

July 10, 2017

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

**Re: California Independent System Operator Corporation  
Operating Agreement, CAISO Rate Schedule No. 94  
Docket No. ER17-\_\_\_\_\_-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“CAISO”) submits an Operating Agreement between the CAISO and The Metropolitan Water District of Southern California, a governmental entity, operating under the laws of the State of California (“MWD”).<sup>1</sup> The Operating Agreement governs the operation of the MWD transmission system within the CAISO balancing authority area. It also provides that the CAISO may make transmission capacity MWD is not otherwise using available to CAISO market participants. The Operating Agreement also ensures that MWD will have its own local capacity area for purposes of meeting the CAISO’s resource adequacy requirements. The CAISO proposes that the Operating Agreement be made effective on October 1, 2017, the date that the current 1987 Service and Interchange Agreement among Southern California Edison Company (“SCE”) and MWD expires. That agreement addressed the operational issues associated with MWD being in the CAISO balancing authority area since the CAISO’s inception, and it is imperative that a replacement arrangement be in effect when it expires.

## **I. Background**

MWD owns an electric system that is primarily used to deliver power to MWD’s five pumping plants that make up the Colorado River Aqueduct in accordance with the Metropolitan Water District Act and other applicable laws (the “CRA Electric System”).<sup>2</sup> An act of the California Legislature established MWD in 1928 to create a reliable source of water to Southern California through the construction and operation of the 242-mile Colorado River Aqueduct. The

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<sup>1</sup> The CAISO submits the Operating Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012).

<sup>2</sup> 38 Stat. 242, 63 Pub. L. No. 41, 63 Cong. Ch. 4.

construction effort was funded by a major bond approved by residents during the Great Depression who saw the need for both a reliable water supply and jobs in the area. Concurrently, the U.S. Congress passed the Boulder Canyon Project Act authorizing construction of Hoover Dam, in part to provide power for the pumps along the Colorado River Aqueduct. A few years later, MWD entered into an agreement with the Bureau of Reclamation to fund the construction of Parker Dam along a lower part of the Colorado River between California and Arizona. Today, MWD's five pumping plants along the Colorado River Aqueduct, served by Hoover and Parker power, lift water more than 1,600 ft. over mountain ridges into Southern California. The CRA Electric System includes 230 kV transmission facilities ("MWD's BES Facilities") that are part of the bulk electric system as defined by NERC. MWD retains all rights and obligations associated with owning, operating and maintaining the CRA Electric System, which is located within the CAISO balancing authority area.

The MWD BES Facilities interconnect with SCE and the Western Area Power Administration, Desert Southwest Region ("Western-DSR"). SCE's 230 kV system interconnects at the Julian Hinds Switchyard, the Eagle Mountain Substation, and the Gene Switchyard. In addition, SCE has retail load at the Iron Mountain, Eagle Mountain, and Camino substations. The MWD BES Facilities interconnect with the Western-DSR balancing authority area at the Mead Substation and the Gene Switchyard, terminating Western-DSR's Parker-Genie 230 kV line. These interconnections support import and export schedules between the CAISO and Western-DSR balancing authority areas.<sup>3</sup> Specifically, MWD imports power from two generation resources located within the Western-DSR balancing authority area: (i) the Hoover Power Plant; and (ii) the Parker Power Plant. MWD uses these resources, as well as third party transactions, to serve its pumping loads through schedules or bids at the Mead or Gene Interconnections.

MWD is a non-participating transmission owner and has not executed the CAISO's Transmission Control Agreement. The MWD BES Facilities, although located in the CAISO balancing authority area, are not part of the CAISO controlled grid and MWD retains all rights and obligations associated with owning, operating, and maintaining its facilities. The CAISO tariff characterizes the rights and obligations of a non-participating transmission owner with respect to its own transmission facilities as transmission ownership rights. These provisions provide MWD the right to schedule its transactions without using the CAISO controlled grid. MWD also has the right to self-provide ancillary services using its ownership rights.

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<sup>3</sup> The MWD interconnections with the Western-DSR balancing authority area are operated in accordance with the Adjacent Balancing Authority Operating Agreement between the CAISO and Western-DSR, which will be amended to reflect that SCE is no longer involved following expiration of the 1987 SIA.

MWD and SCE are parties to the Service and Interchange Agreement, Rate Schedule FERC No. 203, which has a specified termination date of September 30, 2017 (“1987 SIA”). SCE has indicated that it will not continue such an arrangement and plans to file a notice to terminate the 1987 SIA. There are SCE facilities and retail loads within the CAISO balancing authority area that are interconnected with the MWD BES Facilities. SCE has requested that MWD retain these interconnections and allow continued service to their retail loads over the CAISO controlled grid and the MWD BES Facilities. SCE will be subject to the requirements of separate interconnection agreements with MWD with respect to the SCE facilities and its retail load.

## **II. Operating Agreement**

The primary purpose of the Operating Agreement is to ensure coordinated operation of the MWD BES Facilities within the CAISO balancing authority area, continue CAISO market participant access to transmission capacity not used by MWD, and provide for resource adequacy and other operating obligations applicable to MWD. The Operating Agreement includes the operational, scheduling, and settlement requirements under which the CAISO and MWD will coordinate and exchange information concerning the MWD BES Facilities. The Operating Agreement maintains MWD’s ownership rights and ensures reliable and economic operation of the MWD BES Facilities within the CAISO balancing authority area, while ensuring the reliable and economic operation of the CAISO controlled grid with CAISO serving as MWD’s transmission service provider.<sup>4</sup> MWD will have the full use of its ownership rights in accordance with the CAISO tariff, and there are no special terms for the scheduling of MWD transactions that use the CAISO controlled grid.

### **A. Operational Responsibilities**

Section 5 of the Operating Agreement acknowledges the functional responsibilities of the CAISO and MWD, and section 4 provides for coordinating activities associated with the transmission operator function, among others, in accordance with applicable reliability requirements. The Operating Agreement does not provide for sharing of any functional responsibilities – each party remains separately responsible for operating its facilities in accordance with good utility practice and applicable reliability requirements.

Section 5 provides that the CAISO will conduct operational studies on behalf of MWD consistent with applicable reliability requirements and the CAISO tariff. MWD’s designated transmission operator is required to conduct such

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<sup>4</sup> MWD and the CAISO are also parties to a Planning Coordinator Agreement that addresses how they will interact as transmission planner and planning coordinator, respectively. See Letter Order dated December 8, 2016 in Docket No. ER17-170-000.

studies and, because the CAISO has the required data and analytical tools to perform such studies, the CAISO has agreed to do so and provide the results to MWD or its designated transmission operator. The operational studies performed by the CAISO include day-ahead analysis, outage coordination, real-time analysis, and any required seasonal assessments.

