

April 27, 2012

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 Service Agreement No. 2501 and Notice of
Termination of Service Agreement No. 676
Docket No. ER12-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation submits for Commission filing and acceptance a Pseudo-Tie Agreement among the ISO, the Balancing Authority of Northern California (“BANC”), the Western Area Power Administration – Sierra Nevada Region (“Western”), and Pacific Gas and Electric Company (“PG&E”).¹ The ISO submits the instant filing in order to replace the Pilot Pseudo Tie Implementation Agreement previously committed to between the parties (“Pilot Agreement”).² The Pseudo-Tie Agreement is necessary for continuation of the pseudo-tie consistent with the dynamic transfer provisions of the ISO tariff.³ The ISO proposes that the Pseudo-Tie Agreement be made effective on June 28, 2012, concurrent with the requested termination of the existing Pilot Agreement.

I. Background

The Pilot Agreement sets forth the terms and conditions under which the New Melones generating facility owned, operated and marketed by the United States through the Bureau of Reclamation and Western would pseudo-tie from

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO tariff. The ISO submits the Adjacent Balancing Authority Operating Agreement 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 FERC Docket No. ER06-1470-000 (designating the Pilot Pseudo Tie Implementation Agreement as ISO Service Agreement No. 676).

³ The dynamic transfer provisions of the ISO tariff were accepted by Commission order dated September 30, 2011 in ER11-4100-000 (136 FERC ¶ 61,239).

the ISO balancing authority area to the BANC balancing authority area. The parties now intend these commitments to be replaced following the recent Commission authorized tariff-based pseudo-tie program. Accordingly, the parties have entered into the Pseudo-Tie Agreement included as Attachment A to this filing. The ISO concurrently filed for replacement of the agreement between the ISO and BANC to facilitate this pseudo-tie between the respective balancing authorities.

II. The Pseudo-Tie Agreement

The Pseudo-Tie Agreement is consistent with the requirements of the ISO tariff and has been agreed to by Western, BANC, and PG&E.⁴ The ISO does not have a Commission approved form agreement for resource owners in the ISO balancing authority area who seek a pseudo-tie to another balancing authority area. The Pilot Agreement was the first of this kind and the replacement Pseudo-Tie Agreement is largely based on this predecessor, with the primary difference being references to the ISO tariff instead of references to a schedule in the agreement.⁵ A comparison of these two agreements is included as Attachment B to this filing for informational purposes only. Specifically:

- Article 1 includes definitions and rules of interpretation
- Article 2 notes certain parties' responsibilities as balancing authorities
- Article 3 describes the term and termination provisions
- Article 4 outlines the general terms and conditions
- Article 5 outlines the requirements for pseudo-ties
- Article 6 provides for cost allocation associated with the agreement
- Articles 7 – 11 include boilerplate ISO *pro forma* provisions
- Article 12 incorporates mandatory federal contract provisions
- Schedule 1 identifies pseudo-tie resource
- Schedule 2 contains notice provisions

III. Effective Date

The ISO requests that the Pseudo-Tie Agreement be made effective on June 28, 2012.

IV. Notice of Termination of the Pilot Agreement

⁴ See CAISO Tariff, Appendix N, Section 2.3.2 (requiring a pseudo-tie resource owner to have an operating agreement with the ISO).

⁵ Indeed, the provisions included in the schedules to the Pilot Agreement formed the starting point for the provisions that are now reflected in Appendix N of the ISO tariff.

The Pilot Agreement is no longer necessary following its replacement by the Pseudo-Tie Agreement. Section 3.2.5 of the Pilot Agreement contemplates termination upon consummation of an agreed upon replacement agreement. The Pseudo-Tie Agreement constitutes such an agreement and, therefore, the ISO hereby requests termination of the Pilot Agreement effective June 28, 2012.

V. 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.

VI. Service

The ISO has served copies of this filing upon SMUD, BANC, PG&E, Western, Calpine, the California Public Utilities Commission, and the California Energy Commission. In addition, the ISO has posted the filing on the ISO website.

Enclosed for filing is each of the following:

- (1) This letter of transmittal;
- (2) Pseudo-Tie Agreement (Attachment A); and
- (3) Comparison of the Pilot Pseudo Tie Implementation Agreement and the Pseudo-Tie Agreement for informational purposes only (Attachment B).

VI. Correspondence

The ISO 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
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* Individual designated for service pursuant to Rule 203(b)(3),

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18 C.F.R. § 203(b)(3).

Respectfully submitted,

By: /s/ John C. Anders

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Attorneys for the California Independent
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Attachment A
Pseudo-Tie Agreement

**CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION
AND**

**PACIFIC GAS AND ELECTRIC
COMPANY
AND**

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA
AND**

**WESTERN AREA POWER
ADMINISTRATION**

PSEUDO-TIE AGREEMENT

PSEUDO-TIE AGREEMENT

THIS AGREEMENT is dated this 10th day of April, 2012, and is entered into, by and between:

- (1) **Pacific Gas and Electric Company**, having its registered and principal place of business located at 77 Beale Street, San Francisco, California 94177-0001 ("PG&E");
- (2) **Balancing Authority of Northern California**, having its registered and principal executive office located at 6201 S Street, Sacramento, California 95817 ("BANC");
- (3) **United States of America, acting by and through the Western Area Power Administration Sierra Nevada Region**, having its principal place of business located at 114 Parkshore Drive, Folsom, California 95630 ("Western" or "Pseudo Generator")

and

- (4) **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 CAISO Governing Board may from time to time designate, currently 250 Outcropping Way, Folsom, California 95630 ("CAISO").

PG&E, BANC, Western and the CAISO are hereinafter referred to as the "Parties".

Whereas:

- A. The CAISO has determined that the pilot Pseudo-Tie program successfully demonstrated the dynamic transfer of generating resources between adjacent Balancing Authority Areas and that this Agreement, and the associated CAISO Tariff revisions and additions, implement the features of the pilot Pseudo-Tie program.
- B. The CAISO Tariff provides that the CAISO shall not schedule Energy or Ancillary Services generated by any Generating Unit otherwise than through a Scheduling Coordinator.
- C. Western operates a generating unit owned by the United States Bureau of Reclamation that is physically interconnected to transmission facilities that have been turned over to the CAISO's operational control and is located within the CAISO Balancing Authority Area.

- D.** The Dynamic Transfer Balancing Authority Operating Agreement (“DTBAOA”) between the CAISO and BANC establishes the obligations between the parties for the export of Pseudo-Tie generating units located in the CAISO Balancing Authority Area and imports of Pseudo-Tie generating units from BANC Balancing Authority Area, subject to certain specified conditions.
- E.** BANC, Western and the CAISO wish to implement and operate a Pseudo-Tie generating unit for a dynamic functionality to allow Western to schedule Energy and Ancillary Services, as a Pseudo-Tie export, dynamically, through the CAISO as the Native Balancing Authority Area, via a Scheduling Coordinator into the BANC Balancing Authority Area as the Attaining Balancing Authority Area.
- F.** The Parties are entering into this Agreement in order to establish the terms and conditions on which the CAISO, BANC and Western will discharge their respective duties and responsibilities for a Pseudo-Tie generating unit.
- G.** PG&E, a Participating Transmission Owner, is a party to this Agreement in order to facilitate a common understanding of how the Existing Contracts relating to transmission service rights between PG&E and Western accommodates operation under this Agreement. By entering into the Agreement, PG&E is not providing support or endorsement for additional Pseudo-Tie arrangements out of the CAISO Balancing Authority Area, and PG&E’s participation in this Agreement does not evidence or demonstrate PG&E support of any Pseudo-Tie arrangements.

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

ARTICLE I DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Except as set forth in Section 1.2, all terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff, Appendix A.
- 1.2 Special Definitions.** When used with initial capitalization herein, the following terms shall have the meanings set forth below:
- 1.2.1 Area Control Error (“ACE”):** The instantaneous difference between actual and scheduled interchange, taking into account the effects of frequency bias (and time error or unilateral inadvertent interchange if automatic correction for either is part of the system’s AGC).
- 1.2.2 Automatic Generation Control (“AGC”):** Generation equipment that automatically responds to signals from the Balancing Authority Areas’ energy management system control in real time to control the power output of electric generators within a prescribed area in response to a change in system

frequency, tie-line loading, or the relation of these to each other, so as to maintain the target system frequency and/or the established interchange with other areas within the predetermined limits.

