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REDACTED VERSION FOR PUBLIC RELEASE

PRIVILEGED INFORMATION CONTAINED IN SEPARATE VOLUME

November 13, 2008

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 Non-Conforming Service Agreement No. 555
Under the MRTU Tariff
Docket No. ER09-____-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, the California Independent System Operator Corporation ("CAISO") submits for Commission filing and acceptance a unilaterally-executed Amended and Restated Metered Subsystem Agreement ("MSSA") between the CAISO and the City of Santa Clara, doing business as Silicon Valley Power ("SVP"). The CAISO requests an effective date for the Amended and Restated MSSA to coincide with the effective date of the CAISO Tariff to implement the CAISO's Market Redesign and Technology Upgrade ("MRTU") market design (the "MRTU Tariff").¹ The earliest implementation date of MRTU, and therefore of the MRTU Tariff, is February 1, 2009.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A of the MRTU Tariff, and in the Amended and Restated MSSA.

The CAISO is filing the Amended and Restated MSSA unexecuted by SVP because at the time of this filing SVP was not in a position to determine whether or not it can agree to all of the proposed changes in the Amended and Restated MSSA, and the CAISO feels compelled to submit this filing now so as to leave sufficient time to obtain a Commission order on the filing and to be able to implement any compliance requirements specified in that order prior to the February 1, 2009 implementation date for MRTU. As the CAISO cannot undertake the special operations with SVP anticipated in the Amended and Restated MSSA without a contractual specification of all of the special terms and conditions of these operations that has been accepted by the Commission, the CAISO has determined that it should make this unilateral filing requesting an effective date coincident with the implementation of MRTU.

I. Background

The CAISO filed the original MSSA between the CAISO and SVP on July 15, 2002 in Docket No. ER02-2321-000 as part of a package with CAISO Tariff Amendment No. 46. The Commission accepted the MSSA by order issued on August 30, 2002 as Original Service Agreement No. 555 under the effective CAISO Tariff² at that time. The CAISO filed the First Revised MSSA with SVP on November 10, 2003 in Docket No. ER04-185-000, which the Commission accepted effective on May 30, 2003 by letter order issued December 12, 2003. The CAISO filed the Second Revised MSSA with SVP on June 18, 2004 in Docket No. ER04-940-000 to revise Schedules 1 and 15.1, which the Commission accepted effective as of April 23, 2004 by letter order issued August 9, 2004. The CAISO filed a unilateral version of the Third Revised MSSA with SVP on October 27, 2004 in Docket No. ER05-81-000 to revise Schedules 1, 14, and 15.1, which the Commission accepted effective as of October 27, 2004 by letter order issued December 15, 2004. The CAISO filed the Fourth Revised MSSA with SVP on January 13, 2005 in Docket No. ER05-449-000 to make various revisions to the MSSA, which the Commission accepted effective as of February 21, 2005 by letter order issued March 11, 2005. The CAISO filed the Fifth Revised MSSA with SVP on April 18, 2005 in Docket No. ER05-838-000 to make various revisions to the MSSA, which the Commission accepted effective as of February 21, 2005 by letter order issued June 8, 2005.

² The effective CAISO Tariff at the time of the Commission's original acceptance of the MSSAA was designated as CAISO FERC Electric Tariff, First Replacement Volume Nos. I and II. The currently effective CAISO Tariff is designated as CAISO FERC Electric Tariff, Third Replacement Volume Nos. I and II. The MRTU Tariff is designated as CAISO FERC Electric Tariff, Fourth Replacement Volume Nos. I and II.

A. Purpose of the Amended and Restated MSSAA

The primary purpose of the Amended and Restated MSSA is to align the current MSSA with the new provisions of the MRTU Tariff. The CAISO is undertaking this alignment for all five of its Metered Subsystem ("MSS") agreements, including, as discussed further below, the CAISO's filing on October 31, 2008 of its amended and restated MSS agreement with the City of Riverside in Commission Docket No. ER09-188-000 and the CAISO's filing on November 7, 2008 of its unilaterally-executed amended and restated NCPA MSS Aggregator agreement with the Northern California Power Agency ("NCPA") (which serves as the MSS Aggregator for SVP) in Commission Docket No. ER09-259-000. This alignment particularly includes numerous revisions to the provisions of the currently-effective MSSA addressing the rights and obligations of SVP as an MSS Operator regarding CAISO charges and Settlements. Further, the CAISO utilized this opportunity to update the use of MRTU Tariff-defined terms in the agreement, recognize the North American Electric Reliability Corporation ("NERC") and Western Electricity Coordinating Council ("WECC") Reliability Standards as they apply to the parties to the agreement, and update technical and contact information in the Schedules and attachments to the agreement.

The CAISO and SVP's negotiators of the Amended and Restated MSSA have agreed to many of the modifications reflected in the Amended and Restated MSSA that are described in Section I.B, below, in order to best accomplish the foregoing purposes. However, as noted above, at the time of this filing SVP was not in a position to determine whether or not it can agree to all of the proposed changes in the Amended and Restated MSSA, and the CAISO feels compelled to submit this filing now so as to leave sufficient time to obtain a Commission order on the filing and to be able to implement any compliance requirements specified in that order prior to the February 1, 2009 implementation date for MRTU. The CAISO cannot undertake the special operations with SVP anticipated in the Amended and Restated MSSA without a contractual specification of all of the special terms and conditions of these operations that has been accepted by the Commission. Consequently, the CAISO has chosen to make this filing of the Amended and Restated MSSA unexecuted by SVP on the basis that many of the provisions of the agreement are acceptable to and unopposed by SVP and that SVP will have the opportunity to comment on any provisions of the agreement with which it disagrees in the course of the Commission proceeding on this filing.

B. Differences between the Currently Effective MSSAA and the Amended and Restated MSSAA

The Amended and Restated MSSA contains a number of changes and additions to the currently effective MSSA, which include the following:

- Most significantly, Article XII of the Amended and Restated MSSA contains numerous revised provisions addressing SVP's obligations regarding various CAISO charges and Settlements matters. These provisions primarily reflect revisions to the treatment of charges in the MRTU Tariff, including revisions to the provisions of the MRTU Tariff specifying the manner in which certain charges will be applicable to MSS Operators.
 - One of the primary sets of revised provisions regarding the Settlements treatment applicable to SVP is the set of provisions contained in Sections 12.11, 12.12, 12.13, 12.16, and 12.17, and in Schedule 18, which, together with the deletion of Section 8.6 of the current MSSA, revise the treatment of MSS Load following and operation within an MSS Deviation Band to align it with the new provisions of the MRTU Tariff regarding this matter. The revisions to these provisions are very similar to the revisions to the similar provisions of the CAISO's MSS agreement with the City of Riverside, as filed in Docket No. ER09-188-000 and the CAISO's MSS Aggregator agreement with NCPA, as filed in Docket No. ER09-259-000, with the exception of the provisions of Schedule 18 that provide how the MSS Deviation Band and Load Following Deviation Penalty will apply by reference to Schedule 19 of the NCPA MSS Aggregator Agreement.
 - Another notable set of revised provisions of Article XII is contained in new Sections 12.7 and 12.8, in conjunction with Section 12.1, regarding the allocation of Net IFM Bid Cost Uplift and Net RTM Bid Cost Uplift to SVP as an MSS Operator. Sections 12.7 and 12.8 have been added to reflect the treatment of this set of CAISO charges as currently set forth in the MRTU Tariff. However, a provision has been added to Section 12.1 in which the parties acknowledge that the provisions of the MRTU Tariff on which Section 12.7.2 is based are subject to modification by the Commission in response to the CAISO's request for clarification or rehearing of the Commission's order on those MRTU Tariff provisions. Section 12.1 requires the parties to meet to amend the Amended and Restated MSSA if the Commission issues an order directing revisions to the MRTU Tariff that would require conforming revisions to Section 12.7.2.
 - Other revised provisions of Article XII include: deletion of the provisions of Sections 13.2 and 13.3 of the current MSSA and the incorporation of new Section 12.2 to reflect the different treatment of Transmission Losses and Congestion pursuant to the Locational

Marginal Price (“LMP”) market design set forth in the MRTU Tariff; deletion of the provisions of Sections 13.6 and 13.7 of the current MSSA and revisions to Sections 8.3 and 8.4 of the Amended and Restated MSSA to reflect that responsibility for the costs of Voltage Support and Black Start is fully addressed in Sections 8.3 and 8.4; revisions to the provisions of renumbered Section 12.6 to make them more consistent with similar provisions in the CAISO’s MSS agreements with other MSS Operators; deletion of the provisions of Section 13.10 of the current MSSA to reflect the different treatment of Minimum Load Costs and Start-Up Costs in the MRTU Tariff; deletion of the provisions of Section 13.11 of the current MSSA and the addition of the provisions of Sections 12.9 and 12.10 to reflect the MRTU Tariff treatment of the CAISO’s Grid Management Charges as applicable to SVP as an MSS Operator; deletion of the provisions of Section 13.13 of the current MSSA as outdated under the MRTU Tariff; and the addition of the provisions of Section 12.18 to reflect the different treatment of Emissions Costs under the MRTU Tariff.

- Throughout the Amended and Restated MSSA, modifications have been made to incorporate or reference new provisions of the MRTU Tariff, including revisions to tariff section numbers and defined terms. The more substantive of these changes include the following:
 - The addition of a special definition of “MRTU” in Section 1.2;
 - The addition to Section 2.1 of provisions making the Amended and Restated MSSA effective only as of the effective date of MRTU and specifying a reversion to the current version of the MSSA in the event the CAISO reverts to the current version of the CAISO Tariff (plus the deletion of an outdated provision regarding the CAISO’s right to terminate);
 - The deletion of Section 3.6 of the current MSSA that specifies the requirement that the MSSA be modified to incorporate the provisions of the MRTU Tariff, as that obligation is being satisfied in the Amended and Restated MSSA;
 - Substitution of the MRTU Tariff terminology referring to Bids and Self-Schedules into the CAISO Markets in Sections 7.1.1, 7.1.1.1, 7.1.2, 8.6, 9.2.1, 9.2.2, 9.2.3, 10.2.2, 10.3, and 12.12, and in Schedules 10B, 14, and 15;

- The incorporation of the new market design elements such as Exceptional Dispatch Instructions and Default Energy Bid options in Article VII, Sections 10.3 and 12.2; and
- The addition of new Section 9.3 to specify the applicability of the MRTU Tariff provisions regarding Congestion Revenue Rights (“CRRs”) to SVP.
- Throughout the Amended and Restated MSSA, the term “Control Area” has been replaced by the updated term “Balancing Authority Area,” and the term “control area operator” has been replaced by the updated term “Balancing Authority.” Also, references to the California Independent System Operator Corporation as the “ISO” have been replaced with references to the “CAISO.”
- References to the NERC and WECC Reliability Standards have been added to the following provisions of the Amended and Restated MSSA: Recital H, Sections 3.2.1, 3.2.2, 4.3, 5.2, 8.1.1, 13.1, and 13.2, and Schedule 4.
- Provisions regarding the rights and obligations of the parties in the event of System Emergencies have been clarified, particularly to incorporate more cross-references among different sections addressing similar matters, in Sections 7.1, 7.1.1, 7.1.1.1, 7.1.2, 7.1.3, 7.1.5.1, 7.4.2, 7.4.3, 7.4.6, and 7.5.3.
- Provisions of Sections 5.1.2, 5.5, 6.1, 6.5, 7.1.1.2, 7.1.2, 7.1.3, 7.1.5, 8.2.1, 8.2.2, 8.3, 8.4, 8.5, 10.2.1, 12.1, 12.3, and 12.5 and of Schedules 2, 4, and 15 regarding the treatment of Outages, Demand Forecasts, operations in System Emergencies, RMR Generation, Voltage Support, Black Start, Ancillary Services generally, charges, and metering have been revised to incorporate clarifications and more specific references to MRTU Tariff requirements.
- The provisions of Sections 11.1, 11.2, and 11.3 of the current MSSA regarding scheduling have been deleted and consolidated with the revised provisions of Sections 8.5, 9.2.1, 9.2.2, and 9.2.3 of the Amended and Restated MSSA generally addressing the same matters.
- Technical and contact information has been updated in Schedules 1, 2, 6, 7, 8, 11, 13, 14, 15, 15.1, 15.2, and 17. Similarly, SVP has updated its Emergency Action Plan, which is included in an attachment to Schedule 11.

- SVP has added and revised descriptions of and references to its relationship with NCPA as its MSS Aggregator and its relationship with Pacific Gas and Electric Company as the utility with which it has an interconnection agreement in several provisions, including Recitals A, B, and G, Sections 1.2, 5.4, 8.2.1, and 8.3, and Schedules 2, 7, and 11.
- SVP has added Section 2.2.4 to address the potential for continued operation for its Load following election should SVP terminate its relationship as an MSS Operator under the NCPA MSS Aggregator Agreement.
- Other clarifying revisions have been made to the substance of various provisions of the Amended and Restated MSSA, including minor clarifying revisions to Sections 1.2, 3.3.1, 3.3.3, 3.3.4, 3.3.7, 3.3.8, 3.4.3, 3.6, 4.1, 4.3, 4.4, 4.5.2, 4.5.3, 5.1.1, 5.4, 6.4, 6.6.1, 8.7, 9.1.4, 10.4.1, and 11.1, and to Schedules 3, 10, 10A, 12, and 15.

II. Effective Date and Conditional Request for Waiver

The CAISO requests that the Amended and Restated MSSA be made effective as of the date the MRTU Tariff becomes effective. The earliest implementation date of the MRTU Tariff is February 1, 2009.

In the event that the MRTU Tariff is implemented more than 120 days after the submittal of the instant filing, the CAISO also requests waiver, pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), of Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3), in order to permit the Amended and Restated MSSA to become effective as of that implementation date. Granting a waiver in this instance would be consistent with the similar waivers of Section 35.3 that the Commission has granted for other MRTU-related filings.

III. Request for Privileged Treatment

Included in a separate volume along with this Amended and Restated MSSA, pursuant to Commission Order Nos. 630 and 630-A,³ is a sealed copy of the non-public portions of the Amended and Restated MSSA, specifically, all of Schedules 1, 6, 11 (including the attachments to Schedule 11), 14, 15.1, and 17 as they contain confidential information, telephone numbers, facsimile numbers, and e-mail addresses. The CAISO is seeking privileged treatment of these materials under 18 C.F.R. § 388.112 as their public disclosure could impair

³ *Critical Energy Infrastructure Information*, Order No. 630, FERC Stats. and Regs. ¶ 31,140, *order on reh'g*, Order No. 630-A, FERC Stats. and Regs. ¶ 31,147 (2003).

system operations, unnecessarily reveal sensitive information, and pose significant security problems as to the facilities referenced therein. For these reasons, the CAISO submits that these materials should be exempt from public exposure and should be granted privileged treatment.

IV. 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.

V. Service

Copies of this filing have been served upon SVP, the California Public Utilities Commission, and all parties on the official service list for Docket No. ER05-838. In addition, the filing has been posted on the CAISO Website.

Enclosed for filing are six copies of each of the following:

- (1) this letter of transmittal;
- (2) the public version of the Amended and Restated MSSA, which is in a format that complies with Order No. 614, *Designation of Electric Rate Schedule Sheets*, FERC Stats. and Regs. ¶ 31,096 (2000) (Attachment A); and
- (3) the public version of the Amended and Restated MSSA showing the differences between it and the current version of the MSSA (Attachment B).

The filing also includes a separate volume that contains the non-public portions of the Amended and Restated MSSA described above.

Also enclosed are two additional copies of this filing to be date-stamped and returned to our messenger.

VI. Correspondence

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

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Respectfully submitted,

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ATTACHMENT A

AMENDED AND RESTATED METERED SUBSYSTEM AGREEMENT
WITH
CITY OF SANTA CLARA, DOING BUSINESS AS SILICON VALLEY POWER

Issued by: Laura Manz, Vice President, Market and Infrastructure Development

Issued on: November 13, 2008

Effective: February 1, 2009

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

SILICON VALLEY POWER

AMENDED & RESTATED

METERED SUBSYSTEM AGREEMENT

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND
SILICON VALLEY POWER**

AMENDED AND RESTATED METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, 20____ and is entered into, by and between:

(1) **The City of Santa Clara**, a duly chartered city under the laws of the State of California, which does business as Silicon Valley Power ("SVP"), and owns and operates a municipal electric utility system engaged in the generation, transmission, distribution, purchase and sale of electric power and energy at wholesale and retail, having its registered and principal place of business located at 1500 Warburton Avenue, Santa Clara, California 95050-3713;

and

(2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom California 95630 (the "CAISO").

SVP and the CAISO are hereinafter referred to individually as "Party" or collectively as the "Parties."

Whereas:

- A. SVP is a MSS Operator of a Metered Subsystem engaged in, among other things, generating, transmitting and distributing electric power in northern California and the SVP Service Area and is a member of the Northern California Power Agency ("NCPA");
- B. As a member of NCPA, SVP receives power from various NCPA resources and currently utilizes NCPA as its Scheduling Coordinator and MSS Aggregator, pursuant to the Scheduling Coordination Program Agreement between NCPA and SVP;
- C. The CAISO, a North American Electric Reliability Corporation ("NERC") certified Balancing Authority, or a Balancing Authority certified by the NERC's successor, is engaged in, among other things, exercising Operational Control over certain electric transmission facilities forming the CAISO Controlled Grid, scheduling transactions that utilize those transmission facilities, and operating certain

markets, including markets for Energy and Ancillary Services, pursuant to the terms of the CAISO Tariff, as modified from time-to-time and as accepted by the Federal Energy Regulatory Commission ("FERC") and has certain statutory obligations under California law to maintain the reliability of the CAISO Controlled Grid, as well as certain responsibilities mandated by NERC and Western Electricity Coordinating Council ("WECC"), or their successors, to ensure the reliable operation of the entire electric grid within the CAISO Balancing Authority Area;

- D. SVP's System is within the CAISO Balancing Authority Area and is interconnected to the CAISO Controlled Grid;
- E. SVP desires to continue to operate the generation, transmission and distribution resources of SVP's System in a coordinated manner with the generation resources it jointly owns with NCPA, that are operated by NCPA, to reliably serve SVP's Loads and also desires, as or through a Scheduling Coordinator, to schedule transactions using the CAISO Controlled Grid and participate in the CAISO Markets as a buyer and a seller;
- F. The Parties are entering into this Agreement in order to establish the terms and conditions on which (1) SVP will operate SVP's System electric resources within the CAISO Balancing Authority Area; (2) SVP will, as or through its Scheduling Coordinator, schedule transactions using the CAISO Controlled Grid and participate in the CAISO Markets; and (3) the Parties will meet their obligations under the CAISO Tariff, as may be modified by this Agreement, in connection therewith;
- G. SVP's intent is to continue to utilize SVP's System resources to follow SVP's, and from time-to-time NCPA's, Load and to make economic resource decisions, and the intent of the Parties is that any CAISO charges will be charged to SVP's Scheduling Coordinator based on the principle of cost causation, with due regard for historical considerations, timing and transition issues, and other relevant factors;
- H. In order to maintain the reliability of the interconnected electric systems encompassed by the WECC, both the CAISO and SVP are required to comply with the NERC and WECC Reliability Standards, and the WECC RMS agreement to the extent it remains in effect, applicable to the functional entity types for which they have registered with NERC and WECC. Should either fail to meet their respective obligations, each shall be responsible for payment, directly to the WECC, of any monetary sanction assessed against it by the WECC for such failure;
- I. SVP is a Local Publicly Owned Electric Utility under the Constitution of the State of California and utilizes tax-exempt financing for one or more of its projects that restricts the amount of private use of such projects; and

- J. SVP represents that it has a responsibility to serve its customer Loads pursuant to California Public Utilities Code Section 10005.

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.** Unless defined in the introduction or Section 1.2 of this Agreement, all terms 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 Special Definitions for this Agreement.** In this Agreement, the following terms shall have the meanings set opposite them:

"MRTU" means the CAISO's Market Redesign and Technology Upgrade project, the implementation of which is the subject of FERC Docket Nos. ER06-615, ER07-1257 and related dockets.

"Point of MSS Interconnection" means any point at which SVP's System is directly interconnected with the CAISO Controlled Grid or with any other portion of the interconnected electric grid in the CAISO Balancing Authority Area. The initial Points of MSS Interconnection are described in Section 4.1.

"PG&E IA" means the Interconnection Agreement between SVP and Pacific Gas and Electric Company ("PG&E"), effective September 1, 2002, in FERC Docket ER02-358, and is designated as PG&E Service Agreement No. 20 under FERC Electric Tariff Sixth Revised Vol. No. 5, as it may be amended from time to time.

"Settlement Agreement" means the Settlement Agreement among Pacific Gas and Electric Company, Northern California Power Agency, Silicon Valley Power of Santa Clara, California, the City of Roseville, California and the California Independent System Operator Corporation in FERC Dockets ER01-2998-000, ER02-358-000, and EL02-64-000, as accepted by FERC.

"SVP's System" means all transmission facilities, distribution facilities and generating facilities within the CAISO Balancing Authority Area owned or controlled by SVP and SVP's share of the Generating Units listed in Schedule 1A. A description of the Generating Units and Points of MSS Interconnection facilities comprising SVP's System is set forth in Schedule 1 and Schedule 14 of this Agreement.