MWD will pay the CAISO's costs for performing operational studies consistent with the CAISO charges for similar services. On an annual basis by November 1 for the following calendar year, the CAISO will determine the applicable annual charge that will be based on the actual annual CAISO departmental compensation for operating engineer staff used in the annual budget process, multiplied by the percentage of MWD's transmission circuits to the total number of transmission circuits in the CAISO's transmission plan. The CAISO and MWD may also agree that additional studies are required, in which case MWD will pay the CAISO its hourly rate for operating engineers. These rates are reasonable as they account for costs of similar services performed for participating transmission owners through the CAISO's grid management charge and have been previously accepted by the Commission for similar services.<sup>5</sup>

## **B. Availability of Excess Transmission Capacity**

The 1987 SIA entitles SCE to utilize unused transmission capacity on MWD's BES Facilities. SCE turned this entitlement over to CAISO operational control, and such capacity has been made available for use by market participants in accordance with the CAISO tariff since start-up. The Operating Agreement permits the CAISO to continue making this unused capacity available for use by others at such times and in such amounts as will not jeopardize or interfere with the reliable or efficient use or operation by MWD of its transmission facilities and resources for the purposes of developing, transporting, storing, and distributing water under the Metropolitan Water District Act of the State of California (Stats. 1969, Ch.209, as amended). Subject to the foregoing paramount right for MWD, the CAISO will be the provider of transmission service pursuant to the CAISO tariff for the unused transmission capacity on MWD's BES Facilities. This in effect will be the same treatment as today for the unused transmission capacity in accordance with the 1987 SIA pursuant to the entitlement that SCE turned over to CAISO operational control. The only difference is that MWD will grant the right directly to the CAISO under the Operating Agreement instead of SCE under the Transmission Control Agreement. The CAISO's ability to provide transmission service on MWD's facilities is limited by MWD's priority transmission ownership right to use its transmission capacity and for use by the United States Bureau of Reclamation

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<sup>5</sup> The rate for operating studies is the same rate the Commission accepted for the CAISO's provision of planning coordinator services to MWD and the City and County of San Francisco. *Id.*; and *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,155 (November 9, 2015).

under an existing contract with MWD, as was the SCE entitlement. Continued availability of the unused MWD transmission capacity by CAISO market participants is a significant benefit provided by the Operating Agreement.

### **C. Resource Adequacy**

MWD will be responsible for meeting resource adequacy obligations that have historically been addressed within SCE's total resource adequacy requirement in accordance with the 1987 SIA. With the expiration of that agreement, MWD must separately account for its own resource adequacy requirements.<sup>6</sup> Accordingly, the CAISO Governing Board created a new Transmission Access Charge ("TAC") area encompassing MWD's BES Facilities. This removes those facilities from the East Central TAC Area for purposes of allocating resource adequacy requirements.<sup>7</sup> Remaining in the East Central TAC Area would expose MWD to costs for meeting a proportionate share of local resource adequacy requirements that it had not previously incurred because of the 1987 SIA. Because MWD does not utilize the CAISO controlled grid to serve its load, it is reasonable that MWD should not incur a *pro rata* share of the local resource adequacy requirements for the East Central TAC Area. Establishing a new TAC area ensures that local resource adequacy requirements are appropriately allocated to MWD consistent with fundamental cost causation principles reflected in the policy for allocating the local resource adequacy requirement. The CAISO will administer the new TAC area for MWD in accordance with the Operating Agreement and the CAISO tariff and ensure that market participants who use the CAISO controlled grid, including the unused capacity made available by MWD, will continue to pay the applicable transmission access charge as they would today for use of the SCE entitlement.

### **D. Other Provisions**

The Operating Agreement also provides the opportunity for the CAISO to call for MWD to interrupt some of its pumps for limited periods if a system emergency is threatened or imminent. If called upon, MWD would be compensated at the maximum energy bid price set forth in the CAISO tariff. This is similar to the CAISO tariff provisions applicable to reliability demand response resources.

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<sup>6</sup> Resource adequacy requirements are allocated based on the TAC area billing determinant because of the symbiotic relationship between the building of transmission and generation in California.

<sup>7</sup> See Decision on Proposed Transmission Access Charge Area - Motion at: [http://www.caiso.com/Documents/Decision\\_ProposedTransmissionAccessChargeArea-Motion-May\\_2017.pdf](http://www.caiso.com/Documents/Decision_ProposedTransmissionAccessChargeArea-Motion-May_2017.pdf).

Other provisions included in the Operating Agreement are similar to provisions included in other CAISO operating agreements previously accepted by the Commission.<sup>8</sup>

### **III. Request for Waiver**

The CAISO believes this filing constitutes a new service (operating study services) to a new customer (MWD), and is thus an initial rate schedule, subject to section 35.12 of the Commission's regulations.<sup>9</sup> This filing substantially complies with the requirements of section 35.12 of the Commission's regulations,<sup>10</sup> applicable to filings of this type. The CAISO respectfully requests waiver of any such requirement to the extent this filing does not satisfy that requirement.

In the event the Commission concludes that this filing is a change in a rate, tariff, or service agreement, the CAISO submits that the filing also substantially complies with the requirements of section 35.13 of the Commission's rules,<sup>11</sup> applicable to filings of this type. The CAISO respectfully requests waiver of any such requirement to the extent this filing does not satisfy that requirement.

In either event, there is good cause to waive filing requirements that are not material to the Commission's consideration of the Operating Agreement.

### **IV. Effective Date**

The CAISO requests that the Operating Agreement be made effective on October 1, 2017. This date coincides with the termination of the 1987 SIA. To effectuate the services contemplated in the Operating Agreement on October 1, 2017 some activities will occur prior to the provision of services under the Agreement.

### **V. Request for Confidential Treatment**

Included separate from the public elements of this filing, pursuant to the Commission's regulations regarding Critical Energy/Electric Infrastructure Information (CEII),<sup>12</sup> is an attachment comprising the non-public portions of the

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<sup>8</sup> Letter Order dated April 19, 2015 in Docket No. ER15-2086-000 (accepting the Second Amended and Restated Operating Agreement with the City and County of San Francisco).

<sup>9</sup> 18 C.F.R. § 35.12 (2016).

<sup>10</sup> *Id.*

<sup>11</sup> 18 C.F.R. § 35.13 (2016)

<sup>12</sup> 18 C.F.R. § 388.113 (2017).

Operating Agreement. Specifically, Schedule 1 contains a one-line diagram of MWD's CRA Electric System. The CAISO seeks confidential treatment for Schedule 1 under the CEII regulations because its public disclosure could impair system operations, unnecessarily reveal sensitive information, and pose significant security problems as to the critical assets referenced therein. For these reasons, the CAISO submits that these materials should be exempt from public exposure and should be granted confidential treatment under the regulations. The CAISO requests that the CEII label apply at least five years from the date of this filing.

## **VI. Attachments**

In addition to this transmittal letter, the following attachments support the instant filing:

- Attachment A: Public version of the Operating Agreement; and
- Attachment B: Confidential version of Schedule 1 to the Operating Agreement.

## **VII. Service**

Copies of this filing have been served upon MWD, SCE, Western-DSR, the California Public Utilities Commission and the California Energy Commission. In addition, the filing has been posted on the CAISO website.

## **VIII. Correspondence**

Pursuant to Rule 203(b)(3) of the Commission's Rules of Practice and Procedure,<sup>13</sup> the CAISO requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

John C. Anders  
Assistant General Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
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<sup>13</sup> 18 C.F.R. § 385.203(b)(3) (2016).

**XI. Conclusion**

The CAISO respectfully requests that the Commission accept this filing and permit the Operating Agreement to be effective as of the date requested.

Respectfully Submitted,

**By: John C. Anders**

John C. Anders

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*Attorneys for the California Independent System  
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**Attachment A – Public Version Operating Agreement  
between Metropolitan Water District of Southern California and the  
California Independent System Operator Corporation**

## OPERATING AGREEMENT

**THIS AGREEMENT** is made this 3<sup>rd</sup> day of July, 2017  
and is entered into, by and between:

- (1) **The Metropolitan Water District of Southern California**, a governmental entity operating under the laws of the State of California and having its principal place of business located at 700 North Alameda Street, Los Angeles, California 90012 ("MWD");
- and
- (2) **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, initially at 250 Outcropping Way, Folsom, California 95630 ("CAISO").

MWD and CAISO are hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

Whereas:

- A.** MWD owns an electric system which is primarily used to deliver power to MWD's five pumping plants along its Colorado River Aqueduct ("CRA Electric System"). The CRA Electric System includes one 230 kV switching station and four 230 kV substations with transformation to 66 kV or 6.9 kV serving up to nine pumping units at each pumping plant. The CRA Electric System includes 230 kV transmission facilities that are part of the Bulk Electric System as defined by the North American Electric Reliability Corporation ("NERC") ("MWD's BES Facilities") and other facilities that are not part of the Bulk Electric System. The CRA Electric System is included in the CAISO Balancing Authority Area, but is not part of the CAISO Controlled Grid. MWD's BES Facilities are interconnected with the transmission facilities of Southern California Edison Company ("SCE"), and the Western Area Power Administration, Desert Southwest Region ("Western-DSR"). The CRA Electric System and transmission interconnections are set forth in the diagram included as Schedule 1 (Schedule 1 contains Confidential Information and is subject to Section 12).