- 1.2.3 Attaining Balancing Authority Area:** The BANC Balancing Authority Area, which is the NERC defined Balancing Authority Area where the Pseudo-Tie Generating Unit output is fully included for purposes of calculation of Area Control Error (“ACE”) and meeting Balancing Authority Area Load responsibilities.
- 1.2.4 Electric System:** All physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity’s ownership interest in such asset or property shall be considered to be part of its Electric System.
- 1.2.5 Native Balancing Authority Area:** The CAISO Balancing Authority Area, which is the NERC defined Balancing Authority Area where the Pseudo-Tie Generating Unit is physically interconnected to the electric grid.
- 1.2.6 Pseudo-Tie Generating Unit:** The New Melones Power Plant, which is interconnected within the CAISO Balancing Authority Area, authorized by this Agreement to provide and receive applicable Balancing Authority Area Services from the Attaining Balancing Authority Area and to operate under the jurisdiction of the Attaining Balancing Authority Area and the Native Balancing Authority Area.
- 1.2.7 Pseudo-Tie:** The point at which a Pseudo-Tie generating unit is deemed to be interconnected to its Attaining Balancing Authority Area as represented by a telemetered reading or value that is updated in real time and used as a “virtual” tie line flow in the ACE equation of both the Attaining and Native Balancing Authority Areas. The integrated value is used as a metered MWh value for the interchange accounting purposes.
- 1.2.8 Scheduling Coordinator:** Western or its designated certified Scheduling Coordinator services provider, which will be responsible for any and all responsibilities of a Scheduling Coordinator under the CAISO Tariff that are applicable to the Pseudo-Tie Generating Unit.
- 1.2.9 Contracts with PG&E:** The Existing Contracts between Western and PG&E regarding issues related to FERC Docket No. ER05-229 and its subdockets, which includes amendments to Contract No. 14-06-200-2207A and Contract No. 8-07-20-P0004 between PG&E and Western.
- 1.2.10 Willful Action:** Action taken or not taken by, or on behalf of, a Party at the direction of its members, directors, members of its governing body or bodies,

authority or authorities, officers or employees having management or administrative responsibility, or agents acting in comparable capacity, which is either of the following:

- (a) Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or
- (b) Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

The phrase “employees having management or administrative responsibility,” as used in this Section, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party’s performance under this Agreement with responsibility for results. Willful Action does not include any act or failure to act that is merely involuntary, accidental or negligent.

1.3 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the CAISO Tariff, this Agreement will prevail to the extent of the inconsistency;
- (b) nothing in this Agreement is meant to alter or modify Western’s rights under its existing transmission contract with PG&E, set forth in Schedule 1 of this Agreement;
- (c) the singular shall include the plural and vice versa;
- (d) the masculine shall include the feminine and neutral and vice versa;
- (e) “includes” or “including” shall mean “including without limitation”;
- (f) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (g) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;

- (h) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (i) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (j) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (k) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (l) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II

ACKNOWLEDGEMENTS OF PSEUDO-TIE GENERATOR, BANC AND CAISO

- 2.1 Balancing Authority Area Responsibilities.** The Parties acknowledge that the CAISO and BANC are responsible for the reliable operation of their respective Balancing Authority Areas, consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council (“WECC”) and the North American Electric Reliability Corporation (“NERC”).

ARTICLE III

TERM AND TERMINATION

- 3.1 Effective Date.** The parties shall request that FERC accept this Agreement and set March 30, 2012 as the effective date for this Agreement. In order to meet that effective date, the Parties will seek a waiver of all applicable FERC notice rules as may be necessary. The effective date shall be the later of the effective date set by FERC, March 30, 2012, or the date by which the Commission accepts this Agreement (“Effective Date”). In the event the Commission or another body with jurisdiction over this Agreement makes a modification to this Agreement that is unacceptable to any signatory to this Agreement, then that party shall notify the other parties in writing within thirty (30) days of the issuance of the unacceptable order and attempt in good faith to negotiate a resolution of the modification(s) set forth in the order. In the event the party engages in good faith negotiations and still is unable to resolve its concerns with the order, the

party shall notify the other parties that this Agreement shall terminate thirty (30) days after service of that notice.

3.2 Termination

3.2.1 Termination by CAISO. The CAISO may terminate this Agreement without cause by giving the Parties two (2) years advance written notice or on thirty (30) days written notice in the event the DTBAOA is terminated. Additionally, the CAISO may terminate this Agreement on thirty (30) days written notice in the event of default by giving written notice of termination in the event any Party commits any material default under this Agreement and/or the CAISO Tariff which, if capable of being remedied, is not remedied within thirty (30) days after the CAISO has given written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement.

3.2.2 Termination by Western. In the event that Western no longer wishes the Pseudo-Tie Generating Unit to be considered part of the BANC Balancing Authority Area, it may terminate this Agreement, on giving the CAISO two (2) years advance written notice. Western also may terminate this agreement with thirty (30) days notice if the DTBAOA is terminated or amended in a manner unacceptable to Western. Western also may terminate this agreement with thirty (30) days notice if the CAISO amends the applicable market charges or Grid Management Charges in a manner unacceptable to Western.

3.2.3 Termination by BANC. BANC may terminate this Agreement without cause by giving the Parties two (2) years advance written notice of termination or on thirty (30) days written notice in the event the DTBAOA is terminated.

3.2.4 Termination by PG&E. In the event of a significant legislative or regulatory change that has a material impact on this Agreement or on PG&E or change in operational status, PG&E has the right to terminate this Agreement with two years notice. A change in operational status is a change in Balancing Authority Areas, joining an RTO, or other change which has a significant operational impact on this Agreement. If PG&E provides notice, the Parties promptly shall attempt to renegotiate in good faith the terms and conditions of this Agreement to restore the original balance of benefits and burdens contemplated by the Parties as of the date when this Agreement is executed. In the event the Parties agree upon revised terms and conditions and/or a renegotiated successor agreement, PG&E shall make good faith efforts to support the non-terminating party in making any necessary filings to implement renegotiated terms and conditions and/or a renegotiated successor agreement before appropriate organizations, including filing supporting documents before a regulatory or judicial body. In the event the parties are unable to successfully renegotiate this Agreement within twenty-two (22) months after PG&E has provided written notice, PG&E may confirm the termination of this Agreement.

3.2.5 Filing. With respect to any notice of termination given pursuant to this Section 3, the CAISO must file a timely notice of termination with FERC. The filing of the notice of termination by the CAISO will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and (2) the CAISO files the notice of termination within thirty (30) days after receipt of a notice of termination from Western or within sixty (60) days after issuance of its own notice of termination or notice of termination by BANC or confirmation of termination by PG&E. This Agreement shall terminate in accordance with Section 3.2, upon acceptance by FERC of such a notice of termination.

ARTICLE IV GENERAL TERMS AND CONDITIONS

4.1 Pseudo Tie Requirements and Pseudo-Tie Generating Unit Obligations

4.1.1 The Pseudo-Tie Generating Unit established under this Agreement shall be implemented and operated in accordance with this Agreement, applicable provisions of the CAISO Tariff referenced herein and the DTBAOA between the CAISO and BANC, and all applicable NERC and WECC standards.

4.1.2 The technical characteristics of the Pseudo-Tie Generating Unit, associated Pseudo-Tie and long-term firm transmission service reservation are set forth in Schedule 1 of this Agreement. Western may request, after coordinating with BANC, and the CAISO may agree, at its sole discretion, to change the CAISO intertie association set forth in Schedule 1, subject to any conditions set forth in Appendix N of the CAISO Tariff.

4.1.3 The terms and conditions addressing the Pseudo-Tie Generating Unit from the CAISO Balancing Authority Area for the Pseudo-Tie Generating Unit listed in Schedule 1 are set forth in this Agreement and the CAISO Tariff, including Appendix N of the CAISO Tariff.

4.1.4 Notification of Changes. Sixty (60) days prior to changing any technical information in Schedule 1, Western shall notify the CAISO and BANC of the proposed changes.

4.2 Applicable CAISO Tariff Provisions. The Parties shall comply with Sections 4.16 (Relationship between CAISO and Pseudo-Ties Out), 7.7 (Management of System Emergencies), 8.4.5 (Communication Equipment) and Appendix N of the CAISO Tariff, as such sections and appendix may be amended from time to time; provided, however, to the extent that this Agreement or Appendix N of the CAISO Tariff may be inconsistent with the Contracts with PG&E, the Contracts with PG&E will prevail to the extent of the inconsistency.

