hour for which a System Resource is scheduled to deliver energy, supplemental energy, and/or energy associated with any of the non-regulating ancillary services to the ISO Control Area, the Host Control Area shall provide, via the ICCP communication links to the ISO EMS, the data for each System Resource as set forth in the ISO Tariff Dynamic Scheduling Protocol.

4. Interchange Scheduling Requirements

4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of energy to the ISO Control Area, reflecting the System Resource's instantaneous energy production or allocation level and taking into account available transmission capacity.

4.2 Treatment of Area Control Error ("ACE"). The Host Control Area shall immediately (at each AGC cycle interval) compensate its AGC for the System Resource's energy output that is generated or allocated for establishing the dynamic schedule to the ISO such that the System Resource energy production or allocation changes have an equal in magnitude and opposite in sign effect on the Host Control Area's ACE.

4.3 Integration of Dynamic Scheduling. For each operating hour during which energy was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production, by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers of the ISO and SRP Control Areas.

4.4 Delivery of Megawatts ("MW"). The Host Control Area shall not be obligated to make up any difference between the dynamic energy schedule and the MW being generated or allocated by the System Resource.

4.5 Access to Information. The Parties agree to exchange information related to telemetry sent and received with respect to the delivery of energy upon the request of the other Party for any purpose.

5. Other Host Control Area Responsibilities

5.1 Operational Jurisdiction. The Host Control Area must have, at a minimum and at all times, the level of operational jurisdiction over the System Resource and the associated dynamic schedule that NERC and WECC vest in Host Control Areas. The ISO shall issue operating instructions directly to the Scheduling Coordinator for the System Resource provided that such operating instructions are simultaneously provided to the Host Control Area as well. The Host Control Area shall have the right at all times to override, alter, cancel or otherwise modify any such operating instructions from the ISO as needed for the Host Control Area to discharge its Control Area Operator responsibilities and to ensure operational control and reliability of the Host Control Area transmission system. Telemetry from the System Resource shall be communicated through the Host Control Area's EMS to the ISO's EMS.

5.2 E-Tagging. The Host Control Area must support associated e-tagging consistent with NERC and/or WECC requirements.

5.3 Real-Time Adjustments. The Host Control Area must have a means to manually override and/or otherwise adjust the dynamic signal in real time, if needed.

5.4 Coordination with Other Control Areas. The Host Control Area must provide to the ISO in real time the instantaneous value of each dynamic schedule to every intermediary Control Area through whose systems such dynamic schedule may be implemented.

6. Other

6.1 Losses. The ISO shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the Host Control Area for delivery to the ISO.

6.2 Certification. Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self provide ancillary services in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.

6.3 No Guarantee of Award. Certification of a System Resource/Host Control Area arrangement allows for bidding of supplemental energy and/or certain ancillary services into the ISO market; it does not, however, guarantee selection of such bid.

6.4 Performance Assessment. The ISO will monitor and measure dynamically imported ancillary services, whether bid or self-provided, against the performance benchmarks described in the ISO Tariff Dynamic Scheduling Protocol.

7. CONSENT TO IMPLEMENTATION OF DYNAMIC SYSTEM RESOURCES

Each dynamically scheduled System Resource shall be permitted pursuant to this Service Schedule 17, and subject to Section 1.2 hereof, only upon written consent of both the Host Control Area and the ISO, which written consent may be communicated by e-mail, and only if the System Resource is subject to a Dynamic Scheduling agreement for Scheduling Coordinators with the ISO.

SERVICE SCHEDULE 18

PSEUDO-TIE GENERATING FACILITIES

[ICAOA SECTION 5.5]

1. This Service Schedule 18 to the ICAOA sets forth the agreement of the Parties in regards to requests for implementation of Pseudo-Ties.

2. Pseudo-Tie shall mean an electrical arrangement by which the output of a generating facility physically interconnected to the electric grid of SRP's Control Area is telemetered to and deemed to be produced in the ISO Control Area, and for which the CAISO is the sole obligator and provider of Control Area Operator services, and CAISO exercises sole Control Area Operator jurisdiction over the Pseudo-Tie generating facility.

3. Operation of a Pseudo-Tie must comply with all applicable NERC and WECC reliability standards, requirements, and provisions of the ICAOA regarding inter-Control Area scheduling.

4. The CAISO will register each Pseudo-Tie as a "Point(s) of Delivery" (POD) on NERC's Transmission Service Information Network (TSIN).

5. The CAISO will register each Pseudo-Tie's "Point(s) of Receipt" (POR) on NERC's Transmission Service Information Network (TSIN).

6. Once registered with NERC as a POD and POR, each Pseudo-Tie shall remain in effect unless and until terminated by mutual agreement of the Parties or upon two years written notice by either the CAISO or SRP.

7. The generating facility and CAISO are solely responsible for arrangements to facilitate the continued delivery of energy and ancillary services from a Pseudo-Tie generating facility to the desired delivery points in the CAISO Control Area, including during any time the primary transmission contract path is unavailable or curtailed and/ or the Interconnection between SRP and the ISO is lost.

8. The Parties shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the other Party's Control Area.

9. The CAISO shall be solely responsible for all Control Area Operator services and related responsibilities, including reactive supply and voltage control, for any Pseudo Tie generating facility deemed to be in the CAISO Control Area.

ATTACHMENTS

Attachment A

Attachment A details provisions and procedures as anticipated to be in place on January 1, 1998, and is included for informational purposes only.

Summary of information contained in Attachment A:

Scheduling for ISO will close at 1000 for Day Ahead schedule, and two hours before the hour for the Hour Ahead schedule.

It will be possible to check Day Ahead schedules from 1300 to 2200, at the discretion of each control area operator. It will be possible to check Hourly Schedules one hour before the hour, at the discretion of each control area operator.

After the fact checkout of hourly schedules and actuals will be possible following the completion of each hour. After the fact checkout of daily schedules and actuals will be possible after 0000 the following day.

California ISO Scheduling System
- Planned Implementation of Interchange Scheduling Procedures -

The interchange scheduling procedures described in Service Schedule 11 of the Interconnected Control Area Agreement are deliberately broad due to the nature of their development and testing prior to the ISO Operations Date. The broadly stated procedures are intended to allow the California ISO and adjacent Control Areas a reasonable amount of latitude in refining the working procedures to meet the needs and capabilities of each system. The procedures are based on the parameters of the applicable California ISO Protocols and may differ from existing practices. To the extent possible, California scheduling procedures and practices encompass prevailing practices of interchange scheduling in the Western Systems Coordinating Council (WSCC).

This summary is intended to assist adjacent Control Areas in understanding the California ISO scheduling process and to help identify potential changes to current interchange scheduling practices. It is also based on current California ISO scheduling system functionality. As enhanced functionality is added to the ISO scheduling system, some of which is anticipated prior to the ISO Operations Date, procedural processes can be modified to streamline interchange scheduling practices.

All Schedules turned into the ISO must be submitted by a Scheduling Coordinator as outlined in the California ISO's Schedules and Bids Protocol and Scheduling Protocol. The Scheduling Coordinator electronic interface is the only method to input Schedules into the California ISO's Day-Ahead and Hour-Ahead scheduling database.

If a Schedule is not submitted prior to 1000 (1200 if there is a Congestion Management) the day prior to the Trading Day, it will not exist in the California ISO's Day-Ahead scheduling database. Schedules submitted after the ISO's Day-Ahead scheduling deadline can be submitted as Hour-Ahead Schedules anytime after the ISO issues Final Day-Ahead Schedules (at 1300) up to two hours prior to the actual Settlement Period (the scheduling hour, HE).

The ISO will be able to checkout the next day Schedules with adjacent Control Areas based on the information contained in the ISO's scheduling database at 1300. If the Application Program Interface (API) made available to the adjacent Control Areas is operational, confirmation of net interchange schedules could be performed electronically. In the absence of an operational API interface, the ISO will continue the prevailing practice of confirmation by telephone.