MWD's five pumping plants along the Colorado River Aqueduct each have up to nine units, located at Intake, Gene, Iron Mountain, Eagle Mountain, and Julian Hinds. Each pumping unit is connected to a non-BES facility bus at 6.9 kV. Only the MWD pumping plants at Gene and Intake have storage reservoirs which permit limited interruptions of the pumping units.

- B.** MWD's BES Facilities are interconnected with SCE's 230 kV transmission facilities at SCE's Julian Hinds Switchyard, SCE's Eagle Mountain Substation, SCE's Camino Substation, and SCE's Gene Switchyard. In addition, MWD's 6.9 kV facilities are connected with SCE's Iron Mountain 6.9/16 kV Substation. These points are hereinafter sometimes referred to as "MWD-SCE Interconnection(s)." SCE has executed the Transmission Control Agreement, thereby turning over Operational Control of its transmission facilities to CAISO, including: (i) SCE's Eagle Mountain Substation with a 230/161 kV transformation, a 161 kV transmission line to SCE's Blythe loads, and a 161 kV interconnection with Western-DSR; and (ii) SCE's Julian Hinds Switchyard with connections to its Mirage Substation and a 230 kV line from a Blythe area generation plant.
- C.** MWD and SCE are parties to the Service and Interchange Agreement, Rate Schedule FERC No. 203, ("1987 SIA") which has a specified termination date of September 30, 2017. SCE indicated it will not continue such arrangement. SCE plans to file a notice to terminate the 1987 SIA with the Federal Energy Regulatory Commission ("FERC"). SCE has requested that MWD retain all of the MWD-SCE Interconnections and allow SCE's remote retail loads to be served and connections with other entities to continue. SCE will be subject to the requirements of a separate interconnection agreement with MWD.
- D.** The Western-DSR Balancing Authority Area interconnects with MWD's BES Facilities at Western-DSR's Mead Substation and at a 230 kV Gene Switchyard (terminating Western-DSR's Parker-Gene 230 kV line). These locations are designated as the Mead Interconnection and the Gene Interconnection, where import or export schedules are permitted between Balancing Authority Areas. CAISO and Western-DSR are parties to an Adjacent Balancing Authority Area Operating Agreement ("ABAAOA") and to a Dynamic Transfer Balancing Authority Operating Agreement.
- E.** MWD has contract rights to two generation resources located within the Western-DSR Balancing Authority Area: (i) the Hoover Power Plant; and (ii) the Parker Power Plant. MWD uses these resources, as well as third party transactions, to primarily serve its pumping loads through schedules or bids at the Mead or Gene Interconnections.
- F.** MWD is a Non-Participating Transmission Owner ("Non-Participating TO") and has not executed the Transmission Control Agreement transferring Operational Control of MWD's BES Facilities to CAISO. The CRA Electric System, although in the CAISO Balancing Authority Area, is not part of the CAISO Controlled Grid and MWD retains all rights and obligations associated with ownership and operation of its facilities. As such, the CAISO Tariff provides that the rights and obligations of a Non-Participating

- TO with respect to its own transmission facilities are characterized as “Transmission Ownership Rights” (“TORs”). In conjunction with its TORs, MWD has the right, among other things, to procure Ancillary Services from entities at the Mead Interconnection and the Gene Interconnection.
- G.** MWD and SCE are parties to a Reliability Standards Agreement (“2007 RSA”) wherein SCE agreed to register and function as the Transmission Planner (“TP”), Transmission Operator (“TOP”), and Resource Planner (“RP”) for MWD’s BES Facilities as those terms are defined by NERC. The 2007 RSA will terminate concurrently with the 1987 SIA. MWD is registered as a Transmission Owner (“TO”) and plans to register or have an entity(ies) register with NERC as TP, TOP, or RP for MWD’s BES Facilities.
- H.** SCE and CAISO have executed a Coordinated Functional Registration Agreement effective September 30, 2014, whereby, on behalf of SCE as a CAISO Participating Transmission Owner (“Participating TO”), CAISO performs operational studies that includes MWD’s BES Facilities. This obligation with respect to MWD’s BES Facilities will terminate concurrently with the 1987 SIA.
- I.** CAISO is registered with NERC as a TOP, a Balancing Authority, a Transmission Service Provider and a Planning Authority (“Planning Coordinator”).
- J.** MWD and CAISO are parties to a Planning Coordinator Agreement that addresses how they will interact as TP and Planning Coordinator, respectively.
- K.** MWD and CAISO desire to (i) establish the operational and settlement requirements under which the Parties will coordinate and exchange information on schedules that do not use the CAISO Controlled Grid (for example, MWD’s transactions with Western-DSR); (ii) establish provisions relating to telemetry and data applicable to MWD’s facilities; and (iii) establish provisions for scheduling and settlement of MWD’s non-CAISO Controlled Grid transactions and respecting MWD’s TORs.
- L.** This Agreement is intended to maintain MWD’s TORs and ensure reliable and economic operation of the CRA Electric System within the CAISO Balancing Authority Area in conjunction with reliable and economic operation of the CAISO Controlled Grid. This Agreement does not include any special terms for the scheduling of MWD transactions over CAISO Controlled Grid facilities; all transactions by MWD that use the CAISO Controlled Grid shall be scheduled and settled in accordance with the CAISO Tariff.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein,

**THE PARTIES AGREE as follows:**

**1. DEFINITIONS AND INTERPRETATION**

**1.1 Master Definitions Supplement.** Except as otherwise defined in Section 1.3 of this Agreement or elsewhere in this Agreement, all terms and expressions used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.

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

- (a) if and to the extent a matter is specifically addressed by a provision of this Agreement, the provision of this Agreement shall govern notwithstanding any inconsistent provisions of the CAISO Tariff;
- (b) if and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern;
- (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 or Schedule shall mean a Section 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.

**1.3 Special Agreement Definitions.** In addition to terms defined elsewhere in this Agreement, for purposes of this Agreement the following terms shall have the meanings set forth below.

**Applicable NERC/WECC Reliability Requirements** means those mandatory standards and requirements adopted by the NERC or WECC and approved by FERC pursuant to Section 215 of the Federal Power Act (FPA), 16 U.S.C. § 824(o) that are applicable to the functional categories in which the relevant Party or its agent is registered.

**CAISO Tariff** means the tariff of CAISO on file with FERC as it may be amended from time to time.

**Planned Outage(s)** means non-automatic facility or equipment outage with advance notice, for the purpose of maintenance, construction (including energizing and testing new facilities), inspection, testing or other planned activities.

**2. SCOPE OF AGREEMENT.** This Agreement governs the (i) operational and settlement requirements under which the Parties will coordinate and exchange information on schedules that do not use the CAISO Controlled Grid (for example MWD's transactions with Western-DSR); and (ii) operational relationship between the Parties for the CRA Electric System, as detailed in Schedule 1. Schedule 1 and any description of facilities or ownership herein may be updated as mutually agreed by the Authorized Representatives. For reliable operation of the CAISO Balancing Authority Area, CAISO requires a Scheduling Coordinator to provide Bids or Self-Schedules for loads, resources and Ancillary Services to CAISO, and MWD shall use a Scheduling Coordinator for these functions. All transactions by MWD that use the CAISO Controlled Grid shall be scheduled and settled in accordance with the CAISO Tariff.