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

- (a) the singular shall include the plural and vice versa;
- (b) the masculine shall include the feminine and neutral and vice versa;
- (c) "includes" or "including" shall mean "includes (or including) without limitation";
- (d) 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;
- (e) any reference to the CAISO Tariff or any provision of the CAISO Tariff will mean a reference to the CAISO Tariff or provision then in effect as modified during the term of this Agreement, unless otherwise specifically provided ;
- (f) 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;
- (g) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, governmental entity, joint action agency, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (h) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (i) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (j) 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 TERM AND TERMINATION

2.1 Effective Date. This Agreement shall be effective as of the later of: (1) the date this Agreement is accepted for filing and made effective by FERC, or (2) the date the version of the CAISO Tariff implementing the CAISO's Market Redesign and Technology Upgrade ("MRTU") is made effective by FERC, and shall remain in full force and effect until terminated pursuant to Section 2.2, or upon such other date as the Parties shall mutually agree. If the CAISO Tariff implementing MRTU has become effective, but this Agreement has not been accepted and made effective by FERC, the Parties will use the terms of this Agreement to interpret and implement the CAISO Tariff under MRTU and the terms of the existing MSS Agreement to effectuate the intention of the Parties as expressed in this Agreement until such time as this Agreement is made effective by FERC. Upon the effective date of this Agreement, all prior versions will be superseded, provided that if this Agreement has become effective, but CAISO exercises its rights under Section 44 of the CAISO Tariff, and returns its operations and settlements to the pre-MRTU ISO Tariff, then the Parties will use the terms of the version of the MSS Agreement in existence prior to this Agreement during such period that CAISO returns to the previously effective ISO Tariff to interpret and implement the pre-MRTU ISO Tariff, except that the updated version of Schedules 1, 1A, 2, 4, 6, 7, 8, 10, 10A, 11, 12, 13, 14, 15.1, 15.2, 16 and 17, attached to this Agreement will remain in effect.

2.2 Termination

2.2.1 Termination by Default. Either Party (the terminating Party) may terminate this Agreement by giving written notice of termination in the event that the other Party (the defaulting Party) commits any default under this Agreement or the applicable provisions of the CAISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article XVII.

2.2.2 Termination on Notice. Either Party (the terminating Party) shall have the right to terminate this Agreement in accordance with this Section 2.2.2, subject to the procedural requirements set forth in Section 2.2.3. Either Party may terminate this Agreement by giving the other Party written notice at least twelve (12) months in advance of the intended effective date of termination.

2.2.3 Filing. With respect to any notice of termination given pursuant to this Section, 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 request to file a notice of termination is made after the preconditions for termination have been met, and (2) the CAISO files the notice of termination within 30 days of receipt of such request from SVP or issuance of its own notice of termination.

This Agreement shall terminate upon the date on which the notice of termination is permitted by FERC to become effective.

- 2.2.4 MSSA Withdrawal.** If NCPA elects to terminate its MSS Aggregator relationship with the CAISO or its Scheduling Coordination Program Agreement with SVP, or if SVP elects to terminate its Scheduling Coordination Program Agreement with NCPA, SVP will provide notice of such change to the CAISO within five Business Days of its receipt (or provision) of the notice of such election. As of the date of SVP's notice to the CAISO, SVP will begin developing in a timely manner and propose to the CAISO (a) amendments to this Agreement that would permit continued operation without the current SVP relationship with NCPA, or (b) a notice of termination of this Agreement. Such termination will be effective on a date that is mutually agreed on by the Parties, but in the event that the Parties cannot agree, such termination will be effective no sooner than twelve (12) months after SVP's provision of such notice.

ARTICLE III GENERAL TERMS AND CONDITIONS

- 3.1 Scope of Agreement.** Except as specifically provided otherwise, the provisions of this Agreement will apply only with respect to the facilities comprising SVP's System and to Loads and Generating Units that comprise or are directly connected only to SVP's System and SVP's share of the Generating Units operated by NCPA listed in Schedule 1A. Except with respect to the Generating Units listed in Schedules 1 and 1A, to the extent SVP has entitlements to Generating Units with Third Parties, this Agreement does not apply to such Third Parties. For the purposes of this Section 3.1, "Third Party" means any party other than SVP and the CAISO. Subject to the terms of Article II, this Agreement shall not affect SVP's ability to join or establish another Balancing Authority Area or SVP's right to exercise any available legal recourse to obtain or confirm that it possesses other forms of transmission rights.

3.2 CAISO and SVP Responsibilities

- 3.2.1 CAISO Responsibility.** The Parties acknowledge that the CAISO is responsible for the efficient use and reliable operation of the CAISO Controlled Grid and the operation of the CAISO's Balancing Authority Area consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the WECC and NERC Reliability Standards and criteria and in accordance with the CAISO Tariff and further acknowledge that the CAISO may not be able to satisfy fully these responsibilities if parties to agreements with the CAISO, including SVP, fail to comply fully with all of their obligations under those agreements. The CAISO is not delegating to SVP any of its responsibilities to NERC and or WECC by this Agreement.

3.2.2 SVP Responsibility. The Parties acknowledge that SVP is responsible for compliance with the WECC and NERC mandatory Reliability Standards and criteria applicable to the functions for which SVP has registered with NERC. The references to WECC and NERC mandatory Reliability Standards throughout this Agreement do not make any alteration or enlargement of the requirements or standards applicable to SVP beyond its functional entity registration with NERC

3.3 Relationship Between Agreement and CAISO Tariff

3.3.1 Precedence of Agreement. If and to the extent a matter is specifically addressed by a provision of this Agreement (including any schedules or other attachments to this Agreement), the provisions of this Agreement shall govern notwithstanding any inconsistent provision of the CAISO Tariff or any CAISO Business Practice Manual (including, except as provided in Section 3.3.2, any CAISO Tariff or CAISO Business Practice Manual provision that is referenced in this Agreement).

3.3.2 Precedence of CAISO Tariff. 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.

3.3.3 Participating Generators. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of any of the Generating Units of SVP's System listed in Schedule 14, comply with the requirements applicable to Participating Generators under Section 4.6 of the CAISO Tariff. Nothing in this Agreement shall obligate SVP to execute a Participating Generator Agreement with respect to any SVP Generating Units.

3.3.4 Participating Loads. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of any Load listed in Schedule 14, comply with the requirements applicable to Participating Loads under Section 4.7 of the CAISO Tariff and all other provisions of the CAISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate SVP to execute a Participating Load Agreement with respect to any SVP Load.

3.3.5 Utility Distribution Companies. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of the distribution facilities of SVP's System, comply with the requirements applicable to Utility Distribution Companies under Section 4.4 of the CAISO Tariff. Nothing in this Agreement shall obligate SVP to execute a UDC Operating Agreement.

3.3.6 Disputes. The applicability of any provision of the CAISO Tariff to SVP, including as provided in Sections 3.3.1 through 3.3.5, inclusive, shall, in the event of a dispute between the Parties, be determined through the CAISO ADR Procedures in accordance with Section 13 of the CAISO Tariff.

3.3.7 Participating TO. Nothing in this Agreement shall preclude SVP from becoming a Participating TO by executing a TCA and fulfilling all other applicable requirements. If SVP becomes a Participating TO, it shall comply with the requirements applicable to Participating TOs under Section 4.3 of the CAISO Tariff.

3.3.8 Written Agreements. This Agreement shall serve, with respect to SVP, as the Utility Distribution Company Operating Agreement, the Participating Generator Agreement, the Participating Load Agreement and the Meter Service Agreement for CAISO Metered Entities required by the CAISO Tariff.

3.4 Amendment to Agreement

3.4.1 Amendments. Except with respect to the CAISO's rights set forth in Section 3.4.2 of this Agreement, this Agreement may be modified only by mutual written agreement between the Parties. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. This shall not modify SVP's or the CAISO's rights under Section 206 of the Federal Power Act.

3.4.2 Section 205 Rights. The CAISO shall have the right to apply unilaterally under Section 205 of the Federal Power Act to change the rates, terms, and conditions under this Agreement for services provided to SVP. In proposing any changes, unless in response to a FERC order as provided in Section 3.6, the CAISO will consider the principles in this Agreement as detailed in Section 3.5.2. Additionally, unless in response to a FERC order as provided in Section 3.6, any changes proposed by the CAISO shall be subject to the following:

3.4.2.1 The CAISO shall provide SVP 30 days advance written notice of such change.

3.4.2.2 The CAISO shall meet and confer with SVP regarding the change, provided that the scheduling of such meeting shall not be unreasonably delayed.

3.4.2.3 SVP may waive these requirements upon written request by the CAISO.

3.4.2.4 The CAISO shall provide SVP with a copy of the FERC filing if, and when, made.

3.4.3 Operational Changes. In addition to changes that may otherwise be contemplated by Section 3.6, the Parties recognize that their responsibilities and operations may change during the term of this Agreement. The Parties agree that, in the event any such change substantially affects the allocation of rights, responsibilities and obligations between the Parties under this Agreement, the Parties, while continuing to honor the terms and conditions of this Agreement, will make good faith efforts to negotiate an appropriate amendment to this Agreement and shall endeavor in that process to restore that allocation.

3.5 Amendment to CAISO Tariff.

3.5.1 CAISO Tariff Amendments. Nothing in this Agreement shall affect in any way the authority of the CAISO to modify unilaterally the CAISO Tariff in accordance with Section 15 of the CAISO Tariff or the ability of the CAISO and SVP to exercise their rights under the Federal Power Act or any other law, or to pursue any legal remedies.

3.5.2 MSS Principles. In making amendments to the CAISO Tariff as provided in Section 3.5.1, the CAISO will consider the impact on Metered Subsystems and the principles reached in this Agreement, including but not limited to:

3.5.2.1 Cost Causation: The intent of the Parties is that CAISO charges will be charged to the Scheduling Coordinator for the MSS Operator (or Aggregator), based on the principle of cost causation, with due regard for historical considerations, timing and transition issues, and other relevant factors.

3.5.2.2 Load Following Capability: SVP desires the opportunity to elect to maintain Load following capability, through its Scheduling Coordinator or the Scheduling Coordinator of its MSS Aggregator, to match SVP's Load, and to make economic resource decisions with the resources in SVP's portfolio.

3.5.2.3 Compatibility of Market Participants: For efficient use of transmission facilities and to decrease Congestion, the CAISO desires that all Market Participants operate using similar rules and scheduling timelines.

3.6 Changes to Conform to FERC Orders. Nothing in this Article III shall be interpreted to limit the CAISO's right to modify the CAISO Tariff or this Agreement to comply with or conform to any FERC order, or to limit SVP's right to challenge such a proposed modification.

**ARTICLE IV
INTERCONNECTION**

4.1 Points of MSS Interconnection. The Points of MSS Interconnection are described in Schedule 1. Additional Points of MSS Interconnection may be established only by mutual agreement of the Parties, for which consent shall not be unreasonably withheld.

4.2 Interconnection Operation Standards. The CAISO and SVP shall maintain stable established operating parameters and control power and reactive flow within standards stated in Schedule 2.

4.3 Operation, Maintenance, and Load Serving Responsibilities. SVP shall operate and maintain its facilities forming any part of SVP's System, and shall be

responsible for the supply of the Energy and Ancillary Services required to reliably provide electric service to the Loads connected to SVP's System as described in Section 3.1 within the CAISO Balancing Authority Area in accordance with WECC and NERC Reliability Standards and criteria as set out in Section 3.2.2 of this Agreement.

4.4 Expansion, Retirement, and Modification of Facilities. SVP shall coordinate with the CAISO in the planning and implementation of any expansion, retirement, or modification of those facilities forming parts of SVP's System that are identified in Schedule 1, replacements for such facilities, and other facilities forming parts of SVP's System that serve similar functions or that otherwise will or may significantly affect the Points of MSS Interconnection, and shall provide sufficient advance notice to enable the CAISO to conduct any necessary studies. To the extent the CAISO determines studies are required, those studies will be performed in a reasonable period of time. The Parties will amend Schedule 1, as necessary, should a new Point(s) of MSS Interconnection be established in accordance with Section 4.1.

4.5 Installation of Facilities and Rights of Access

4.5.1 Equipment Installation. Pursuant to Schedule 3, the Parties shall permit one another, on reasonable notice and with mutual agreement in each case, to install equipment or have installed equipment or other facilities on the property of the other Party to enable the installing Party to meet its service obligations, unless doing so would negatively impact the reliability of service provided by the owning Party. Unless otherwise agreed, all costs of installation shall be borne by the installing Party.

4.5.2 Rights of Access. A Party installing equipment on the property of the other Party shall be granted, free of charge, reasonable rights of access to inspect, test, repair, maintain and upgrade that equipment. Access shall be provided only on prior notice and such access shall not be unreasonably withheld.

4.5.3 Request for Access. Notwithstanding any other provision in this Section 4.5, SVP shall provide the CAISO with access for inspection or audit, to its equipment or other facilities forming part of SVP's System listed in Schedule 1, the operation of which affects any Point of MSS Interconnection or the CAISO Controlled Grid. SVP will allow access to staffed facilities for inspection or audit during normal working hours, 8:00 a.m. to 5:00 p.m. Monday through Friday, excluding NERC defined holidays, with no prior notice. For access for inspection or audit during times outside of normal working hours, the CAISO shall provide SVP with one (1) Business Day advance notice. A shorter advance notice time may be attained subject to mutual agreement of the Parties. Unless decided otherwise by SVP, an SVP supervisor is to be present at any time access is granted to any equipment or other facilities of SVP's System, the operation of which affects any Point of MSS Interconnection or the CAISO Controlled Grid.

ARTICLE V OPERATIONS

5.1 Outages

5.1.1 Outage Coordination. SVP shall coordinate Outages of Generating Units and transmission facilities, including the Points of MSS Interconnection, constituting parts of SVP's System with the operators and, if mutually agreed by the CAISO and SVP, the owners of the transmission facilities with which SVP's System is interconnected so that each of those owners can take those Outages into account in coordinating maintenance of its transmission facilities with the CAISO.

5.1.2 Scheduling Outages. Pursuant to Schedule 4, SVP shall schedule with the CAISO on an annual basis, and with updates submitted as required under CAISO Tariff Section 9.3.6, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of SVP's System with the Participating TO with which SVP's System is interconnected.

5.1.3 Application of Law. Notwithstanding anything to the contrary in this Agreement, to the extent required by any valid law, regulation or order issued by any state or federal authority having jurisdiction over SVP or SVP's System, which law, regulation or order applies to entities that have executed a written undertaking required by Section 4.6 of the CAISO Tariff, SVP shall coordinate Outages of Generating Units and transmission facilities constituting parts of SVP's System with the CAISO, pursuant to any generally applicable program established by the CAISO to implement such law, regulation or order.

5.2 Safety and Reliability. As set out in Section 3.2.2 of this Agreement, SVP shall operate and maintain SVP's System in accordance with applicable safety standards and Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on the CAISO Controlled Grid. As set forth in Section 3.2.1 of this Agreement, the CAISO shall operate and maintain the CAISO Controlled Grid and the operation of the CAISO's Balancing Authority Area in accordance with applicable Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on SVP's System. Without limiting the foregoing, SVP shall operate and maintain SVP's System, during normal and System Emergency conditions, in compliance with SVP's Emergency Action Plan ("EAP") and the requirements applicable to Utility Distribution Companies in the CAISO Operating Procedures and standards. In the event any such CAISO Operating Procedure or standard is revised to modify the requirements applicable to Utility Distribution Companies, the Parties shall comply with such revision.

- 5.3 Critical Protective Systems.** SVP will coordinate with the CAISO, PG&E, and any Generators on SVP's System to ensure that CAISO Controlled Grid Critical Protective Systems, including relay systems and other systems described in Schedule 5, are installed and maintained in order to function in a coordinated and complementary fashion with protective devices installed by SVP, PG&E, and Generators. SVP shall notify the CAISO as soon as is reasonably possible of any condition that it becomes aware of that may compromise or affect the operating safety and reliability of the CAISO Controlled Grid Critical Protective Systems, including the systems described in Schedule 5.
- 5.4 Single Point of Contact.** The CAISO and SVP shall each provide a single point of contact at all hours for the exchange of operational procedures and information. SVP shall maintain and operate a control center that is staffed at all hours and shall, together with the CAISO, establish appropriate communications facilities and procedures between SVP's control center and the CAISO Control Center. In the case that SVP is also a Participating TO, there may be only one single point of contact required and, in the reasonable discretion of the CAISO, duplicative reporting requirements and functions may be waived. The initial points of contact are set forth in Schedule 6. A Party must update the information in Schedule 6 as the information changes. Changes to Schedule 6 shall not constitute an amendment to this Agreement. If SVP's MSS is part of an MSS Aggregation, SVP, the CAISO, and the MSS Aggregator may agree that initial operational contacts during emergencies, on SVP's behalf, can be made by/through the power control center of the MSS Aggregator.
- 5.5 Transmission Losses, Outages, and Congestion.** SVP shall be responsible for transmission losses within SVP's System and to any Points of MSS Interconnection. In addition, SVP shall be responsible for transmission line Outages within SVP's System. Further, and consistent with Section 8.7, only if transmission Congestion within SVP's System is determined to be solely attributable to MSS operations (and not due to operations of non-SVP systems in the general vicinity of the MSS), SVP shall be responsible for transmission Congestion within SVP's System as specified in the CAISO Tariff Section 4.9.4.6. Except as provided in Section 3.3.1, congestion within SVP's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3; however, the responsibility and allocation of costs of resolving the internal MSS Congestion shall only be applicable to SVP if such Congestion is solely attributable to SVP's MSS Operations. This Section 5.5 does not affect Congestion on the CAISO Controlled Grid, which shall be managed in accordance with the CAISO Tariff.

ARTICLE VI INFORMATION SHARING

- 6.1 Forecasts.** SVP shall provide to the CAISO annually its ten-year forecasts of MSS Demand growth (including peak MSS Demand), internal Generation, and expansions of or replacements for those transmission facilities that are part of SVP's System identified in Schedule 1 and other transmission facilities that are part of SVP's System that serve similar functions or that otherwise will or may significantly affect any Point of MSS Interconnection. Such forecasts shall be provided on the date that Utility Distribution Companies are required to provide similar forecasts and shall be provided in accordance with the CAISO Tariff, and such forecasts shall be submitted by SVP's Scheduling Coordinator in accordance with Section 19.1 of the CAISO Tariff, or biannually as part of the CAISO's summer and winter assessment process, if, or as otherwise, agreed by the Parties.
- 6.2 System Surveys and Inspections.** SVP and the CAISO shall cooperate to perform system surveys and inspections of facilities at or near the Points of MSS Interconnection that may significantly affect the facilities of the other Party.
- 6.3 Maintenance Schedules.** SVP shall provide the CAISO on an annual basis with a schedule of planned maintenance of those generation and transmission facilities identified in Schedule 1, and other transmission facilities serving a similar function or which otherwise would significantly affect the CAISO Balancing Authority Area in accordance with Schedule 4. SVP and the CAISO shall also maintain records of the Maintenance Outages scheduled by SVP on such facilities and their actual duration.
- 6.4 Reliability Information.** SVP and the CAISO shall each have the obligation to inform the other Party, as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the CAISO Controlled Grid or the integrity of SVP's System, respectively. SVP and the CAISO each shall also inform the other Party as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of SVP, is reasonably likely to threaten the reliability of the CAISO Controlled Grid, or, in the case of the CAISO, is reasonably likely to adversely affect SVP's System. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the other Party of the potential threat and, in the case of the CAISO, not unduly discriminatory with respect to the CAISO's provision of similar information to other entities.

6.5 Major Outage Reports. SVP shall promptly provide such information as the CAISO may reasonably request concerning SVP's operation of SVP's System to enable the CAISO to meet its responsibility under the CAISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the CAISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The CAISO shall have no responsibility to prepare reports on Outages that affect customers on SVP's System, unless the Outage also affects customers connected to the system of another entity within the CAISO Balancing Authority Area. SVP shall be solely responsible for the preparation of any reports required by any governmental entity or the WECC with respect to any Outage that affects solely customers of SVP's System. The CAISO shall promptly provide such information as SVP may reasonably request concerning the CAISO's operation of the CAISO Balancing Authority Area to enable SVP to meet its responsibility to conduct reviews and prepare reports following major Outages as required by any governmental entity or the WECC. Where appropriate, SVP will provide assurances that the confidentiality of commercially sensitive information shall be protected.

6.6 Annual Reviews and Reports

6.6.1 CAISO Annual Reviews and Reports. The CAISO shall make available to SVP any public annual reviews or reports regarding performance standards, measurements or incentives relating to the CAISO Controlled Grid that the CAISO makes available to MSS Operators, MSS Aggregators and Participating TOs.

6.6.2 SVP Annual Reviews and Reports. SVP shall make available to the CAISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to SVP's System that may affect the CAISO Balancing Authority Area.

6.6.3 Joint Reporting. The CAISO and SVP shall jointly develop any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.

6.7 Direct Telemetry. SVP shall install and maintain direct telemetry links to the CAISO's EMS system to provide real-time data to the CAISO, including but not limited to Generation output, line and transformer flows at the SVP Points of MSS Interconnection, and bus voltages at the SVP Points of MSS Interconnection and at each Generating Unit, subject to any exemption available in accordance with the CAISO Tariff. Additional data points to be transmitted to the CAISO EMS system will be mutually agreed by the CAISO and SVP.

ARTICLE VII EMERGENCY OPERATIONS

7.1 In General.

Except with respect to Sections 7.1.2, 7.1.3, 7.4.1, 7.4.2, 7.5.1, and 7.5.2 and provisions regarding SVP's UFLS program, or unless SVP is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, the terms of this Article VII shall only apply during a System Emergency that is not a result of a deficiency of resources to serve Demand in the CAISO Balancing Authority Area but instead occurs due to operating contingencies, which may include but not be limited to forced loss of resources and/or transmission components or may otherwise be caused by an Uncontrollable Force, as further described in Attachment B to the SVP Emergency Action Plan ("EAP"). The EAP shall include the operational steps SVP shall take during System Emergencies, when the CAISO implements its System Emergency-related Operating Procedures.

Under the direction of the CAISO, subject to the provisions of this Article VII, SVP shall follow all instructions as they pertain to the CAISO's System Emergency-related Operating Procedures, including actions to be taken by SVP with respect to Generation, Ancillary Services, and the handling of Load reductions as specified in the EAP.

SVP, through its MSS Aggregator, if applicable, shall provide all necessary Load and Generation data associated with the CAISO's System Emergency-related Operating Procedures, including Generation supplied, Load shed, and reserves made available during the time of a CAISO declared System Emergency.