**ARTICLE V
[INTENTIONALLY NOT USED]**

**ARTICLE VI
COSTS**

- 6.1 Operating and Maintenance Costs.** Western shall be responsible for all its operating and maintenance costs incurred for the purpose of meeting its obligations under this Agreement.
- 6.2 Prohibition of Costs.** PG&E is not responsible for and shall not be assessed or penalized for any costs, losses, or other charges by any of the Parties under this Agreement.
- 6.3 CAISO Charges.** The CAISO shall assess Western or its designated Scheduling Coordinator, as the responsible Scheduling Coordinator for the Pseudo-Tie Generating Unit, all applicable market charges and Grid Management Charges, in accordance with the CAISO Tariff. In the event the CAISO amends the applicable market charges or Grid Management Charges in a manner unacceptable to Western, Western may terminate this agreement by providing thirty (30) days notice.

**ARTICLE VII
DISPUTE RESOLUTION**

- 7.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO ADR Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to Western, BANC or PG&E as the context requires and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE VIII
REPRESENTATIONS AND WARRANTIES**

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

ARTICLE IX LIABILITY

- 9.1 Scope of Liability.** Except for any loss, damage, claim, cost, charge or expense resulting from gross negligence or Willful Action, or for the nonpayment of monies due, no Party, its directors, members of its governing body, officers, employees or agents shall be liable to any other Party for any death, injury, loss, damage, claim, cost, charge or expense of any kind or nature incurred by any other Party, including, without limitation, direct, indirect or consequential loss, damage, claim, cost, charge or expense, and whether or not resulting from the negligence of any Party, its directors, members of its governing body, officers, employees or any person or entity whose negligence would be imputed to such Party, arising from the performance or non-performance of obligations under this Agreement. Except for any death, injury, loss, damage, claim, cost, charge or expense resulting from gross negligence or Willful Action or nonpayment of monies due, each Party releases the other Parties, their directors, members of governing bodies, officers, employees and agents from any such liability.

ARTICLE X UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the CAISO Tariff to Market Participants shall be read as a reference to Western, PG&E or BANC and references to the CAISO Tariff shall be read as references to this Agreement; provided, however, in no event shall any Party be considered in default of any obligation under this Agreement or liable to any other Party for direct, indirect, or consequential damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force.

ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Any Party may assign or transfer any or all of its rights and/or obligations under this Agreement with all of the other Parties' prior written consent. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

- 11.2 Notices.** Any notice, demand or request which may be given to or made upon any Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, except as provided for in Section 3.2 of this Agreement. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 No Third Party Beneficiaries.** No right or obligation contained in this Agreement shall inure to the benefit of any person or entity which is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.
- 11.4 Relationship of the Parties**
- 11.4.1** Except as otherwise provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not joint or collective. It is the intent of the Parties not to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, or with regard to, any Party.
- 11.4.2** Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. No Party or group of Parties shall be under the control of or shall be deemed to control any other Party or Parties.
- 11.4.3** No Party shall be the agent of, or have the right or power to bind another Party without its written consent, except as expressly provided for in this Agreement.
- 11.5 No Dedication of Facilities.** Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall, at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.
- 11.6 Waivers.** Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

- 11.7 Governing Law and Forum.** This 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 its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the CAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, 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.
- 11.8 Consistency with Federal Laws and Regulations.** All provisions of this Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff. All references in Section 22.9 of the CAISO Tariff shall be read as if referring to this Agreement.
- 11.9 Merger.** Except as specifically provided in Section 4.1.1, this Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.10 Severability.** If any term, covenant, or condition of this 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 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 Agreement.
- 11.11 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information. Nothing contained herein shall be construed as affecting in any way the right of any Party to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 or 206 of the FPA, as applicable and pursuant to FERC's rules and regulations promulgated thereunder.

11.12 Counterparts. This 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 Agreement.

ARTICLE XII FEDERAL PROVISIONS

- 12.1 Contingent Upon Appropriations.** Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.
- 12.2 Officials Not to Benefit.** No member of or delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Agreement or to any benefit that may have arisen from this Agreement, but this restriction shall not be construed to extend to this Agreement if made with a corporation or company for its general benefit.
- 12.3 Covenant Against Contingent Fees.** The other Parties warrant that no person or selling agency has been employed or retained to solicit or secure rights under this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fees, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Parties for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul, as to Western, paid or incurred by Western hereunder, without liability or, in its discretion, to deduct from any consideration of its obligations hereunder the full amount of such commission, percentage, brokerage, or contingent fee.
- 12.4 Contract Work Hours and Safety Standards.** This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C.3701, as amended or supplemented, is subject to the provisions of the Act, 40 U.S.C.3701-3708, as amended or supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.
- 12.5 Equal Opportunity Employment Practices.** Section 202 of Executive Order No. 11246, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the parties will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in this Agreement.

12.6 Use of Convict Labor. The Parties agree not to employ any person undergoing sentence of imprisonment in performing obligations under this Agreement except as provided by 18 U.S.C. 4082 (c) (2) and Executive Order 11755, December 29, 1973.

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

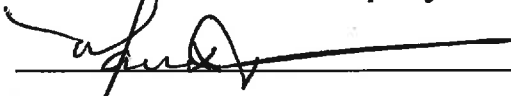
California Independent System Operator Corporation

By: _____
Name: _____
Title: _____
Date: _____

Western Area Power Administration

By: _____
Name: _____
Title: _____
Date: _____

Pacific Gas and Electric Company

By:  _____
Name: Mark Johnson
Title: Vice President, Transmission Operations
Date: 3/30/12

Balancing Authority of Northern California

By: _____
Name: _____
Title: _____
Date: _____

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

California Independent System Operator Corporation

By: _____
Name: _____
Title: _____
Date: _____

Western Area Power Administration

By: _____
Name: _____
Title: _____
Date: _____

Pacific Gas and Electric Company

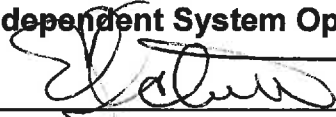
By: _____
Name: _____
Title: _____
Date: _____

Balancing Authority of Northern California

By: James C. Feider
Name: James C. Feider
Title: General Manager
Date: 4-5-12

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

California Independent System Operator Corporation

By: 
Name: Eric J. Schmitt
Title: Vice President, Operations
Date: April 9, 2012

Western Area Power Administration

By: _____
Name: _____
Title: _____
Date: _____

Pacific Gas and Electric Company

By: _____
Name: _____
Title: _____
Date: _____

Balancing Authority of Northern California

By: _____
Name: _____
Title: _____
Date: _____

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

California Independent System Operator Corporation

By: _____
Name: _____
Title: _____
Date: _____

Western Area Power Administration

By: Sonja A. Anderson
Name: Sonja A. Anderson
Title: Power Marketing Manager
Date: 4/10/12

Pacific Gas and Electric Company

By: _____
Name: _____
Title: _____
Date: _____

Balancing Authority of Northern California

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE 1

**PSEUDO-TIE GENERATING UNIT, PSEUDO TIE TECHNICAL INFORMATION
NATIVE and ATTAINING BALANCING AUTHORITY AREA INFORMATION
[Sections 4.1.2, 4.1.3 and 4.1.4]**

Pseudo-Tie Location	Registered TNAME: NML230 Location: New Melones Substation, 230 kV
Pseudo-Tie Generating Unit	Generator Name: New Melones Power Plant Capacity: 384 MW at 1.00 pf Pmax ¹ : 384 MW
Attaining Balancing Authority Area	BANC Balancing Authority Area
Native Balancing Authority Area(s)	CAISO Balancing Authority Area
Existing Contract	United States Department of Energy Western Area Power Administration Central Valley Project, California Contract with Pacific Gas and Electric Company For Transmission Service For New Melones, Western Contract No. 8-07-20- P0004, PG&E First Revised Rate Schedule FERC No. 60.

¹ This value is the unity power factor and represents the maximum amount of power that can be scheduled by the Pseudo-Tie Generating Unit into the CAISO Balancing Authority Area, and is subject to limitation pursuant to existing contracts regarding transmission service rights on the scheduling path, including due to System Emergencies, or to provide necessary voltage support, which could temporarily reduce the ability to generate and transfer power to amounts less than Pmax.