### **3. TERM AND TERMINATION**

**3.1 Effective Date and Term.** This Agreement shall be effective as of the later of: i) October 1, 2017; (ii) the date SCE's termination of the 1987 SIA is made effective by FERC; or (iii) the date this Agreement is accepted for filing and made effective by FERC without modifications unacceptable to either Party ("Effective Date"). Once effective, this Agreement shall remain in full force and effect until terminated pursuant to Section 3.2 herein.

**3.1.1 FERC Jurisdiction.** This Agreement is subject to acceptance for filing by, and with respect to CAISO, the regulatory jurisdiction of the FERC.

**3.1.2 Adverse Order.** In the event FERC requires any modification to this Agreement or imposes any other modification or condition upon its acceptance or approval of this Agreement, each Party shall have ten (10) days to notify the other Party that any such modification or condition is unacceptable to that Party as determined in that Party's sole discretion. If no Party provides such notice, then this Agreement, as modified or conditioned by FERC, shall take effect as of the date determined under Section 3.1. If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification in which case all further FERC orders on rehearing, clarification or similar orders will be subject to the same rights of the Parties under this Section as the original FERC order; or (iii) enter into negotiations with respect to accommodation of such FERC order. If the Parties have not agreed to accept or accommodate any modifications or conditions imposed by such FERC order under clauses (i)-(iii) of this Section within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order and this Agreement will immediately terminate without further action of the Parties and the Parties shall have no further rights and obligations under the Agreement.

**3.1.3 Change in Rates.** Nothing contained herein shall be construed as affecting in any way the right of CAISO to unilaterally make application to FERC for a change in the rates, terms and conditions of this Agreement under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder, and MWD shall have the right to make a unilateral filing with FERC to modify this Agreement pursuant to Section 206 or any other applicable provision of the FPA and FERC's rules and regulations thereunder; provided that each Party shall have the right to protest any such filing by the other Party and to participate fully in any proceeding before FERC in which such modifications may be considered.

## **3.2 Termination.**

**3.2.1 Termination by CAISO.** CAISO may terminate this Agreement by giving thirty (30) days' prior written notice to MWD in the event that MWD commits any Material Default under this Agreement, which, if capable of being remedied, is not remedied within ninety (90) days after CAISO has given to MWD written notice of the default, unless excused by reason of

Uncontrollable Force in accordance with Section 10.1 of this Agreement. “Material Default” shall mean persistent failure to (i) schedule consistent with the provisions of Section 7.1 of this Agreement, or (ii) comply with Applicable NERC/WECC Reliability Requirements such that CAISO is hindered or prevented from operating its Balancing Authority Area in a safe and reliable manner. If the default has not been remedied within the time period set forth above, CAISO shall provide written notice to MWD of the specified termination date, which shall be after the 90-day cure period.

**3.2.2 Termination by MWD.** MWD may terminate this agreement by providing not less than twelve (12) months’ prior written notice of termination to CAISO with a specified termination date.

**3.2.3 Termination by Mutual Agreement.** The Parties may terminate this Agreement upon mutual agreement in writing. The mutual agreement shall specify a termination date.

**3.2.4 Other Events of Termination.**

**3.2.4.1** If MWD becomes a Participating TO, this Agreement shall terminate on the effective date of MWD becoming a Participating TO (specified termination date).

**3.2.4.2** If MWD becomes a Metered Subsystem, this Agreement shall terminate on a specified termination date, provided that CAISO has been provided with forty-five (45) days’ advance written notice.

**3.2.4.3** If the CRA Electric System becomes resident in a Balancing Authority Area other than that of CAISO, this Agreement shall terminate on a specified termination date, provided that CAISO has been provided with twelve (12) months’ advance written notice.

**3.2.5 FERC Termination Filing.** If FERC approval is required to terminate this Agreement, CAISO must file timely notice of termination with FERC. CAISO’s filing of the notice of termination will be considered timely if CAISO files it at least ninety (90) days prior to the specified termination date. The Agreement shall terminate effective on the later of: (i) the specified termination date, or (ii) in the event filing of the notice of termination is required, the date FERC accepts such notice.

**3.2.6 Effect of Expiration or Termination.** Upon the expiration or termination of this Agreement for any reason, each Party will be released from all obligations to the other Party arising after the date of expiration or termination, except that expiration or termination of this Agreement will not (i) relieve either Party of those terms of this Agreement which by their nature are intended to survive or (ii) relieve either Party from any liability arising from any breach of this Agreement.



- 3.2.7 Transition Assistance.** Except in the case of a termination for a default by MWD, if MWD so requests, CAISO will reasonably assist MWD to transition to another Balancing Authority Area, including providing data and assistance, provided that MWD will reimburse CAISO for its reasonable costs of such assistance, as agreed upon by the Authorized Representatives.
- 3.3 Significant Regulatory Change.** If a regulatory body, CAISO or any other agency or court having jurisdiction, the California Legislature, California Governor or Executive Branch, or the United States Congress issues an order or decision or adopts or modifies a tariff or filed contract, or enacts a law that significantly interferes with the ability of either Party to perform any of its obligations under this Agreement or materially affects either Party's operations or economics (e.g., changes to TORs under the CAISO Tariff), the Parties agree to discuss whether an amendment to the Agreement is necessary. If the Parties do not reach agreement to amend the Agreement within ninety (90) days, and one Party maintains that its operations or economics are materially affected, the Parties shall mediate the dispute under the American Arbitration Association's Commercial Mediation Procedures or agree to continue negotiating to amend the Agreement.

#### **4. OPERATING REQUIREMENTS**

- 4.1 MWD Transactions with Western or Third Parties.** MWD's transmission facilities at the Mead Interconnection or Gene Interconnection and associated TORs may be used to import or export capacity, Energy, and/or Ancillary Services from or to the Western-DSR Balancing Authority Area.
- 4.1.1 Imports with Western-DSR or Third Parties.** CAISO shall accommodate MWD's imports of capacity, Energy, and/or Ancillary Services at the Mead Interconnection or Gene Interconnection through use of MWD's TORs and scheduling requirements of the CAISO Tariff.
- 4.1.2 Exports with Western-DSR or Third Parties.** CAISO shall accommodate MWD's export of capacity, Energy, and/or Ancillary Services to Western-DSR through implementation of a manual process, if necessary, provided CAISO continues to receive information from MWD and Western-DSR as reasonably necessary to do so.
- 4.1.3 Dynamic Schedules.** CAISO shall accommodate MWD's dynamic scheduling of its Hoover resource at the Mead Interconnection if MWD elects to do so; provided, however, that MWD will follow the CAISO Tariff requirements for dynamic scheduling. This Section 4.1.3 shall satisfy the CAISO Tariff requirement for MWD to enter into a separate agreement with CAISO.

- 4.2 Emergencies.** CAISO shall in the event of, and for the duration of, a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as CAISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force. Such action may include or result in, without limitation, curtailments in accordance with the CAISO Tariff for Loads connected to the CAISO Controlled Grid. In accordance with Applicable NERC/WECC Reliability Requirements, MWD, through its TOP, shall take immediate actions to alleviate operating emergencies on the CRA Electric System. CAISO, as the Balancing Authority, and MWD, through its TOP, shall coordinate actions to alleviate operating emergencies in accordance with Applicable NERC/WECC Reliability Requirements.
- 4.3 Coordinated Operations.** CAISO, as the Balancing Authority, and MWD, through its TOP, will coordinate operations in accordance with Applicable NERC/WECC Reliability Requirements.
- 4.3.1 Interconnections and Flows.** Each Party, directly or through its TOP, shall be responsible for operation and maintenance of its respective facilities in accordance with Good Utility Practice and Applicable NERC/WECC Reliability Requirements.
- 4.3.2 Reporting.** Each Party, directly or through its TOP, shall report significant system operating events in accordance with Applicable NERC/WECC Reliability Requirements.
- 4.3.3 Voltage Control and Reactive Support.** Each Party, directly or through its TOP, shall be responsible for voltage control and reactive support of its respective facilities in accordance with Applicable NERC/WECC Reliability Requirements. CAISO will coordinate with Western-DSR on the use of equipment to maintain transmission voltages at mutually agreed upon levels and operate at reactive reserve margins that are adequate to maintain minimum acceptable voltage limits at the Mead and Gene Interconnections. CAISO will coordinate voltage control and reactive support at the TOP interfaces between SCE and MWD in accordance with the CAISO Tariff and CAISO operating procedures.
- 4.3.4 Outage Coordination.** CAISO, as the Balancing Authority, and MWD, through its TOP, shall coordinate outages in accordance with Applicable NERC/WECC Reliability Requirements and CAISO Tariff Sections 9.3.6 and 9.3.10. CAISO and MWD, through its TOP, will provide Outage information for the MWD's BES Facilities, Outages affecting the Mead or Gene Interconnections, and SCE's transmission interconnections with MWD in accordance with the mechanisms and timing required for transmission facilities in CAISO Tariff Section 9.3.6, Maintenance Outages, and CAISO Tariff Section 9.3.10, Forced Outages. CAISO will