In the event a System Emergency occurs or the CAISO determines that a System Emergency is threatened or imminent, SVP shall, in accordance with Good Utility Practice and the SVP EAP: (a) comply with all directions from the CAISO concerning the management and alleviation of a threatened or actual System Emergency, which may include shutting down or starting a Generating Unit, altering the scheduled delivery of Energy or Ancillary Services to or from, as well as within, the CAISO Balancing Authority Area, and/or disconnecting SVP Load from the CAISO Controlled Grid; and (b) comply with all other procedures concerning System Emergencies set out in SVP's EAP and CAISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Except in the circumstance of a System Emergency, the CAISO will not have the right to request SVP to offer to the CAISO any available generating capacity from its Generating Units, alter the scheduled delivery of Energy or Ancillary Services into or out of the CAISO Controlled Grid, or disconnect Load from the CAISO Controlled Grid. Without limiting the generality of the foregoing:

7.1.1 Generating Unit Availability. When requested by the CAISO during a System Emergency, SVP will coordinate the operation of the Generating Units of SVP's System listed in Schedule 14 to supply the CAISO with generating capacity and/or Energy that can be made available by those Generating Units in order to make available as much generating capacity and/or Energy as possible to the CAISO during the term of any System Emergency, consistent with: (a) maintaining the adequate Supply of Energy to meet measured Demand on SVP's System, other than in accordance with Section 7.4 of this Agreement; and (b) due consideration for the provisions of Section 3.1 and particular SVP obligations identified in the EAP attached to Schedule 11 or in the limitations specified in Schedule 14 resulting from, but not necessarily limited to: (1) licenses/permits related to Generation (including air emission constraints), (2) water release constraints imposed by regulatory agencies, (3) internal policies related to fuel and contract management, and (4) abnormal generation and transmission maintenance, provided that SVP shall provide the CAISO with advance notice of any changes to the SVP EAP or the limitations in Schedule 14 that SVP's obligations impose on the operation of the Generating Units of SVP's System, and any changes agreed to by the CAISO shall be amendments to this Agreement. For that purpose, SVP shall provide the CAISO with any update to the SVP EAP and any change in Schedule 14 with regard to any limitations on the operation of the Generating Units of SVP's System. SVP shall provide the CAISO updates regarding the status of the limitations in Schedule 14 promptly whenever it becomes aware of factors that affect such limitations, provided that updates shall be provided at least quarterly and no updates may be provided later than the deadline for the submission by other Generators of changes in limitations on the operation of Generating Units, which is the deadline for submission of Bids into the Real-Time Market, except when a change is due to a Forced Outage. In making as much generating capacity and/or Energy available that can be made available by its Generating Units to the CAISO as possible for use in System Emergency conditions, subject to the foregoing, SVP shall:

- 7.1.1.1** Schedule, or reschedule, in the form of a Bid, and operate to the maximum extent possible, the Generating Units and other sources of power of SVP's System within and outside the CAISO's Balancing Authority Area to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units and other resources to the CAISO; and
- 7.1.1.2** Reschedule Maintenance Outages of equipment and facilities, including Generating Units and any facilities which may impact the operation of Generating Units, to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units to the CAISO unless rescheduling of such Maintenance Outages is likely to cause damage to equipment and facilities.

7.1.2 CAISO Dispatch Instructions. In the event that the CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, that (i) contravenes the SVP EAP attached to Schedule 11, or (ii) contravenes any limitation set forth in Schedule 14 duly communicated in accordance with Section 7.1.1, or (iii) is a result of a System Emergency that is due to the failure of other Load Serving Entities to provide resources adequate to meet measured Demand and maintain Operating Reserves in accordance with the CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff, as described in Section 7.1.5 of this Agreement, SVP or its Scheduling Coordinator shall not be required to follow that instruction, although it may consent to do so in a particular case (without prejudice to SVP's right to direct its Scheduling Coordinator to decline any such instructions thereafter). If SVP consents to follow the CAISO's Dispatch Instructions, including Exceptional Dispatch Instructions, SVP shall be compensated pursuant to the provisions set forth in Section 7.1.3. Further, the CAISO and SVP operators shall log the time and substance of the CAISO request, including the start and end times for such requested SVP Energy or capacity. If not determined at the time of the initial CAISO request, the amount and source(s) of SVP's Energy or capacity provided by SVP in response to the CAISO's request will be determined by SVP and reported to the CAISO as soon as reasonably practical. If SVP or its Scheduling Coordinator chooses not to follow such an instruction, it shall notify the CAISO as soon as possible that it will not follow the Dispatch Instruction, including an Exceptional Dispatch Instruction, due to the previously communicated limitation, and it shall not be subject to Uninstructed Imbalance Energy as specified in Section 11.5.2 of the CAISO Tariff and Uninstructed Deviation Penalties as specified in Section 11.23 of the CAISO Tariff.

In the event the CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, not in accordance with a SVP submitted Bid or Self-Schedule, SVP shall be compensated pursuant to the provisions set forth in Section 7.1.3.

Any SVP following of a CAISO Dispatch Instruction, which may include an Exceptional Dispatch Instruction, under this Article VII shall be compensated pursuant to the provisions set forth in Section 7.1.3.

7.1.3 Compensation. SVP's Scheduling Coordinator shall receive compensation for generating capacity and/or Energy supplied pursuant to Section 7.1.2 in accordance with the CAISO Tariff.

Unless SVP notifies the CAISO of its election to use an alternative method of calculating the Default Energy Bid pursuant to Section 39.7 of the CAISO Tariff, SVP's Default Energy Bid shall be calculated using the Negotiated Rate Option.

If the CAISO Tariff ceases to include provisions utilizing a Negotiated Rate Option for Default Energy Bids, the Parties shall promptly meet to negotiate an alternative pricing arrangement.

7.1.4 Communication. During a System Emergency, the CAISO and SVP shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the CAISO Tariff.

7.1.5 System Emergency Due to Deficiencies. Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X or any CAISO Tariff provision, SVP shall not be expected or required to curtail Load or offer to the CAISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load Serving Entities to provide resources adequate to meet measured Demand and maintain Operating Reserves in accordance with the CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff.

7.1.5.1 Nothing in this Section 7.1.5 or this Agreement is intended to affect SVP's obligation to comply with any market mitigation requirement, including any must-offer requirement, that the FERC may lawfully impose upon SVP or upon MSS Operators generally. SVP recognizes that the CAISO will comply with the terms of any such FERC order regardless of issues SVP may raise with respect to its lawfulness until such time as a final non-appealable decision is rendered.

7.2 Notice. When a System Emergency occurs, the CAISO shall notify SVP's control center as part of the process by which it notifies all Utility Distribution Companies and MSS Operators of System Emergency conditions. Details of the notification process are set forth in Schedule 7.

7.3 Records. SVP and the CAISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the CAISO Tariff.

7.4 Load Shedding

7.4.4 Automatic Load Shedding. SVP shall implement and have at all times operational an automatic Underfrequency Load Shedding (UFLS) program described in Schedule 8, and any under-voltage relay protection program that may be described in Schedule 9.

7.4.5 Manual Load Shedding. When called upon to do so by the CAISO in accordance with this Section 7.4.2 and Section 7.4.3 to avert, manage, or alleviate a System Emergency, subject to the limitations of Sections 7.1, 7.1.1, 7.1.2, 7.1.5 and the SVP EAP, SVP shall implement the manual Load Shedding program described in Schedule 10. The CAISO shall notify SVP when

conditions exist that would require SVP to implement the Load curtailment and interruptible Load programs described in Schedules 10, 10A, and 10B. Subject to the provisions of Sections 7.1, 7.1.1, 7.1.2, 7.1.5, 7.4.3 and the SVP EAP, if the CAISO determines that manual Load curtailment is required to manage a System Emergency, the CAISO shall determine the amount and location, if applicable, of Load to be reduced and, to the extent practicable, shall allocate a portion of the required Demand reduction to SVP and each UDC and MSS Operator based on the ratio of SVP's MSS Demand at the time of the CAISO Balancing Authority Area annual peak Demand for the previous year to total CAISO Balancing Authority Area annual peak Demand for the previous year, taking into account system considerations and SVP's curtailment rights. The CAISO shall consult with SVP, together with other Market Participants, in the CAISO's annual development of a prioritization schedule for the Load Shedding program in accordance with Section 7.7.7 of the CAISO Tariff.

7.4.6 Manual Load Shedding Priorities. Section 7.7.11.4 of the CAISO Tariff provides that the CAISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the CAISO forecast. If Load Shedding is required solely due to insufficient CAISO resources to meet CAISO Demand and/or CAISO inability to meet Operating Reserve obligations (as defined by WECC or its successor and implemented by the CAISO), as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, and only if SVP is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, will SVP be required to shed Load, consistent with SVP's EAP, as directed by the CAISO. SVP shall provide the CAISO with detailed real time information, in graphical or tabular format for those contracts and resources that do not have direct telemetry, demonstrating its full resource sufficiency during any time that the CAISO interrupted firm Load within the CAISO Balancing Authority Area or during which time a CAISO direction to interrupt firm Load was in force, in the manner of other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and SVP and its Scheduling Coordinator shall be subject to the provisions of Section 7.7.11.4 of the CAISO Tariff for any failure to make such demonstration.

7.4.7 Load Restoration. Load shed in accordance with Section 7.4.1, 7.4.2, and 7.4.3 of this Agreement shall be restored pursuant to Schedule 12.

7.4.8 Coordination. The CAISO shall use reasonable efforts to coordinate SVP's Underfrequency Load Shedding program with the Underfrequency Load Shedding programs of other MSS Operators and UDCs, and the implementation of all such other programs, so that no one entity bears a disproportionate share of Underfrequency Load Shedding in the CAISO Balancing Authority Area. SVP warrants that its Underfrequency Load Shedding program does and will continue to fully adhere to the applicable NERC and WECC plans and requirements governing such programs, in accordance with Schedule 8.

7.4.9 Supply Levels. To the extent SVP reduces SVP's System MSS Demand in response to a System Emergency, it shall exercise its best efforts, subject to the limitations contained in Sections 7.1, 7.4.3 and the SVP EAP, to maintain the same level of Generation and imports as was scheduled prior to the MSS Demand reduction in order to provide the CAISO with Energy, subject to the provisions of Section 7.1.2. SVP's Scheduling Coordinator shall receive compensation for any Energy or Ancillary Services made available to the CAISO as a result of such Load Shedding in accordance with the CAISO Tariff and CAISO Operating Procedures.

7.5 Electrical Emergency Plan

7.5.4 Coordination of EEP and EAP. SVP shall cooperate with the CAISO's implementation of the Electrical Emergency Plan ("EEP") developed by the CAISO in accordance with Section 7.7.5 of the CAISO Tariff. SVP shall implement SVP's EAP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the CAISO shall cooperate with SVP's implementation of the SVP EAP.

7.5.5 Notification of Voluntary Load Curtailment. SVP will notify its customers pursuant to its EAP of any voluntary Load curtailments of which the CAISO notifies SVP pursuant to the EAP.

7.5.6 Notification of Required Load Curtailment. When the CAISO allocates an amount of Load curtailment to SVP pursuant to Section 7.4 of this Agreement and to the EAP to manage a System Emergency, SVP shall notify its customers and cause customers to effectuate the required Load reductions.

ARTICLE VIII LOCAL AND REGIONAL RELIABILITY

8.1 Reliability Within SVP's System

8.1.1 SVP System Reliability. SVP shall be solely responsible for maintaining the reliability of electric service to customers in SVP's System in accordance with WECC and NERC mandatory Reliability Standards as specified in Section 3.2.2, regulatory requirements, and Good Utility Practice, and the CAISO, as the Balancing Authority for the Balancing Authority Area in which SVP's System is located, is also responsible for complying with the WECC and NERC Reliability Standards for the functions for which the CAISO has registered. Thus, there may well be instances where SVP customers are impacted by the reliability of the CAISO Controlled Grid, in which case it will be the CAISO's responsibility to ensure that it operates the CAISO Controlled Grid in accordance with the mandatory NERC and WECC Reliability Standards, regulatory requirements and Good Utility Practice.

8.1.2 Reliability Generation. SVP shall be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within SVP's System. At the Points of MSS Interconnection, Voltage Support shall be managed in accordance with the PG&E IA and the CAISO Tariff.

8.1.3 Reliability Support Cost. If and to the extent the NERC or WECC criteria change or SVP does not maintain sufficient Generation to meet the reliability criteria in Schedule 16, as may be amended, as applied to SVP's System and thus avoid adverse impacts on the CAISO Controlled Grid, then SVP's Scheduling Coordinator may be assessed costs incurred by the CAISO to support the reliability of SVP's System. The CAISO will notify SVP that the reliability criteria have not been met and the Parties shall negotiate in good faith over necessary modifications and, if they cannot reach agreement, submit the dispute to dispute resolution in accordance with Article XIV of this Agreement.

8.2 Balancing Authority Area Reliability. For the costs specified in this Article VIII, SVP, through its Scheduling Coordinator, shall be responsible for supplying or bearing its proportionate share of the costs of generating resources required for the reliability of electric service to Loads in the CAISO Balancing Authority Area, except for Reliability Must-Run ("RMR") Generation costs on the CAISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected, provided further that SVP is not a Participating TO. SVP, through its Scheduling Coordinator, may meet such obligation from resources it owns or with respect to which it has contractual entitlements to the Energy and Ancillary Services or it may purchase those products through the CAISO Markets in accordance with the terms of the CAISO Tariff.

8.2.1 SVP System Reliability Generation. If SVP has any reliability Generation, it will be so identified by SVP in Schedule 14. In addition, some of SVP's Generation may, in the future, provide RMR Generation services to PG&E and, only in that future instance, SVP will be subject to the terms of the CAISO Tariff applicable to RMR Generation.

8.2.2 Reliability Must-Run Availability. If SVP elects to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, nothing in this Agreement shall obligate SVP to make any Generating Units available as Reliability Must-Run Generation, unless SVP notifies the CAISO that it desires to participate in the RMR Unit designation process. To the extent SVP does not notify the CAISO that it desires to participate in the RMR Unit designation process, the CAISO agrees not to designate any SVP Generating Units as RMR Units provided SVP agrees that, in circumstances affecting local reliability of the CAISO Controlled Grid that would otherwise be mitigated by RMR Units, any Generation not being used to serve SVP Load and other firm power sales

obligations will be made available to the CAISO, subject to Article VII of this Agreement.

- 8.3 Voltage Support.** Except as otherwise agreed by the Parties, unless PG&E, pursuant to the PG&E IA, directs SVP to maintain a specific power factor or voltage at any Point of MSS Interconnection for a SVP Generating Unit, SVP shall maintain the power factor on SVP's System so that the sum of the reactive flows at the Points of MSS Interconnection are within the power factor band of 0.97 lag to 0.99 lead. SVP shall not be compensated for maintaining the power factor at the levels required by this Section 8.3 within this bandwidth.
- 8.4 Black Start.** SVP shall either provide its own share of CAISO Balancing Authority Area Black Start capability through its Scheduling Coordinator or, to the extent SVP does not provide its own Black Start capability through its Scheduling Coordinator, SVP's Scheduling Coordinator shall bear a portion of the CAISO's Black Start costs in accordance with CAISO Tariff Section 4.9.4.5.
- 8.5 Ancillary Services.** The CAISO is entrusted with the responsibility of ensuring the sufficiency of Ancillary Services for the CAISO Balancing Authority Area. SVP's responsibility with respect to CAISO Balancing Authority Area Ancillary Services requirements shall be determined in accordance with the CAISO Tariff. If and to the extent that SVP's Scheduling Coordinator does not procure or Self-Provide sufficient capacity on SVP's behalf to meet SVP's Ancillary Service Obligations, SVP may, through its Scheduling Coordinator, purchase the required capacity in the CAISO's Ancillary Service markets. To the extent SVP's Scheduling Coordinator does not maintain the availability of capacity committed to the CAISO for Ancillary Services, SVP's Scheduling Coordinator shall be responsible for the applicable charges under the CAISO Tariff.
- 8.6 MSS Aggregator.** SVP may elect to have its Load and exports from SVP's System, including losses, included in the aggregated Load and exports of its MSS Aggregator and reflected in Schedules, which may include Bids, submitted by the MSS Aggregator's Scheduling Coordinator. The terms and conditions of the MSS Aggregator's agreement with the CAISO shall govern the inclusion of SVP's Load and exports in the portfolio of the MSS Aggregator's Scheduling Coordinator regarding charges, Load following, Imbalance Energy and any application of a MSS Deviation Band provided for in the context of Load following.
- 8.7 Ratings and Limits.** At no time shall the power flow between the CAISO and SVP at the Points of MSS Interconnection be allowed to cause any circuit or equipment at the Points of MSS Interconnection to exceed the allowable applicable ampacity rating or to exceed the simultaneous transfer limit between the CAISO and SVP (such simultaneous transfer limit shall be studied and established by the Parties). If the actual or anticipated power flow between the CAISO and SVP causes, or is expected to cause, a circuit at a Point of MSS

Interconnection to exceed its applicable ampacity rating or such flow exceeds or is anticipated to exceed the agreed to allowable simultaneous transfer limit between the CAISO and SVP, and further if the CAISO determines and SVP concurs with the CAISO's determination, in accordance with Good Utility Practice, that SVP is the cause of such exceedance or anticipated exceedance, SVP retains the right, and the CAISO shall have the right to require SVP, to take immediate action to reduce such flow on the overloaded circuit or reduce such simultaneous power flow between the CAISO and SVP by one or more actions (as determined by SVP) including, but not limited to, increasing internal Generation within SVP or curtailing SVP Load as necessary. If the CAISO determines, in accordance with Good Utility Practice, that SVP is not the cause of the existing or anticipated exceedance, the CAISO shall notify SVP of such determination and may require third parties to take necessary action to reduce flows on overloaded circuits or reduce simultaneous power flows between the CAISO and SVP if applicable and allowable through arrangements that the CAISO may have with such third parties or pursuant to the CAISO's authority under the CAISO Tariff or its delegated jurisdictional authority through WECC or NERC. If the CAISO and SVP are unable to determine a) whether SVP caused, or b) to what extent SVP may have caused, such exceedance or anticipated exceedance, or c) the Parties do not agree on the causation determination, the Parties agree, in accordance with Good Utility Practice, to confer and mutually decide what actions shall be taken.

ARTICLE IX ACCESS AND SCHEDULING

9.1 Existing Contracts and Encumbrances and Access to the CAISO Controlled Grid

9.1.1 Settlement Agreement. This Agreement is intended to operate in conjunction with the Settlement Agreement. Nothing in this Agreement shall be construed or interpreted in any manner that would interfere with the terms and conditions of any Existing Contract or Encumbrance or relieve the CAISO of its obligation to honor such Existing Contracts and Encumbrances, provided that SVP or its Scheduling Coordinator shall schedule its use of Existing Contracts and Encumbrances as specified in Section 9.2.3 of this Agreement. The Existing Contracts and Encumbrances are listed on Schedule 13.

9.1.2 Open Access to CAISO Controlled Grid. SVP shall have open and non-discriminatory access to the CAISO Controlled Grid for the scheduling of transactions that do not utilize Existing Contracts and Encumbrances for SVP in accordance with the CAISO Tariff and for other transmission services the CAISO may provide in the future under the CAISO Tariff, or under any other appropriate regulatory avenue.

9.1.3 Use of CAISO Controlled Grid. SVP may use the CAISO Controlled Grid in accordance with the CAISO Tariff to buy and sell electric products in the CAISO Markets and in bilateral transactions with other Market Participants.

9.1.4 Open Access to SVP System. SVP shall afford open and non-discriminatory access to the transmission facilities included in SVP's System to any entity qualified to obtain an order under Section 211 of the Federal Power Act (as amended by Section 721 of the Energy Policy Act of 1992), or its successor that affords such access to the transmission facilities that such entity owns or controls.

9.2 Access to CAISO Markets

9.2.1 Energy, Ancillary Services and RUC Capacity. Energy, Ancillary Services and RUC Capacity provided by Generating Units and Loads on SVP's System may be sold in the CAISO Markets on the terms applicable under the CAISO Tariff to Participating Generators and Participating Loads, respectively, and further applicable to MSS Operators or MSS Aggregators in accordance with the CAISO Tariff, except where otherwise modified by this Agreement. If SVP's Scheduling Coordinator submits Bids to provide Energy or Ancillary Services from a Generating Unit or Load of SVP's System, SVP warrants to the CAISO that it has the capability to provide that service in accordance with the CAISO Tariff and that it shall comply with CAISO Dispatch Instructions for the provision of service in accordance with this Agreement. SVP may self-provide all or any portion of its obligation for Energy and Ancillary Services in accordance with the CAISO Tariff, except as otherwise specified in this Agreement.

9.2.2 Participation in the Integrated Forward Market. Should SVP elect to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, SVP's Scheduling Coordinator must also submit Schedules, which may include Bids and Self-Schedules, of Supply in the Day-Ahead Market to match its MSS Demand Forecast as developed by SVP. Sources of Supply may include Generation, imports, Existing Transmission Contract deliveries and Inter-SC Trades.

9.2.3 Scheduling Timelines. All Bids, including Self-Schedules, submitted on behalf of SVP for delivery of Energy, Ancillary Services, and RUC Capacity to Loads in SVP's System and for exports from SVP's System shall be submitted by a Scheduling Coordinator certified in accordance with the applicable provisions of the CAISO Tariff that has entered into a Scheduling Coordinator Agreement with the CAISO that is currently in effect. The Scheduling Coordinator may be SVP itself, NCPA, or another Scheduling Coordinator designated by SVP. Except as otherwise specified in this Section 9.2, SVP's Scheduling Coordinator shall submit all Bids, including (i) Self-Schedules for the use of its Existing Contracts and Encumbrances, and Transmission Ownership Rights ("TOR") comprising SVP's System, (ii) Bids and Self-Schedules for the use of the CAISO Controlled Grid as a new firm use, and (iii) Bids, including but not limited to Self-Schedules,

for the delivery (including self-provision) of Energy and Ancillary Services, within the timelines established by the CAISO Tariff. SVP's Scheduling Coordinator shall not be precluded from making real-time changes if such scheduling capability is afforded SVP under Existing Contracts, Encumbrances or the Settlement Agreement pursuant to Schedule 13 of this Agreement. Schedule 13 includes any scheduling timelines required for Existing Contracts and Encumbrances, and Transmission Ownership Rights comprising SVP's System. If SVP elects to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, SVP's Scheduling Coordinator shall have the ability to deviate from its real-time scheduled amounts in order to follow Load as described in Section 12.12 and not be restricted by the scheduling timelines established by the CAISO Tariff.