Hour-Ahead data will be available, for checkout, to the ISO one hour in advance of the beginning of each Settlement Period. Due to the ISO's requirement to Congestion Management for the Hour-Ahead Market, the next hour's (i.e., the Settlement Period) data will not be available for checkout prior to one hour in advance of the Settlement period.

The ISO will be able to make real time schedule adjustments (after the ISO has issued Final Hour-Ahead Schedules) under specific circumstances. Existing Contracts (with defined rights to schedule after the ISO issues Final Hour-Ahead Schedules), Supplemental Energy interchange schedules, and emergency changes are the most likely circumstances. Changes to correct interchange mismatches not discovered during preliminary Control Area checkouts will be made as required in the real time environment.

As required, and if no other arrangements have been made by Existing Contract rights-holders, a Participating Transmission Owner will likely provide the services of a Scheduling Coordinator for Existing Contract rights-holders. In any event, the ISO will be able to confirm net interchange, and confirm individual interchange schedules, based on the schedules it has in the ISO scheduling database contingent on the time they were submitted by Scheduling Coordinators.

After-the-fact interchange values should be available to the California ISO via its scheduling system for checkout immediately after the end of each Settlement Period. This will enable the California ISO to meet the requirements of inadvertent interchange accounting and interchange schedule reporting with adjacent Control Areas. As a practical matter, these after-the-fact checkouts will be performed during the next business day.

Attachment C

Marked Version
ICAOA between CAISO and SRP incorporating Amendment 2 changes

[Privileged Material Redacted Pursuant to 18 C.F.R §388.112]

CALIFORNIA INDEPENDENT SYSTEM OPERATOR

INTERCONNECTED CONTROL AREA OPERATING AGREEMENT

Dated: 2nd day of December, 1997

SALT RIVER PROJECT

AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

and

CALIFORNIA INDEPENDENT SYSTEM

OPERATOR CORPORATION

INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

(Incorporating Amendment No. ~~1~~2)

TABLE OF CONTENTS

INTERCONNECTED CONTROL AREA

OPERATING AGREEMENT

ICAA 1 STANDARD OPERATING AGREEMENT

Interconnected Control Area Operating Agreement

THIS OPERATING AGREEMENT is entered into this 2nd day of December, 1997 and is accepted, by

and between:

Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under the laws of the State of Arizona**,** having its registered and principal executive office at **1521 N. Project Drive, Tempe, AZ 85281-1206,** (SRP)

and

California Independent System Operator Corporation, a California nonprofit public benefit Corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (the "ISO").

SRP and the ISO are hereinafter referred to as the "Parties".

Whereas:

1. The Parties operate interconnected Control Areas (connected by the "Interconnection").
2. The Parties wish to coordinate operation and maintenance of the Interconnection to satisfy NERC criteria and WSCC Minimum Operating Reliability Criteria and Good Utility Practice.
3. The ISO has certain statutory obligations under California law to maintain power system reliability.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

ICAA 1.2 Purpose and Intent

ICAA 1.2.1 Purpose

The purpose of this Operating Agreement is to establish the rights and obligations of the Parties with respect to the operation, maintenance, and control of the Interconnection. This Operating Agreement is based upon procedural protocols drawn from the ISO Tariff and WSCC Minimum Operating Reliability Criteria (MORC), existing contracts between SRP and Participating Transmission Owners comprising the ISO, and established operating procedures. This Operating Agreement acknowledges that other Transmission Owners may have concurrent rights and responsibilities.

ICAA 1.2.2 Intent

The intent of this Operating Agreement is to acknowledge requirements, establish procedures and designate responsibilities for the operation and management of the Interconnection. It is not the intent of this Operating Agreement to abrogate or alter the rights and obligations under existing contracts pertaining to the subject of Interconnection.

ICAA 1.3 Term and Termination

This Operating Agreement shall become effective on the Effective Date, and shall continue in effect until terminated upon two years written notice to the other Party or upon mutual consent of both Parties. For entities subject to the FERC jurisdiction, termination will be effective upon approval by the FERC. The ISO shall timely file any notice of termination with the FERC. The filing of the notice of termination by the ISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for termination have been met, and (2) the ISO files the notice of termination within 30 days of receipt of such request.

ICAA 2 DEFINITIONS

ICAA 2.1 WSCC Definitions

Except as defined below, terms and expressions used in this Operating Agreement shall have the same meanings as those contained in the WSCC MORC Definitions.

ICAA 2.2 Specific Definitions

ICAA 2.2.1 **Effective Date**: The effective date of this Operating Agreement shall be the later of the date that the Parties listed as signatories have executed this Operating Agreement, or the date this Operating Agreement is accepted for filing and made effective by the FERC, but no sooner than January 1, 1998.

ICAA 2.2.2 **Entitlements:** The right of a Transmission Owner obtained through contract or other means to use another entity's transmission facilities for the transmission of energy.

ICAA 2.2.3 **Forced Outage:** An Outage for which sufficient notice cannot be given to allow the Outage to be factored into the preschedule processes and the established outage coordination principles of the Control Areas.

ICAA 2.2.4 **Good Utility Practice:** Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry in the WSCC region during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

ICAA 2.2.5 **Interconnection:** Transmission facilities that connect one Control Area to another Control Area. The Interconnection is described in more detail in Service Schedule 1.

ICAA 2.2.6 **ISO (The California Independent System Operator):** The California Independent System Operator Corporation, a state-chartered, nonprofit corporation that controls the transmission facilities of all Participating Transmission Owners and dispatches certain generating units and loads.

ICAA 2.2.7 **ISO Controlled Grid:** The system of transmission lines and associated facilities of the Participating Transmission Owners that have been placed under the ISO's operational control.

ICAA 2.2.8 **ISO Tariff:** ISO Operating Agreement and Tariff as amended from time to time, together with any appendices or attachments thereto.

ICAA 2.2.9 **Nomogram:** A set of operating or scheduling rules which are used to ensure that simultaneous operating limits are respected, in order to meet WSCC Minimum Operating Reliability Criteria.

ICAA 2.2.10 **Outage:** Disconnection or separation, planned or forced, of one or more elements of an electric system.

ICAA 2.2.11 **Planned Outage:** An Outage for which sufficient notice has been given to allow the Outage to be factored into the processes and the established Outage coordination principles of the Control Areas.

ICAA 2.2.12 **Point of Contact:** A person or entity having the authority to receive and act upon scheduling or dispatch communications from the other Control Area operator and available through a communications device mutually agreed upon on a 24-hour, 7-day basis.

ICAA 2.2.13 **Participating Transmission Owner:** An owner of transmission that has placed its transmission assets and Entitlements under the ISO's operational control.

ICAA 2.2.14 **Real Time Operating Limits:** The rated transfer capability less reductions during any hour caused by, but not limited to, physical limitations beyond the control of Control Area operators, and operational limitations resulting from line Outages, equipment Outages, stability limits and loop flow.

ICAA 2.2.15 **Transmission Owner:** An entity owning transmission facilities or Entitlements at the Interconnection.

ICAA 2.2.16 **WSCC Security Coordinator:** One of the area control centers assigned by the WSCC to proactively anticipate and mitigate potential problems, facilitate notification, and coordinate restoration following a disturbance.

ICAA 3 OPERATIONAL RESPONSIBILITIES

ICAA 3.1.1 Standards to Be Met

Both Parties shall plan and operate the Interconnection in conformance with NERC standards, WSCC Minimum Operating Reliability Criteria (MORC), and Good Utility Practice.

ICAA 3.1.2 Existing Contracts

The ISO will assume certain rights and responsibilities of Participating Transmission Owners in existing contracts, operating agreements or procedures between SRP and the Participating Transmission Owners regarding the Interconnection where those rights and responsibilities pertain to the coordinated operation of the interconnected Control Areas. The Parties, after consulting with affected Transmission Owners, shall develop the procedures to be used regarding those rights and responsibilities mentioned herein. The specific provisions of the aforementioned agreements which are affected by this Operating Agreement and the procedures for implementing such existing agreements shall be identified in Service Schedule 2.