approve the Outages in accordance with the terms in the same CAISO Tariff Sections.

**4.3.5 MWD Pumping Plants Shutdown.** MWD, through its TOP, shall notify CAISO if all MWD pumping plants will be shut down for a predetermined amount of time or will be on extended outage.

**4.3.6 Load Shedding and Load Restoration.** CAISO, as the Balancing Authority, and MWD, through its TOP, shall coordinate load shedding and load restoration plans in accordance with Applicable NERC/WECC Reliability Requirements.

**4.3.7 Telemetry and Data.** Under the 1987 SIA, SCE shared data for MWD's BES Facilities with CAISO through communication links utilizing standard inter-control center communications protocol ("ICCP"). If SCE does not continue to provide data for MWD's BES Facilities to CAISO, MWD agrees to establish and maintain in effect telemetry and data from the applicable MWD BES Facilities to its TOP's designated control center. MWD shall arrange to have the TOP's designated control center share data for MWD's BES Facilities with CAISO using ICCP data links or as otherwise provided in accordance with CAISO's Business Practice Manuals. MWD may aggregate the MWD pump loads at each pumping plant as a single unit or in a manner agreed between the Authorized Representatives for purposes of scheduling and the provision of metering data. MWD may apply for a metering exemption pursuant to the provisions of Section 10 of the CAISO Tariff.

In accordance with Applicable NERC/WECC Reliability Requirements, CAISO and Western-DSR, as adjacent Balancing Authorities, provide adequate and reliable telecommunication facilities to assure the exchange of interconnection information necessary to maintain reliability. CAISO shall maintain existing arrangements with Western-DSR, such as ICCP data links or direct connections to substation remote terminal units, for telemetry of real-time operational data at the Mead and Gene Interconnections.

**4.4 System Operations.** The ratings for the MWD BES Facilities will be provided by MWD, or through its TOP, to CAISO in accordance with Applicable NERC/WECC Reliability Requirements.

**4.4.1 Transmission Facility Ratings.** MWD as the TO shall ensure its transmission facility ratings are current in the CAISO Transmission Register.

- 4.4.2 Intertie Limits.** CAISO as the BA will jointly determine the intertie operating limits with Western-DSR according to the Adjacent Balancing Authority Area Operating Agreement among CAISO and Western-DSR. CAISO will consult with MWD as the TO, or its TOP as appropriate.
- 4.4.3 Real-Time Operating Limits.** Real-Time operating limits shall be established according to the applicable operating procedure.
- 4.5 Transmission Rights and Transmission Curtailment Instructions.** MWD shall provide Transmission Rights and Transmission Curtailment Instructions (“TRTC”) Instructions to CAISO for its MWD BES Facilities pursuant to Section 17.1 of the CAISO Tariff. CAISO will honor the TRTC Instructions provided by MWD consistent with the MWD TORs described and referenced in this Agreement and Section 17 of the CAISO Tariff.
- 4.6 MWD Gene and Intake Pumping Plants Interruption.** In addition to any reliability directives from CAISO or the Reliability Coordinator for pump load interruptions, MWD may also be able to accommodate CAISO-requested pump load interruptions at its Intake and Gene pumping plants for limited periods. CAISO may request through MWD’s TOP that MWD interrupt pump loads at the Intake and Gene pumping plants for up to 4 hours per each event after CAISO has received prior confirmation from MWD through its TOP that such an interruption is acceptable to MWD. CAISO shall compensate MWD through its Scheduling Coordinator at the maximum Energy Bid price set forth in Section 39.6.1.1 of the CAISO Tariff.
- 4.7 Resource Adequacy.** MWD shall be assigned to the MWD TAC Area for purposes of compliance with Resource Adequacy requirements.
- 4.8 Load Forecasting Data Submission Interim.** MWD or its Scheduling Coordinator shall daily submit to CAISO via an email to [ISOLoadForecast@caiso.com](mailto:ISOLoadForecast@caiso.com) the current day plus four (4) future days’ hourly Schedule information of pump load duration curve (MW) by 7:00 a.m. Pacific Prevailing Time.
- 4.8.1 Load Forecasting Data Submission Final.** This Section becomes effective upon the implementation of CAISO’s automated process to accept Schedule information of pump load duration curve as announced by a CAISO issued market notice. The technical specifications for this process will be identified in the Automated Load Forecast System (“ALFS”) Interface Specification Document. MWD or its Scheduling Coordinator shall daily submit to CAISO via the established business to business process described in the technical specification document.

## 5. RELIABILITY STANDARDS

**5.1 Reliability Standards Compliance.** The Parties are subject to the Applicable NERC/WECC Reliability Requirements for their respective registered functions. Nothing in this Agreement is intended to change, supersede, or alter either Party's obligations to abide by the NERC and WECC reliability standards or operating instructions issued by the Reliability Coordinator pursuant to the NERC/WECC Reliability Requirements. Unless expressly provided otherwise by written agreement between CAISO and MWD, the sanctioned Party will be responsible for payment directly to the sanctioning body of any monetary sanction imposed by the sanctioning body resulting from the noncompliance with the Applicable NERC/WECC Reliability Requirements.

**5.2 Standards Responsibilities for CAISO.** While the Agreement is in effect, CAISO shall have the following responsibilities:

**5.2.1** CAISO will continue to be registered with NERC as a Planning Authority (which is synonymous with Planning Coordinator), Balancing Authority, Transmission Service Provider and Transmission Operator.

**5.2.2** CAISO shall be the Transmission Service Provider, in accordance with the CAISO Tariff, for MWD's BES Facilities.

**5.3 Standards Responsibilities for MWD.** While the Agreement is in effect, MWD as the TO shall have the following responsibilities for the MWD BES Facilities:

- (a) Prior to the Effective Date of this Agreement, MWD will either register with NERC as a TP, TOP and RP or will engage a third party(ies) qualified as a TP, TOP, or RP;
- (b) MWD will ensure that either it or its TP, TOP, and RP will be responsible for compliance with Applicable NERC/WECC Reliability Requirements; and,
- (c) Whenever MWD registers or engages a third party to be its TP, TOP, or RP, MWD's Authorized Representative will provide advance written notice to CAISO's Authorized Representative.

**5.4 Operational Studies.** CAISO will conduct operational studies in accordance with Applicable NERC/WECC Reliability Requirements and the CAISO Tariff and Business Practice Manual provisions applicable to the TOP function, including, but not limited to, the following:

- (a) Day-Ahead Studies: CAISO will perform daily operational planning analyses to ensure the reliability of the CAISO Balancing Authority Area.