SCHEDULE 2**NOTICES**
[Section 11.2]**Western Area Power Administration**

Name of Primary Representative: Sonja Anderson
Title: Power Marketing Manager
Company: Western Area Power Administration
Address: 114 Parkshore Drive
City/State/Zip Code: Folsom, CA 95630
Email Address: sanderso@wapa.gov
Phone: (916) 353-4421
Fax No: (916) 985-1931

Name of Alternative Representative: Jeanne Haas
Title: Contracts and Energy Services Manager
Company: Western Area Power Administration
Address: 114 Parkshore Drive
City/State/Zip Code: Folsom, CA 95630
Email Address: haas@wapa.gov
Phone: (916) 353-4438
Fax No: (916) 985-1931

Pacific Gas and Electric Company

Name of Primary Representative: Lanette Kozlowski
Title: Director, Electric Transmission Rates
Company: Pacific Gas and Electric Company
Address: 77 Beale Street, B13L
City/State/Zip Code San Francisco, CA 94105
Email Address: Lanette.Kozlowski@pge.com
Phone: (415) 973-2081
Fax No: (415) 973-9174

Name of Alternative Representative: Andrew Conner
Title: Senior Transmission Contracts Engineer
Company: Pacific Gas and Electric Company
Address: 77 Beale Street, B13L
City/State/Zip Code San Francisco, CA 94105
Email Address: Andrew.G.Conner@pge.com
Phone: (415) 973-1756
Fax No: (415) 973-9174

Balancing Authority of Northern California

Name of Primary Representative: James Feider
Title: General Manager
Company: Balancing Authority of Northern California
Address: 6201 S Street, M.S. B408
City/State/Zip Code: Sacramento, CA 95817
Email Address: jimcfeider@gmail.com
Phone: (916) 732-6346
Fax No: Not provided.

Name of Primary Representative: Vicken Kasarjian
Title: Director, Grid Planning and Operations
Company: Sacramento Municipal Utility District (BANC Operator)
Address: 6001 S Street, M.S. D109
City/State/Zip Code: Sacramento, CA 95817
Email Address: vkasarj@smud.org
Phone: (916) 732-5727
Fax No: (916) 732-7026

Balancing Authority of Northern California

Name of Primary Representative: C. Anthony Braun
Title: General Counsel
Company: Braun Blaising McLaughlin, P.C,
Address: 915 L Street, Suite 1270
City/State/Zip Code Sacramento, CA 95814
Email Address: braun@braunlegal.com
Phone: (916) 326-4449
Fax No: (916) 441-4068

Name of Alternative Representative: Richard Buckingham
Title: Principal Power Contracts Specialist
Company: SMUD (BANC Operator)
Address: 6001 S Street, M.S. D105
City/State/Zip Code Sacramento, CA 95817
Email Address: rbuckin@smud.org
Phone: (916) 732-7027
Fax No: (916) 732-7026

Name of Alternative Representative: Mark Willis

Title: Supervisor, Power Operations Engineering.

Company: SMUD (BANC Operator)

Address: 6001 S Street, M.S. D105

City/State/Zip Code: Sacramento, CA 95817

Email Address: mwillis@smud.org

Phone: (916) 732-5451

Fax No: (916) 732-7026

California Independent System Operator

Name of Primary Representative: Roni L. Reese
Title: Senior Contracts Analyst
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: regulatorycontracts@caiso.com
Phone: (916) 608-7027
Fax No: (916) 608-7292

Name of Alternative Representative: Christopher J. Sibley
Title: Lead Contract Negotiator
Address: 250 Outcropping Way
City/State/Zip Code: Folsom, CA 95630
Email Address: csibley@caiso.com
Phone: (916) 608-7030
Fax No: (916) 351-7292

Attachment B

**Comparison of the Pilot Pseudo-Te Agreement and the Pseudo-Tie Agreement
For Informational Purposes Only**

**CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION
AND**

**PACIFIC GAS AND ELECTRIC
COMPANY**

**~~SACRAMENTO MUNICIPAL UTILITY
DISTRICT~~**

AND

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA
AND**

**WESTERN AREA POWER
ADMINISTRATION**

**~~PILOT PSEUDO-TIE
IMPLEMENTATION AGREEMENT~~**

PSEUDO-TIE IMPLEMENTATION AGREEMENT

THIS AGREEMENT is dated this ____ day of _____, _____, and is entered into, by and between:

- (1) **Pacific Gas and Electric Company**, having its registered and principal place of business located at 77 Beale Street, San Francisco, California 94177-0001 ("PG&E");
- (2) ~~Sacramento Municipal Utility District~~ **Balancing Authority of Northern California**, having its registered and principal executive office located at 6201 S Street, Sacramento, California 95817 ("~~SMUDBANC~~");
- (3) **United States of America, acting by and through the Western Area Power Administration Sierra Nevada Region**, having its principal place of business located at 114 Parkshore Drive, Folsom, California 95630 ("Western" or "Pseudo Generator")

and

- (4) **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~~ **CAISO** Governing Board may from time to time designate, initially ~~151 Blue Ravine Road~~ currently 250 Outcropping Way, Folsom, California 95630 ("~~ISO~~ **CAISO**").

PG&E, ~~SMUDBANC~~, Western and the ~~ISO~~ **CAISO** are hereinafter referred to as the "Parties".

Whereas:

- ~~A.~~ The CAISO has determined that the pilot Pseudo-Tie program successfully demonstrated the dynamic transfer of generating resources between adjacent Balancing Authority Areas and that this Agreement, and the associated CAISO Tariff revisions and additions, implement the features of the pilot Pseudo-Tie program.
- ~~A.B.~~ The CAISO shall not schedule Energy or Ancillary Services generated by any Generating Unit otherwise than through a Scheduling Coordinator.
- ~~B.C.~~ Western operates a ~~Generating Unit~~ generating unit owned by the United States Bureau of Reclamation that is physically interconnected to transmission facilities that have been turned over to the ~~ISO's~~ CAISO's operational control and ~~are~~ is located within the ~~ISO Control~~ CAISO Balancing Authority Area.

- C.D.** ~~Sections 5.5 and 5.6 of the Interconnected Control Area The Dynamic Transfer Balancing Authority Operating Agreement (“ICAODTBAOA”) between the ISO and SMUD provides~~ CAISO and BANC establishes the obligations between the ISO shall develop provisions parties for a pilot program authorizing the export of Pseudo-Tie of an entire resource generating units located in the ISO Control Area into the SMUD Control CAISO Balancing Authority Area and imports of Pseudo-Tie generating units from BANC Balancing Authority Area, subject to certain specified conditions.
- D.E.** ~~BANC, Western and the ISO~~ CAISO wish to implement and operate a pilot program for a Pseudo-Generating Unit-Tie generating unit for a dynamic functionality to allow Western to schedule Energy and Ancillary Services, as a Pseudo-Tie export, dynamically, through the ISO CAISO as the Native Control Balancing Authority Area, via a Scheduling Coordinator into the SMUD Control BANC Balancing Authority Area as the Attaining Balancing Authority Area.
- E.F.** ~~The Parties are entering into this Agreement in order to establish the terms and conditions on which the ISO, SMUD~~ CAISO, BANC and Western will discharge their respective duties and responsibilities under the pilot program for a Pseudo Generating Unit-Tie generating unit.
- F.** ~~The purpose of this Pilot Pseudo Tie Implementation Agreement (“Agreement”) is to confirm the feasibility of the Pseudo Tie operation for this application only and does not create a basis upon which other generating units may establish Pseudo Ties to SMUD, ISO or other Control Areas.~~
- G.** ~~The ISO has agreed to the form of this Agreement based on the pilot nature of the current Pseudo Tie arrangements. In the event the ISO determines that a permanent program is appropriate for Pseudo Tie arrangements, the ISO may terminate this Agreement and file a stand alone pro forma agreement between the Native Control Area and a Pseudo Generating Unit, along with appropriate technical or other standards that could be incorporated into the ICAOA through negotiations with SMUD and other Control Areas, in coordination with PG&E, for acceptance by FERC.~~
- H.G.** ~~PG&E, a Participating Transmission Owner, is a party to this Agreement in order to facilitate a common understanding of how the Existing Contracts relating to transmission service rights between PG&E and Western accommodates operation under this Agreement, including changes to those contracts pursuant to the Settlement Agreement, as defined below in Section 1.2.9, that may be necessary for implementation of this Agreement. PG&E understands that this Agreement is non-precedential and by.~~ By entering into the Agreement, PG&E is not providing support or endorsement for additional Pseudo-Tie arrangements out of the ISO Control CAISO Balancing Authority Area, and PG&E’s participation in this Agreement does not evidence or demonstrate PG&E support of any Pseudo-Tie arrangements.