ICAA 3.1.3 Communication

The Parties shall each operate and maintain a 24-hour, 7-day control center with real time scheduling and control functions. Appropriate control center staff will be provided by each Party who shall be responsible for operational communications and who shall have sufficient authority to commit and bind that Party.

The Parties shall jointly develop communication facilities and procedures necessary to support scheduling and dispatch functions. The Points of Contact, the communication facilities and the procedures for insuring reliable functionality are identified in Service Schedule 3.

ICAA 3.2 Grid Operation

ICAA 3.2.1 Responsibility

The Parties shall coordinate efforts consistent with Good Utility Practice to mitigate adverse conditions that occur at the Interconnection. The Parties are each responsible for exercising operational control over facilities in their respective Control Areas, and shall not exercise operational control over any part of the Interconnection facilities owned or operated by the other Control Area. The respective jurisdictions for operational control by the Parties are identified in Service Schedule 4.

ICAA 3.2.2 Switching Operations

The Parties agree that the Transmission Owners retain possession of and will operate those interconnected facilities in accordance with the existing contracts and agreements in force between the Transmission Owners and SRP. Operations on the Interconnection shall be coordinated through the Parties except as otherwise indicated in ICAA 7.3.1. Specific switching responsibilities will be identified in Service Schedule 5.

ICAA 3.2.3 Real Time Operating Limits

ICAA 3.2.3.1 Real Time Operating Limits Established Jointly

The Parties, in consultation with the Transmission Owners shall jointly agree upon the Real Time Operating Limits of the Interconnection. Real time Operating Limits shall be based on the given real time conditions, current operating criteria, and established Nomograms, graphs, and charts specific to the transfer paths within SRP and the ISO. These established operating limits are specified in Service Schedule 6.

ICAA 3.2.3.2 Real Time Operating Limits Exceeded

If an operating limit is exceeded or the operation of either the SRP Control Area or the ISO Controlled Grid is jeopardized, the Parties shall communicate and coordinate actions to return the affected control area(s) to operating limits. In compliance with WSCC Mandatory Reliability Criteria for Stability Rated Paths, the ISO and SRP will make immediate Control Area to Control Area schedule adjustments to return overloaded stability rated facilities to Real Time Operating Limits within 10 minutes.

ICAA 3.2.4 Relay Action

The Parties shall provide pertinent relay data and related equipment condition and operational information concerning the Interconnection to each other as soon as practicable after the occurrence of any relay action on Interconnection equipment, including, as it becomes available, additional information regarding cause, condition, effects, and estimated corrective action. Notwithstanding the foregoing, the Parties shall agree upon corrective action and the procedure for returning to normal or adjusted operation.

ICAA 3.2.5 Voltage Control

The Parties shall coordinate the use of voltage control equipment to maintain transmission voltages and reactive flows at mutually agreed upon levels to ensure system stability within the operating range of electrical equipment and following WSCC MORC. The Parties shall operate the facilities at the Interconnection at reactive reserve margins that are adequate to maintain minimum acceptable voltage limits under facility Outage conditions. Agreed upon voltage schedule limits and reactive flows will be specified in Service Schedule 7.

ICAA 3.2.6 Information Exchange

The Parties shall coordinate directly the exchange of any information concerning the reliable operation of the Interconnection facilities and the status of the Control Areas. Such information shall be communicated through mutually acceptable methods. Procedures and forms for the exchange of emergency information shall be jointly developed and are contained in Service Schedule 8.

ICAA 3.2.6.1 Information Required to be Provided

Details regarding the information necessary to the reliable operation of the Interconnection shall be included in Service Schedule 9.

ICAA 3.2.7 Joint Operating Procedures

Procedures for coordinating the reliable operation of the Interconnection will be jointly implemented by the ISO, SRP and the Participating Transmission Owners. Such procedures are described in more detail in Service Schedule 10.

ICAA 4 SECURITY COORDINATION

The ISO shall be the designated WSCC Security Coordinator for the California Subregion.

ICAA 5 SCHEDULING AND DISPATCH

ICAA 5.1 Coordination and Exchange of Information

The Parties shall coordinate and exchange information on schedules and Control Area checkouts at the Interconnection. All schedules at the Interconnection shall match. In accordance with WSCC MORC, the Parties shall verify, at mutually acceptable times, the actual and scheduled interchange numbers for past hours as well as scheduled interchange numbers for current and future hours. The Parties shall jointly develop methods and details for coordinating scheduling procedures, information exchange, and notifications in normal, emergency, and curtailment conditions. These methods and details will be included in Service Schedule 11.

ICAA 5.2 Notifications

The Parties shall jointly develop methods for coordinating the notification of all affected scheduling entities within their respective Control Areas regarding schedule changes in emergency or curtailment conditions.

ICAA 5.3 [Intentionally Left Blank]

ICAA 5.4 Import of Dynamically Scheduled Energy and Non-Regulation Ancillary Services by ISO

The ISO and SRP shall allow for the ISO import of dynamically scheduled energy and non-regulation ancillary services from the SRP Control Area to the ISO Control Area in accordance with the provisions of Service Schedule 17; provided, however, SRP shall have the right to terminate Service Schedule 17 without prior ISO approval upon thirty (30) days advance written notice to the ISO, and in such case this Section 5.4 shall be of no further force or effect as of the termination of Service Schedule 17.

ICAA 5.5 Pseudo-Tie Generating Facilities

The CAISO and SRP may, subject to mutual agreement, upon request from generating facilities radially interconnected to the electric grid under the operational control of SRP, establish Pseudo-Ties, as such are defined in, and in accordance with, Service Schedule 18 to the ICAOA.

ICAA 6 OUTAGE COORDINATION

ICAA 6.1 Maintenance Coordination

Outages of facilities affecting the Interconnection shall be jointly coordinated by the Parties and the Transmission Owner to minimize a reduction and the duration of such reduction to the operating limits of the Interconnection. The Parties shall provide each other reasonable notice of Planned Outages and scheduled maintenance affecting the Interconnection in advance.

The Parties shall review Planned Outages and scheduled maintenance to determine the feasibility of initiating the switching process. If, given the current or anticipated system conditions at the time, the Parties jointly determine that system reliability may be impaired, the Outage may be canceled.

Outage coordination procedures to be followed will be jointly developed by the Parties and included in Service Schedule 12.

ICAA 6.2 Forced Outages

The Parties shall coordinate and implement operational changes necessary to accommodate Forced Outages, emergencies or curtailments. All notifications of Forced Outages, emergencies or curtailments shall be communicated between the ISO control center

and SRP power dispatch office as soon as possible. If notice prior to a Forced Outage, Emergency or curtailment cannot be given, the ISO or SRP shall notify the other Party of the event immediately after it occurs.

All Forced Outage notifications shall be communicated by both control centers to other Control Area operators likely to be affected by the Outage.

ICAA 7 EMERGENCY OPERATION

ICAA 7.1 Emergency Assistance Arrangements

Service Schedule 13 details emergency assistance arrangements.

ICAA 7.2 Unscheduled Flow Mitigation (Loop Flow)

The ISO shall be the administrator for Unscheduled Flow Mitigation Procedures for the California subregion, consistent with WSCC procedures.

ICAA 7.3 Emergency Action

In the event of a system emergency, the Parties shall take coordinated action as they consider necessary to preserve or restore stable operation of the interconnected grid and to preserve or restore reliable, safe and efficient service as quickly as reasonably practicable. The Parties shall, where practicable, keep operators in affected Control Areas and the appropriate Security Coordinators informed as to the nature and extent of the system emergency.