9.2.4 Black Start and Voltage Support. SVP or its Scheduling Coordinator shall be entitled to Bid the resources on SVP's System in any open solicitation held by the CAISO for Black Start or Voltage Support services, provided that the supply of any service by SVP shall not impair its ability to provide the service it is required by Article VIII of this Agreement to provide for SVP's System, and, if the services are sold to the CAISO, SVP or its Scheduling Coordinator shall provide such services in accordance with the CAISO Tariff.

9.3 Congestion Revenue Rights. SVP as a Load Serving Entity is eligible to participate in and receive an allocation of CRRs through the CRR Allocation process in accordance with Section 36 of the CAISO Tariff. SVP, in order to participate in the CRR Allocation process, has executed, and shall maintain in effect, a *pro forma* CRR Entity Agreement in accordance with the CAISO Tariff. SVP shall be able to utilize its staff, NCPA staff and other consultants to enter SVP CRR nomination/bid information into, and download SVP CRR nomination/bid information from, the CAISO's CRR system.

ARTICLE X GENERATING UNITS AND MARKET-PARTICIPATING LOADS

10.1 Identification of Resources. SVP has identified in Schedule 14 the individual Generating Units and market-participating Loads that it owns, operates or to which it has a contractual entitlement.

10.1.1 Technical Characteristics. SVP has provided to the CAISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and market-participating Loads listed in that Schedule. The CAISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto made pursuant to Section 10.1.2 of this Agreement, in accordance with Section 8.10 of the CAISO Tariff.

10.1.2 Notification of Changes. SVP shall notify the CAISO sixty (60) days prior to any change to the information provided in Schedule 14, provided that such notice shall not be required for changes to parameters of operating limitations set forth in Schedule 14, which shall be made in accordance with the CAISO's Operating Procedures. The Parties shall amend Schedule 14, as applicable, to reflect that change. Subject to such notification, and verification, inspection, and testing in accordance with Section 10.1.1, but without waiting for the execution and effectiveness of an amended Schedule 14, the Parties shall implement any new information for a Generating Unit or market-participating Load identified in Schedule 14 upon the effective date for the next scheduled update to the CAISO's Master File.

10.1.3 Generating Unit Limitations. Nothing in this section shall preclude SVP from informing the CAISO of changes in limitations on the operation of a Generating Unit, as provided in Section 7.1 of this Agreement, or to comply with environmental laws and regulations, provided that SVP provides the CAISO with advance notice of any changes in such limitations.

10.2 Generating Unit Operation

10.2.1 Generating Unit Telemetry. SVP shall install and maintain direct telemetry links to the CAISO's EMS system for each SVP Generating Unit that enable the CAISO to view the status, voltage, and output of the Generating Unit and CAISO certified meters that transmit data automatically to the CAISO's Revenue Meter Data Acquisition and Processing System. SVP shall calculate and specify to the CAISO any distribution loss factor applicable to the Generating Units of SVP's System.

10.2.2 Regulation Ancillary Services. If SVP, through its Scheduling Coordinator, chooses to submit Bids to Supply Regulation or to make a Submission to Self-Provide an Ancillary Service for Regulation from a Generating Unit, it must provide the CAISO with control over the Generating Unit providing Regulation and place the Generating Unit on Automatic Generation Control ("AGC") responsive to the CAISO's Regulation signal. Regulation service shall be provided in accordance with the CAISO Tariff. SVP or its Scheduling Coordinator may adjust output of the Generating Units of SVP's System, in response to SVP's, or its MSS Aggregator's, Load following needs, provided that, if SVP is providing Regulation to the CAISO from any Generating Unit, it may not adjust the output of that Generating Unit unless the integrity of the CAISO's Regulation signal, and the continuous responsiveness of such Generating Unit, via AGC, to the CAISO's Regulation signal, is not compromised. If the CAISO determines that the integrity of the CAISO's Regulation signal or the continuous responsiveness to the CAISO's Regulation signal is compromised, SVP's Generating Unit shall be deemed not to have provided the Regulation, and SVP shall be subject to the provisions of the CAISO Tariff applicable to failure to provide Regulation. To the extent that SVP chooses not to provide Regulation

from an SVP Generating Unit, the CAISO shall not control the Generating Unit without SVP's consent.

10.3 CAISO Authority to Issue Dispatch Instructions for SVP Resources. The CAISO's authority to issue Dispatch Instructions, including Exceptional Dispatch Instructions, for any portion of the capacity of any Generating Unit of SVP, other than in accordance with a Bid submitted to the CAISO by SVP's Scheduling Coordinator, is set forth in and subject to Section 7.1 of this Agreement.

10.4 WECC Requirements Applicable to Participating Generators

10.4.1 Reliability Criteria. Except as provided in Section 7.1, SVP shall comply with the requirements of Section 4.6.5 of the CAISO Tariff applicable to Participating Generators in accordance with Section 3.2.2.

10.4.2 Payment of WECC Sanctions. SVP shall be responsible for payment directly to the WECC of any monetary sanction assessed against SVP by the WECC, as provided in Section 4.6.5.3 of the CAISO Tariff.

**ARTICLE XI
METERING**

11.1 CAISO Certified Revenue Quality Metering. SVP shall ensure installation of CAISO-certified revenue quality meters and associated equipment at (a) the Points of MSS Interconnection, and (b) for each Generating Unit listed in Schedule 14, at each bus to which one or more Generating Units is connected, provided that the Demand of any Load at that bus, other than a Generating Unit auxiliary Load, is separately metered.

11.2 Metering Requirements. The provisions of the CAISO Tariff applicable to CAISO Metered Entities shall apply to SVP, subject to the particular rights and obligations of the Parties with respect to metering set forth in Schedule 15 of this Agreement, including access to and testing of SVP's meters.

11.3 SVP SQMD Calculation. The calculation of SVP's Settlement Quality Meter Data ("SQMD") shall be in accordance with Schedule 15 of this Agreement.

**ARTICLE XII
CHARGES**

12.1 Charges Generally. Except as may be provided otherwise in the provisions contained within this Article XII or other Sections of this Agreement, SVP's Scheduling Coordinator shall be responsible for charges incurred in accordance with Sections 4.9 and 11 of the CAISO Tariff, provided that nothing in this

Agreement shall prohibit SVP from challenging the allocation of any new charge under the CAISO Tariff to SVP on the ground that the proposed charge is not appropriately assessed against an MSS Aggregator and/or an MSS Operator, or on any other ground. Further, except as specifically provided in this Agreement, SVP shall only be responsible for charges allocated by the CAISO Tariff to Participating TOs if it becomes a Participating TO, as permitted by Section 3.3.7. CAISO and SVP recognize that Section 12.7.2 below is before the FERC and subject to modification based on a prospective FERC order. The Parties recognize that the FERC is expected to rule on the CAISO's Request for Clarification or Rehearing filed on July 21, 2008 and that such ruling could impact Section 12.7.2. To the extent that the anticipated FERC order requires a change to the existing language of Section 12.7.2, the Parties will promptly meet to amend this Agreement consistent with the FERC order. This provision is not intended to waive any arguments any party may have made or any positions it has taken or may take in that proceeding.

- 12.2 Congestion Management.** SVP shall be responsible for the cost of managing and relieving transmission Congestion within SVP's System as specified in Section 5.5, only to the extent that the cause of the transmission Congestion within the SVP System is a direct result of, and solely attributed to, the operations or actions of SVP. To the extent that transmission Congestion within SVP's System is due to actions not directly related to operations of SVP's System, and the CAISO utilizes Exceptional Dispatch Instructions to resolve the identified transmission Congestion internal to SVP's System, the resulting costs attributed to CAISO actions will be allocated pursuant to the provisions specified in Section 11.5.6.2.5.2 of the CAISO Tariff, and will not be solely allocated to SVP.
- 12.3 Unaccounted for Energy Costs.** SVP's System shall be treated as a utility Service Area for purposes of allocating responsibility for Unaccounted for Energy costs in accordance with Section 11.5.3 of the CAISO Tariff.
- 12.4 Reliability Generation.** SVP shall be responsible for the costs of maintaining the reliability of transmission facilities in SVP's System, including costs of Generating Units operated by or on behalf of SVP for that purpose. If and to the extent SVP does not maintain sufficient Generation to meet the reliability criteria in Schedule 16 as applied to SVP's System and thus avoid material adverse impacts on the CAISO Controlled Grid, then SVP may be assessed costs incurred by the CAISO to support the reliability of SVP's System.
- 12.5 Neutrality Costs.** SVP's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) shall be based on SVP's net metered MSS Demand and exports from the CAISO Balancing Authority Area irrespective of the SVP's MSS (or its MSS Aggregator's) Settlement election as specified in Section 4.9.13 of the CAISO Tariff.

12.6 CAISO Balancing Authority Area Summer Reliability Costs. SVP, through its Scheduling Coordinator, shall have the option to avoid any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section 42.1.8. In order to avoid such costs, SVP shall secure capacity on an annual basis at least equal to one hundred fifteen percent (115%) of the peak SVP MSS Demand responsibility, and SVP shall provide documentation to the CAISO showing the resources proposed to meet that MSS peak Demand. Such capacity resources may include, but are not limited to, generating resources, firm power purchases, ETC supply contracts, on-demand rights to Energy, peaking resources, and SVP's MSS Demand reduction programs. For the purposes of this Section 12.6, the MSS peak Demand responsibility shall be equal to the forecasted annual coincident MSS peak Demand Forecast plus any firm power sales by SVP plus any SVP's on-demand obligations to third parties, less interruptible Loads. To the extent that SVP demonstrates its provision of capacity reserves in accordance with this Section 12.6 by November 1 for the next calendar year, SVP's Scheduling Coordinator shall not be obligated to bear any share of the CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to CAISO Tariff Section 42.1.8.

12.7 Allocation of Net IFM Bid Cost Uplift. SVP's Scheduling Coordinator's obligation to pay Net IFM Bid Cost Uplift charges shall be based on the following two tier structure:

12.7.1 Tier 1 IFM Bid Cost Uplift. The hourly Net IFM Bid Cost Uplift is allocated to SVP's Scheduling Coordinator in proportion to SVP's MSS non-negative IFM Load Uplift Obligation, but with an IFM Bid Cost Uplift rate not exceeding the ratio of the hourly Net IFM Bid Cost Uplift for the Trading Hour divided by the sum of all hourly Generation scheduled in the Day-Ahead Schedule and IFM upward AS Awards for all Scheduling Coordinators from CAISO-committed Bid Cost Recovery Eligible Resources in that Trading Hour. The IFM Load Uplift Obligation for SVP's Scheduling Coordinator is the difference between the total Demand scheduled in the Day-Ahead Schedule of that Scheduling Coordinator and the sum of the scheduled Generation and scheduled imports from the Self-Schedules in the Day-Ahead Schedule of that Scheduling Coordinator, adjusted by any applicable Inter-SC Trades of IFM Load Uplift Obligations.

12.7.2 Tier 2 IFM Bid Cost Uplift. The Scheduling Coordinator for SVP as the MSS Operator that has elected both to not follow its Load and gross Settlement will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to SVP's Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules. The Scheduling Coordinator for SVP as the MSS Operator that has elected to follow its Load or net Settlement, or both, will be charged

for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to SVP's MSS Aggregation Net Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules.

12.8 Allocation of Net RTM Bid Cost Uplift. The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for SVP as the MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to SVP's MSS Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules for the Trading Hour. For the Scheduling Coordinator for SVP as the MSS Operator that has elected not to follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to SVP's MSS Aggregation Net Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules. For the Scheduling Coordinator for SVP as the MSS Operator that has elected to follow its Load, the hourly RTM Bid Cost Uplift is allocated in proportion to SVP's MSS Net Negative Uninstructed Deviation with MSS Load Following Energy included in the netting.

12.9 Grid Management Charges Based on Uninstructed Imbalance Energy. If the CAISO is charging Grid Management Charges for Uninstructed Imbalance Energy, and should SVP elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load-following, SVP's Scheduling Coordinator shall only be assessed Grid Management Charges for Uninstructed Imbalance Energy based on the net quantity of Energy either delivered to or received from the CAISO Real-Time Market, excluding the quantity of Energy provided as Instructed Imbalance Energy, other than MSS Load Following Energy, and the quantity of Energy used to perform Load-following. If the amount of Energy provided from Generation resources listed in Schedule 14, imports and trades in to the MSS netted against MSS Demand, exports, and trades out of the MSS is positive, excluding Instructed Imbalance Energy other than MSS Load Following Energy, then such portion of Energy was provided in excess of SVP's Load-following needs and was sold into the CAISO Real-Time Market, in which case SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with Uninstructed Imbalance Energy for this net excess quantity. If the amount of Energy provided from Generation resources listed in Schedule 14, imports and trades into the MSS netted against MSS Demand, exports, and trades out of the MSS is negative, excluding Instructed Imbalance Energy other than MSS Load Following Energy, then such portion of Energy was not sufficient to fully cover SVP's Load-following needs and was purchased from the CAISO Real-Time Market, in which case SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with Uninstructed Imbalance Energy for this net purchased quantity. For the purposes of calculating the quantity of Uninstructed Imbalance Energy not used to perform Load following, MSS Load Following Energy, which is classified as Instructed Imbalance Energy, will be included in the calculation of Uninstructed Imbalance Energy by netting

MSS Load Following Energy against Uninstructed Imbalance Energy.

- 12.10 Grid Management Charges Based on Instructed Imbalance Energy.** If the CAISO is charging Grid Management Charges for Instructed Imbalance Energy, SVP's Scheduling Coordinator will not be assessed Grid Management Charges for Instructed Imbalance Energy associated with MSS Load Following Energy.
- 12.11 MSS Deviation Band.** The amount by which a Load following MSS Operator can deviate from Expected Energy without incurring a Load Following Deviation Penalty, as defined in Section 12.13, is equal to three percent (3%) of an MSS Operator's gross metered MSS Demand and exports from the MSS, adjusted for Forced Outages and for any CAISO directed firm Load Shedding from the MSS's portfolio as a whole.
- 12.12 Load Following Deviation Band Compliance.** To the extent that sufficient Energy for the purposes of serving MSS Demand in SVP's System and exports from SVP's System, including losses, is not reflected in Bids, including Self-Schedules, submitted by SVP's Scheduling Coordinator and delivered in real time, SVP shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the CAISO's Real-Time Market. The CAISO will settle with SVP's Scheduling Coordinator with regard to Imbalance Energy in accordance with the CAISO Tariff. However, should SVP elect, in accordance with CAISO Tariff Section 4.9.13, to have its Scheduling Coordinator follow SVP's MSS Demand and exports from the MSS with SVP's resources and imports into the MSS, to the extent that the net Imbalance Energy for all of SVP's MSS Demand and exports from the MSS, and resources and imports into the MSS, is within SVP's portfolio MSS Deviation Band, as specified in Section 12.11, SVP's Scheduling Coordinator will not be subject to the Load Following Deviation Penalty, as specified in Section 12.13, or costs other than the cost of the Imbalance Energy itself. Schedule 18 of this Agreement (or, if SVP has an MSS Aggregator, Schedule 19 of the MSS Aggregator Agreement) describes the process for calculating the applicable amount of net Imbalance Energy, which is referred to as deviation energy within these Schedules. To the extent that SVP's Scheduling Coordinator is operating outside of its portfolio MSS Deviation Band, SVP's Scheduling Coordinator shall be subject to the Load Following Deviation Penalty. In following Load, SVP's Scheduling Coordinator may utilize any resource available to it regardless of whether, or at what level, the resource is reflected in Bids, including Self-Schedules, submitted by SVP's Scheduling Coordinator, except with respect to any portion of the capacity of a resource for which SVP's Scheduling Coordinator has scheduled to provide an Ancillary Service or RUC Capacity to the CAISO for that resource or to the extent the CAISO has issued a System Emergency operating order consistent with Section 7.1.1.
- 12.13 Deviation Band Penalties Calculation.** For purposes of assessing Load Following Deviation Penalties to SVP's Scheduling Coordinator, the CAISO will

evaluate the amount of (i) positive deviation energy outside of the portfolio MSS Deviation Band supplied to the CAISO Markets or (ii) negative deviation energy outside of the portfolio MSS Deviation Band supplied from CAISO Markets and not served by SVP resources. To the extent that SVP's Scheduling Coordinator has provided positive deviation energy outside of the portfolio MSS Deviation Band supplied to the CAISO Markets, measured as defined in Schedule 18 of this Agreement or Schedule 19 of the MSS Aggregator Agreement, then the payment for excess Energy outside of the portfolio MSS Deviation Band shall be rescinded and thus SVP's Scheduling Coordinator will pay the CAISO an amount equal to one hundred percent (100%) of the product of the highest LMP paid to the MSS Operator for its Generation in the Settlement Interval for the amount of the Imbalance Energy that is supplied in excess of the portfolio MSS Deviation Band. To the extent that SVP's Scheduling Coordinator has a negative amount of deviation energy outside of the portfolio MSS Deviation Band supplied from the CAISO Markets that is not served by SVP resources, measured as defined in Schedule 18 of this Agreement or Schedule 19 of the MSS Aggregator Agreement, then SVP's Scheduling Coordinator shall pay the CAISO an amount equal to the product of the PG&E Default LAP price for the Settlement Interval and two hundred percent (200%) of the shortfall that is outside of the portfolio MSS Deviation Band. The two hundred percent (200%) penalty is in addition to the charges for the Imbalance Energy that is supplied from the CAISO Markets.

- 12.14 Operating and Maintenance Costs.** SVP shall be responsible for all its costs incurred in connection with procuring, installing, operating, and maintaining the facilities, Generating Units, and market-participating Loads of SVP's System for the purpose of meeting its obligations under this Agreement.
- 12.15 Billing and Payment.** Billing and payment will be in accordance with the CAISO Tariff.
- 12.16 MSS Net Negative Uninstructed Deviation.** The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy as part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocations. MSS Load Following Energy shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation.
- 12.17 Residual Unit Commitment.** Should SVP elect, in accordance with Section 4.9.13 of the CAISO Tariff, to perform Load-following, SVP will be considered to have automatically opted-out of RUC participation and SVP's Scheduling Coordinator will be exempt from costs associated with RUC and Bid Cost Recovery for RUC.

12.18 Emissions Costs.

- 12.18.1** Unless specified otherwise in this Agreement, if the CAISO is compensating Generating Units for Emissions Costs, and if SVP elects to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on the SVP's gross Measured Demand excluding out of state exports. The Scheduling Coordinator for SVP as an MSS Operator shall only be eligible to submit Emissions Cost Invoices pursuant to Section 11.18.6 of the CAISO Tariff if SVP's MSS Generating Units have been made available to the CAISO through the submittal of Energy Bids.
- 12.18.2** If SVP elects not to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on SVP's net Measured Demand excluding out-of-state exports.
- 12.18.3** If SVP elects to follow its Load, in accordance with Section 4.9.13 of the CAISO Tariff, and if SVP elects not to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on SVP's Net Negative Uninstructed Deviations with MSS Load Following Energy included in the netting.
- 12.18.4** SVP shall make the election whether to charge the CAISO for these costs on an annual basis on November 1 for the following calendar year.

**ARTICLE XIII
PENALTIES AND SANCTIONS**

- 13.1 Penalties.** SVP or its Scheduling Coordinator shall be subject to penalties and/or sanctions for failure to comply with any provisions of this Agreement only to the extent that (a) the penalty or sanction is set forth in the CAISO Tariff and has been approved by FERC; and (b) the CAISO Tariff provides for the imposition of the same penalty or sanction on a UDC, MSS Aggregator, MSS Operator, Participating Generator, or Participating Load in the same circumstances. Nothing in this Agreement, with the exception of the provisions of Article XIV, shall be construed as waiving the rights of SVP to oppose or protest any penalty or sanction proposed by the CAISO to the FERC or the specific imposition by the CAISO of any FERC-approved penalty or sanction on SVP. However, both the CAISO and SVP are required to comply with the NERC and WECC Reliability Standards applicable to the functional entity types for which

they have registered with NERC and WECC, and, should either fail to meet their respective obligations, each shall be responsible for payment, directly to the WECC, of any monetary sanction assessed against it by the WECC for such failure.

- 13.2 Corrective Measures.** If SVP fails to meet or maintain the requirements set forth in this Agreement or in the applicable provisions of the CAISO Tariff, the CAISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the CAISO Tariff, that the CAISO deems to be necessary to correct the situation. However, both the CAISO and SVP are required to comply with the NERC and WECC Reliability Standards applicable to the functional entity types for which they have registered with NERC and WECC, and, should either be instructed by the WECC or NERC to take corrective measures, such corrective measures shall be undertaken outside of this Agreement.

ARTICLE XIV DISPUTE RESOLUTION

- 14.1 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 SVP and references to the CAISO Tariff shall be read as references to this Agreement.

ARTICLE XV REPRESENTATIONS AND WARRANTIES

- 15.1 Representations 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.
- 15.2 Necessary Approvals.** Each Party represents that all necessary leases, approvals, licenses, permits, easements, rights of way or access to install, own and/or operate its facilities subject to this Agreement have been or will be obtained prior to the effective date of this Agreement.

**ARTICLE XVI
LIABILITY AND INDEMNIFICATION**

- 16.1 Liability and Indemnification.** The provisions of Section 14 of the CAISO Tariff will apply to liability and indemnification arising under this Agreement, except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as references to SVP and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XVII
UNCONTROLLABLE FORCES**

- 17.1 Uncontrollable Forces.** Section 14.1 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 SVP and references to the CAISO Tariff shall be read as references to this Agreement.

**ARTICLE XIII
MISCELLANEOUS**

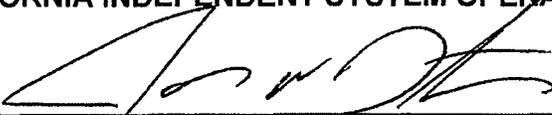
- 18.1 Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in writing to the employee or official identified in Schedule 17 of this Agreement, and shall be deemed properly given: (a) upon delivery, if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 17 as the information changes. Such changes shall not constitute an amendment to this Agreement.
- 18.2 Waivers.** Any waiver 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.
- 18.3 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 laws provisions. The Parties agree 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 one 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.