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

ARTICLE I DEFINITIONS AND INTERPRETATION

- 1.1 Master Definitions Supplement.** Except as set forth in Section 1.2, all terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ~~ISO~~CAISO Tariff, Appendix A.
- 1.2 Special Definitions.** When used with initial capitalization herein, the following terms shall have the meanings set forth below:
- 1.2.1 Area Control Error (“ACE”):** The instantaneous difference between actual and scheduled interchange, taking into account the effects of frequency bias (and time error or unilateral inadvertent interchange if automatic correction for either is part of the system’s AGC).
- 1.2.2 Automatic Generation Control (“AGC”):** Generation equipment that automatically responds to signals from the ~~Control~~Balancing Authority Areas’ energy management system control in real time to control the power output of electric generators within a prescribed area in response to a change in system frequency, tie-line loading, or the relation of these to each other, so as to maintain the target system frequency and/or the established interchange with other areas within the predetermined limits.
- 1.2.3 Attaining ~~Control~~Balancing Authority Area:** The ~~SMUD Control~~BANC Balancing Authority Area, which is the NERC defined ~~Control~~Balancing Authority Area where the Pseudo-Tie Generating Unit output is fully included for purposes of calculation of Area Control Error (“ACE”) and meeting ~~Control~~Balancing Authority Area Load responsibilities.
- 1.2.4 Electric System:** All physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity’s ownership interest in such asset or property shall be considered to be part of its Electric System.
- 1.2.5 Native ~~Control~~Balancing Authority Area:** The ~~ISO Control~~CAISO Balancing Authority Area, which is the NERC defined ~~Control~~Balancing Authority Area where the Pseudo-Tie Generating Unit is physically interconnected to the electric grid.
- 1.2.6 Pseudo-Tie Generating Unit:** The New Melones Power Plant, which is interconnected within the ~~ISO Control~~CAISO Balancing Authority Area, authorized by this Agreement to provide and receive applicable ~~Control~~Balancing

Authority Area Services from the Attaining Control Balancing Authority Area and to operate under the jurisdiction of the Attaining Control Balancing Authority Area and the Native Control Balancing Authority Area.

1.2.7 Pseudo-Tie: The point at which a ~~Pseudo-Generating Unit-Tie~~ generating unit is deemed to be interconnected to its Attaining ~~Control~~ Balancing Authority Area as represented by a telemetered reading or value that is updated in real time and used as a “virtual” tie line flow in the ACE equation of both the Attaining and Native ~~Control~~ Balancing Authority Areas. The integrated value is used as a metered MWh value for the interchange accounting purposes.

1.2.8 Scheduling Coordinator: Western or its designated certified Scheduling Coordinator services provider, which will be responsible for any and all responsibilities of a Scheduling Coordinator under the ~~ISO~~ CAISO Tariff that are applicable to the ~~Pseudo-Tie~~ Generating Unit.

1.2.9 Contracts with PG&E: ~~The Settlement Agreement~~ Existing Contracts between Western and PG&E regarding issues related to FERC Docket No. ER05-229 and its subdockets, which ~~will include~~ includes amendments to Contract No. 14-06-200-2207A and Contract No. 8-07-20-P0004 between PG&E and Western (“~~Contract Amendments~~”). ~~PG&E intends to file an Offer of Settlement, which will include the Settlement Agreement and Contract Amendments, in FERC Docket No. ER05-229 on or about the same day as the ISO files this Agreement (“Offer of Settlement”).~~

1.2.10 Willful Action: Action taken or not taken by, or on behalf of, a Party at the direction of its members, directors, members of its governing body or bodies, authority or authorities, officers or employees having management or administrative responsibility, or agents acting in comparable capacity, which is either of the following:

- (a) Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or
- (b) Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

The phrase “employees having management or administrative responsibility,” as used in this Section, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party’s performance under this Agreement with responsibility

for results. Willful Action does not include any act or failure to act that is merely involuntary, accidental or negligent.

1.3 Rules of Interpretation. The following rules of interpretation and conventions shall apply to this Agreement:

- (a) if there is any inconsistency between this Agreement and the ISOCAISO Tariff or SMUD's open access transmission tariff, this Agreement will prevail to the extent of the inconsistency;
- (b) nothing in this Agreement is meant to alter or modify Western's rights under its existing transmission contract with PG&E, set forth in Schedule 1 of this Agreement;
- (c) the singular shall include the plural and vice versa;
- (ed) the masculine shall include the feminine and neutral and vice versa;
- (de) "includes" or "including" shall mean "including without limitation";
- (ef) references to a Section, Article or Schedule shall mean a Section, Article or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (fg) a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;
- (gh) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time;
- (hi) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (ij) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (jk) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (k)(l) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

ARTICLE II
ACKNOWLEDGEMENTS OF PSEUDO-TIE GENERATOR, SMUDBANC AND
ISOCAISO

- 2.1 Control Balancing Authority Area Responsibilities.** The Parties acknowledge that the ISOCAISO and SMUDBANC are responsible for the efficient use and reliable operation, respectively, of the ISO and SMUD Controlled Grids and ISO and SMUD Control their respective Balancing Authority Areas, consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council ("WECC") and the North American Electric Reliability Council ("NERC"). ~~The Parties further acknowledge that the ISO and SMUD may not be able to satisfy fully these responsibilities if Western fails to comply fully with all of its obligations under this Agreement.~~ Corporation ("NERC").

ARTICLE III
TERM AND TERMINATION

- 3.1 Effective Date.** The parties shall request that FERC accept this Agreement and set ~~September 27, 2006~~ March 30, 2012 as the effective date for this Agreement, ~~the Offer of Settlement, Settlement Agreement, and the Contract Amendments.~~ In order to meet that effective date, the Parties will seek a waiver of all applicable FERC notice rules ~~as may be necessary.~~ The effective date shall be the later of the effective date set by FERC, ~~September 27, 2006,~~ March 30, 2012, or the date by which the Commission accepts this Agreement, ~~or approves the Offer of Settlement, the Settlement Agreement, and the Contract Amendments~~ ("Effective Date"). In the event the Commission or another body with jurisdiction over ~~the agreements~~ this Agreement makes a modification to this Agreement that is unacceptable to any signatory to this Agreement, then that party shall notify the other parties in writing within thirty (30) days of the issuance of the unacceptable ~~Order~~ order and attempt in good faith to negotiate a resolution of the modification(s) set forth in the ~~Order~~ order. In the event the party engages in good faith negotiations and still is unable to resolve its concerns with the ~~Order~~ order, the party shall notify the other parties that this Agreement shall terminate thirty (30) days after service of that notice.

3.2 Termination

- 3.2.1 Termination by ISOCAISO.** The ISOCAISO may terminate this Agreement without cause by giving ~~sixty (60) days~~ the Parties two (2) years advance written notice of termination for any of the following conditions: (i) ~~termination of or on thirty (30) days written notice in the ICAOA,~~ (ii) ~~termination of event the pilot program in accordance with Section 3.2.5; or (iii) a FERC Order approving a successor ISO Pseudo Tie program.~~ DTBAOA is terminated. Additionally, the ISOCAISO may terminate this Agreement ~~for~~ on thirty (30) days written notice in the event of default by giving written notice of termination in the event any Party commits any material default under this Agreement and/or the ISOCAISO Tariff

which, if capable of being remedied, is not remedied within thirty (30) days after the ISO/CAISO has given written notice of the default, unless excused by reason of Uncontrollable Forces in accordance with Article X of this Agreement.

3.2.2 Termination by Western. In the event that Western no longer wishes the Pseudo-Tie Generating Unit to be considered part of the SMUD Control/BANC Balancing Authority Area, it may terminate this Agreement, on giving the ISO ~~sixty (60) days~~ CAISO two (2) years advance written notice. Western also may terminate this agreement with thirty (30) days notice if the DTBAOA is terminated or amended in a manner unacceptable to Western. Western also may terminate this agreement with thirty (30) days notice if the CAISO amends the applicable market charges or Grid Management Charges in a manner unacceptable to Western.

3.2.3 Termination by SMUD. SMUD/BANC. BANC may terminate this Agreement without cause by giving the Parties ~~sixty (60) days~~ two (2) years advance written notice of termination or on thirty (30) days written notice in the event the DTBAOA is terminated.