ICAA 7.3.1 Operations Exercised Independently

Emergency operation in response to unforeseen system occurrences that may jeopardize the safety of personnel and the general public and/or system stability may be performed independently by SRP and the Transmission Owner. SRP and Transmission Owners shall forward the outcomes to the ISO Control Center as soon as practicable after the occurrence. The ISO Control Center shall forward the outcomes of emergency operation to which it is a party to SRP as soon as it is practicable after the occurrence. The duties and responsibilities for the ISO Control Center, SRP Power Dispatch Office, and the Transmission Owner under the foregoing circumstances are described in more detail in Service Schedule 14.

ICAA 7.4 Restoration Coordination

The Parties shall coordinate restoration of the facilities affecting the Interconnection, and shall take necessary restoration measures on facilities affecting the Interconnection in their respective Control Areas following an interruption, including coordinating the restarting of either or both systems from a black start, if requested. The Parties shall develop Interconnection restoration procedures, which shall be included in Service Schedule 15.

ICAA 7.5 Voltage Collapse

The Parties shall take measures in their respective Control Areas to arrest collapsing voltage that affects the Interconnection.

ICAA 8 LIABILITY

ICAA 8.1 Uncontrollable Forces

An uncontrollable force means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of a Control Area operator which could not be avoided through the exercise of Good Utility Practice.

Neither Party will be considered in default of any obligation under this Operating Agreement or liable to the other for direct, indirect, or consequential damages if prevented from fulfilling that obligation due to the occurrence of an uncontrollable force.

In the event of the occurrence of an uncontrollable force, which prevents either Party from performing any obligations under this Operating Agreement, the affected entity shall not be entitled to suspend performance of its obligations in any greater scope or for any longer duration than is required by the uncontrollable force. Each Party shall use its best efforts to mitigate the effects of such uncontrollable force, remedy its inability to perform, and resume full performance of its obligations hereunder.

ICAA 8.2 Liability To Third Parties

Except as otherwise expressly provided herein, nothing in this Operating Agreement shall be construed or deemed to confer any right or benefit on, or to create any duty to, or standard of care with reference to any third party, or any liability or obligation, contractual or otherwise, on the part of ISO or SRP.

ICAA 8.3 Liability Between the Parties

The Parties' duties and standard of care with respect to each other, and the benefits and rights conferred on each other shall be no greater than as explicitly stated herein. Neither Party, its directors, officers, employees or agents, shall be liable to the other Party for any loss, damage, claim, cost, charge or expense, whether direct, indirect or consequential, arising from the Party's performance or nonperformance under this Operating Agreement, except for a Party's gross negligence, or willful misconduct.

ICAA 8.4 Liability For Electric Disturbance

The Parties shall plan, operate and maintain their respective systems to minimize or avoid electric disturbances that may interfere with the system of the other Party, consistent with Good Utility Practice. The limits of responsibility for The Parties shall each be for protecting their own respective systems from possible damage by reason of electric disturbance or faults caused by the operation, faulty operation or non-operation of their facilities

ICAA 8.5 Liability For Interruptions

Neither Party shall be liable to the other Party for any claim, demand, liability, loss or damage, whether direct, indirect, or consequential, incurred by the Parties or their respective customers, which results from the separation of the systems in an Emergency.

If an end-use customer within the Control Area of a Party makes a claim or brings an action against the other Party for any death, injury, loss or damage arising out of or in connection with electric service to such end-use customer and caused by the operation or failure of operation of the other Party's Control Area or any portion thereof, The first Party shall indemnify and hold harmless the other Party, its directors, officers and employees from and against any liability for such injury, loss or damage.

ICAA 9 SERVICE SCHEDULES

The Service Schedules referenced in various sections of this Operating Agreement are hereby made a part of this Operating Agreement. The Parties may from time to time establish with each other and, where appropriate, with the Transmission Owner additional specific procedures for the reliable operation and scheduling of Interconnection facilities. The details of these particular operating procedures will also be set forth in an applicable Service Schedule.

ICAA 10 MISCELLANEOUS

ICAA 10.1 Assignments

Either Party to this Agreement may assign its obligations under this Operating Agreement, with the other Party's prior written consent. Such consent shall not be unreasonably withheld.

Obligations and liabilities under this Operating Agreement shall be binding on the successors and assigns of the Parties. No assignment of this Operating Agreement shall relieve the original party from its obligations or liabilities under this Operating Agreement arising or accruing due prior to the date of assignment.

ICAA 10.2 Notices

Any notice, demand or request which may be given to or made upon either Party regarding this Operating Agreement shall be made in writing and shall be deemed properly served, given, or made: (a) upon delivery if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Service Schedule 3 relating to its address as that information changes.

ICAA 10.3 Waivers

Any waiver at any time by either Party of its rights with respect to any default under this Operating Agreement, or with respect to any other matter arising in connection with this Operating Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or matter arising in connection with this Operating Agreement. Any delay short of the statutory period of limitations, in asserting or enforcing any right under this Operating Agreement, shall not constitute or be deemed a waiver of such right.

ICAA 10.4 Governing Law and Forum

Subject to ICAA 10.5, this Operating Agreement shall be deemed to be a contract made under and for all purposes shall be governed by and construed in accordance with the laws of the State of California, except that if a dispute concerns the operation of transmission lines or facilities, the law of the state where the transmission lines or facilities are located will control. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Operating Agreement shall be brought in any of the following forums, as appropriate: court of the State of California or any federal court of the United States of America located in the State of California or, where subject to its jurisdiction, before the Federal Energy Regulatory Commission. No provision of this Operating Agreement shall be deemed to waive the right of any party to protest, or challenge in any manner, whether this Operating Agreement, or any action or proceeding arising under or relating to this Operating Agreement, is subject to the jurisdiction of the Federal Energy Regulatory Commission.

ICAA 10.5 Consistency with Federal Laws and Regulations

(a) Nothing in this Operating Agreement shall compel any person or federal entity to: (1) violate federal statutes or regulations; or (2) in the case of a federal agency, to exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders lawfully promulgated thereunder. If any provision of this Operating Agreement is inconsistent with any obligation imposed on any person or federal entity by federal law or regulation to that extent, it shall be inapplicable to that person or federal entity. No person or federal entity shall incur any liability by failing to comply with this Operating Agreement that is inapplicable to it by reason of being inconsistent with any federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such person or federal entity shall use its best efforts to comply with the ISO Tariff to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

(b) If any provision of this Operating Agreement requiring any person or federal entity to give an indemnity or impose a sanction on any person is unenforceable against a federal entity, the ISO shall submit to the Secretary of Energy or other appropriate Departmental Secretary a report of any circumstances that would, but for this provision, have rendered a federal entity liable to indemnify any person or incur a sanction and may request the Secretary of Energy or other appropriate Departmental Secretary to take such steps as are

necessary to give effect to any provisions of this Operating Agreement that are not enforceable against the federal entity.

ICAA 10.6 Severability

If any term, covenant, or condition of this Operating Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Operating Agreement and their application shall not be affected thereby, but shall remain in force and effect and the parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Operating Agreement.

ICAA 10.7 Section Headings

Section headings provided in this Operating Agreement are for ease of reading and are not meant to interpret the text in each Section.

ICAA 10.8 Amendments

This Operating Agreement and the Schedules and Attachments attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that are subject to FERC approval shall not take effect until FERC has accepted such amendments for filing and has made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information.

ICAA 10.9 Counterparts

This Operating Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Operating Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Operating Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date written in ICAA 1.

California Independent System Operator Corporation

By: _____

Name:_____

Title: _____

Date; _____

Salt River Project Agricultural Improvement and Power District

By: _____

Name:_____

Title: _____

Date; _____

SERVICE SCHEDULE #1

INTERCONNECTION

[Section 2.2.5]

The Interconnection between the California Independent System Operator (ISO) and the Salt River Project (SRP) is comprised of 2 lines. These lines are described below.

- **North Gila – Palo Verde 500 kV Line**

This line connects the Palo Verde Nuclear Generating Station near Phoenix in Arizona to the North Gila Substation located near Yuma, Arizona. The point of control area interconnection is the first line dead-end structure located in the Palo Verde 500 kV switchyard.