- 18.4 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 the provisions of this Agreement.
- 18.5 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.
- 18.6 Consistency with Federal Laws and Regulations.** Nothing in this Agreement shall compel either Party to violate federal statutes or regulations, or orders lawfully promulgated thereunder. If any provision of this Agreement is inconsistent with any obligation imposed on a Party by such federal statute, regulation or order, to that extent, it shall be inapplicable to that Party. No Party shall incur any liability by failing to comply with a provision of this Agreement that is inapplicable to it by reason of being inconsistent with any such federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such Party shall use its best efforts to comply with this Agreement, to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.
- 18.7 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.
- 18.8 Assignments.** Either Party may assign its respective rights and obligations under this Agreement, with the other Party's prior written consent, in accordance with Section 22.2 of the CAISO Tariff, which is incorporated by reference into this Agreement. Such consent shall not be unreasonably withheld.

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: JAMES W. DETMERS
Title: VP OPERATIONS
Date: 11/12/08

CITY OF SANTA CLARA

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

SCHEDULE 1
SVP'S SYSTEM FACILITIES

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

SCHEDULE 1A
NCPA'S SYSTEM FACILITIES
[Section 1.2]

The following facilities form NCPA's system, including the Points of MSS Interconnection, that support the SVP transactions.

Points of MSS Interconnection:

(See NCPA-provided information in NCPA's MSS Aggregator Agreement with the CAISO)

Generating Resources (SVP's Share):

Collierville and Spicer Hydroelectric Power Plants

NCPA Geothermal Plants

NCPA Combustion Turbine Project No. 1 (including Alameda and Lodi CTs)

SCHEDULE 2
INTERCONNECTED OPERATION STANDARDS
[Section 4.2]

The CAISO and SVP shall jointly maintain stable operating parameters and control real and reactive power flows in accordance with the following Interconnected Operation Standards.

SVP Responsibilities

- 1.0 SVP shall operate the facilities of SVP's System at each Point of MSS Interconnection in such manner as to avoid any material or adverse impact on the CAISO Balancing Authority Area. In accordance with this performance goal, SVP shall:
 - 1.1 Operate the facilities of SVP's System at each Point of MSS Interconnection within established operating parameters including normal ratings, emergency ratings, voltage limits, and balance of load between electrical phases.
 - 1.2 Maintain primary and backup protective systems such that faults on SVP's System facilities will be cleared within the timeframe specified by the Participating TO and SVP with minimal impact on the CAISO Controlled Grid.
 - 1.3 Maintain overall load power factor at the Points of MSS Interconnection with the CAISO Controlled Grid in accordance with Section 8.3 of this Agreement, unless requested by PG&E to operate power factor at a specific value for system reliability purposes.
 - 1.4 In addition, SVP shall operate the facilities of SVP's System at each Point of MSS Interconnection in accordance with the requirements applicable to Utility Distribution Companies in the CAISO Operating Procedures and standards, except as otherwise provided in this Agreement.

CAISO Responsibilities

- 2.0 The CAISO shall operate the CAISO Controlled Grid at each Point of MSS Interconnection with SVP in such manner as to avoid any material or adverse impact on SVP facilities. In accordance with this performance goal, the CAISO shall:
 - 2.1 Participate with all affected parties (including SVP and PG&E) in the development of joint power quality performance standards and jointly maintain compliance with such standards.

- 2.2 Observe SVP grid voltage limits specified in Attachment 1 including requirements for reduced voltage on CAISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover. Any anticipated reduction in operating voltages on CAISO Controlled Grid facilities shall be studied and established by SVP and the CAISO.
- 2.3 Approve SVP's maintenance requests in a timely manner for transmission facilities that impact the CAISO Controlled Grid, and shall not unreasonably withhold approval of such requests for authorization to perform energized insulator washing work or to take planned Outages needed to replace or insul-grease insulators.
- 2.4 Support SVP investigation of power quality incidents, and provide related data to SVP in a timely manner.
- 2.5 Support installation of apparatus on the CAISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate power quality concerns caused by actions or events in neighboring systems or Balancing Authority Areas.
- 2.6 Maintain overall load power factor at the Points of MSS Interconnection with SVP's System in accordance with Section 8.3 of the Agreement.

SCHEDULE 2
ATTACHMENT 1

SVP GRID VOLTAGE LIMITS

There are no SVP grid voltage limitations at the present time.

The steady state voltage at Scott, Kifer, and Northern Receiving Stations is $115 \text{ kV} \pm 5\%$, or $230 \text{ kV} \pm 5\%$ for the SVP Switching Station.

SCHEDULE 3**RIGHTS OF ACCESS TO FACILITIES****[Section 4.5.1]**

- 1.0 Equipment Installation.** In order to give effect to this Agreement, a Party that requires use of particular equipment (the equipment owner) may require installation of such equipment on property owned by the other Party (the property owner), provided that the equipment is necessary to meet the equipment owner's service obligations and that the equipment shall not have a negative impact on the reliability of the service provided, nor prevent the property owner from performing its own obligations or exercising its rights under this Agreement.
- 1.1 Free Access.** The property owner shall grant to the equipment owner free of charge reasonable installation rights and rights of access to accommodate equipment inspection, maintenance, repair, upgrading, or removal for the purposes of this Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.
- 1.2 Notice.** The equipment owner shall provide reasonable notice to the property owner when requesting access for site assessment, equipment installation, or other relevant purposes. Such access shall not be provided unless the parties mutually agree to the date, time, and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld or delayed.
- 1.3 Removal of Installed Equipment.** Following reasonable notice, the equipment owner shall be required, at its own expense, to remove or relocate equipment, at the request of the property owner, provided that the equipment owner shall not be required to do so if it would have a negative impact on the reliability of the service provided, or would prevent the equipment owner from performing its own obligations or exercising its rights under this Agreement.
- 1.4 Costs.** The equipment owner shall repair at its own expense any property damage it causes in exercising its rights and shall reimburse the property owner for any other reasonable costs that it may be required to incur to accommodate the equipment owner's exercise of its rights under Section 4.5 of this Agreement.
- 2.0 Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.
- 3.0 Inspection of Facilities.** In order to meet their respective obligations under this Agreement, each Party may view or inspect facilities owned

by the other Party. Provided that reasonable notice is given, a Party shall not unreasonably deny access to relevant facilities for viewing or inspection by the requesting Party. Unless decided otherwise by the Party receiving the request, a supervisor is to be present at any time access is granted to any equipment or other facilities of either Party's System.

SCHEDULE 4

MAINTENANCE COORDINATION

[Section 5.1.2]

SVP shall exchange with the CAISO a provisional planned Outage program for all lines and equipment in Schedule 1 in accordance with the CAISO Tariff. That document will be updated quarterly or as changes occur to the proposed schedule.

The CAISO shall approve all proposed Outages on equipment and lines listed on Schedule 1 unless a proposed Outage would cause the CAISO to violate WECC or NERC mandatory Reliability Standards. Approval of Outages shall not be unreasonably withheld or delayed.

As noted on Schedule 1, some facilities are jointly owned by SVP and one or more other entities. The CAISO acknowledges that, under the terms of the operating agreements applicable to each such facility, SVP may not be able to control unilaterally the timing of Outages. SVP shall exercise its rights under the operating agreements, if any, applicable to each jointly owned facility listed on Schedule 1 to coordinate scheduling of Outages with the CAISO in accordance with this Agreement to the maximum extent possible and shall not enter into any operating agreement or amendment to an existing operating agreement with respect to any such facility that diminishes SVP's rights to schedule Outages. However, SVP shall communicate directly to the CAISO regarding its coordination of scheduled Outages.

Applications for scheduled work shall be submitted to the CAISO by the SVP Grid Operations group via means to be agreed to by both Parties. The documents submitted by SVP shall record the details for all work and become the database for reporting and recording Outage information.

SCHEDULE 5**CRITICAL PROTECTIVE SYSTEMS****[Section 5.3]**

Distribution protective relay schemes affecting the CAISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or busses at SVP's Points of MSS Interconnection when activated. These would include any of the following:

1. High Side Overcurrent Relays
2. Differential Overcurrent Relays
3. Sudden Pressure Relays
4. Low Oil Relays
5. Neutral Ground Overcurrent Relays
6. On fuse protected transformers, it would be the high-side fuses.

The following is a brief description of the relaying schemes at Kifer Receiving Station that trip one or more of the 115kV line breakers (except SVP's 115kV tie line between Kifer Receiving Station and Scott Receiving Station):

- The single 115kV Bus Differential Protection Schemes would trip all 115kV breakers including the 115kV PG&E line breakers.
- All 115/60kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115kV PG&E line breakers because of the main/auxiliary bus configuration.

The following is a brief description of the relaying schemes at Scott Receiving Station that trip one or more of the 115kV line breakers (except SVP's 115kV tie line between Kifer Receiving Station and Scott Receiving Station):

- 115kV Bus Differential Protection Scheme would trip all 115kV breakers including the 115kV PG&E line breakers.
- All 115/60kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115kV PG&E line breakers because of the main/auxiliary bus configuration.

The following is a brief description of the relaying schemes at Northern Receiving Station that trip one or more of the 115kV line breakers:

- Both 115kV Bus Differential Protection Schemes would trip all associated 115kV breakers including the 115kV PG&E line breakers.
- All 115/60 kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115 kV PG&E line breakers because of the main/auxiliary bus configuration.

SCHEDULE 6
OPERATIONAL CONTACT

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

SCHEDULE 7

EMERGENCIES

[Section 7.2]

The CAISO shall notify SVP's Power Scheduling Center ("PSC") Operator, as identified in Schedule 6, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. The PSC Operator shall make the appropriate notifications within the SVP organization. The PSC Operator shall then take such actions as are appropriate for the emergency in accordance with Section 7 of this Agreement.

SVP shall make requests for information from the CAISO regarding emergencies through contacts to the CAISO's Operations Shift Supervisor, by SVP's PSC Operator, or SVP's Information Officer may coordinate public information requests with the CAISO Communication Coordinator.

SVP will communicate necessary information, including estimated service restoration by geographic areas, to appropriate state, local governmental entities, and its customers as needed. For transmission system caused outages, the CAISO's Operations Shift Supervisor will notify the PSC Operator, who will make appropriate notifications within SVP's organization of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

The SVP PSC Operator and Electric Control Center and CAISO Grid Operations/Control Center logs, Electric Switching Orders and Energy Management System temporal databases will be used in preparation of Forced Outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching programs, etc.

SVP shall retain records in accordance with its standard practices for record retention for six years.

If SVP's MSS is part of an MSS Aggregation, SVP, the CAISO, and the MSS Aggregator may agree that initial operational contacts during emergencies, on SVP's behalf, can be made by/through the power control center of the MSS Aggregator (such as the NCPA Dispatch Center).

SCHEDULE 8

UNDERFREQUENCY LOAD SHEDDING

[Section 7.4.1, 7.4.5]

The objective of SVP's Underfrequency Load Shedding program is to provide security and protection to the interconnected bulk power network by arresting frequency decay during periods of insufficient resources.

SVP's Underfrequency Load Shedding program establishes Underfrequency Load Shedding objectives consistent with the Load Shedding policies of the WECC, NERC and SVP. SVP's Underfrequency Load Shedding program shall at all times comport with the requirements of the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan (Final Report November 25, 1997, as revised August 3, 2004) and any of its subsequent amendments. Upon mutual agreement of SVP and CAISO, SVP's Underfrequency Load Shedding program may also be set in accordance with the WECC Southern Island Tripping Plan and coordinated with it. The SVP Underfrequency Load Shedding program utilizes WECC planning criteria in this area. Per WECC requirements, Underfrequency Load Shedding is on the feeder side of the transformer.

SVP's Underfrequency Load Shedding program is set forth in Attachment A to SVP's EAP, which is attached to Schedule 11, and incorporates the tripping scheme set forth therein.

SCHEDULE 9
OTHER AUTOMATIC LOAD SHEDDING

[Section 7.4.1]

SVP has no other automatic Load Shedding devices other than those identified in Schedule 8.

SCHEDULE 10
MANUAL LOAD SHEDDING

[Section 7.4.2]

Criteria for the implementation of manual Load Shedding are set forth in the SVP Emergency Action Plan attached to Schedule 11.

NOTE: SVP's manual Load Shedding program needs to be coordinated with PG&E's manual Load Shedding program (to make sure the same Load is not double-counted).

SCHEDULE 10A

ROTATING LOAD CURTAILMENT PROCEDURES

[Section 7.4.2]

SVP's rotating Load curtailment procedures are described in the SVP Emergency Action Plan attached to Schedule 11. To maintain a minimum amount of continuously interrupted Load, as directed by the CAISO, for an extended amount of time, no portion of SVP's interrupted Load shall be restored unless an equal or greater amount of Load is interrupted first.

SCHEDULE 10B
INTERRUPTIBLE LOAD

[Section 7.4.2]

Should SVP seek to Bid any interruptible Load into any CAISO Market, SVP shall provide a complete description of the program to the CAISO at least sixty (60) days prior to the submission of the first such Bid by SVP's Scheduling Coordinator and all applicable Operating Procedures shall be followed.

SCHEDULE 11
EMERGENCY ACTION PLAN

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

SCHEDULE 12**LOAD RESTORATION****[Section 7.4.4]**

SVP shall follow the procedures set forth below in this Schedule 12 in promoting orderly, coordinated restoration of electric systems after a major system disturbance has occurred which resulted in Underfrequency Load Shedding ("UFLS") in California.

1. Immediately after UFLS has occurred in SVP's System, SVP shall remain in contact with PG&E's Area Control Center (ACC) until normal frequency has been restored throughout the CAISO Balancing Authority Area or the CAISO Shift Supervisor has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the CAISO Shift Supervisor and the senior dispatcher present at the PG&E ACC(s).
2. Manual Load restoration shall not normally be initiated until the California ACC Hot Line is attended. No Load is to be manually restored unless directed by the CAISO, either directly or through its assignee, provided that the procedure for the CAISO's designation of any assignee is agreed to by SVP, after the frequency has recovered and there is indication that the frequency can be maintained. SVP shall await direction from the CAISO or its assignee, who will be in contact with the CAISO Shift Supervisor. The CAISO Shift Supervisor shall determine whether adequate generation resources are available on line to support the Load to be restored.
3. SVP's automatic load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the CAISO cannot meet the WECC and NERC Disturbance Control Standard or the Control Performance Standard post disturbance, no manual Load restoration shall be permitted. If the frequency is such that automatic Load restoration occurs under these conditions, if SVP has restored Load automatically, it will manually shed an equivalent amount of Load to offset the Load which was automatically restored, after consultation with the CAISO, or PG&E, if so designated.
5. Restoration of ties and off-site power Supply to nuclear generating facilities should be given top priority. Manual Load restoration will be deferred during periods of tie restoration. SVP should be equipped and prepared to drop Load manually when necessary to allow frequency recovery sufficient to re-establish CAISO intra-area ties and Inertias between the CAISO Balancing Authority Area and outside systems. Where manual Load Shedding is required, the CAISO shall make reasonable efforts to allocate the Load Shedding requirement equitably among SVP, UDCs, and MSS Operators where Load Shedding shall be

beneficial, and such Load Shedding shall be made in accordance with Section 7.4.

6. SVP shall use its existing plans and priorities to restore Load within the parameters given by the CAISO, giving the appropriate priority to essential services such as military, public safety agencies, water treatment plants, sewage treatment plants, etc.

SCHEDULE 13

EXISTING CONTRACTS AND ENCUMBRANCES AND TRANSMISSION OWNERSHIP RIGHTS

[Section 9.1.1 and 9.2.3]

| Existing Contract or Encumbrance or Transmission Ownership Rights | Amount (MW) | Scheduling Timeline | |
|--|--|--|--|
| | | To PTO | To CAISO |
| COTP Terminus (as described in the CAISO-SMUD Interconnected Control Area Operating Agreement) | 279 North to South* 213 South to North* | N/A | 30 min. prior to the start of the active hour. |
| South of Tesla Principles between PG&E and TANC (PG&E # 143) | *, ** | In accordance with the CAISO Tariff | In accordance with the CAISO Tariff |
| PG&E-SVP Grizzly Agreement | 17.66 | 20 min. into the active ½ hour. | Via logical meter, after-the-fact adjustments. |
| SCE-MSR Firm Transmission Service Agreement | 52.5 | 30 min. prior to the start of the active hour. | 30 min. prior to the start of the active hour. |

*The amount of SVP's Existing Contracts and Encumbrances and Transmission Ownership Rights, as reflected in this Schedule 13, is set forth here for informational purposes only and is accounted for, and subject to, Schedule 13 of the NCPA MSS Aggregator Agreement. Such COTP and SOTP amounts are subject to interim adjustment in accordance with the Settlement Agreement. Interim adjustments shall not require amendment to this Agreement; provided, however, permanent changes to these amounts will be deemed an amendment to this Agreement and shall be given affect in accordance with the Settlement Agreement. The COTP Terminus Transmission Ownership Rights amounts are contingent upon the direction of the transaction and the California Oregon Intertie rating.

** The SOTP amounts are contingent upon the availability of unused transmission service rights as further described in the Path 15 Operating Instructions (Appendix B, Transmission Control Agreement, as approved in Docket ER99-1770 and as may be amended or superseded) and are accounted for, and subject to, Schedule 13 of the NCPA MSS Aggregator Agreement.

Note: Details regarding the agreed upon scheduling provisions for each Existing Contract or Encumbrance or Transmission Ownership Right are described in the Settlement Agreement.

SCHEDULE 14
GENERATING UNITS

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

SCHEDULE 15**METERING OBLIGATIONS****[Sections 11.2 and 11.3]****Obligations and Rights of SVP**

- 1.0 Submission of Meter Data through the CAISO's Settlement Quality Meter Data Systems ("SQMDS") and Revenue Meter Data Acquisition and Processing System ("RMDAPS").** SVP agrees to make available to the CAISO through SQMDS and RMDAPS, or its successor system, its Meter Data in accordance with the CAISO Tariff. The CAISO's requirements regarding the frequency with which it requires Meter Data to be made available to it through RMDAPS and SQMDS by SVP are referred to in the CAISO Tariff and the Business Practice Manual for Metering.
- 1.1 Meter Information.** SVP shall provide in the format prescribed by Schedule 15.1 the required information with respect to all of its meters used to provide Meter Data to the CAISO. SVP must immediately notify the CAISO of any changes to the information provided to the CAISO in accordance with this Section and provide the CAISO with any information in relation to such change as reasonably requested by the CAISO. SVP shall have the right to modify Schedule 15.1, although such modification shall not constitute an amendment to this Agreement.
- 1.2 Transformer and/or Line Loss Correction Factor.** If SVP uses low voltage side metering, it shall use appropriate Transformer and Line Loss Correction Factors approved by its Local Regulatory Authority, consistent with the CAISO Tariff and the Business Practice Manual for Metering.
- 1.3 Rights to Access Metering Facilities.** SVP shall use its best efforts to procure any rights necessary for the CAISO to access all Metering Facilities of SVP to fulfill its obligations under the CAISO Tariff, and its obligations under this Agreement. If, after using its best efforts, SVP is unable to provide the CAISO with such access rights, SVP shall ensure that one of its employees is a CAISO Authorized Inspector and such employee undertakes, at the CAISO's request, the certification, testing, inspection and/or auditing of those Metering Facilities in accordance with the procedures established pursuant to the CAISO Tariff and the Business Practice Manual for Metering, including the requirement to complete and provide to the CAISO all necessary documentation. The CAISO acknowledges that it will not be prevented from fulfilling its obligations under the CAISO Tariff or this Agreement by reason of the fact that it is provided with escorted access to the Metering Facilities of SVP.

- 1.4 Security and Validation Procedures.** The security measures and the validation, editing, and estimation procedures that the CAISO shall apply to Meter Data made available to the CAISO by SVP shall be as referred to in the CAISO Tariff and the Business Practice Manual for Metering.
- 1.5 Authorized Users.** In addition to the persons referred to in the CAISO Tariff, including SVP and the relevant Scheduling Coordinator, as being entitled to access Meter Data on SQMDS, SVP may set forth in Schedule 15.2 of this Agreement any additional authorized users that shall be entitled to access SVP's Settlement Quality Meter Data held by the CAISO. SVP shall include in Schedule 15.2 as authorized users the relevant UDCs and TOs. The CAISO shall provide the authorized users with any password or other information necessary to access SVP's Settlement Quality Meter Data held by the CAISO on SQMDS. Any amendment or addition to Schedule 15.2 shall not constitute an amendment to this Agreement.
- 1.6 Certification, Inspection, and Auditing of Meters.** SVP shall be responsible for all reasonable costs incurred by the CAISO or a CAISO Authorized Inspector in connection with them carrying out the certification, inspection, testing or auditing of the meters identified in Schedule 15.1 from which SVP provides Meter Data to the CAISO. The CAISO or CAISO Authorized Inspector shall furnish SVP, upon request, an itemized bill for such costs.

Obligations and Rights of the CAISO

- 2.0 Direct Polling of Revenue Quality Meter Data.** The CAISO shall allow the Scheduling Coordinator representing SVP and all authorized users to directly poll CAISO certified meters for the Meter Data relating to SVP in accordance with the procedures referred to in the CAISO Tariff and the Business Practice Manual for Metering.
- 2.1 CAISO as a Third-Party Beneficiary.** The CAISO shall be a third-party beneficiary to any future agreement between SVP and any other party relating to the Metering Facilities of SVP for the purpose of granting the CAISO access to any relevant information, records and facilities as needed by the CAISO to fulfill its obligations under the CAISO Tariff and its obligations under this Agreement.
- 2.2 Remote and Local Access to Metering Data.** The CAISO shall provide SVP any password or other requirements necessary for SVP to access its Meter Data remotely or locally at the meter.