3.2.4 Termination by PG&E. In the event of a significant legislative or regulatory change that has a material impact on this Agreement or on PG&E or change in operational status, PG&E has the right to terminate this Agreement with two years notice. A change in operational status is a change in ~~Control~~ Balancing Authority Areas, joining an RTO, or other change which has a significant operational impact on this Agreement. If PG&E provides notice, the Parties promptly shall attempt to renegotiate in good faith the terms and conditions of this Agreement to restore the original balance of benefits and burdens contemplated by the Parties as of the date when this Agreement is executed. In the event the Parties agree upon revised terms and conditions and/or a renegotiated successor agreement, PG&E shall make good faith efforts to support the non-terminating party in making any necessary filings to implement renegotiated terms and conditions and/or a renegotiated successor agreement before appropriate organizations, including filing supporting documents before a regulatory or judicial body. In the event the parties are unable to successfully renegotiate this Agreement within twenty-two (22) months after PG&E has provided written notice, PG&E may confirm the termination of this Agreement.

~~**3.2.5 Termination or Extension of Pilot Program.** The Pseudo Generating Unit pilot program shall extend for a minimum of two (2) years from the effective date of this Agreement. Sixty (60) days prior to the end of the two-year pilot program period, the ISO shall determine whether (i) the pilot program has been demonstrated to be successful and can be implemented on an extended basis, in which case the ISO may issue a notice of termination for this Agreement; (ii) the pilot program has been unsuccessful and the ISO should issue a notice of termination for this Agreement; or (iii) the results of the pilot program have been inconclusive and the pilot program should be extended for another year, in which~~

~~case the ISO and SMUD will make the same determination sixty (60) days prior to the end of the initial and any subsequent one-year extension period(s).~~

~~3.2.6 Filing.~~ With respect to any notice of termination given pursuant to this Section 3, ~~the ISO~~3.2.5 Filing. With respect to any notice of termination given pursuant to this Section 3, the CAISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ISOCAISO will be considered timely if: (1) the filing of the notice of termination is made after the preconditions for termination have been met, and (2) the ISOCAISO files the notice of termination within thirty (30) days after receipt of a notice of termination from Western or within sixty (60) days after issuance of its own notice of termination or notice of termination by SMUDBANC or confirmation of termination by PG&E. This Agreement shall terminate in accordance with Section 3.2, upon acceptance by FERC of such a notice of termination.

ARTICLE IV GENERAL TERMS AND CONDITIONS

4.1 ~~Pseudo Tie Requirements and Pseudo-Generator~~ Pseudo-Tie Generating Unit Obligations

4.1.1 The Pseudo-Tie Generating Unit ~~pilot program~~ established under this Agreement shall be implemented and operated in accordance with this Agreement, applicable provisions of the ISOCAISO Tariff referenced herein and the ICAOADTBAOA between the ISOCAISO and SMUDBANC, and all applicable NERC and WECC ~~policies, requirements, and provisions~~standards.

4.1.2 The technical characteristics of the Pseudo-Tie Generating Unit ~~and~~, associated Pseudo-Tie-Tie and long-term firm transmission service reservation are set forth in Schedule 1 of this Agreement. Western may request, after coordinating with BANC, and the ISO and SMUDCAISO may agree, at theirs sole discretion, to change the foregoing ISOCAISO intertie association set forth in Schedule 1, subject to any ~~limitations~~conditions set forth in ~~Schedule 2~~Appendix N of the CAISO Tariff.

4.1.3 The terms and conditions ~~for addressing~~ the Pseudo-Tie Generating Unit ~~pilot program implemented among the ISO, SMUD and Western for the Pseudo Tie from the ISO Control~~CAISO Balancing Authority Area from for the Pseudo-Tie Generating Unit listed in Schedule 1 are set forth in ~~Schedule 2~~this Agreement and the CAISO Tariff, including Appendix N of the CAISO Tariff.

4.1.4 **Notification of Changes.** Sixty (60) days prior to changing any technical information in ~~Schedules~~Schedule 1 and 2, Western shall notify the ISOCAISO and SMUDBANC of the proposed changes.

4.2 Applicable ISOCAISO Tariff Provisions. The Parties shall comply with Sections 7.4.16 (Relationship between CAISO and Pseudo-Ties Out), 7.7 (Management of System Emergencies), and 8.4.5 (Communication Equipment) and Appendix N of the ISOCAISO Tariff.

4.3 Obligations Relating to Major Incidents

4.3.1 Major Incident Reports. ~~Western shall promptly provide, as such information as the ISOsections and SMUDappendix may reasonably request in relationbe amended from time to time; provided, however, to major incidents, in accordance the extent that this Agreement or Appendix N of the CAISO Tariff may be inconsistent with Good Utility Practice.the Contracts with PG&E, the Contracts with PG&E will prevail to the extent of the inconsistency.~~

**ARTICLE V
[INTENTIONALLY NOT USED]**

**ARTICLE VI
COSTS**

6.1 Operating and Maintenance Costs. Western shall be responsible for all its operating and maintenance costs incurred for the purpose of meeting its obligations under this Agreement.

6.2 Prohibition of Costs. PG&E is not responsible for and shall not be assessed or penalized for any costs, losses, or other charges by any of the Parties under this Agreement.

6.3 CAISO Charges. The CAISO shall assess Western or its designated Scheduling Coordinator, as the responsible Scheduling Coordinator for the Pseudo-Tie Generating Unit, all applicable market charges and Grid Management Charges, in accordance with the CAISO Tariff. In the event the CAISO amends the applicable market charges or Grid Management Charges in a manner unacceptable to Western, Western may terminate this agreement by providing thirty (30) days notice.

**ARTICLE VII
DISPUTE RESOLUTION**

7.1 Dispute Resolution. The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISOCAISO ADR Procedures set forth in Section 13 of the ISOCAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the ISOCAISO Tariff to

Market Participants shall be read as a reference to Western, SMUDBANC or PG&E as the context requires and references to the ISOCAISO Tariff shall be read as references to this Agreement.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

- 8.1 Representation and Warranties.** Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent authorized by law.

ARTICLE IX LIABILITY

- 9.1 Scope of Liability.** Except for any loss, damage, claim, cost, charge or expense resulting from gross negligence or Willful Action, or for the nonpayment of monies due, no Party, its directors, members of its governing body, officers, employees or agents shall be liable to any other Party for any death, injury, loss, damage, claim, cost, charge or expense of any kind or nature incurred by any other Party, including, without limitation, direct, indirect or consequential loss, damage, claim, cost, charge or expense, and whether or not resulting from the negligence of any Party, its directors, members of its governing body, officers, employees or any person or entity whose negligence would be imputed to such Party, arising from the performance or non-performance of obligations under this Agreement. Except for any death, injury, loss, damage, claim, cost, charge or expense resulting from gross negligence or Willful Action or nonpayment of monies due, each Party releases the other Parties, their directors, members of governing bodies, officers, employees and agents from any such liability.

ARTICLE X UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces Tariff Provisions.** Section 14 of the ISOCAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14.1 of the ISOCAISO Tariff to Market Participants shall be read as a reference to Western, PG&E or SMUDBANC and references to the ISOCAISO Tariff shall be read as references to this Agreement; provided, however, in no event shall any Party be considered in default of any obligation under this Agreement or liable to any other Party for direct, indirect, or consequential damages if prevented from fulfilling that obligation due to the occurrence of an Uncontrollable Force.

ARTICLE XI MISCELLANEOUS

- 11.1 Assignments.** Any Party may assign or transfer any or all of its rights and/or obligations under this Agreement with all of the other Parties' prior written consent. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights and/or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 11.2 Notices.** Any notice, demand or request which may be given to or made upon any Party regarding this Agreement shall be made in accordance with Section 22.4 of the ISOCALSO Tariff, except as provided for in Section 3.2 of this Agreement. A Party must update the information in Schedule 32 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 11.3 No Third Party Beneficiaries.** No right or obligation contained in this Agreement shall inure to the benefit of any person or entity which is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.
- 11.4 Relationship of the Parties**
- 11.4.1** Except as otherwise provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not joint or collective. It is the intent of the Parties not to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, or with regard to, any Party.
- 11.4.2** Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. No Party or group of Parties shall be under the control of or shall be deemed to control any other Party or Parties.
- 11.4.3** No Party shall be the agent of, or have the right or power to bind another Party without its written consent, except as expressly provided for in this Agreement.
- 11.5 No Dedication of Facilities.** Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall, at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

- 11.6 Waivers.** Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 11.7 Governing Law and Forum.** This 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 its conflict of law provisions. The Parties irrevocably ~~consents~~consent that any legal action or proceeding arising under or relating to this Agreement to which the ISOCAISO ADR Procedures do not apply, shall be brought in any of the following forums, as appropriate: any court of the State of California, 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.
- 11.8 Consistency with Federal Laws and Regulations.** All provisions of this Agreement shall incorporate by reference Section 22.9 of the ISOCAISO Tariff. All references in Section 22.9 of the ISOCAISO Tariff shall be read as if referring to this Agreement.
- 11.9 Merger.** Except as specifically provided in Section 4.1.1, this Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 11.10 Severability.** If any term, covenant, or condition of this 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 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 Agreement.