- (b) **Outage Coordination Studies:** CAISO will conduct operational studies for planned and Forced Outages for MWD and its TOP in accordance with Section 4.3.4 of this Agreement.
- (c) **Real-Time Studies:** In Real-Time, CAISO will continue to perform operational analyses to assess the system in coordination with MWD through its TOP. In the event of a Forced Outage or System Emergency, CAISO will perform additional studies in Real-Time to ensure the reliability of the CAISO Balancing Authority Area.
- (d) **Seasonal Assessment:** CAISO will perform a winter and summer assessment which includes the review of CAISO operating procedures, including those operating procedures that concern operation of the MWD BES Facilities.
- (e) **Additional Studies:** MWD or its TOP may request additional studies. Those studies will be performed as mutually agreed by the Parties at the annual hourly rate for the operating engineers.

If there is a violation or operational concern from the assessments, CAISO shall notify MWD's TOP both by a phone call and email to facilitate coordination.

**5.4.1 Data Responsibilities:** Data for the studies will be provided in accordance with Section 4.3.4 of this Agreement.

**5.4.2 Access to Reports:** CAISO will both email the reports to MWD or its TOP, and post the reports on the Reliability Coordinator portal.

## **6. COSTS, CHARGES AND PAYMENTS**

**6.1 Operating and Maintenance Costs.** Each Party shall be responsible for all its costs incurred in connection with operating and maintaining its electric system. Except as provided in this Agreement, neither Party shall be responsible for paying any operating or maintenance charges incurred by the other Party.

**6.2 Charges Not Generally Affected.** Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of CAISO for use of the CAISO Controlled Grid. CAISO Customers using CAISO's markets or the CAISO Controlled Grid shall pay rates and charges in accordance with the CAISO Tariff.

**6.3 TOR Charges.** If MWD's Scheduling Coordinator submits Self Schedules for the transactions using TORs under this Agreement, CAISO shall apply charges for Ancillary Services, Imbalance Energy, and Transmission Losses only to the extent they are not self-provided, and will not assess charges for neutrality, Unaccounted For Energy, Transmission Access

Charges, Minimum Load Costs or other charges that might otherwise be applicable to transactions using the CAISO Controlled Grid. In addition, CAISO will charge the Grid Management Charge to these transactions using TORs in accordance with the CAISO Tariff. MWD reserves the right to address cost causation issues in the CAISO filing required to determine the Grid Management Charge. CAISO shall not charge the responsible Scheduling Coordinator for any other Charge Codes outside of this Section 6.3, if such transactions do not use the CAISO Controlled Grid.

- 6.3.1 Treatment of Losses.** Losses for TOR Schedules will be settled according to Section 17.3.3(2) of the CAISO Tariff.
- 6.4 Payments.** All payments or charges under this Agreement, except those specified in 6.5, will be settled with MWD's Scheduling Coordinator in accordance with the Scheduling Coordinator Agreement and this Agreement. Nothing in this Section 6.4 shall be construed to limit MWD's Scheduling Coordinator's obligations under its Scheduling Coordinator Agreement with CAISO.
- 6.5 Payment for CAISO Services.** MWD shall compensate CAISO for services provided pursuant to Sections 3.2.7 (Transition Assistance) and 5.4 (Operational Studies) in accordance with the following subsections:
- 6.5.1 Hourly Fees.** MWD shall compensate CAISO at an hourly rate that is based on CAISO's internal labor costs plus overhead. Before any services contemplated in Sections 3.2.7 are undertaken, the Authorized Representatives shall agree in writing on the applicable hourly rate, the scope of work, total fee estimate and invoicing process. CAISO shall submit to MWD invoices for the completed studies or assessments consistent with Section 6.5.2 of this Agreement.
- 6.5.2 Invoices.** Invoices submitted by CAISO under this Agreement shall be sent to MWD at the address specified in Schedule 2 of this Agreement in a form acceptable to MWD and shall include a unique invoice number. MWD shall provide CAISO with concurrence of the CAISO invoice when agreement on rate, scope of work, fees and invoicing process is reached pursuant to Section 6.5.1. Payment shall be made by MWD to CAISO at the address specified in Schedule 2 of this Agreement.
- 6.5.3 Operational Study Costs and Payment.** CAISO is responsible for all Day-Ahead and Real-Time studies to ensure the reliability of the CAISO Balancing Authority Area. The operational study costs pursuant to Section 5.4 will be determined on an annual basis by November 1 for the following calendar year based on the actual annual CAISO departmental compensation for operating engineering times the percent of MWD's transmission circuits to the total number of transmission circuits in the CAISO's Transmission Plan. The CAISO Authorized Representative will

provide the calculation in advance of the invoice to the MWD Authorized Representative for concurrence. Upon concurrence by the MWD Authorized Representative, CAISO will invoice MWD. Payment will be due in accordance with the terms of the invoice issued pursuant to Section 6.5.2 of this Agreement. MWD may pay via an automatic clearing house (ACH).

## 7. SCHEDULING

- 7.1 Scheduling.** MWD or its designee shall act as the Scheduling Coordinator for MWD's rights described in this Agreement. Scheduling of all transactions using MWD's rights in this Agreement shall be performed by MWD's Scheduling Coordinator, including TOR Self-Schedules, in accordance with the Scheduling Coordinator Agreement and the bidding and scheduling provisions of the CAISO Tariff; provided, however, MWD's Scheduling Coordinator shall be entitled to all related rights under this Agreement, and MWD shall have post-HASP scheduling rights on the two non-CAISO Controlled Grid Interties at the Western Interconnection associated with MWD's TORs. MWD or its designee may schedule up to the total Intertie operating limits between the CAISO Balancing Authority Area and the Western-DSR Balancing Authority Area at the Mead Interconnection and the Gene Interconnection.
- 7.2 Scheduling and Pricing Points.** CAISO will maintain Scheduling Points and Pricing Nodes ("PNodes") at the Mead Interconnection and the Gene Interconnection, and at Julian Hinds for transactions using MWD's rights under this Agreement and operating limits identified pursuant to Section 4.5 of this Agreement. CAISO shall also establish PNodes for withdrawals to serve SCE's retail loads, as scheduled directly by SCE with CAISO. In addition, CAISO will continue the MWD Custom LAP that aggregates MWD's pumping loads as its own default load aggregation point unless otherwise agreed to by Authorized Representatives.
- 7.3 Use of MWD's Transmission Capacity.** Pursuant to Section 4.5 of this Agreement, the transmission capacity of MWD's BES Facilities may be available for use by others at such times and in such amounts as will not jeopardize or interfere with the reliable or efficient use or operation by MWD of its CRA facilities and resources for the purposes of developing, transporting, storing, and distributing water under the Metropolitan Water District Act of the State of California (Stats. 1969, Ch.209, as amended). Subject to the foregoing paramount right for MWD, CAISO shall be the provider of transmission service pursuant to the CAISO Tariff for the transmission capacity in MWD's BES Facilities under the following conditions:



- 7.3.1** MWD's priority right to use the transmission capacity of MWD's BES Facilities is characterized in the CAISO Tariff as TORs. MWD shall follow the CAISO Tariff requirements for scheduling on its TORs.
- 7.3.2** The transmission capacity of MWD's BES Facilities shall also be subject to an encumbrance for the use by the United States Bureau of Reclamation ("USBR") under an existing contract. MWD's or USBR's Scheduling Coordinator shall schedule any such requested use with CAISO in accordance with this Agreement and the CAISO Tariff.
- 7.3.3** MWD's BES Facilities are interconnected with SCE and the amounts of interconnection services to SCE at certain locations shall be made available in accordance with Section 7.3.5.
- 7.3.4** MWD shall provide TRTC Instructions to CAISO pursuant to Section 17.1 of the CAISO Tariff, including the MW amounts and locations of: (i) TORs, and (ii) the encumbrance for USBR. Curtailment rights or priorities will also be provided in the TRTC Instructions.
- 7.3.5** CAISO shall make available transmission capacity on MWD's BES Facilities, consistent with the priorities associated with MWD's TORs, for the purpose of: (i) scheduling MWD transactions consistent with its TRTC Instructions; (ii) scheduling USBR transactions; (iii) scheduling transactions for Market Participants in accordance with the CAISO Tariff; and (iv) providing Congestion Management and Balancing Authority Area services for the benefit of all Market Participants.
- 7.3.6** Although the MWD BES Facilities are not required to be included in the CAISO Transmission Register for Controlled Grid facilities, CAISO may indicate how MWD's BES Facilities are interconnected with facilities under CAISO's control. CAISO shall provide MWD and its designee access to the Transmission Register as needed for coordination. CAISO shall not initiate any proceedings under Section 203 of the FPA in relation to MWD's BES Facilities nor require MWD to become a Participating TO.
- 7.3.7** The Authorized Representatives shall mutually agree to operating procedures governing MWD's BES Facilities and on the classification of those procedures as public or restricted.
- 8. Dispute Resolution.** The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement shall be brought in any of the following forums, as appropriate: any court of the State of California or any federal court of the United States of America located in either Los Angeles or Sacramento in the State of California, or, where subject to its jurisdiction, before FERC.