Calculation of SVP Settlement Quality Meter Data

If SVP elects to use its MSS Aggregator for Load following, the calculation of SVP's Settlement Quality Meter Data ("SQMD") shall be made as part of its MSS Aggregator's calculation of SQMD. If SVP does not use an MSS Aggregator for Load following, the

calculation of SVP's SQMD shall be made in accordance with a calculation procedure that is mutually agreed by the Parties, which calculation procedure will generally be as follows:

SVP SQMD (Gross MSS Demand) = Settlement Quality Meter Data at the Points of MSS Interconnection + Metered Generation from Internal Generating Units multiplied by any applicable Distribution Loss Factor

In order to determine the quantity of Gross MSS Demand that is served by TOR or ETC deliveries, and in turn will not be subject to Congestion costs resulting from the CAISO LMP calculation, the quantity of Gross MSS Demand that is served by TOR or ETC deliveries must be identified for Settlement purposes. The quantity of Gross MSS Demand that is served by TOR or ETC deliveries will be scheduled at the SVP Custom LAP(s), as described below, which will be used to identify the quantity of Gross MSS Demand that is served by TOR or ETC deliveries. The quantity of Gross MSS Demand that is not served by TOR or ETC deliveries will be provided to the CAISO using a specified SQMDS Resource ID which will be equal to Gross MSS Demand less the amount of Gross MSS Demand served by TOR or ETC deliveries. SVP will calculate and supply to the CAISO, using SQMDS Resource IDs, the metered values associated with the Gross MSS Demand served at the SVP Custom LAP(s) served by TOR and ETC deliveries, and Gross MSS Demand not served by TOR and ETC deliveries.

SVP Custom LAP(s) = Metered deliveries at the SVP Custom LAP(s), which was created for the purpose of settling Gross MSS Demand associated with TOR and ETC deliveries to the SVP City Gate, is separated from other Gross MSS Demand for the purpose of settling Congestion costs. There may be more than one SVP Custom LAP utilized if the CAISO needs to separately distinguish the portions of SVP Gross MSS Demand served by each TOR or ETC that SVP is a party to.

This calculation will be done on an aggregated basis, by applicable LAP, consistent with the level of aggregation of the Schedules, which may be provided in the form of a Bid, which will be submitted to the CAISO. The Load Distribution Factors, which are used to disaggregate the aggregated scheduled and metered information, are developed by the CAISO.

SCHEDULE 15.1
METER INFORMATION

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

SCHEDULE 15.2

**ACCESS TO METER DATA
AND AUTHORIZED USERS**

[SVP shall provide in Schedule 15.2 a list of all authorized users of SVP's Settlement Quality Meter Data and any restrictions or limitations placed on them.]

Authorized Users

Pacific Gas and Electric Company

SCHEDULE 16

TRANSMISSION RELIABILITY CRITERIA

[Sections 8.1.3 and 12.4]

For transmission reliability, SVP shall abide by all NERC and WECC Planning Criteria and the following:

Power Flow Assessment:

| | Criteria | |
|--------------------------------|----------------------|----------------------|
| Contingencies | Thermal ³ | Voltage ⁴ |
| Generating unit ¹ | A/R | A/R |
| Transmission line ¹ | A/R | A/R |
| Transformer ¹ | A/R ⁵ | A/R ⁵ |
| Overlapping ² | A/R | A/R |

- 1 All single contingency Outages (i.e. Generating Unit, transmission line or transformer) will be simulated on Participating Transmission Owners' local area systems.
- 2 Key Generating Unit out, system readjusted, followed by a line Outage.
- 3 Applicable Rating – Based on CAISO Transmission Register or facility upgrade plans.
- 4 Applicable Rating – CAISO Grid Planning Criteria or facility owner criteria as appropriate.
- 5 Based on judgment of CAISO and facility owner, a thermal or voltage criterion violation resulting from a transformer Outage may not be cause for Reliability Must-Run Generation solution if the violation is considered marginal (e.g. acceptable loss of life or low voltage), otherwise (e.g. unacceptable loss of life or voltage collapse) a Reliability Must-Run Generation solution would be indicated.

Post Transient Load Flow Assessment:

| Contingencies | Reactive Margin Criteria ² |
|-----------------------|---------------------------------------|
| Selected ¹ | A/R |

- 1 If power flow results indicate significant low voltages for a given power flow contingency, simulate that Outage using the post transient Load flow program. The post-transient assessment will develop appropriate Q/V and/or P/V curves.
- 2 Applicable Rating – positive margin based on 105% of 1 in 2 year load forecast.

Stability Assessment:

Contingencies

Stability Criteria ²

Selected ¹

A/R

- 1 If power flow or post transient study results indicate significant low voltages or marginal reactive margin for a given contingency, simulate that Outage using the dynamic stability program.
- 2 Applicable Rating – CAISO Grid Planning Criteria or facility owner criteria as appropriate.

SCHEDULE 17
CONTACTS FOR NOTICES

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

SCHEDULE 18

MSSA LOAD FOLLOWING DEVIATION ENERGY FORMULA

[Sections 12.12 and 12.13]

The MSS Load following deviation energy formula that is applicable to SVP's MSS Agreement is contained in the Schedule 19 of the MSS Aggregator Agreement between SVP's MSS Aggregator and the CAISO. At the time of the execution of this Amended and Restated Metered Subsystem Agreement, the Northern California Power Agency (NCPA) is SVP's MSS Aggregator. The Parties agree to develop appropriate MSS Load following deviation energy formula language for this Agreement if SVP is not a part of a Load following MSS Aggregation but has still elected to follow its Load.

ATTACHMENT B

**CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

AND

SILICON VALLEY POWER

AMENDED & RESTATED

METERED SUBSYSTEM AGREEMENT

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
AND
SILICON VALLEY POWER

AMENDED AND RESTATED METERED SUBSYSTEM AGREEMENT

THIS AGREEMENT is dated this _____ day of _____, 20____ and is entered into, by and between:

(1) **The City of Santa Clara**, a duly chartered city under the laws of the State of California, which does business as Silicon Valley Power ("SVP"), and owns and operates a municipal electric utility system engaged in the generation, transmission, distribution, purchase and sale of electric power and energy at wholesale and retail, having its registered and principal place of business located at 1500 Warburton Avenue, Santa Clara, California 95050-3713;

and

(2) **California Independent System Operator Corporation**, a California non-profit public benefit corporation having its principal place of business located in such place in the State of California as the ISO/CAISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom California 95630 (the "ISO/CAISO").

SVP and the ISO/CAISO are hereinafter referred to individually as "Party" or collectively as the "Parties."

Whereas:

- A. ~~The City of Santa Clara, doing business as Silicon Valley Power (SVP),~~ SVP is a MSS Operator of a Metered Subsystem engaged in, among other things, generating, transmitting and distributing electric power in northern California and the SVP Service Area and is a member of the Northern California Power Agency ("NCPA");
- B. As a member of NCPA, SVP receives power from various NCPA resources and ~~will be using~~ currently utilizes NCPA as its initial Scheduling Coordinator and MSS Aggregator, pursuant to the Scheduling Coordination Program Agreement between NCPA and SVP;
- C. ~~The ISO, a NERC or its successor certified Control Area~~ CAISO, a North American Electric Reliability Corporation ("NERC") certified Balancing Authority, or a Balancing Authority certified by the NERC's successor, is engaged in, among other things, exercising Operational Control over certain electric

transmission facilities forming the ISO/CAISO Controlled Grid, scheduling transactions that utilize those transmission facilities, and operating certain markets, including markets for Imbalance Energy and Ancillary Services, pursuant to the terms of the ISO Tariff/CAISO Tariff, as modified from time-to-time and as accepted by the Federal Energy Regulatory Commission ("FERC") and has certain statutory obligations under California law to maintain the reliability of the ISO/CAISO Controlled Grid, as well as certain responsibilities mandated by NERC and Western Electricity Coordinating Council or its successor ("WECC")-mandated responsibilities, or their successors, to ensure the reliable operation of the entire electric grid within the ISO Control/CAISO Balancing Authority Area;

- D. SVP's System is within the ISO Control/CAISO Balancing Authority Area and is interconnected to the ISO/CAISO Controlled Grid;
- E. SVP desires to continue to operate the generation, transmission and distribution resources of SVP's System in a coordinated manner with the generation resources it jointly owns with NCPA, that are operated by NCPA, to reliably serve SVP's Loads and also desires, as or through a Scheduling Coordinator, to schedule transactions using the ISO/CAISO Controlled Grid and participate in the ISO's markets/CAISO Markets as a buyer and a seller;
- F. The Parties are entering into this Agreement in order to establish the terms and conditions on which (1) SVP will operate SVP's System electric resources within the ISO Control/CAISO Balancing Authority Area; (2) SVP will, as or through its Scheduling Coordinator, schedule transactions using the ISO/CAISO Controlled Grid and participate in the ISO's markets/CAISO Markets; and (3) the Parties will meet their obligations under the ISO/CAISO Tariff, as may be modified by this Agreement, in connection therewith;
- G. This Agreement is necessary only upon termination of the SVP Pacific Gas and Electric Company ("PG&E") Interconnection Agreement, which is dated September 30, 1983, in FERC Docket ER84-6-000, and is designated as PG&E Rate Schedule FERC No. 85; H. SVP's intent is to continue to utilize SVP's System resources to follow SVP's Load, and from time-to-time NCPA's, Load and to make economic resource decisions, and the intent of the Parties is that any ISO/CAISO charges will be charged to SVP's Scheduling Coordinator based on the principle of cost causation, with due regard for historical considerations, timing and transition issues, and other relevant factors;
- H. In order to maintain the reliability of the interconnected electric systems encompassed by the WECC, the WECC RMS Agreement requires the ISO to require all Generators in its Control Area, including SVP, both the CAISO and SVP are required to comply with certain WECC reliability criteria and to be subject to penalties imposed by the WECC Reliability Criteria Agreement should they fail to do so, which requirements are set forth in Section 10.4 the NERC and WECC Reliability Standards, and the WECC RMS agreement to the extent it

remains in effect, applicable to the functional entity types for which they have registered with NERC and WECC. Should either fail to meet their respective obligations, each shall be responsible for payment, directly to the WECC, of any monetary sanction assessed against it by the WECC for such failure;

- J~~I~~. SVP is a Local Publicly Owned Electric Utility under the Constitution of the State of California and utilizes tax-exempt financing for one or more of its projects that restricts the amount of private use of such projects; and
- K~~J~~. SVP represents that it has a responsibility to serve its customer Loads pursuant to California Public Utilities Code Section 10005.

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.** Unless defined in the introduction or Section 1.2 of this Agreement, all terms used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the ISOCAISO Tariff.
- 1.2 Special Definitions for this Agreement.** In this Agreement, the following terms shall have the meanings set opposite them:

~~“MSS Aggregator” means Northern California Power Agency (“NCPA”) or its successor acting as a single MSS operator on behalf of SVP, which is itself an MSS Operator, and other non-contiguous Metered Subsystems of NCPA’s members, as described in a separate agreement between the ISO and the MSS Aggregator.~~

“MRTU” means the CAISO’s Market Redesign and Technology Upgrade project, the implementation of which is the subject of FERC Docket Nos. ER06-615, ER07-1257 and related dockets.

~~“Point of MSS Interconnection” means any point at which SVP’s System is directly interconnected with the ISOCAISO Controlled Grid or with any other portion of the interconnected electric grid in the ISO ControlCAISO Balancing Authority Area. The initial Points of MSS Interconnection are described in Section 4.1.~~

~~“ReplacementPG&E IA” means the Interconnection Agreement between SVP and PG&E that replaces the SVP PG&E Interconnection Agreement, which is dated September 30, 1983, Pacific Gas and Electric Company (“PG&E”), effective September 1, 2002, in FERC Docket ER84-6-000-02-358, and is designated as PG&E Rate Schedule FERC No. 85-Service Agreement No. 20 under FERC Electric Tariff Sixth Revised Vol. No. 5, as it may be amended from time to time.~~

~~“Settlement Agreement” means the Settlement Agreement Amongamong Pacific Gas and Electric Company, Northern California Power Agency, Silicon Valley Power of Santa Clara, California, the City of Roseville, California and the California Independent System Operator Corporation in FERC Dockets ER01-2998-000, ER02-358-000, and EL02-64-000, as accepted by FERC.~~

~~“SVP’s System” means all transmission facilities, distribution facilities and generating facilities within the CAISO Balancing Authority Area owned or controlled by SVP and SVP’s share of the Generating Units listed in Schedule 1A. A description of the generating facilitiesGenerating Units and PointPoints of MSS Interconnection facilities comprising SVP’s System is set forth in Schedule 1.~~
~~“Under Frequency Load Shedding” or “UFLS” means automatic Load Shedding, accomplished by the use of such devices as underfrequency relays,~~

~~intended to arrest frequency decline and assure continued operation within anticipated electrical islands.1 and Schedule 14 of this Agreement.~~

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

- (a) the singular shall include the plural and vice versa;
- (b) the masculine shall include the feminine and neutral and vice versa;
- (c) "includes" or "including" shall mean "includes (or including) without limitation";
- (d) 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;
- (e) any reference to the ISOCAISO Tariff or any provision of the ISOCAISO Tariff will mean a reference to the ISOCAISO Tariff or provision then in effect as modified during the term of this Agreement, unless otherwise specifically provided ;
- (f) 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;
- (g) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, governmental entity, joint action agency, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case whether or not having separate legal personality;
- (h) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (i) any reference to a day, week, month or year is to a calendar day, week, month or year; and
- (j) 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 TERM AND TERMINATION

2.1 Effective Date. This Agreement shall be effective as of the later of: (1) the date ~~this Agreement~~ is accepted for filing and made effective by FERC, or (2) the date the version of the CAISO Tariff implementing the CAISO's Market Redesign and Technology Upgrade ("MRTU") is made effective by FERC, and shall remain in full force and effect until terminated pursuant to Section ~~2.22.2~~, or upon such other date as the Parties shall mutually agree. If the CAISO Tariff implementing MRTU has become effective, but this Agreement has not been accepted and made effective by FERC, the Parties will use the terms of this Agreement to interpret and implement the CAISO Tariff under MRTU and the terms of the existing MSS Agreement to effectuate the intention of the Parties as expressed in this Agreement until such time as this Agreement is made effective by FERC. Upon the effective date of this Agreement, all prior versions will be superseded, provided that if this Agreement has become effective, but CAISO exercises its rights under Section 44 of the CAISO Tariff, and returns its operations and settlements to the pre-MRTU ISO Tariff, then the Parties will use the terms of the version of the MSS Agreement in existence prior to this Agreement during such period that CAISO returns to the previously effective ISO Tariff to interpret and implement the pre-MRTU ISO Tariff, except that the updated version of Schedules 1, 1A, 2, 4, 6, 7, 8, 10, 10A, 11, 12, 13, 14, 15.1, 15.2, 16 and 17, attached to this Agreement will remain in effect.

2.2 Termination

2.2.1 Termination by Default. Either Party (the terminating Party) may terminate this Agreement by giving written notice of termination in the event that the other Party (the defaulting Party) commits any default under this Agreement or the applicable provisions of the ~~ISO~~CAISO Tariff which, if capable of being remedied, is not remedied within 30 days after the terminating Party has given the defaulting Party written notice of the default, unless excused by reason of Uncontrollable Forces under Article XVIII of this Agreement ~~XVII~~.

2.2.2 Termination on Notice. Either Party ~~(the terminating Party)~~ shall have the right to terminate this Agreement in accordance with this Section 2.2.2, subject to the procedural requirements set forth in Section 2.2.3. Either Party may terminate this Agreement by giving the other Party written notice at least ~~six~~twelve (~~6~~12) months in advance of the intended effective date of termination. ~~The ISO's right to terminate this Agreement in accordance with this Section 2.2.2 shall arise only after December 31, 2004.~~

2.2.3 2.2.3—Filing. With respect to any notice of termination given pursuant to this Section, the ~~ISO~~CAISO must file a timely notice of termination with FERC. The filing of the notice of termination by the ~~ISO~~CAISO will be considered timely if: (1) the request to file a notice of termination is made after the preconditions for

termination have been met, and (2) the ISOCAISO files the notice of termination within 30 days of receipt of such request from SVP or issuance of its own notice of termination. This Agreement shall terminate upon the date on which the notice of termination is permitted by FERC to become effective.

2.2.4 MSSA Withdrawal. If NCPA elects to terminate its MSS Aggregator relationship with the CAISO or its Scheduling Coordination Program Agreement with SVP, or if SVP elects to terminate its Scheduling Coordination Program Agreement with NCPA, SVP will provide notice of such change to the CAISO within five Business Days of its receipt (or provision) of the notice of such election. As of the date of SVP's notice to the CAISO, SVP will begin developing in a timely manner and propose to the CAISO (a) amendments to this Agreement that would permit continued operation without the current SVP relationship with NCPA, or (b) a notice of termination of this Agreement. Such termination will be effective on a date that is mutually agreed on by the Parties, but in the event that the Parties cannot agree, such termination will be effective no sooner than twelve (12) months after SVP's provision of such notice.

ARTICLE III GENERAL TERMS AND CONDITIONS

3.1 Scope of Agreement. Except as specifically provided otherwise, the provisions of this Agreement will apply only with respect to the facilities comprising SVP's System and to Loads and Generating Units that comprise or are directly connected only to SVP's System and SVP's share of the Generating Units operated by NCPA listed in Schedule 1A. Except with respect to the Generating Units listed in Schedules 1 and 1A, to the extent SVP has entitlements to Generating Units with Third Parties, this Agreement does not apply to such Third Parties. For the purposes of this Section 3.1, "Third Party" means any party other than SVP and the ISOCAISO. Subject to the terms of Article II, this Agreement shall not affect SVP's ability to join or establish another Balancing Authority Area or SVP's right to exercise any available legal recourse to obtain or confirm that it possesses other forms of ~~transmission~~ transmission rights.

3.2 CAISO and SVP Responsibilities

3.2.1 CAISO Responsibility. The Parties acknowledge that the ISOCAISO is responsible for the efficient use and reliable operation of the ISOCAISO Controlled Grid and the operation of the ~~ISO's Control~~ CAISO's Balancing Authority Area consistent with achievement of planning and Operating Reserve criteria no less stringent than those established by the WECC and NERC Reliability Standards and criteria and in accordance with the ISOCAISO Tariff and further acknowledge that the ISOCAISO may not be able to satisfy fully these responsibilities if parties to agreements with the ISOCAISO, including SVP, fail to comply fully with all of their obligations under those agreements. The

CAISO is not delegating to SVP any of its responsibilities to NERC and or WECC by this Agreement.

3.2.2 SVP Responsibility. The Parties acknowledge that SVP is responsible for compliance with the WECC and NERC mandatory Reliability Standards and criteria applicable to the functions for which SVP has registered with NERC. The references to WECC and NERC mandatory Reliability Standards throughout this Agreement do not make any alteration or enlargement of the requirements or standards applicable to SVP beyond its functional entity registration with NERC

3.3 Relationship Between Agreement and ISOCAISO Tariff

3.3.1 Precedence of Agreement. If and to the extent a matter is specifically addressed by a provision of this Agreement (including any schedules or other attachments to this Agreement), the ~~provision~~provisions of this Agreement shall govern notwithstanding any inconsistent provision of the ISOCAISO Tariff and/or any CAISO Business Practice Manual (including, except as provided in Section 3.3.2, any ISOCAISO Tariff or CAISO Business Practice Manual provision that is referenced in this Agreement).

3.3.2 Precedence of CAISO Tariff. If and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the ISOCAISO Tariff, the applicable provisions of the ISOCAISO Tariff shall govern.

3.3.3 Participating Generators. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of any of the Generating Units of SVP's System, ~~listed in Schedule 14,~~ comply with the requirements applicable to Participating Generators under ~~Article 5~~Section 4.6 of the ISO Tariff and all other provisions of the ISO Tariff governing Participating GeneratorsCAISO Tariff. Nothing in this Agreement shall obligate SVP to execute a Participating Generator Agreement with respect to any SVP Generating Units.

3.3.4 Participating Loads. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of any Load ~~listed in SVP's System, Schedule 14,~~ comply with the requirements applicable to Participating Loads under ~~Article 5~~Section 4.7 of the ISOCAISO Tariff and all other provisions of the ISOCAISO Tariff governing Participating Loads. Nothing in this Agreement shall obligate SVP to execute a Participating Load Agreement with respect to any SVP Load.

3.3.5 Utility Distribution Companies. Except as provided in Section 3.3.1, SVP shall, with respect to the operation of the distribution facilities of SVP's System, comply with the requirements applicable to Utility Distribution Companies under ~~Article 4~~Section 4.4 of the ISOCAISO Tariff. Nothing in this Agreement shall obligate SVP to execute a UDC Operating Agreement.

- 3.3.6 Disputes.** The applicability of any provision of the ISOCAISO Tariff to SVP, including as provided in Sections 3.3.1 through 3.3.5, inclusive, shall, in the event of a dispute between the Parties, be determined through the ISOCAISO ADR Procedures in accordance with ~~Article~~Section 13 of the ISOCAISO Tariff.
- 3.3.7 Participating TO.** Nothing in this Agreement shall preclude SVP from becoming a Participating TO by executing the TCA and fulfilling all other applicable requirements. If SVP becomes a Participating TO, it shall comply with the requirements applicable to Participating TOs under ~~Article 3~~Section 4.3 of the ISOCAISO Tariff ~~or any settlement of FERC Docket No. ER00-2019.~~
- 3.3.8 Written Agreements.** This Agreement shall serve, with respect to SVP, as the written agreement required by ~~Sections 4.1.1, 10.3.1, 23.1.1, and 23.4~~ of the ISO Tariff ~~and the written agreement required for Participating Loads~~Utility Distribution Company Operating Agreement, the Participating Generator Agreement, the Participating Load Agreement and the Meter Service Agreement for CAISO Metered Entities required by the CAISO Tariff.

