

ATTACHMENT A



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER BUSINESS LINE

January 10, 2001

In reply refer to: PTS

Contract No. 01PB-10748
LETTER AGREEMENT

Mr. Jim McIntosh
California Independent System Operator
P.O. Box 639014
Folsom, CA 95630-9014

Dear Mr. McIntosh:

As a result of recent discussions between representatives of the Bonneville Power Administration, Power Business Line (BPA) and the California Independent System Operator Corporation (CAISO), the parties have agreed to enter into mutually beneficial power exchange transactions from time-to-time.

Accordingly, BPA proposes the following:

1. **TERM.**

This letter agreement (Agreement) shall become effective on the date executed by the parties, and shall continue in effect until 2400 hours on December 31, 2001, unless terminated earlier upon 30 days' written notice by one party to the other party. All obligations incurred hereunder shall be preserved until satisfied.

2. **EXHIBIT.**

Exhibit A (Western Systems Power Pool Agreement, effective as of July 1, 2000 (the WSPP Agreement)), is attached hereto and made a part of this Agreement; *provided, however*, that the provisions of sections 21.3 and 22.3 and Appendix A, section A-3.7 and Appendix C, section C-3.7 of the WSPP Agreement and the provisions of the WSPP Agreement regarding the settlement of payments for energy deliveries shall not apply to this Agreement, and the provisions of section 24 of the WSPP Agreement shall be read to substitute the phrase "State of California" for the phrase "State of Utah."

3. **EXCHANGE PRODUCT.**

The Parties may enter into an exchange transaction, which is described below.

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Issued on: August 20, 2001

Effective: January 17, 2001

Any remaining energy owed by the CAISO to BPA needed to achieve the two (2) for one (1) exchange, shall be delivered by the CAISO to BPA within fourteen (14) days after delivery of energy by BPA to the CAISO.

BPA shall use best efforts to accept the return energy from the CAISO within the time lines specified in this section 3(d) for the CAISO's return of energy owed by the CAISO to BPA.

The CAISO shall notify and inform BPA by noon (HE 1200) of the prescheduled day of the hourly energy amounts to be returned at COB or NOB. BPA and the CAISO shall mutually agree upon the hours of return and hourly return amounts. Real-time changes to the prescheduled hourly amounts and hours of return are subject to mutual agreement and hourly nonfirm transmission availability. Such requests shall be made to the BPA Duty Scheduler no later than thirty (30) minutes after the hour prior to the delivery hour (e.g., 1230 for delivery hour beginning 1300 and ending 1400).

BPA reserves the right to suspend energy deliveries under this Agreement or terminate this Agreement should the CAISO not adhere to the return provisions listed in this section 3(d). If this occurs, the CAISO will return all energy owed BPA within 168 hours from the date that BPA notifies the CAISO that the CAISO has failed to adhere to the return provisions of this section 3(d), subject to transmission availability, or pay BPA for such energy at then-current mutually agreed upon off-peak market prices if such return within 168 hours cannot be provided. Payment by the CAISO for such energy shall be made in accordance with the settlement process, billing cycle, and payment timeline set forth in the CAISO Tariff and Protocols.

4. **UNDERLYING PROVISIONS.** Unless otherwise specified in this Agreement, all provisions required to perform either party's obligations under this Agreement shall be as described in the WSPP Agreement, as limited by the provisions of section 2 above.

(a) **BPA Deliveries to the CAISO**

Prescheduled Energy Deliveries. The CAISO shall request, no later than noon (hour-ending [HE] 1200) of the prescheduled day, hourly energy amounts to be delivered at the California-Oregon Border (COB) or Nevada-Oregon Border (NOB). The CAISO shall notify BPA at the time of the request that the transaction is pursuant to this Agreement (Contract No. 01PB-10748). BPA and the CAISO shall mutually agree upon the hours of delivery and hourly amounts. The amounts shall be subject to firm transmission availability, BPA available capacity, and the provisions of section 3(c) below. Real-time changes to the prescheduled hourly amounts and hours of delivery are subject to mutual agreement, hourly nonfirm transmission availability, BPA available capacity, and the provisions of section 3(c) below. Such requests shall be made to the BPA Duty Scheduler no later than thirty (30) minutes after the hour prior to the delivery hour (e.g., 1230 for delivery hour beginning 1300 and ending 1400).

All energy deliveries are subject to section 3(d) below.

(b) **Provisions Relating to Delivery.**

Deliveries of energy are for the full amount requested for the full hour. Mid-hour schedule changes will not be allowed. BPA shall be responsible for any transmission losses incurred for BPA deliveries of energy to the delivery point at COB or NOB. The CAISO shall be responsible for any transmission losses from the delivery point at COB or NOB.

(c) **Interruption of Deliveries.**

BPA retains the right to interrupt any delivery prior to any hour(s) should BPA lose a generation unit(s) greater than 600 megawatts (MW) total during an hour in which energy is scheduled to be delivered. For undelivered energy due to an interruption, the return amounts by the CAISO will be adjusted to reflect such interruption.

(d) **Provisions Relating to CAISO Return of Energy to BPA.**

The CAISO shall return all energy delivered by BPA under section 3(a) above at a ratio of two (2) megawatt-hours (MWh) to every one (1) MWh delivered by BPA to the CAISO. The CAISO shall be responsible for any transmission losses incurred for CAISO deliveries of energy to the delivery point at COB or NOB. BPA shall be responsible for any transmission losses from the delivery point at COB or NOB.

The CAISO shall make best efforts to return energy within twenty-four (24) hours after delivery of energy by BPA to the CAISO, at a minimum rate of one (1) MWh per every one (1) MWh delivered by BPA under section 3(a) above, subject to the availability to the CAISO of sufficient generation, operating reserves, and transmission.

If the foregoing is acceptable to the CAISO, please arrange to have both originals signed and return one to me. The remaining original is for your files.

Sincerely,

Tracy M. Winter
~~Account Executive~~
Name _____
(Print/Type)

ACCEPTED:

CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION

By *[Signature]*
Name Kellen Fuchberger
(Print/Type)
Title Chief operations officer
Date 1/17/01

By *[Signature]*
Name Tracy M Winter
Title Chief-Executive officer
Date 1/17/01

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