## 9. LIABILITY AND INDEMNITY

- 9.1 Liability.** Neither Party, nor any of its directors, officers, employees, consultants or agents, shall be liable for damages, including consequential, incidental, special, or indirect damages, arising from the performance or non-performance of its obligations under this Agreement or otherwise arising from or relating to this Agreement, except to the extent they result from gross negligence or intentional wrongdoing. In the event of a breach of Section 6 of this Agreement, the Party alleging breach shall provide notice and an opportunity to cure to the other Party. If after ninety (90) days the alleged breach is not cured, the Party alleging breach may pursue damages against the other Party.
- 9.2 Indemnity.** Each Party shall at all times indemnify and defend the other Party from and against any and all third-party claims arising out of or resulting from the Indemnified Party's action or inaction associated with its obligations under this Agreement on behalf of the Indemnifying Party, except to the extent that such claims arise from the Indemnified Party's gross negligence or intentional wrongdoing. The Indemnifying Party shall be responsible for reasonable attorneys' fees and costs.
- 9.3 Indemnity Procedures.** Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Section 9.2 may apply, the Indemnified Party shall notify the Indemnifying Party. The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. The Indemnified Party shall cooperate with Indemnifying Party and be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party.

## 10. UNCONTROLLABLE FORCES

- 10.1 Uncontrollable Forces.** Sections 14.1, 14.2 and 14.3 of the CAISO Tariff shall be incorporated by reference into this Agreement, except that references in these Sections and in the definition of Uncontrollable Force to Market Participants shall be read as a reference to MWD and references to the CAISO Tariff shall be read as references to this Agreement.

## 11. NO DEDICATION OF FACILITIES

- 11.1 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 MWD's facilities 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. MWD's facilities shall at all times be, and remain, in the exclusive ownership, possession, and control of MWD or such other entity as MWD, in its sole judgment, may specify, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such electric system.

## **12 CONFIDENTIALITY**

- 12.1** Both Parties understand and agree that, in the performance of the work or services under this Agreement or in contemplation thereof, a Party (a "Recipient") may have access to private or Confidential Information (as defined below) which may be owned or controlled by the other Party (a "Discloser") and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Discloser. Both Parties agree that all Confidential Information disclosed by a Discloser to a Recipient shall be held in confidence by the Recipient and used only in performance of the Agreement, except to the extent such information is required to be disclosed by local, State or Federal laws and regulations or by court or public agency order. "Confidential Information" means (i) all written materials marked "Confidential", "Proprietary" or with words of similar import provided to either Party by the other Party, and (ii) all observations of equipment (including computer screens) and oral disclosures related to either Party's systems, operations and activities that are indicated as such at the time of observation or disclosure, respectively, provided that such indication is confirmed in writing within five (5) business days of the disclosure. Confidential Information includes portions of documents, records and other material forms or representations that either Party may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.
- 12.2** In the event that disclosure of confidential or proprietary information is required by local, State or Federal laws and regulations or by court or public agency order, the Recipient shall give prior written notice to the Discloser as far in advance as reasonably possible. To the extent permitted by law, the Recipient shall cooperate with the Discloser in the event the Discloser seeks a protective order or other appropriate remedy to prevent such disclosure and, if such a protective order or other remedy cannot be obtained by such Discloser, the Recipient shall disclose only that portion of the confidential or proprietary information that is legally required to be disclosed.
- 12.3** Notwithstanding Sections 12.1 and 12.2 above, each Party to this Agreement shall not have breached any obligation under this Agreement if Confidential Information is disclosed to a third party when the Confidential

Information: (a) was in the public domain at the time of such disclosure or is subsequently made available to the public consistent with the terms of this Agreement; or (b) had been received by either Party at the time of disclosure through other means without restriction on its use, or had been independently developed by either Party as shown through documentation; or (c) is subsequently disclosed to either Party by a third party without restriction on use and without breach of any agreement or legal duty; or (d) subject to the provisions of Section 12.2, is used or disclosed pursuant to statutory duty or an order, subpoena or other lawful process issued by a court or other governmental authority of competent jurisdiction.

- 12.4** The Parties acknowledge that CAISO must comply with Section 20 of the CAISO Tariff.

### **13. MISCELLANEOUS**

- 13.1 Assignments.** Either Party may assign or transfer any or all of its rights and/or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. 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.
- 13.2 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that any reference therein to the CAISO Tariff or to Market Participant shall be understood to mean this Agreement or MWD, respectively, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2. A Party's Authorized Representative must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 13.3 Waivers.** Any waivers at any time by either 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.
- 13.4 Governing Law.** 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.

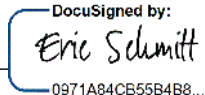
- 13.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.
- 13.6 Equal Employment Opportunity, Affirmative Action, and Notification of Employee Rights Under the National Labor Relations Act.** MWD is an equal opportunity employer and a federal contractor. Consequently, the Parties agree that, as applicable, they will abide by the requirements of 41 CFR 60-1.4(a), 41 CFR 60-300.5(a), and 41 CFR 60-741.5(a) and that these regulations are incorporated herein by reference. These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. These regulations require that covered entities take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status, or disability. The Parties additionally agree that, as applicable, they will abide by the written affirmative action program requirements of 41 CFR 60-1.40, 41 CFR 60-300.40, and 41 CFR 60-741.40. The Parties also agree that, as applicable, they will abide by the requirements of Executive Order 13496 (29 CFR Part 471, Appendix A to Subpart A), relating to the notice of employee rights under federal labor laws. The Parties further agree that, as applicable, they will abide by the requirements of the Federal Acquisition Regulation Clauses 52.222-26 (Equal Opportunity), 52.222-35 (Equal Opportunity for Veterans), 52.222-36 (Affirmative Action for Workers with Disabilities), and 52.222-40 (Notification of Employee Rights Under the National Labor Relations Act) and that these regulations are incorporated herein by reference. CAISO agrees to submit to MWD evidence of compliance with this article, as applicable, within 30 days of a request.
- 13.7 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, with respect to such subject matter.
- 13.8 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.

- 13.9 Amendments.** This Agreement may be amended from time to time by the mutual agreement of the Parties in writing. The Schedules hereto may be modified from time to time by the Authorized Representatives in writing and such modification shall not constitute an amendment to this Agreement. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective.
- 13.10 Authorized Representatives.** The Parties hereby designate their respective initial Authorized Representatives listed in Schedule 2 as the persons authorized to represent such Party in carrying out the implementation and administration of this Agreement as specified herein. Either CAISO or MWD may change the designation of any of its Authorized Representatives by Notice in accordance with Section 13.2 of this Agreement. The Authorized Representatives shall have no authority to amend any provision of this Agreement.
- 13.11 Settlement.** Nothing in this Agreement shall be construed as waiving, modifying or withdrawing any position taken to date by either Party in any FERC docket related to the rates, terms and conditions of the CAISO Tariff, whether before FERC or in any petition for review of such FERC orders by a court. Each Party remains free to pursue such positions as it deems appropriate.
- 13.12 Third Party Beneficiaries.** The Parties do not intend to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation, or undertaking established hereunder.
- 13.13 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.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed by their respective authorized officials.