3.4 Amendment to Agreement

- 3.4.1 Amendments.** Except with respect to the ISOCAISO's rights set forth in Section 3.4.2 of this Agreement, this Agreement may be modified only by mutual written agreement between the Parties. Amendments that require FERC approval shall not take effect until FERC has accepted such amendments for filing and made them effective. This shall not modify SVP's or the ISOCAISO's rights under Section 206 of the Federal Power Act.
- 3.4.2 Section 205 Rights.** The ISOCAISO shall have the right to apply unilaterally under Section 205 of the Federal Power Act to change the rates, terms, and conditions under this Agreement for services provided to SVP. In proposing any changes, unless in response to a FERC order as provided in ~~Section 3.7, 3.6,~~ the ISOCAISO will consider the principles in this Agreement as detailed in Section 3.5.2. Additionally, unless in response to a FERC order as provided in ~~Section 3.7, 3.6,~~ any changes proposed by the ISOCAISO shall be subject to the following:
- 3.4.2.1** The ISOCAISO shall provide SVP 30 days advance written notice of such change.
- 3.4.2.2** The ISOCAISO shall meet and confer with SVP regarding the change, provided that the scheduling of such meeting shall not be unreasonably delayed.
- 3.4.2.3** SVP may waive these requirements upon written request by the ISOCAISO.
- 3.4.2.4** The ISOCAISO shall provide SVP with a copy of the FERC filing if, and when, made.

3.4.3 Operational Changes. In addition to changes that may otherwise be contemplated by ~~Section 3.6 or Section 3.7, 3.6~~, the Parties recognize that the ISO's responsibilities and operations, as set forth in the ISO Tariff, and that SVP's ~~their~~ responsibilities and operations may change during the term of this Agreement. The Parties agree that, in the event any such change substantially affects the allocation of rights, responsibilities and obligations between the Parties under this Agreement, the Parties, while continuing to honor the terms and conditions of this Agreement, will make good faith efforts to negotiate an appropriate amendment to this Agreement and shall endeavor in that process to restore that allocation.

3.5 Amendment to ISOCAISO Tariff.

3.5.1 CAISO Tariff Amendments. Nothing in this Agreement shall affect in any way the authority of the ISOCAISO to modify unilaterally the ISOCAISO Tariff in accordance with Section ~~49~~15 of the ISOCAISO Tariff or ~~the ability~~ of the ISOCAISO and SVP to exercise their rights under the Federal Power Act or any other law, or to pursue any legal remedies.

3.5.2 MSS Principles. In making amendments to the ISOCAISO Tariff as provided in Section 3.5.1, the ISOCAISO will consider the impact on Metered Subsystems and the principles reached in this Agreement, including but not limited to:

3.5.2.1 Cost Causation: The intent of the Parties is that ISOCAISO charges will be charged to the Scheduling Coordinator for the MSS Operator (or Aggregator), based on the principle of cost causation, with due regard for historical considerations, timing and transition issues, and other relevant factors.

3.5.2.2 Load Following Capability: SVP desires the opportunity to elect to maintain Load following capability, through its Scheduling Coordinator or the Scheduling Coordinator of its MSS Aggregator, to match SVP's Load, and to make economic resource decisions with the resources in SVP's portfolio.

3.5.2.3 Compatibility of Market Participants: For efficient use of transmission facilities and to decrease Congestion, the ISOCAISO desires that all Market Participants operate using similar rules and ~~Schedulings~~scheduling timelines.

~~3.6 Market Design 2002.~~ The ISO is in the process, simultaneously with the negotiations of this Agreement, of redesigning the ISO markets ("MD02"). To the extent possible, and consistent with the principles of Section 3.5.2, the components of MD02 that impact Metered Subsystems will be incorporated in this Agreement. ~~If components of the MD02 design are not known until after the execution of this Agreement, the Parties agree to amend this Agreement in accordance with Sections 3.4 and 3.5.2.~~

3.6 ~~3.7~~ **Changes to Conform to FERC Orders.** Nothing in this Article III shall be interpreted to limit the ISOCAISO's right to modify the ISOCAISO Tariff or this

Agreement to comply with or conform to any FERC order, or to limit SVP's right to challenge such a proposed modification.

ARTICLE IV INTERCONNECTION

- 4.1 Points of MSS Interconnection.** The Points of MSS Interconnection are described in Schedule 1. Additional Points of MSS Interconnection may be established only by mutual agreement of the Parties, for which agreement consent shall not be unreasonably withheld.
- 4.2 Interconnection Operation Standards.** The ISO/CAISO and SVP shall maintain stable established operating parameters and control power and reactive flow within standards stated in Schedule 2.
- 4.3 Operation, Maintenance, and Load Serving Responsibilities.** SVP shall operate and maintain all its facilities forming any part of SVP's System, and shall be responsible for the supply of the Energy and Ancillary Services required to reliably provide electric service to the Loads connected to SVP's System as described in Section 3.1 within the ISO Control/CAISO Balancing Authority Area in accordance with Applicable Reliability Criteria, including WECC and NERC Reliability Standards and criteria as set out in Section 3.2.2 of this Agreement.
- 4.4 Expansion, Retirement, and Modification of Facilities.** SVP shall coordinate with the ISO/CAISO in the planning and implementation of any expansion, retirement, or modification of those facilities forming parts of SVP's System that are identified in Schedule 1, replacements for such facilities, and other facilities forming parts of SVP's System that serve similar functions or that otherwise will or may significantly affect the Points of MSS Interconnection, and shall provide sufficient advance notice to enable the ISO/CAISO to conduct any necessary studies. To the extent the CAISO determines studies are required, those studies will be performed in a reasonable period of time. The Parties will amend Schedule 1, as necessary, should a new Point(s) of MSS Interconnection be established in accordance with Section 4.1.
- 4.5 Installation of Facilities and Rights of Access**
- 4.5.1 Equipment Installation.** Pursuant to Schedule 3, the Parties shall permit one another, on reasonable notice and with mutual agreement in each case, to install equipment or have installed equipment or other facilities on the property of the other Party to enable the installing Party to meet its service obligations, unless doing so would negatively impact the reliability of service provided by the owning Party. Unless otherwise agreed, all costs of installation shall be borne by the installing Party.

- 4.5.2 Rights of Access.** A Party installing equipment on the property of the other Party shall be granted, free of charge, reasonable rights of access to inspect, test, repair, maintain and upgrade that equipment. Access shall be provided only on prior notice and such access shall not be unreasonably withheld.
- 4.5.3 ~~4.5.3~~ Request for Access.** Notwithstanding any other provision in this Section 4.5, SVP shall provide the ISOCAISO with access for inspection or audit, to anyits equipment or other facilities forming part of SVP's System, listed in Schedule 1, the operation of which affects any Point of MSS Interconnection or the ISOCAISO Controlled Grid. SVP will allow access to staffed facilities for inspection or audit during normal working hours, 8:00 a.m. to 5:00 p.m. Monday through Friday, excluding NERC defined holidays, with no prior notice. For access for inspection or audit during times outside of normal working hours, the ISOCAISO shall provide SVP with one (1) Business Day advance notice. A shorter advance notice time may be attained subject to mutual agreement of the Parties. Unless decided otherwise by SVP, an SVP supervisor is to be present at any time access is granted to any equipment or other facilities of SVP's System, the operation of which affects any Point of MSS Interconnection or the CAISO Controlled Grid.

ARTICLE V OPERATIONS

5.1 Outages

- 5.1.1 Outage Coordination.** SVP shall coordinate Outages of Generating Units and transmission facilities, including the Points of MSS Interconnection, constituting parts of SVP's System with the operators and, if mutually agreed by the CAISO and SVP, the owners of the transmission facilities with which SVP's System is interconnected so that each of those owners can take those Outages into account in coordinating maintenance of its transmission facilities with the ISOCAISO.
- 5.1.2 Scheduling Outages.** Pursuant to Schedule 4, SVP shall schedule with the ISOCAISO on an annual basis, pursuant to Schedule 4, and with updates submitted as required under CAISO Tariff Section 9.3.6, any Maintenance Outages of the equipment included in Schedule 1, and shall coordinate the Outage requirements of SVP's System with the Participating TO with which SVP's System is interconnected.
- 5.1.3 Application of Law.** Notwithstanding anything to the contrary in this Agreement, to the extent required by any valid law, regulation or order issued by any state or federal authority having jurisdiction over SVP or SVP's System, which law, regulation or order applies to entities that have executed a written undertaking required by Section 54.6 of the ISOCAISO Tariff, SVP shall coordinate Outages of Generating Units and transmission facilities constituting parts of SVP's System

with the ISOCAISO, pursuant to any generally applicable program established by the ISOCAISO to implement such law, regulation or order.

- 5.2 Safety and Reliability.** As set out in Section 3.2.2 of this Agreement, SVP shall operate and maintain SVP's System in accordance with applicable Safety Standards and reliability safety standards and Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on the ISO Controlled Grid CAISO Controlled Grid. As set forth in Section 3.2.1 of this Agreement, the CAISO shall operate and maintain the CAISO Controlled Grid and the operation of the CAISO's Balancing Authority Area in accordance with applicable Reliability Standards pursuant to WECC and NERC requirements as applicable, regulatory requirements, operating guidelines, and Good Utility Practice so as to avoid any material unplanned-for adverse impact on SVP's System. Without limiting the foregoing, SVP shall operate and maintain SVP's System, during normal and System Emergency conditions, in compliance with SVP's Emergency Action Plan ("EAP") and the requirements applicable to Utility Distribution Companies in the ISOCAISO Operating Procedures and standards. In the event any such ISOCAISO Operating Procedure or standard is revised to modify the requirements applicable to Utility Distribution Companies, the Parties shall comply with such revision.
- 5.3 Critical Protective Systems.** SVP will coordinate with the ISOCAISO, PG&E, and any Generators on SVP's System to ensure that ISOCAISO Controlled Grid Critical Protective Systems, including relay systems and other systems described in Schedule 5, are installed and maintained in order to function in a coordinated and complementary fashion with protective devices installed by SVP, PG&E, and Generators. SVP shall notify the ISOCAISO as soon as is reasonably possible of any condition that it becomes aware of that may compromise or affect the operating safety and reliability of the ISOCAISO Controlled Grid Critical Protective Systems, including the systems described in Schedule 5.
- 5.4 Control Center. Single Point of Contact.** The CAISO and SVP shall each provide a single point of contact at all hours for the exchange of operational procedures and information. SVP shall maintain and operate a control center that is staffed twenty four (24) at all hours per day, seven (7) days per week and shall, together with the ISOCAISO, establish appropriate communications facilities and procedures between SVP's control center and the ISO Control Center CAISO Control Center. In the case that SVP is also a Participating TO, there may be only one single point of contact required and, in the reasonable discretion of the CAISO, duplicative reporting requirements and functions may be waived. The initial points of contact are set forth in Schedule 6. A Party must update the information in Schedule 6 as the information changes. Changes to Schedule 6 shall not constitute an amendment to this Agreement. If SVP's MSS is part of an MSS Aggregation, SVP, the CAISO, and the MSS Aggregator may

agree that initial operational contacts during emergencies, on SVP's behalf, can be made by/through the power control center of the MSS Aggregator.

- 5.5** **5.5—Transmission Losses, Outages, and Congestion.** SVP shall be responsible for transmission losses within SVP's System and to any Points of MSS Interconnection. In addition, SVP shall be responsible for transmission line Outages and transmission Congestion within SVP's System. within SVP's System. Further, and consistent with Section 8.7, only if transmission Congestion within SVP's System is determined to be solely attributable to MSS operations (and not due to operations of non-SVP systems in the general vicinity of the MSS), SVP shall be responsible for transmission Congestion within SVP's System as specified in the CAISO Tariff Section 4.9.4.6. Except as provided in Section 3.3.1, congestion within SVP's System will be managed in accordance with the CAISO Tariff, including CAISO Tariff Section 31.3.3; however, the responsibility and allocation of costs of resolving the internal MSS Congestion shall only be applicable to SVP if such Congestion is solely attributable to SVP's MSS Operations. This Section 5.5 does not affect Congestion on the ISOCAISO Controlled Grid, which shall be managed in accordance with the ISOCAISO Tariff.

ARTICLE VI INFORMATION SHARING

- 6.1 Forecasts.** SVP shall provide to the ISOCAISO annually its ten-year forecasts of MSS Demand growth (including peak MSS Demand), internal Generation, and expansions of or replacements for those transmission facilities that are part of SVP's System identified in Schedule 1 and other transmission facilities that are part of SVP's System that serve similar functions or that otherwise will or may significantly affect any Point of MSS Interconnection. Such ~~forecast~~forecasts shall be provided on the date that Utility Distribution Companies are required to provide similar forecasts, which is currently October 15. ~~The ISO shall notify SVP of any changes in this date.~~ Peak Demand forecasts for SVP's System and shall be provided in accordance with the CAISO Tariff, and such forecasts shall be submitted weekly by SVP's Scheduling Coordinator and monthly in accordance with the ISO Demand Forecasting Protocol in accordance with Section 19.1 of the CAISO Tariff, or biannually as part of the CAISO's summer and winter assessment process, if, or as otherwise, agreed by the Parties.
- 6.2 System Surveys and Inspections.** SVP and the ISOCAISO shall cooperate to perform system surveys and inspections of facilities at or near the Points of MSS Interconnection that may significantly affect the facilities of the other Party.
- 6.3 Maintenance Schedules.** SVP shall provide the ISOCAISO on an annual basis with a schedule of planned maintenance of those generation and transmission facilities identified in Schedule 1, and other transmission facilities serving a similar function or which otherwise would significantly affect the ISO

~~Control~~CAISO Balancing Authority Area in accordance with Schedule 4. SVP and the ISOCAISO shall also maintain records of the Maintenance Outages scheduled by SVP on such facilities and their actual duration.

6.4 Reliability Information. SVP and the ISOCAISO shall each have the obligation to inform the other Party, as promptly as possible, of any circumstance of which it becomes aware (including, but not limited to, abnormal temperatures, storms, floods, earthquakes, and equipment depletions and malfunctions and deviations from Registered Data and operating characteristics) that is reasonably likely to threaten the reliability of the ISOCAISO Controlled Grid or the integrity of SVP's System, respectively. SVP and the ISOCAISO each shall also inform the other Party as promptly as possible of any incident of which it becomes aware (including, but not limited to, equipment outages, over-loads or alarms) which, in the case of SVP, is reasonably likely to threaten the reliability of the ISOCAISO Controlled Grid, or, in the case of the ISOCAISO, is reasonably likely to adversely affect SVP's System. Such information shall be provided in a form and content which is reasonable in all the circumstances, sufficient to provide timely warning to the other Party of the potential threat and, in the case of the ISOCAISO, not unduly discriminatory with respect to the ISOCAISO's provision of similar information to other entities.

6.5 Major Outage Reports. SVP shall promptly provide such information as the ISOCAISO may reasonably request concerning SVP's operation of SVP's System to enable the ISOCAISO to meet its responsibility under the ISOCAISO Tariff to conduct reviews and prepare reports following major Outages. Where appropriate, the ISOCAISO will provide appropriate assurances that the confidentiality of commercially sensitive information shall be protected. The ISOCAISO shall have no responsibility to prepare reports on Outages that affect customers on SVP's System, unless the Outage also affects customers connected to the system of another entity within the ISO ~~Control~~CAISO Balancing Authority Area. SVP shall be solely responsible for the preparation of any reports required by any governmental entity or the WECC with respect to any Outage that affects solely customers on SVP's System. The CAISO shall promptly provide such information as SVP may reasonably request concerning the CAISO's operation of the CAISO Balancing Authority Area to enable SVP to meet its responsibility to conduct reviews and prepare reports following major Outages as required by any governmental entity or the WECC. Where appropriate, SVP will provide assurances that the confidentiality of commercially sensitive information shall be protected.

6.6 Annual Reviews and Reports

6.6.1 The ISOCAISO Annual Reviews and Reports. The CAISO shall make available to SVP any public annual reviews or reports regarding performance standards, measurements or incentives relating to the ISOCAISO Controlled Grid

that the ISOCAISO makes available to MSS Operators, MSS Aggregators and Participating TOs.

- 6.6.2 SVP Annual Reviews and Reports.** SVP shall make available to the ISOCAISO any public annual reviews or reports regarding performance standards, measurements or incentives relating to SVP's System that may affect the ISO Control/CAISO Balancing Authority Area.
- 6.6.3 Joint Reporting.** The ISOCAISO and SVP shall jointly develop any necessary forms and procedures for collection, study, treatment, and transmittal of system data, information, reports and forecasts.
- 6.7 Direct Telemetry.** SVP shall install and maintain direct telemetry links to the ISOCAISO's EMS system to provide real-time data to the ISOCAISO, including but not limited to Generation output, line and transformer flows at the SVP Points of MSS Interconnection, and bus voltages at the SVP Points of MSS Interconnection and at each Generating Unit, subject to any exemption available in accordance with the ISOCAISO Tariff. Additional data points to be transmitted to the ISOCAISO EMS system will be mutually agreed by the ISOCAISO and SVP.

ARTICLE VII EMERGENCY OPERATIONS

7.1 In General.

Except with respect to Sections 7.1.2, 7.1.3, 7.4.1, 7.4.4, 7.4.5, 7.4.2, 7.5.1, and 7.5.2, 7.5.2 and provisions regarding SVP's UFLS program, or unless SVP is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 4.5.37.7.11.4 of the ISOCAISO Tariff, the terms of this Article VII shall only apply during a System Emergency that is not a result of a deficiency of resources to serve Loads Demand in the ISO Control/CAISO Balancing Authority Area but instead occurs due to operating contingencies, which may include but not be limited to forced loss of resources and/or transmission components or may otherwise be caused by an Uncontrollable Force, as further described in Attachment B to the SVP Emergency Action Plan ("EAP."). The EAP shall include the operational steps SVP shall take during System Emergencies, when the CAISO implements its System Emergency-related Operating Procedures.

Under the direction of the CAISO, subject to the provisions of this Article VII, SVP shall follow all instructions as they pertain to the CAISO's System Emergency-related Operating Procedures, including actions to be taken by SVP with respect to Generation, Ancillary Services, and the handling of Load reductions as specified in the EAP.

SVP, through its MSS Aggregator, if applicable, shall provide all necessary Load and Generation data associated with the CAISO's System Emergency-related Operating Procedures, including Generation supplied, Load shed, and reserves made available during the time of a CAISO declared System Emergency.

In the event a System Emergency occurs or the ISO/CAISO determines that a System Emergency is threatened or imminent, SVP shall, in accordance with Good Utility Practice and the SVP EAP: (a) comply with all directions from the ISO/CAISO concerning the management and alleviation of a threatened or actual System Emergency, which may include shutting down or starting a Generating Unit, altering the scheduled delivery of Energy or Ancillary Services into or out of the ISO Controlled Grid, to or from, as well as within, the CAISO Balancing Authority Area, and/or disconnecting SVP Load from the ISO/CAISO Controlled Grid; and (b) comply with all other procedures concerning System Emergencies set out in SVP's EAP, the ISO Protocols, and ISO/CAISO Operating Procedures, in accordance with the applicable provisions of this Agreement. Except in the circumstance of a System Emergency, the ISO/CAISO will not have the right to request SVP to offer to the ISO excess CAISO any available generating capacity from its Generating Units, alter the scheduled delivery of Energy or Ancillary Services into or out of the ISO/CAISO Controlled Grid, or disconnect Load from the ISO/CAISO Controlled Grid. Without limiting the generality of the foregoing:

- 7.1.1 Generating Unit Availability.** When requested by the ISO/CAISO during a System Emergency, SVP will coordinate the operation of the Generating Units of SVP's System listed in Schedule 14 to supply the ISO/CAISO with generating capacity and/or Energy that can be made available by those Generating Units in order to make available as much generating capacity and/or Energy as possible to the ISO/CAISO during the term of any System Emergency, consistent with: (a) maintaining the supply adequate Supply of Energy to Loads meet measured Demand on SVP's System, other than in accordance with Section 7.4 of this Agreement; and (b) due consideration for the provisions of Section 3.1 and particular SVP obligations identified in the EAP attached to Schedule 11 or in the limitations specified in Schedule 14 resulting from, but not necessarily limited to: (1) licenses/permits related to Generation (including air emission constraints), (2) water release constraints imposed by regulatory agencies, (3) internal policies related to fuel and contract management, and (4) abnormal generation and transmission maintenance, provided that SVP shall provide the ISO/CAISO with advance notice of any changes to the SVP EAP or the limitations in Schedule 14 that SVP's obligations impose on the operation of the Generating Units of SVP's System, and any changes agreed to by the ISO/CAISO shall be amendments to this Agreement. For that purpose, SVP shall provide the ISO/CAISO with any update to the SVP EAP and any change in Schedule 14 with regard to the any limitations on the operation of the Generating Units of SVP's System. SVP shall provide the ISO/CAISO updates regarding the status of the limitations in Schedule 14 promptly whenever it becomes aware of factors that affect such

limitations, provided that updates shall be provided at least quarterly and no updates may be provided later than the deadline for the submission by other Generators of changes in limitations on the operation of Generating Units, which is currently the deadline for the submission of final Hour Ahead Schedules Bids into the Real-Time Market, except when a change is due to a Forced Outage. In making as much generating capacity and/or Energy available that can be made available by its Generating Units to the ISO/CAISO as possible for use in System Emergency conditions, subject to the foregoing, SVP shall:

- 7.1.1.1 Schedule, or reschedule, in the form of a Bid, and operate to the maximum extent possible, the Generating Units and other sources of power of SVP's System within and ~~without the ISO's Control~~ outside the CAISO's Balancing Authority Area to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units and other resources to the ISO/CAISO; and
- 7.1.1.2 Reschedule outages Maintenance Outages of equipment and facilities, including Generating Units and any facilities that ~~which may~~ impact the operation of Generating Units, to maximize the amount of generating capacity and/or Energy available that can be made available by those Generating Units to the ISO/CAISO unless rescheduling of such Maintenance Outages is likely to cause damage to equipment and facilities.
- 7.1.2 **CAISO Dispatch Instructions.** In the event that the ISO issues a System Emergency Dispatch instruction that CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, that (i) contravenes the SVP EAP attached to Schedule 4411, or (ii) contravenes any limitation set forth in Schedule 14 duly communicated in accordance with Section 7.1.1, or (iii) is a result of a System Emergency that is due to the failure of other Load Serving Entities to provide resources adequate to meet measured Demand and maintain Operating Reserves in accordance with the CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff, as described in Section 7.1.5 of this Agreement, SVP or its Scheduling Coordinator shall not be required to follow that instruction, although it may consent to do so in a particular case (without prejudice to SVP's right to direct its Scheduling Coordinator to decline any such instructions thereafter). If SVP consents to follow the CAISO's Dispatch Instructions, including Exceptional Dispatch Instructions, SVP shall be compensated pursuant to the provisions set forth in Section 7.1.3. Further, the CAISO and SVP operators shall log the time and substance of the CAISO request, including the start and end times for such requested SVP Energy or capacity. If not determined at the time of the initial CAISO request, the amount and source(s) of SVP's Energy or capacity provided by SVP in response to the CAISO's request will be determined by SVP and reported to the CAISO as soon as reasonably practical. If SVP or its Scheduling Coordinator does not chooses not to follow such an instruction, it shall notify the ISO/CAISO as soon as possible that it will

not follow the Dispatch instruction~~Instruction, including an Exceptional Dispatch Instruction, due to the previously communicated limitation-~~, and it shall not be subject to Uninstructed Imbalance Energy as specified in Section 11.5.2 of the CAISO Tariff and Uninstructed Deviation Penalties as specified in Section 11.23 of the CAISO Tariff.