11.11 Amendments. This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. If the amendment does not require FERC approval, the amendment will be filed with FERC for information. Nothing contained herein shall be construed as affecting in any way the right of any Party to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 or 206 of the FPA, as applicable and pursuant to FERC's rules and regulations promulgated thereunder.

11.12 Counterparts. This 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 Agreement.

ARTICLE XII FEDERAL PROVISIONS

12.1 Contingent Upon Appropriations. Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

12.2 Officials Not to Benefit. No member of or delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Agreement or to any benefit that may have arisen from this Agreement, but this restriction shall not be construed to extend to this Agreement if made with a corporation or company for its general benefit.

12.3 Covenant Against Contingent Fees. The other Parties warrant that no person or selling agency has been employed or retained to solicit or secure rights under this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fees, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Parties for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul, as to Western, paid or incurred by Western hereunder, without liability or, in its discretion, to deduct from any consideration of its obligations hereunder the full amount of such commission, percentage, brokerage, or contingent fee.

12.4 Contract Work Hours and Safety Standards. This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C.A. 329 (1986), 3701, as amended or

supplemented, is subject to the provisions of the Act, 40 U.S.C.A. ~~327-333~~
~~(1986)~~, 3701-3708, as amended or supplemented, and to regulations
promulgated by the Secretary of Labor pursuant to the Act.

- 12.5 Equal Opportunity Employment Practices.** Section 202 of Executive Order No. 11246, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the parties will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in this Agreement.
- 12.6 Use of Convict Labor.** The Parties agree not to employ any person undergoing sentence of imprisonment in performing obligations under this Agreement except as provided by 18 U.S.C. 4082 (c) (2) and Executive Order 11755, December 29, 1973.

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Western Area Power Administration

By: _____

Name: _____

Title: _____

Date: _____

Pacific Gas and Electric Company

By: _____

Name: _____

Title: _____

Date: _____

~~Sacramento Municipal Utility District~~

Balancing Authority of Northern California

By: _____

Name: _____

Title: _____

Date: _____

SCHEDULE 1

PSEUDO-TIE GENERATING UNIT, PSEUDO TIE Technical Information TECHNICAL INFORMATION
NATIVE and ATTAINING CONTROL BALANCING AUTHORITY AREA
Information INFORMATION
[Sections 4.1.2, 4.1.3 and 4.1.4]

<u>Pseudo-Tie Location</u>	Pseudo-Tie ID: MELONP_2_PGAE <u>Registered TNAME: NML230</u> Location: New Melones Substation, 230 kV
<u>Pseudo-Tie Generating Unit</u>	Generator Name: New Melones Power Plant Capacity: 384 MW at 1.00 pf Pmax ¹ : 384 MW
Attaining Control <u>Balancing Authority Area</u>	SMUD Control <u>BANC Balancing Authority Area</u>
Native Control <u>Balancing Authority Area(s)</u>	ISO Control <u>CAISO Balancing Authority Area</u>
<u>Existing Contract</u>	<u>United States Department of Energy</u> <u>Western Area Power Administration</u> <u>Central Valley Project, California</u> <u>Contract with Pacific Gas and Electric</u> <u>Company For Transmission Service For New</u> <u>Melones, Western Contract No. 8-07-20-</u> <u>P0004, PG&E First Revised Rate Schedule</u> <u>FERC No. 60.</u>

¹ This value is the unity power factor and represents the maximum amount of power that can be scheduled by the Pseudo-Generator-Tie Generating Unit into the ~~ISO Control~~ CAISO Balancing Authority Area, and is subject to limitation pursuant to existing contracts regarding transmission service rights on the scheduling path, including due to System Emergencies, or to provide necessary voltage support, which could temporarily reduce the ability to generate and transfer power to amounts less than Pmax.

SCHEDULE 2

~~PSEUDO GENERATING UNIT PILOT PROGRAM TERMS~~

~~[Section 4.1.3]~~

~~The terms and conditions set forth in this Schedule 2 shall apply to Western's participation in this ISO and SMUD Pseudo Tie Export Generating Unit pilot program, including dynamic transfers of Energy from the ISO Control Area to the SMUD Control Area.~~

~~1. Consistency with NERC/WECC~~

~~1.1 Operation of Pseudo Tie functionalities must comply with all applicable NERC and WECC policies, requirements, and guidelines regarding inter-Control Area scheduling. The Pseudo Tie must be registered as a "Point Of Delivery" (POD) on NERC's Transmission Service Information Network (TSIN).~~

~~1.2 Operation and/or associated scheduling of Pseudo Tie functionalities must be consistent with the NERC Dynamic Transfer White Paper, which was approved by the NERC Operating Committee on March 25, 2004 as a reference document, and any resulting NERC standards and/or policies.~~

~~1.3 All interchange scheduling associated with the Pseudo Tie functionality must be consistent with NERC Reliability Standards for the Bulk Electric Systems of North America (Standard INT-001-0 – Interchange Transaction Tagging, Standard INT-002-0 – Interchange Transaction Tag Communication and Assessment, Standard INT-003-0 – Interchange Transaction Implementation, and Standard INT-004-0 – Interchange Transaction Modifications).~~

~~2. Operating, Technical, and Business Requirements~~

~~2.1 Operating~~

~~2.1.1 The ISO and SMUD will establish the Pseudo Tie between the ISO Control Area and the SMUD Control Area, will specify the location of that Pseudo Tie point, and will register that location as a point of delivery to the SMUD Control Area.~~

~~2.1.2 Western must a) transfer dynamically its entire output of its real time Generation production and b) provide static forward schedules into the ISO's Scheduling Infrastructure ("SI") systems to schedule the use of ISO transmission associated with the export of the Pseudo Generating Unit energy into the SMUD Control Area at the associated pre-existing ISO physical Intertie, as provided in Section 2.2.3.~~

- ~~2.1.3~~ There will be no static imports from the Pseudo Generating Unit directly into the ISO Control Area.
- ~~2.1.4~~ Long-term firm transmission service must be reserved for this Pseudo Tie transfer across the ISO Control Area along the entire transmission path to the SMUD Control Area sufficient to permit delivery of an amount equal to at least the scheduled Generation of the Pseudo Generating Unit, in each hour. Contract No. 8-07-20-P0004 establishes the basis for the long-term firm transmission service reservation for the Pseudo Generation Unit for the term of the contract.
- ~~2.1.5~~ All Energy transfers associated with Pseudo Ties must be electronically tagged (e-tagged).
- ~~2.1.6~~ The ISO will treat all dynamically transferred Energy from the Pseudo Generating Unit as external ISO Control Area Generation (except that firm transmission will be reserved for the actual forward scheduled across the intervening ISO Control Area transmission, to the designated pre-existing ISO-SMUD intertie).
- ~~2.1.7~~ In case the Pseudo Generating Unit is curtailed or forced out of service in real time, the associated Pseudo Tie ISO transmission schedules submitted into SI must be adjusted by the next available ISO Hour Ahead market scheduling timeframe.
- ~~2.1.8~~ In real time, the total output of the Pseudo Generating Unit shall be telemetered to the ISO and to SMUD.
- ~~2.1.9~~ In real time, the total Pseudo Generating Unit energy shall not exceed Western's firm transmission rights.
- ~~2.1.10~~ The ISO, SMUD, PG&E and Western will develop a coordinated operating procedure outlining the agreed upon framework among all Parties for the operation of this Agreement.
- ~~2.1.11~~ The output of the Pseudo Generating Unit may be subject to real-time curtailments as directed by the ISO in accordance with Good Utility Practices.
- ~~2.2~~ **Technical**
- ~~2.2.1~~ All applicable communication and telemetry requirements of the WECC, the ISO, and SMUD regarding generating units and inter-Control Area interties must be satisfied.
- ~~2.2.2~~ Proper incorporation of the dynamic signal into all involved Control Areas' ACE equations will be required.