**California Independent System Operator Corporation:**

By:  \_\_\_\_\_  
0971A84CB55B4B8...  
Name: Eric Schmitt \_\_\_\_\_  
Title: VP, Operations \_\_\_\_\_  
Date: 7/3/2017 \_\_\_\_\_

**The Metropolitan Water District of Southern California:**

By:  \_\_\_\_\_  
C3C5F048BAB94F3...  
Name: Jeffrey Kightlinger \_\_\_\_\_  
Title: General Manager \_\_\_\_\_  
Date: 7/3/2017 \_\_\_\_\_



**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed by their respective authorized officials.

**California Independent System Operator Corporation:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**The Metropolitan Water District of Southern California:**

By:  \_\_\_\_\_

Name: JEFFREY KIEFTLINGER

Title: GENERAL MANAGER

Date: 6/26/17

**APPROVED AS TO FORM**

Marcia L. Scully  
General Counsel



By: Mark L. Parsons  
Senior Deputy General Counsel



**SCHEDULE 1**

**MWD's CRA Electric System Diagram**

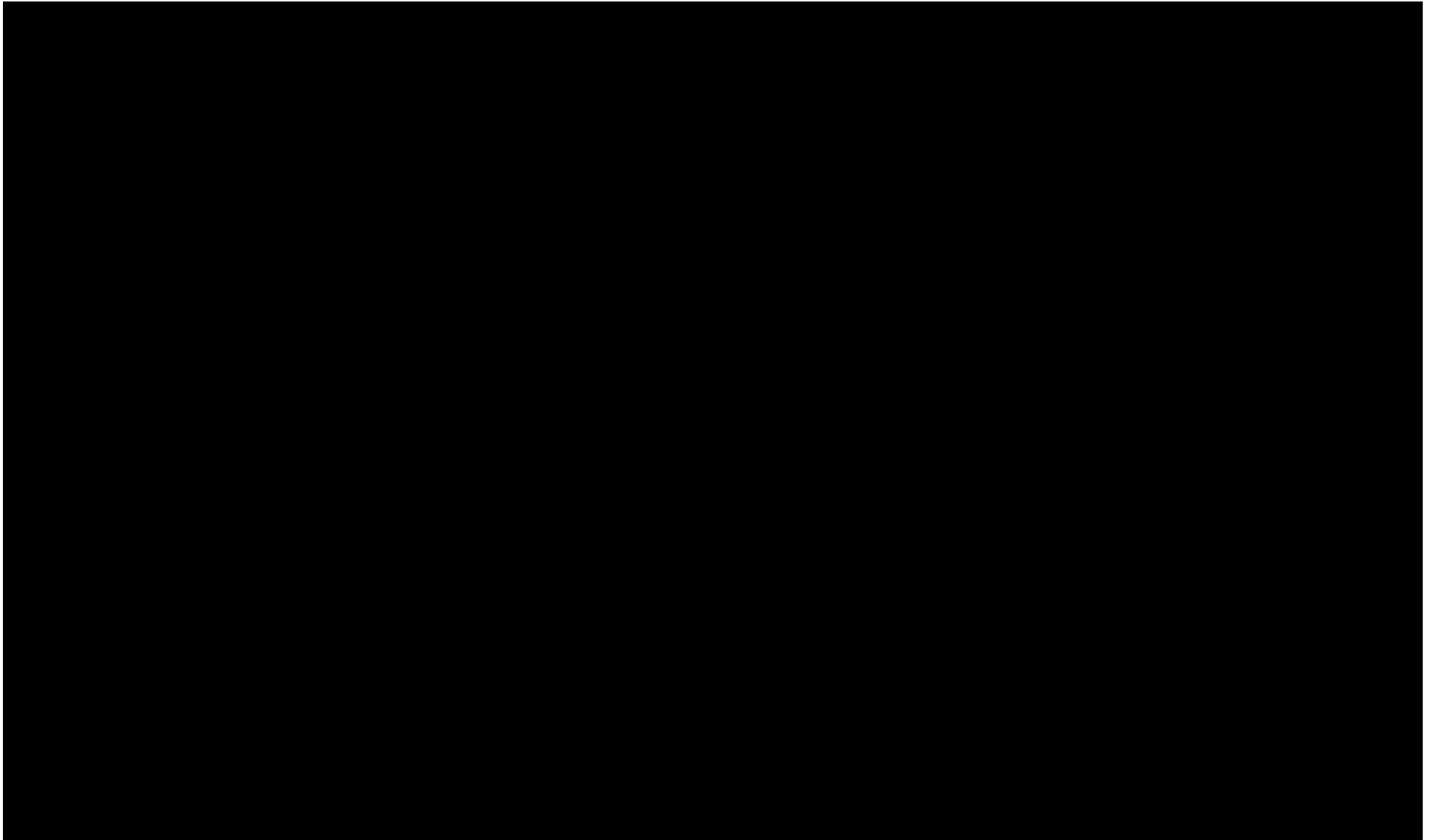
**CRITICAL ENERGY/ELECTRICAL  
INFRASTRUCTURE INFORMATION**

**REDACTED**

**PURSUANT TO 18 CFR § 388.113**

**DO NOT RELEASE**

**Schedule 1**



**SCHEDULE 2**

**Notices & Authorized Representatives**

- 1. As to METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA:

**Authorized Representative:**

Name: Jon C. Lambeck  
Title: Manager, Power Operations and Planning  
Company: Metropolitan Water District of Southern California  
Address: 700 North Alameda Street  
City/State/Zip: Los Angeles, CA 90012  
Phone: (213) 217-7381  
Facsimile: (213) 830-4529  
Email: jlambeck@mwdh2o.com

**Contract Management:**

Name: Ann Finley  
Phone: (213) 217-7136  
Email: afinley@mwdh2o.com

**CAISO Invoices:**

Submit invoices to MWD’s Accounts Payable Section at:

Email: AccountsPayableBusiness@mwdh2o.com

Send copy of invoices to: Jon C. Lambeck

Phone: (213) 217-7381

Email: [jlambeck@mwdh2o.com](mailto:jlambeck@mwdh2o.com)

**With additional Notices of an Event of Default or Potential Event of Default to:**

Attn: MWD Legal Department

Phone: (213) 217-6317

Email: [mparsons@mwdh2o.com](mailto:mparsons@mwdh2o.com)

**SCHEDULE 2 (cont.)**

**2. As to the CALIFORNIA INDEPENDENT SYSTEM OPERATOR:**

**Authorized Representative:**

Name: Christopher Sibley  
Title: Manager, Regulatory Contracts  
Address: 250 Outcropping Way  
City/State/Zip: Folsom, CA 95630  
Email Address: csibley@caiso.com  
Phone: (916) 608-7030  
Fax No: (916) 608-5063

**Contract Management:**

Name: Regulatory Contracts  
Title: N/A  
Address: 250 Outcropping Way  
City/State/Zip: Folsom, CA 95630  
Email Address: RegulatoryContracts@caiso.com  
Phone: (916) 351-4400  
Fax No: (916) 608-5063

**Attachment B – Confidential Version of Schedule 1  
to the Operating Agreement between  
Metropolitan Water District of Southern California and the  
California Independent System Operator Corporation**

**CONTAINS CRITICAL ENERGY/ELECTRICAL INFRASTRUCTURE INFORMATION**

**REDACTED PURSUANT TO 18 C.F.R. § 388.113**