ISO Terminal:	North Gila
Participating Transmission Owner:	SDG&E
Other Transmission Owner:	APS, IID
Salt River Project Terminal:	Palo Verde
Point of Interconnection:	First dead-end structure at Palo Verde
Voltage:	500 kV

- **Devers -- Palo Verde 500 kV Line**

This line connects the Palo Verde Nuclear Generating Station about 50 miles West of Phoenix in Arizona, to the SCE Devers Substation near Palm Springs, California. The point of interconnection is the first line dead-end structure located in the Palo Verde 500 kV switchyard.

ISO Terminal:	SCE Devers Substation
Participating Transmission Owner	SCE
Salt River Project Terminal:	Palo Verde
Point of Interconnection:	First dead-end structure at Palo Verde
Voltage:	500 kV

SERVICE SCHEDULE 2

EXISTING CONTRACT PROVISIONS AND PROCEDURES

[Section 3.1.2]

The responsible PTO (i.e., SCE, or SDGE) with respect to Existing Contracts will provide for this Schedule the Instructions that are necessary to implement the exercise of the Existing Rights and/or the Non-Converted Rights in accordance with the ISO Protocols (see, in particular, the ISO Schedules and Bids Protocols, Section 3, and the ISO Scheduling Protocols, Section 7).

This schedule may be modified upon the mutual agreement of the Parties.

SERVICE SCHEDULE 3

POINTS OF CONTACT

[PRIVILEGED MATERIAL REDACTED PURSUANT TO 18 C.F.R. § 388.112]

SERVICE SCHEDULE 4

RESPECTIVE JURISDICTION FOR OPERATIONAL CONTROL

[Section 3.2.1]

- **North Gila – Palo Verde 500 kV Line**

  Jurisdictional Boundary:

  First dead-end structure at Palo Verde

  Responsibility:

  The line is operated and maintained by APS. SRP has control over the Palo Verde terminal. All switching must be coordinated with SDGE, ISO, APS, SRP, and real time operating personnel prior to actual switching. Related transmission service and scheduling changes must be coordinated as well with IID and SCE. (SDGE handles the communications with IID)
  Note: Under the terms of a Mutual Assistance Transmission Agreement between APS, SDGE, SCE and IID, the parties each retain limited scheduling rights out of Palo Verde during outages of the Palo Verde – North Gila 500 kV line.

- **Devers -- Palo Verde 500 kV Line**

  Jurisdictional Boundary:

  First dead-end structure at Palo Verde

  SCE Switching Responsibility:

  The ISO operates and the Southern California Edison Company (SCE) owns and maintains the Devers-Palo Verde 500 kV line between Devers Substation and the first dead-end structure located in the Palo Verde Generating Station's 500 kV switchyard. The SCE Devers System Operator has jurisdiction of the line as stated including the Arizona and California series capacitors and the shunt reactors at Devers Substation.

  Salt River Project Switching Responsibility:

  The Salt River Project (SRP) operates and maintains the Devers-Palo Verde 500 kV line between the Palo Verde 500 kV switchyard and the last dead-end structure located at Palo Verde. The SRP Power Dispatcher has jurisdiction of the line as stated including the shunt reactors at Palo Verde.

Operational Responsibility:

The SRP Dispatcher and the ISO Transmission Dispatcher will coordinate and monitor the planned energizing and de-energizing of the Devers-Palo Verde 500 kV line as well as testing and paralleling after relay operations.

Maintenance Responsibility:

The Southern California Edison Company (SCE) owns and maintains the Devers-Palo Verde 500 kV line between Devers Substation and the first dead-end structure located in the Palo Verde Generating Station's 500 kV switchyard. The SCE Devers System Operator has jurisdiction of the line as stated including the Arizona and California series capacitors and the shunt reactors at Devers Substation.

SERVICE SCHEDULE 5

SWITCHING OPERATIONS

[Section 3.2.2]

- **North Gila – Palo Verde 500 kV Line**

Clearance/Switching Instructions:
SRP maintains and switches the terminal equipment at Palo Verde. Switching and outages are coordinated with SDGE, ISO, APS and SCE. APS maintains the line and the North Gila switchyard and is responsible for coordinating outage or energized line work requests with SDGE, ISO, SRP, IID, and SCE. SDGE handles communications with IID.

Refer to SRP documents OP-48604, OP-48609, and OP-41809 for detailed Operating Procedures for this circuit.

Line Restoration Instructions:
Series capacitors on the Palo Verde – North Gila 500 kV line must be bypassed and at least two 500 kV line reactors must be switched on before this line section can be energized. The line is energized from Palo Verde then synchronized at North Gila. Synch check relays will not allow synchronizing at North Gila or Palo Verde when the line-closing angle exceeds 50 degrees. If necessary, reduce Arizona imports into California to allow synchronization.

Testing Instructions:
Miguel – Imperial Valley and Imperial Valley – North Gila 500 kV lines must be in service prior to testing.

- **Devers -- Palo Verde 500 kV Line**

Switching
The SRP Dispatcher and the SCE Devers System Operator will review the required switching at each terminal before issuing any switching orders. Each agency will issue switching orders only to the station and/or personnel under its jurisdiction.

Refer to SRP documents OP-48604, OP-48609, and OP-41809 for detailed Operating Procedures for this circuit.

Line Switching Procedure
The line will normally be opened at Palo Verde and de-energized from Devers via the inadvertent transfer trip. The Devers 500 kV bus voltage is not to exceed 500 kV prior to opening the line.

All disconnect switching on the Devers-Palo Verde 500 kV line terminals will be handled jointly by the SRP Dispatcher and the SCE Devers System Operator.

The line is to be energized for test from Devers with both 500 kV shunt reactors in service. The Devers 500 kV bus voltage is not to exceed 500 kV.

Following a successful test, open the Palo Verde 500 kV CB at Devers.

The SRP Dispatcher will energize the Devers 500 kV line from Palo Verde.

Synchronize and close the Palo Verde 500 kV CB at Devers.

Clearances
An intercompany Clearance will only be issued to the agency performing the work. Neither agency will issue a Clearance to its station or field personnel on the line until it has obtained a Clearance from the other agency. Each agency will record such Clearances.

SERVICE SCHEDULE 6

REAL TIME OPERATING LIMITS

[Section 3.2.3.1]

The ISO – SRP interconnection makes up a portion of the WSCC Transfer Path 21 and the Arizona-California (East of the River) Path.

The operational rating and scheduling entitlements of this Interconnection must consider the other facilities in or out of service, compensation levels, generation at Palo Verde, etc. The real-time ratings are established by APS (or the Arizona Security Coordinator) by application of appropriate procedures and nomograms contained in the Arizona Security Monitor Manual.

SERVICE SCHEDULE 7

VOLTAGE CONTROL

[Section 3.2.5]

- **North Gila – Palo Verde 500 kV Line**

The voltage and VAR flow at the interconnection are controlled by the Palo Verde generators and switching of the line reactors at the North Gila and Palo Verde Substations. APS switches the reactors at North Gila Substation and SRP switches the reactors at Palo Verde Substation. SRP normally controls the Palo Verde bus voltage to 535 kV. APS and ISO normally maintain North Gila voltage @ 525 kV.

- **Devers -- Palo Verde 500 kV Line**

Voltage Schedule at Devers: 495 kV to 525 kV
MVAR Schedule: Zero plus or minus 100 MVAR at Palo Verde

Refer to SRP documents OP-45800 for detailed Operating Procedures for voltage and VAR control on these circuit.