~~2.2.3~~ A Pseudo Generating Unit must be permanently associated with a particular pre-existing ISO intertie. Any dynamic transfers of Energy and/or Energy associated with Ancillary Services dispatch shall not exceed the firm transmission rights reservation, at the associated pre-existing ISO intertie. Western's Tracy 230-kV Substation will be the delivery point. If for any reason delivery cannot be made to the Tracy 230-kV Substation, for purposes of this Agreement, Energy will still be deemed delivered to Western at an alternate designated intertie with available capacity. SMUD as the Attaining Control Area will immediately request emergency wheeling service from the ISO under provisions of the SMUD-ISO ICAOA, Service Schedule 13, to maintain the Pseudo Tie schedule via the alternate designated intertie. Western, or its designated SC, will reschedule the New Melones Pseudo Tie Energy in the next available ISO Hour Ahead scheduling timeframe through the ISO Scheduling system, until the New Melones firm transmission path to Tracy 230-kV Substation is re-established. Western, or its designated SC, will be charged and will pay for the requested emergency New Firm Use transmission and all associated ISO charges in accordance with the ISO Tariff, for this emergency service.

~~2.2.4~~ Only one dynamic transfer signal may be associated with the Pseudo Generating Unit.

~~2.2.5~~ Should there be any need or requirement, whether operational or procedural, for the ISO or SMUD to make real time adjustments to the ISO's inter-Control Area schedules at the pre-existing ISO intertie associated with the Pseudo Generating Unit (including curtailments), the dynamic transfer from the Pseudo Generating Unit shall be treated in the same manner as any ISO interchange schedule at that pre-existing ISO intertie, and in accordance with the operating instructions from PG&E.

~~2.2.6~~ Energy delivered from New Melones Power Plant will be subject to all provisions of SMUD's Control Area procedures.

~~2.3~~ **Business**

~~2.3.1~~ For settlements, the Energy transferred dynamically from the Pseudo Generating Unit during an operating hour will be deemed delivered, for that operating hour.

~~2.3.2~~ All Energy from the Pseudo Tie interchange shall be subject to the ISO Tariff Transmission Loss construct, presently Transmission Meter Multiplier ("TMM"), and billed accordingly to Western or the designated Scheduling Coordinator for the Pseudo Generating Unit.

~~2.3.3~~ The ISO shall assess Western or its designated Scheduling Coordinator, as the responsible SC for this Pseudo Generating Unit, all applicable market charges and Grid Management Charges ("GMC"), in accordance with the ISO Tariff. The ISO market charges currently applicable to the Pseudo Generating Unit power

~~flow Schedules using the ETC firm transmission reservation are those associated with Transmission Losses, which will be applied to the Pseudo Generating Unit power flow schedules in accordance with the ISO Tariff.~~

~~2.3.4 In the event of a Tracy 230 kV line outage and a subsequent SMUD request for Emergency Wheeling service from the ISO to maintain deliveries of power to SMUD from this Pseudo Generator Unit, or in the event that Pseudo Generating Unit forward market Schedules exceed the ETC firm transmission reservation, all ISO Tariff market and GMC charges applicable to the resulting use of ISO “new firm use” transmission service shall be applied for the duration of these events, inclusive of any related Hour-Ahead “new firm use” Schedules.~~

~~2.3.5 Western or the designated Scheduling Coordinator interchange schedules shall be subject to all applicable terms of the ISO’s Market Redesign Technology Upgrade (“MRTU”), for which the ISO will develop the necessary revisions to the terms applicable to Pseudo Ties.~~

~~2.3.6 All hourly Pseudo Tie export schedules shall be submitted by a certified Scheduling Coordinator, into the ISO’s Scheduling Infrastructure (SI) as coordinated import and export “wheel through” forward power flow schedules, at the designated Pseudo Tie and physical tie with the SMUD Control Area.~~

~~3. Operating Agreements~~

~~3.1 The export Pseudo Tie pilot program shall be conditional on the facilitation by SMUD as the Attaining Control Area of the Pseudo Tie functionality in accordance with the ICAOA between SMUD and the ISO.~~

~~3.2 Western shall comply with its contractual obligations with the owners of the facilities to which the Pseudo Generating Unit is interconnected and/or the SMUD Control Area that affect in any way the ability of Western to perform its obligations under this Agreement.~~

SCHEDULE 3

**NOTICES
[Section 11.2]**

Western Area Power Administration

Name of Primary Representative: ~~Tom Boyke~~ Sonja Anderson
Title: Power Marketing Manager
Company: Western Area Power Administration
Address: 114 Parkshore Drive
City/State/Zip Code: Folsom, CA _95630
Email Address: ~~boyke~~ sanderso@wapa.gov
Phone: (916) 353-4421
Fax No: (916) 985-1931

Name of Alternative Representative: Jeanne Haas
Title: Contracts and Energy Services Manager
Company: Western Area Power Administration
Address: 114 Parkshore Drive
City/State/Zip Code: Folsom, CA 95630
Email Address: haas@wapa.gov
Phone: (916) 353-4438
Fax No: (916) 985-1931

Pacific Gas and Electric Company

Name of Primary Representative: ~~Steve Metague~~Lanette Kozlowski
Title: Director, Electric Transmission Rates
Company: Pacific Gas and Electric Company
Address: 77 Beale Street, B13L
City/State/Zip Code: San Francisco, CA 94105
Email Address: ~~SJMd~~Lanette.Kozlowski@pge.com
Phone: (415) 973-~~6545~~2081
Fax No: (415) 973-9174

Name of Alternative Representative: ~~Richard Buckingham~~Andrew Conner
Title: Senior Transmission ~~Contract~~Contracts Engineer
Company: Pacific Gas and Electric Company
Address: 77 Beale Street, B13L
City/State/Zip Code: San Francisco, CA 94105
Email Address: ~~RABd~~Andrew.G.Conner@pge.com
Phone: (415) 973-~~4717~~1756
Fax No: (415) 973-9174

Sacramento Municipal Utility District
Balancing Authority of Northern California

Name of Primary Representative: ~~Tom Ingwers~~ James Feider _____
Title: ~~Director, Energy Trading and Contracts~~ General Manager _____

Company: SMUD Balancing Authority of Northern California _____
Address: ~~6301~~ 6201 S Street, M.S. ~~A404~~ B408 _____
City/State/Zip Code Sacramento, CA 95817 _____
Email Address: ~~tingwer@smud.org~~ jimcfeider@gmail.com _____
Phone: (916)- ~~732-5704~~ 6346 _____
Fax No: (916) ~~732-6002~~ Not provided. _____

Name of Primary Representative: Vicken Kasarjian _____
Title: ~~Department Manager, System~~ Director, Grid Planning and Operations and Reliability _____
Company: SMUD Sacramento Municipal Utility District (BANC Operator) _____
Address: ~~6001~~ S Street, M.S. D109 _____
City/State/Zip Code Sacramento, CA 95817 _____
Email Address: vkasarj@smud.org _____
Phone: 916) ~~732-5727~~ _____
Fax No: (916) ~~732-7026~~ _____

Balancing Authority of Northern California

Name of Alternative Primary

Representative: ~~Brian Jobson~~ C. Anthony Braun

Title: ~~Supervisor, Regulatory and Contracts~~ General Counsel

Company: ~~SMUD~~ Braun Blasing McLaughlin, P.C.

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Email Address: ~~bjobson@smud.org~~ braun@braunlegal.com

Phone: ~~(916) 732-5939~~ 326-4449

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Name of Alternative

Representative: ~~Mark Willis~~ Richard Buckingham

Title: ~~Supervisor,~~ Principal Power Operations

~~Engineering,~~ Contracts Specialist

Company: SMUD (BANC Operator)

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Name of Alternative

Representative: Mark Willis

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California Independent System Operator

Name of Primary
Representative:

Roni L. Reese

Title:

Senior Contracts Analyst

Address:

~~151 Blue Ravine Road~~250 Outcropping Way

City/State/Zip Code

Folsom, CA 95630

Email Address:

~~rreese~~regulatorycontracts@caiso.com

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(916) 608-7027

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Name of Alternative
Representative:

~~Philip D. Pettingill~~Christopher J. Sibley

Title:

~~Manager of Infrastructure Policy & Contracts~~Lead Contract

Negotiator

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