SERVICE SCHEDULE 8

INFORMATION EXCHANGE PROCEDURES FOR GRID OPERATIONS

[Section 3.2.6]

Information Exchange

The ISO and SRP shall coordinate, either directly or through their Security Coordinators, the exchange of any information specified in Section 3.2.6 concerning the Interconnection facilities and the status of the Control Areas that may affect the operation of the Interconnection or either of the interconnected Control Areas. Real Time information shall be communicated in the most efficient method possible through any shared electronic, voice, or facsimile media or via their respective WSCC Security Coordinators. Such communication equipment may be common networked mass communication equipment in place and shared by WSCC participants or regional transmission groups. Service Schedule 9 lists information necessary to the reliable operation of the ISO, SRP, and the WSCC.

SERVICE SCHEDULE 9

INTERCONNECTION INFORMATION

[Section 3.2.6.1]

Information necessary to the reliable operation of the ISO, SRP, and the WSCC shall include, but not be limited to, the following operational data:

1) Major transmission outages, planned or unplanned, as they occur or are effected;
2) Restoration of major transmission facilities after Planned or unplanned Outages;
3) Loss or impairment of certain reactive equipment;
4) Loss of load or resources resulting in detectable frequency variation;
5) Detectable significant weather data and/or atmospheric conditions;
6) Significant conditions such as fires, floods, and earthquakes;
7) Activation or deactivation of RAS equipment;
8) Any planned or unplanned operation that can or will impair the availability or transfer capability of resources; and
9) Activation of Emergency command centers.

Additional information requirements may be added by mutual agreement of the ISO and SRP.

SERVICE SCHEDULE 10

JOINT OPERATING PROCEDURES

[Section 3.2.7]

ISO and SRP comply with the reliability criteria established by the North American Electric Reliability Council (NERC) and the Western Systems Coordinating council (WSCC).

The ISO may be called upon to provide a path for emergency off-site power to Palo Verde Nuclear Generating Station during a system shutdown in Arizona.

The ISO and SRP may agree to add joint operational procedures as they become necessary.

SERVICE SCHEDULE 11

INFORMATION EXCHANGE AND COORDINATION

FOR SCHEDULING AND DISPATCH

[Section 5.1]

A. PRESCHEDULE CHECKOUT PROCEDURES

Day-Ahead Process: As more fully described in Attachment A, the California ISO will confirm net interchange schedules with adjacent Control Areas based on schedules submitted by Scheduling Coordinators within the parameters of the ISO's Day Ahead market after the ISO issues final day ahead schedules (at 1300 hours each day prior to the trading day).

Hour-Ahead Process: As more fully described in Attachment A, the California ISO will confirm hourly net interchange schedules with adjacent Control Areas based on Schedules submitted by Scheduling Coordinators within the parameters of the ISO's Hour Ahead market one hour prior to the start of the Settlement Period. Interchange schedules submitted by Scheduling Coordinators for Existing Contract rights-holders that retain rights to submit schedules after the close of the ISO's Hour Ahead market parameters will be accepted and the California ISO will confirm net interchange schedules with the adjacent Control Area when the schedule is submitted.

B. REAL TIME CHECKOUT PROCEDURES

The California ISO will confirm net interchange schedules with adjacent Control Areas on real time as required to meet NERC and WSCC criteria.

C. AFTER THE FACT CHECKOUT PROCEDURES

The California ISO will confirm net interchange schedules with adjacent Control Areas after the close of each Settlement Period as required to meet the obligations of inadvertent interchange energy accounting of prevailing NERC or WSCC policy. This is more fully described in Attachment A.

SERVICE SCHEDULE 12

MAINTENANCE COORDINATION PROCEDURES

[Section 6.1]

ISO OUTAGE COORDINATION PRINCIPLES

The ISO Outage Coordination Office (OCO) will coordinate outage scheduling with the Participating Transmission Owners and the Interconnected Control Area operators on the following types of equipment:

1. interconnected transmission lines;
2. interconnected transmission equipment including circuit breakers, transformers, disconnects, reactive devices, wave traps;
3. protection and control schemes, including RAS, SCADA, EMS, or AGC.

In some cases it may be necessary for the party requesting an outage to submit procedures and diagrams to facilitate the switching for the outage.

The preferred outage coordination schedule for the ISO is developed in accordance with the following general schedule:

October outage coordination conference.

1. Each year by October 1 the ISO will gather annual outage schedules from the ISO Participating Transmission Owners. The ISO will confer with other WSCC entities to begin the annual outage coordination process.

2. Quarterly Confirmation:
   Each quarter (on the 15th of January, April, and July) the Participating Transmission Owners will update and confirm their outage schedules with the ISO and Interconnected Control Areas. At that time the ISO OCO will look ahead at the following quarter and at the three following quarters and will confirm outage schedules for the coming year.

3. Outage Schedule Revisions:
   Requests for changes, additions, and cancellations to the annual/quarterly outage schedule can be made at any time. However, the minimum notification for outage request is governed by the Three Day and One Day Confirmation process listed in 4 and 5 below.

4. Three Day Prior Confirmation/Notification:

   Any request to confirm or change the schedule of an outage that may affect transfer capability must be submitted no later that 1130 at least three working days prior to the starting date of the scheduled outage. (Acknowledgement of requests to the ISO OCO will be made within two working hours and approval will be made by 1530 the following day.) This applies to the following:

   a. all 500 kV facilities;
   b. any line outage;
   c. any load transformer outage;
   d. any bus outage;

e. relay protection outages that reduce the transfer capability of a line or path;
f. any outage that requires coordination by two or more connected entities;
g. communication system outages, including SCADA facilities; and
h. any other outage that will affect the transfer capability of any line or path.

5. One Day Prior Confirmation/Notification:
   Any request to confirm or change the schedule of an outage not covered in 4 above must be submitted no later than 11:30 am at least one day prior to the starting date of the outage.
6. Final Approval:
   On the day of the scheduled outage the ISO Control Center will consult with the Interconnected Control Area operator and determine whether to approve the scheduled outage.

Forced Outages will be handled as follows:

1. Immediate Forced Outages:

   Situations likely to result in a Forced Outage within the next twenty-four hours unless immediate corrective action is taken should be communicated directly to the ISO Control Center. The ISO Control Center operators will work with the Participating Transmission Owner and/or the Interconnected Control Area operator to take actions as necessary.

2. Imminent Forced Outages:

   Situations not requiring a removal from service of transmission facilities until some time more than twenty-four hours in the future should be communicated to the ISO OCO and will be scheduled for outage. Time limits for notification will be waived and the request will be expedited by the ISO OCO provided notice is given as soon as possible.

Switching for scheduled outages will be coordinated by the ISO Control Center, the Interconnected Control Area operator, and the Transmission Owner. The ISO Control Center will work with the Participating Transmission Owner and the Interconnected Control Area Operator to create a phone bridge linking the ISO, the Participating Transmission Owner, the Interconnected Control Area Operator and switchmen, as necessary, to monitor the opening of circuit breakers. The ISO Control Center will direct the Transmission Owner to perform the remainder of the necessary switching in coordination with the Interconnected Control Area operator and then to report to the ISO Control Center the condition of the affected facilities.

Likewise, when returning facilities to service, the ISO Control Center will direct the Participating Transmission Owner to work with the Interconnected Control Area

operator to perform necessary switching in preparation for closing circuit breakers and then will monitor via linked phone lines the actual closing of the circuit breakers.

Clearances will be exchanged between the Transmission Owners and the Interconnected Control Area operators. The ISO Control Center will also keep records of the outages and Clearances.

The ISO OCO will maintain a record of each outage as it is implemented. Such records will available for inspection.

A suggested Outage Request form follows:

CALIFORNIA ISO OUTAGE COORDINATION OFFICE

TRANSMISSION OUTAGE REQUEST

Transmission Owner / Operator:_____

New Request:_____ Change to Existing Approved Request:_____
Original Start Date_____Time:_____Hours

Facility:_____
_____

Outage Start Date:_____/___/_____Start Time:_____Hours

Outage End Date:_____/___/_____End Time:_____Hours

NOTE: All start and end times include switching.

Work to be Performed:_____
_____
_____
_____
_____
_____

Special Conditions:_____
_____
_____
_____
_____

Emergency Return to Service Time:_____Hours

Requestor:_____

Primary Telephone No._____ Alternate Telephone No._____

ISO Approval:_____

Other Notifications of Approval:_____
_____
_____

SERVICE SCHEDULE 13

EMERGENCY ASSISTANCE ARRANGEMENTS

[Section 7.1]

To the extent possible, the Parties will assist each other in an emergency by scheduling energy and/or capacity. Such emergency assistance is available at the sole discretion of the Party supplying it and will be recallable without advance notice as required to meet reliability requirements. ISO and SRP operators will agree upon and log MW values, start and end times, ramp rates and times, and integrated MWH values for any emergency assistance provided.

During operating emergencies, the Arizona Nuclear Power Project (ANPP) Switchyard Participants and the Palo Verde-North Gila Line Participants shall make available to each other, through the ANPP Switchyard Operating Agent, such ANPP switchyard Capacity as may be determined to be available in the sole judgement of the supplier. The ANPP Switchyard Capacity provided shall be on an interruptible basis and shall be provided only when it will not result in the impairment of or jeopardy to service in the system of the supplier.

The price paid for ISO emergency assistance will be at the ISO market price for energy and/or capacity, plus all applicable charges, as specified in the ISO Tariff and Protocols. Such price may be estimated prior to delivery and finalized in the settlement process. The ISO will establish a Scheduling Coordinator account for SRP for the sole purpose of facilitating the settlement of such emergency assistance. Payment to the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

The price paid for SRP emergency assistance will be at a price agreed upon by the Parties at the time of the emergency assistance request. Payment by the ISO for such emergency assistance will be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO Tariff and Protocols.

SERVICE SCHEDULE 14

INDEPENDENT OPERATION DUTIES AND RESPONSIBILITIES

[Section 7.3.1]

Normally all switching operations are coordinated with all appropriate control area operators prior to performing actual switching. In situations where the immediate personnel or public safety is an issue, switching may be accomplished without coordination with other control area entities, and notification provided afterwards (as stated in ICAA 7.3.1).
Beyond that included in the body of the agreement, no additional independent operation duties and responsibilities currently exist.

The ISO and SRP may agree to add additional understandings as appropriate.

SERVICE SCHEDULE 15

RESTORATION COORDINATION

[Section 7.4]

The SRP Power Dispatch Office and the ISO will work in close cooperation to maximize the reliability of interconnected operations. The WSCC MORC and off-nominal frequency procedures will be utilized as applicable. As appropriate, priority will be placed by both parties on restoration of the interconnection. The Interconnection will be closed only on orders from the ISO and the SRP Energy Control Center.

SERVICE SCHEDULE 16

[INTENTIONALLY LEFT BLANK]

SERVICE SCHEDULE 17

[Section 5.4]

INTER-CONTROL AREA REQUIREMENTS FOR SCHEDULING AND DYNAMIC DELIVERY OF ENERGY, SUPPLEMENTAL ENERGY, AND ENERGY ASSOCIATED WITH NON-REGULATION ANCILLARY SERVICES TO THE ISO

1. General

1.1 Purpose. This Service Schedule 17 sets forth the requirements that must be satisfied by SRP (referred to herein as the "Host Control Area") should it elect to support Scheduling Coordinators' requests for implementation of a dynamic scheduling functionality and delivery of energy, supplemental energy, and energy associated with ancillary services (except regulation service) into the ISO Control Area. The requirements encompass technical (energy management system ("EMS")/automatic generation control ("AGC") and communications), interchange scheduling, telemetry, and aspects of interconnected Control Area operations.

1.2 The Host Control Area may elect, at any time and in its sole discretion, to initiate or decline support of and agreement to Scheduling Coordinators' requests for implementation of dynamic scheduling functionality for delivery of energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area. Support of and agreement to any such implementation of dynamic scheduling functionality for delivery of energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area may be withdrawn by the Host Control Area at any time and in its sole discretion. Subject only to Good Utility Practices to ensure continued reliability of the Interconnection facilities, a decision by the Host Control Area to terminate a Scheduling Coordinator's ability to dynamically schedule and deliver energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area shall be effective immediately or at any other time as the Host Control Area shall require, provided that the Host Control Area shall notify the ISO as soon as practical of that action. A decision by the Host Control Area to terminate any given Scheduling Coordinator's ability to dynamically schedule and deliver energy, supplemental energy, and energy associated with non-regulation ancillary services into the ISO Control Area shall not foreclose the ability of the Host Control Area to grant such permission in the future to such Scheduling Coordinator or any other Scheduling Coordinator.

1.3 NERC/WECC Operating Standards Observed. Nothing in this Service Schedule 17 is intended to change, supercede, or alter either Party's obligations to abide by NERC and WECC standards and policies.

1.4 Applicable Standards. This Service Schedule 17 incorporates, by reference, the ISO Tariff Dynamic Scheduling Protocol. Where provisions of this Service Schedule 17 conflict with said document, the provisions of this Service Schedule 17 and this Operating Agreement shall prevail.

1.5 Meaning of "System Resource". "System Resource" is defined in the ISO Tariff and, in the context of this Service Schedule 17, may include combinations of resources as described in the ISO Tariff Dynamic Scheduling Protocol.

2. Telecommunications Requirements

The ISO and Host Control Area shall establish and maintain real time, redundant, diversely routed, communications links between the ISO EMS and the Host Control Area EMS, with the primary link utilizing the standard inter-Control Area communications protocol ("ICCP") in accordance with the ISO Tariff Dynamic Scheduling Protocol.

3. Telemetry

For each operating hour for which a System Resource is scheduled to deliver energy, supplemental energy, and/or energy associated with any of the non-regulating ancillary services to the ISO Control Area, the Host Control Area shall provide, via the ICCP communication links to the ISO EMS, the data for each System Resource as set forth in the ISO Tariff Dynamic Scheduling Protocol.

4. Interchange Scheduling Requirements

4.1 Dynamic Scheduling. The Host Control Area shall support Scheduling Coordinators' requests to arrange dynamic interchange schedules for the delivery of energy to the ISO Control Area, reflecting the System Resource's instantaneous energy production or allocation level and taking into account available transmission capacity.

4.2 Treatment of Area Control Error ("ACE"). The Host Control Area shall immediately (at each AGC cycle interval) compensate its AGC for the System Resource's energy output that is generated or allocated for establishing the dynamic schedule to the ISO such that the System Resource energy production or allocation changes have an equal in magnitude and opposite in sign effect on the Host Control Area's ACE.

4.3 Integration of Dynamic Scheduling. For each operating hour during which energy was dynamically scheduled for delivery to the ISO Control Area, the Host Control Area shall compute an integrated amount of interchange based on the System Resource's integrated energy production, by integrating the instantaneous System Resource production levels. Such integrated MWH value shall be agreed to hourly by the real time schedulers of the ISO and SRP Control Areas.

4.4 Delivery of Megawatts ("MW"). The Host Control Area shall not be obligated to make up any difference between the dynamic energy schedule and the MW being generated or allocated by the System Resource.

4.5 Access to Information. The Parties agree to exchange information related to telemetry sent and received with respect to the delivery of energy upon the request of the other Party for any purpose.

5. Other Host Control Area Responsibilities

5.1 Operational Jurisdiction. The Host Control Area must have, at a minimum and at all times, the level of operational jurisdiction over the System Resource and the associated dynamic schedule that NERC and WECC vest in Host Control Areas. The ISO shall issue operating instructions directly to the Scheduling Coordinator for the System Resource provided that such operating instructions are simultaneously provided to the Host Control Area as well. The Host Control Area shall have the right at all times to override, alter, cancel or otherwise modify any such operating instructions from the ISO as needed for the Host Control Area to discharge its Control Area Operator responsibilities and to ensure operational control and reliability of the Host Control Area transmission system. Telemetry from the System Resource shall be communicated through the Host Control Area's EMS to the ISO's EMS.

5.2 E-Tagging. The Host Control Area must support associated e-tagging consistent with NERC and/or WECC requirements.

5.3 Real-Time Adjustments. The Host Control Area must have a means to manually override and/or otherwise adjust the dynamic signal in real time, if needed.

5.4 Coordination with Other Control Areas. The Host Control Area must provide to the ISO in real time the instantaneous value of each dynamic schedule to every intermediary Control Area through whose systems such dynamic schedule may be implemented.

6. Other

6.1 Losses. The ISO shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the Host Control Area for delivery to the ISO.

6.2 Certification. Only ISO-certified System Resource/Host Control Area arrangements will be allowed to bid or self provide ancillary services in the ISO's ancillary services market through an ISO-certified Scheduling Coordinator.

6.3 No Guarantee of Award. Certification of a System Resource/Host Control Area arrangement allows for bidding of supplemental energy and/or certain ancillary services into the ISO market; it does not, however, guarantee selection of such bid.

6.4 Performance Assessment. The ISO will monitor and measure dynamically imported ancillary services, whether bid or self-provided, against the performance benchmarks described in the ISO Tariff Dynamic Scheduling Protocol.

7. CONSENT TO IMPLEMENTATION OF DYNAMIC SYSTEM RESOURCES

Each dynamically scheduled System Resource shall be permitted pursuant to this Service Schedule 17, and subject to Section 1.2 hereof, only upon written consent of both the Host Control Area and the ISO, which written consent may be communicated by e-mail, and only if the System Resource is subject to a Dynamic Scheduling agreement for Scheduling Coordinators with the ISO.

SERVICE SCHEDULE 18

PSEUDO-TIE GENERATING FACILITIES

[ICAOA SECTION 5.5]

1. This Service Schedule 18 to the ICAOA sets forth the agreement of the Parties in regards to requests for implementation of Pseudo-Ties.

2. Pseudo-Tie shall mean an electrical arrangement by which the output of a generating facility physically interconnected to the electric grid of SRP's Control Area is telemetered to and deemed to be produced in the ISO Control Area, and for which the CAISO is the sole obligator and provider of Control Area Operator services, and CAISO exercises sole Control Area Operator jurisdiction over the Pseudo-Tie generating facility.

3. Operation of a Pseudo-Tie must comply with all applicable NERC and WECC reliability standards, requirements, and provisions of the ICAOA regarding inter-Control Area scheduling.

4. The CAISO will register each Pseudo-Tie as a "Point(s) of Delivery" (POD) on NERC's Transmission Service Information Network (TSIN).

5. The CAISO will register each Pseudo-Tie's "Point(s) of Receipt" (POR) on NERC's Transmission Service Information Network (TSIN).

6. Once registered with NERC as a POD and POR, each Pseudo-Tie shall remain in effect unless and until terminated by mutual agreement of the Parties or upon two years written notice by either the CAISO or SRP.

7. The generating facility and CAISO are solely responsible for arrangements to facilitate the continued delivery of energy and ancillary services from a Pseudo-Tie generating facility to the desired delivery points in the CAISO Control Area, including during any time the primary transmission contract path is unavailable or curtailed and/ or the Interconnection between SRP and the ISO is lost.

8. The Parties shall not be responsible for transmission losses caused by transmitting energy dynamically within or across the other Party's Control Area.

9. The CAISO shall be solely responsible for all Control Area Operator services and related responsibilities, including reactive supply and voltage control, for any Pseudo Tie generating facility deemed to be in the CAISO Control Area.

ATTACHMENTS

Attachment A

Attachment A details provisions and procedures as anticipated to be in place on January 1, 1998, and is included for informational purposes only.

Summary of information contained in Attachment A:

Scheduling for ISO will close at 1000 for Day Ahead schedule, and two hours before the hour for the Hour Ahead schedule.

It will be possible to check Day Ahead schedules from 1300 to 2200, at the discretion of each control area operator. It will be possible to check Hourly Schedules one hour before the hour, at the discretion of each control area operator.

After the fact checkout of hourly schedules and actuals will be possible following the completion of each hour. After the fact checkout of daily schedules and actuals will be possible after 0000 the following day.

California ISO Scheduling System
- Planned Implementation of Interchange Scheduling Procedures -

The interchange scheduling procedures described in Service Schedule 11 of the Interconnected Control Area Agreement are deliberately broad due to the nature of their development and testing prior to the ISO Operations Date. The broadly stated procedures are intended to allow the California ISO and adjacent Control Areas a reasonable amount of latitude in refining the working procedures to meet the needs and capabilities of each system. The procedures are based on the parameters of the applicable California ISO Protocols and may differ from existing practices. To the extent possible, California scheduling procedures and practices encompass prevailing practices of interchange scheduling in the Western Systems Coordinating Council (WSCC).

This summary is intended to assist adjacent Control Areas in understanding the California ISO scheduling process and to help identify potential changes to current interchange scheduling practices. It is also based on current California ISO scheduling system functionality. As enhanced functionality is added to the ISO scheduling system, some of which is anticipated prior to the ISO Operations Date, procedural processes can be modified to streamline interchange scheduling practices.

All Schedules turned into the ISO must be submitted by a Scheduling Coordinator as outlined in the California ISO's Schedules and Bids Protocol and Scheduling Protocol. The Scheduling Coordinator electronic interface is the only method to input Schedules into the California ISO's Day-Ahead and Hour-Ahead scheduling database.

If a Schedule is not submitted prior to 1000 (1200 if there is a Congestion Management) the day prior to the Trading Day, it will not exist in the California ISO's Day-Ahead scheduling database. Schedules submitted after the ISO's Day-Ahead scheduling deadline can be submitted as Hour-Ahead Schedules anytime after the ISO issues Final Day-Ahead Schedules (at 1300) up to two hours prior to the actual Settlement Period (the scheduling hour, HE).

The ISO will be able to checkout the next day Schedules with adjacent Control Areas based on the information contained in the ISO's scheduling database at 1300. If the Application Program Interface (API) made available to the adjacent Control Areas is operational, confirmation of net interchange schedules could be performed electronically. In the absence of an operational API interface, the ISO will continue the prevailing practice of confirmation by telephone.

Hour-Ahead data will be available, for checkout, to the ISO one hour in advance of the beginning of each Settlement Period. Due to the ISO's requirement to Congestion Management for the Hour-Ahead Market, the next hour's (i.e., the Settlement Period) data will not be available for checkout prior to one hour in advance of the Settlement period.

The ISO will be able to make real time schedule adjustments (after the ISO has issued Final Hour-Ahead Schedules) under specific circumstances. Existing Contracts (with defined rights to schedule after the ISO issues Final Hour-Ahead Schedules), Supplemental Energy interchange schedules, and emergency changes are the most likely circumstances. Changes to correct interchange mismatches not discovered during preliminary Control Area checkouts will be made as required in the real time environment.

As required, and if no other arrangements have been made by Existing Contract rights-holders, a Participating Transmission Owner will likely provide the services of a Scheduling Coordinator for Existing Contract rights-holders. In any event, the ISO will be able to confirm net interchange, and confirm individual interchange schedules, based on the schedules it has in the ISO scheduling database contingent on the time they were submitted by Scheduling Coordinators.

After-the-fact interchange values should be available to the California ISO via its scheduling system for checkout immediately after the end of each Settlement Period. This will enable the California ISO to meet the requirements of inadvertent interchange accounting and interchange schedule reporting with adjacent Control Areas. As a practical matter, these after-the-fact checkouts will be performed during the next business day.

Attachment D

Clean Version
CONFIDENTIAL ICAOA between CAISO and SRP incorporating Amendment 2 changes

[Privileged Material Redacted Pursuant to 18 C.F.R §388.112]

Attachment E

Marked Version
CONFIDENTIAL ICAOA between CAISO and SRP incorporating Amendment 2 changes

[Privileged Material Redacted Pursuant to 18 C.F.R §388.112]