In the event the CAISO issues a Dispatch Instruction, including an Exceptional Dispatch Instruction, not in accordance with a SVP submitted Bid or Self-Schedule, SVP shall be compensated pursuant to the provisions set forth in Section 7.1.3.

Any SVP following of a CAISO Dispatch Instruction, which may include an Exceptional Dispatch Instruction, under this Article VII shall be compensated pursuant to the provisions set forth in Section 7.1.3.

7.1.3-7.1.3 Compensation. SVP's Scheduling Coordinator shall receive compensation for generating capacity and/or Energy supplied in response to System Emergency Dispatch instructions issued by the ISO pursuant to Section 7.1.2 in accordance with the ISO CAISO Tariff.

Unless SVP notifies the CAISO of its election to use an alternative method of calculating the Default Energy Bid pursuant to Section 39.7 of the CAISO Tariff, SVP's Default Energy Bid shall be calculated using the Negotiated Rate Option.

If the CAISO Tariff ceases to include provisions utilizing a Negotiated Rate Option for Default Energy Bids, the Parties shall promptly meet to negotiate an alternative pricing arrangement.

7.1.4 Communication. During a System Emergency, the ISO CAISO and SVP shall communicate through their respective control centers and in accordance with procedures established in this Agreement and the ISO CAISO Tariff.

7.1.5 System Emergency Due to Deficiencies. Notwithstanding anything to the contrary in Articles V, VII, VIII, IX, or X of this Agreement or any ISO CAISO Tariff provision, SVP shall not be expected or required to curtail Load or offer to the ISO CAISO generating capacity or Energy from its Generating Units in a System Emergency that is due to the failure of other Load serving entities Serving Entities to provide resources adequate to serve Load meet measured Demand and maintain Operating Reserves or maintain an Approved Credit Rating in accordance with the ISO CAISO Tariff or meet the credit requirements of Section 12 of the CAISO Tariff.

7.1.5.1 Nothing in this Section 7.1.5 or this Agreement is intended to affect SVP's obligation to comply with any market mitigation requirement, including any must-offer requirement, that the FERC may impose lawfully impose upon SVP or upon MSS Operators generally. SVP recognizes that the CAISO

will comply with the terms of any such FERC order regardless of issues SVP may raise with respect to its lawfulness until such time as a final non-appealable decision is rendered.

7.2 Notice. When a System Emergency occurs, the ISOCAISO shall notify SVP's control center as part of the process by which it notifies all Utility Distribution Companies and MSS Operators of System Emergency conditions. Details of the notification process are set forth in Schedule 7.

7.3 Records. SVP and the ISOCAISO shall maintain all appropriate records with respect to operations during a System Emergency in accordance with the ISOCAISO Tariff.

7.4 Load Shedding

7.4.4 Automatic Load Shedding. SVP shall implement and have at all times operational an automatic Under Frequency Underfrequency Load Shedding (UFLS) program described in Schedule 8, and any undervoltage under-voltage relay protection program that may be described in Schedule 9.

~~**7.4.2 Manual Load Shedding Priorities.** Section 4.5.3 of the ISO Tariff provides that the ISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the ISO forecast. If Load Shedding is required solely due to insufficient resources to meet Load and/or inability to meet Operating Reserve obligations (as defined by WECC or its successor and implemented by the ISO), as determined in accordance with Section 4.5.3 of the ISO Tariff, and only if SVP is short of resources to meet its forecasted Demand and exports, as determined in accordance with Section 4.5.3 of the ISO Tariff, will SVP be required to shed Load, as directed by the ISO. SVP shall provide the ISO with detailed real time information, in graphical or tabular format for those contracts and resources that do not have direct telemetry, demonstrating its full resource sufficiency during any time that the ISO interrupted firm Load within the ISO Control Area or during which time an ISO direction to interrupt firm Load was in force, like other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and SVP and its Scheduling Coordinator shall be subject to the provisions of Section 4.5.3 of the ISO Tariff for any failure to make such demonstration.~~

7.4.5 ~~7.4.3~~ Manual Load Shedding. When called upon to do so by the ISOCAISO in accordance with this Section 7.4.2 and Section 7.4.3 to avert, manage, or alleviate a System Emergency, subject to the limitations of Sections 7.1, 7.1.1, 7.1.2, 7.1.5 and the SVP EAP, SVP shall implement the manual Load Shedding program described in Schedule 10. The ISOCAISO shall notify SVP when conditions exist that would require SVP to implement the Load curtailment and Interruptible interruptible Load programs described in Schedules 10, 10A, and 10B. Subject to the provisions of Sections 7.1.2 and 7.4.2, 7.1, 7.1.1, 7.1.2,

7.1.5, 7.4.3 and the SVP EAP, if the ISO/CAISO determines that manual Load curtailment is required to manage a System Emergency, the ISO/CAISO shall determine the amount and location, if applicable, of Load to be reduced and, to the extent practicable, shall allocate a portion of the required Demand reduction to SVP and each UDC and MSS Operator based on the ratio of its SVP's MSS Demand at the time of the ISO Control/CAISO Balancing Authority Area annual peak Demand for the previous year to total ISO Control/CAISO Balancing Authority Area annual peak Demand for the previous year, taking into account system considerations and SVP's curtailment rights. The CAISO shall consult with SVP, together with other Market Participants, in the CAISO's annual development of a prioritization schedule for the Load Shedding program in accordance with Section 7.7.7 of the CAISO Tariff.

7.4.6 Manual Load Shedding Priorities. Section 7.7.11.4 of the CAISO Tariff provides that the CAISO will determine each UDC or MSS that has insufficient resources to meet its forecasted Demand in accordance with the CAISO forecast. If Load Shedding is required solely due to insufficient CAISO resources to meet CAISO Demand and/or CAISO inability to meet Operating Reserve obligations (as defined by WECC or its successor and implemented by the CAISO), as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, and only if SVP is short of resources to meet its forecasted MSS Demand and exports, as determined in accordance with Section 7.7.11.4 of the CAISO Tariff, will SVP be required to shed Load, consistent with SVP's EAP, as directed by the CAISO. SVP shall provide the CAISO with detailed real time information, in graphical or tabular format for those contracts and resources that do not have direct telemetry, demonstrating its full resource sufficiency during any time that the CAISO interrupted firm Load within the CAISO Balancing Authority Area or during which time a CAISO direction to interrupt firm Load was in force, in the manner of other MSS Operators and UDCs seeking similar exclusion from firm Load Shedding obligations, and SVP and its Scheduling Coordinator shall be subject to the provisions of Section 7.7.11.4 of the CAISO Tariff for any failure to make such demonstration.

7.4.7 Load Restoration. Load shed in accordance with Section 7.4.1, 7.4.2, and 7.4.3 of this Agreement shall be restored pursuant to Schedule 12.

7.4.8 Coordination. The ISO/CAISO shall use reasonable efforts to coordinate SVP's Under Frequency/Underfrequency Load Shedding program with the Under Frequency/Underfrequency Load Shedding programs of other MSS Operators and Utility Distribution Companies/UDCs, and the implementation of all such other programs, so that no one entity bears a disproportionate share of Underfrequency Load Shedding in the ISO Control/CAISO Balancing Authority Area. SVP warrants that its Under Frequency/Underfrequency Load Shedding program does and will continue to fully adhere to the applicable NERC and WECC plans and requirements governing such programs, in accordance with Schedule 8.

7.4.9 Supply Levels. To the extent SVP reduces SVP's System LoadMSS Demand in response to a System Emergency, it shall exercise its best efforts, subject to the limitations contained in Sections 7.1, 7.4.3 and the SVP EAP, to maintain the same level of Generation and imports as was scheduled prior to the LoadMSS Demand reduction in order to provide the ISOCAISO with Energy, subject to the provisions of Section 7.1.2. SVP's Scheduling Coordinator shall receive compensation for any Energy or Ancillary Services made available to the ISOCAISO as a result of such Load Shedding in accordance with the ISOCAISO Tariff and ISOCAISO Operating Procedures.

7.5 Electrical Emergency Plan

7.5.4 Coordination of EEP and EAP. SVP shall cooperate with the ISOCAISO's implementation of the Electrical Emergency Plan ("EEP") developed by the ISOCAISO in accordance with Section ~~2.3.2.47.7.5~~ of the ISOCAISO Tariff. SVP shall implement SVP's EAP attached to Schedule 11 of this Agreement and filed with FERC for informational purposes, and the ISOCAISO shall cooperate with SVP's implementation of the SVP EAP.

7.5.5 Notification of Voluntary Load Curtailment. SVP will notify its customers pursuant to its EAP of any voluntary Load curtailments of which the ISOCAISO notifies SVP pursuant to the EAP.

7.5.6 Notification of Required Load Curtailment. When the ISOCAISO allocates an amount of Load curtailment to SVP pursuant to Section 7.4 of this Agreement and to the EAP to manage a System Emergency, SVP shall notify its customers and cause customers to curtail that amount of Load effectuate the required Load reductions.

ARTICLE VIII LOCAL AND REGIONAL RELIABILITY

8.1 Reliability Within SVP's System

8.1.1 SVP System Reliability. SVP shall be solely responsible for maintaining the reliability of electric service to customers in SVP's System in accordance with ~~Applicable Reliability Criteria, WECC and NERC requirements,~~ mandatory Reliability Standards as specified in Section 3.2.2, regulatory requirements, and Good Utility Practice, ~~subject to and the responsibilities of the ISO as the operator of the Control~~ CAISO, as the Balancing Authority for the Balancing Authority Area in which SVP's System is located, is also responsible for complying with the WECC and NERC Reliability Standards for the functions for which the CAISO has registered. Thus, there may well be instances where SVP customers are impacted by the reliability of the CAISO Controlled Grid, in which case it will be the CAISO's responsibility to ensure that it operates the CAISO Controlled Grid

in accordance with the mandatory NERC and WECC Reliability Standards, regulatory requirements and Good Utility Practice.

- 8.1.2 Reliability Generation.** SVP shall be responsible for any reliability Generation, Voltage Support, and Black Start service requirements within SVP's System. At the Points of MSS Interconnection, Voltage Support shall be managed in accordance with the Replacement PG&E IA and the ISOCAISO Tariff.
- 8.1.3 Reliability Support Cost.** If and to the extent the NERC or WECC criteria change or SVP does not maintain sufficient Generation to meet the reliability criteria in Schedule 16, as may be amended, as applied to SVP's System and thus avoid adverse impacts on the ISOCAISO Controlled Grid, then SVP's Scheduling Coordinator may be assessed costs incurred by the ISOCAISO to support the reliability of SVP's System. The ISOCAISO will notify SVP that the reliability criteria have not been met and the Parties shall negotiate in good faith over necessary modifications and, if they cannot reach agreement, submit the dispute to dispute resolution in accordance with Article ~~XX~~XIV of this Agreement.
- 8.2 Control Balancing Authority Area Reliability.** For the costs specified in this Article VIII, SVP, through its Scheduling Coordinator, shall be responsible for supplying or bearing its proportionate share of the costs of generating resources required for the reliability of electric service to Loads in the ~~ISO Control~~CAISO Balancing Authority Area, except for Reliability Must-Run ("RMR") Generation costs on the ISOCAISO Controlled Grid, where such costs are the responsibility of the Participating TO where the RMR Unit is interconnected, provided further that SVP is not a Participating TO. SVP, through its Scheduling Coordinator, may meet such obligation from resources it owns or with respect to which it has contractual entitlements to the Energy and Ancillary Services or it may purchase those products through the ISO's markets CAISO Markets in accordance with the terms of the ISOCAISO Tariff.
- 8.2.1 Nothing SVP System Reliability Generation.** If SVP has any reliability Generation, it will be so identified by SVP in Schedule 14. In addition, some of SVP's Generation may, in the future, provide RMR Generation services to PG&E and, only in that future instance, SVP will be subject to the terms of the CAISO Tariff applicable to RMR Generation.
- 8.2.2 Reliability Must-Run Availability.** If SVP elects to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, nothing in this Agreement shall obligate SVP to make any Generating Units available as Reliability Must-Run Generation, unless SVP notifies the ISOCAISO that it desires to participate in the RMR Unit designation process. To the extent SVP does not notify the ISOCAISO that it desires to participate in the RMR Unit designation process, the ISOCAISO agrees not to designate any SVP Generating Units as RMR Units provided SVP agrees that, in circumstances affecting local reliability of the ISOCAISO Controlled Grid that would otherwise be mitigated by RMR Units, any

Generation not being used to serve SVP Load and other firm power sales obligations will be made available to the ISO/CAISO, subject to Article VII of this Agreement.

- 8.3 Voltage Support.** Except as otherwise agreed by the Parties, unless PG&E, pursuant to the PG&E IA, directs SVP to maintain a specific power factor or voltage at any Point of MSS Interconnection for a SVP Generating Unit, SVP shall maintain the voltage/power factor on SVP's System so that the sum of the reactive flows at the Points of MSS Interconnection are at the level specified by the ISO within the power factor band of 0.97 lag to 0.99 lead. SVP shall not be compensated for maintaining the power factor at the levels required by the ISO this Section 8.3 within this bandwidth. If SVP fails to maintain the power factor at the levels specified by the ISO, SVP's Scheduling Coordinator shall bear a portion of the ISO's Voltage Support costs in accordance with Section 13.6.
- 8.4 Black Start.** SVP shall either provide its own share of ISO Control/CAISO Balancing Authority Area Black Start capability ~~or, through its Scheduling Coordinator or, to the extent SVP does not provide its own Black Start capability through its Scheduling Coordinator, SVP's Scheduling Coordinator shall bear a portion of the ISO/CAISO's Black Start costs in accordance with CAISO Tariff Section 13.7.4.9.4.5.~~
- 8.5 Ancillary Services.** ~~SVP's responsibility for the ISO Control Area~~The CAISO is entrusted with the responsibility of ensuring the sufficiency of Ancillary Services for the CAISO Balancing Authority Area. SVP's responsibility with respect to CAISO Balancing Authority Area Ancillary Services requirements of Ancillary Services shall be determined in accordance with the ISO Tariff. If SVP's Scheduling Coordinator schedules sufficient self-provided capacity complying with the applicable requirements of the ISO Tariff, which capacity is committed to the various required Ancillary Services, and maintains the Ancillary Service capacity as available to the ISO for that purpose, SVP's Scheduling Coordinator shall not be required to purchase capacity in the ISO's Ancillary Service markets. To the extent CAISO Tariff. If and to the extent that SVP's Scheduling Coordinator does not schedule/procure or Self-Provide sufficient capacity for this purpose on SVP's behalf to meet SVP's Ancillary Service Obligations, SVP may, through its Scheduling Coordinator, purchase the required capacity in the ISO/CAISO's Ancillary Service markets. To the extent SVP's Scheduling Coordinator does not maintain the availability of capacity committed to the ISO/CAISO for Ancillary Services for that purpose, the SVP's Scheduling Coordinator shall be responsible for the applicable charges under the ISO/CAISO Tariff.
- 8.6 Imbalance Energy.** ~~To the extent that sufficient Energy for the purpose of serving Load in SVP's System and exports from SVP's System, including losses, is not reflected in Schedules submitted by SVP's Scheduling Coordinator and~~

delivered in real time, SVP shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the ISO's Imbalance Energy market. The ISO will settle with SVP's Scheduling Coordinator with regard to Imbalance Energy in accordance with the ISO Tariff. SVP elects in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow SVP's Load and exports from the MSS with SVP's resources and imports into the MSS, to the extent that the net Imbalance Energy for all of SVP's Loads and exports from the MSS, and resources and imports into the MSS, is within SVP's portfolio deviation band, as specified in Section 13.12, SVP's Scheduling Coordinator will not be subject to costs or penalties other than the cost of the Imbalance Energy itself. To the extent that SVP's Scheduling Coordinator is operating outside of its portfolio deviation band, SVP's Scheduling Coordinator shall be subject to penalties as specified in Section 13.12. In following Load, SVP's Scheduling Coordinator may utilize any resource available to it regardless of whether, or at what level, that resource is reflected in Schedules submitted by SVP's Scheduling Coordinator, except with respect to any portion of the capacity of a resource for which SVP's Scheduling Coordinator has submitted an Ancillary Services capacity bid to the ISO for that resource or to the extent the ISO has issued a System Emergency operating order consistent with Section 7.1.1. If the ISO's MD02 does not result in a single ex post zonal or trading hub related price in each interval by October 1, 2002, then the ISO agrees to negotiate further with SVP to assist SVP in mitigation of charges which SVP's Scheduling Coordinator may accrue due to the separate incremental and decremental deviation prices in any single zone/trading hub when SVP's Scheduling Coordinator is operating within the deviation band for SVP's portfolio as a whole.

8.6 **8.7 MSS Aggregator.** SVP may elect to have its Load and exports from SVP's System, including losses, included in the aggregated Load and exports of its MSS Aggregator and reflected in Schedules, which may include Bids, submitted by the MSS Aggregator's Scheduling Coordinator. The terms and conditions of the MSS Aggregator's agreement with the ISO/CAISO shall govern the inclusion of SVP's Load and exports in the portfolio of the MSS Aggregator's Scheduling Coordinator regarding charges, Load following, Imbalance Energy and any application of a deviation band MSS Deviation Band provided for in the context of Load following.

8.7 **8.8—Ratings and Limits.** At no time shall the power flow between the ISO/CAISO and SVP at the Points of MSS Interconnection be allowed to cause any circuit or equipment at the Points of MSS Interconnection to exceed the allowable applicable ampacity rating or to exceed the simultaneous transfer limit between the ISO/CAISO and SVP (such simultaneous transfer limit shall be studied and established by the Parties). If the actual or anticipated power flow between the ISO/CAISO and SVP causes, or is expected to cause, a circuit at a Point of MSS Interconnection to exceed its applicable ampacity rating or such flow exceeds or is anticipated to exceed the agreed to allowable simultaneous transfer limit between the ISO/CAISO and SVP, and further if the ISO/CAISO

determines and SVP concurs with the ISOCAISO's determination, in accordance with Good Utility Practice, that SVP is the cause of such exceedance or anticipated exceedance, SVP retains the right, and the ISOCAISO shall have the right to require SVP, to take immediate action to reduce such flow on the overloaded circuit or reduce such simultaneous power flow between the ISOCAISO and SVP by one or more actions (as determined by SVP) including, but not limited to, increasing internal Generation within SVP or curtailing SVP Load as necessary. If the ISOCAISO determines, in accordance with Good Utility Practice, that SVP is not the cause of the existing or anticipated exceedance, the ISOCAISO shall notify SVP of such determination and may require third parties to take necessary action to reduce flows on overloaded circuits or reduce simultaneous power flows between the ISOCAISO and SVP if applicable and allowable through arrangements that the ISOCAISO may have with such third parties or pursuant to the ISOCAISO's authority under the ISOCAISO Tariff or its delegated jurisdictional authority through WECC or NERC. If the ISOCAISO and SVP are unable to determine a) whether SVP caused, or b) to what extent SVP may have caused, such exceedance or anticipated exceedance, or c) the Parties do not agree on the causation determination, the Parties agree, in accordance with Good Utility Practice, to confer and mutually decide what actions shall be taken.

ARTICLE IX

~~ACCESS TO THE ISO CONTROLLED GRID AND MARKETS~~ AND SCHEDULING

- 9.1 Existing Contracts and Encumbrances and Access to the ISOCAISO Controlled Grid**
- 9.1.1 Settlement Agreement.** This Agreement is intended to operate in conjunction with the Settlement Agreement. Nothing in this Agreement shall be construed or interpreted in any manner that would interfere with the terms and conditions of any Existing Contract or Encumbrance or relieve the ISOCAISO of its obligation to honor such Existing Contracts and Encumbrances, provided that SVP or its Scheduling Coordinator shall schedule its use of Existing Contracts and Encumbrances as specified in Section ~~44.39.2.3~~ of this Agreement. The Existing Contracts and Encumbrances are listed on Schedule 13.
- 9.1.2 Open Access to CAISO Controlled Grid.** SVP shall have open and non-discriminatory access to the ISOCAISO Controlled Grid for the scheduling of transactions that do not utilize Existing Contracts and Encumbrances for SVP in accordance with the ISOCAISO Tariff and for other transmission services the ISOCAISO may provide in the future under the ISOCAISO Tariff, or under any other appropriate regulatory avenue.
- 9.1.3 Use of CAISO Controlled Grid.** SVP may use the ISOCAISO Controlled Grid in accordance with the ISOCAISO Tariff to buy and sell electric products in the

~~ISO's markets~~ CAISO Markets and in bilateral transactions with other Market Participants.

9.1.4 Open Access to SVP System. SVP shall afford open and non-discriminatory access to the transmission facilities included in SVP's System to any entity qualified to obtain an order under Section 211 of the Federal Power Act (as amended by Section 721 of the Energy Policy Act of 1992), or its successor that affords such access to the transmission facilities that such entity owns or controls.

9.2 Access to ISO/CAISO Markets

9.2.1 Sales of Energy and Ancillary Services and RUC Capacity. Energy and Ancillary Services produced and RUC Capacity provided by Generating Units and Loads on SVP's System may be sold in the ~~ISO's markets~~ CAISO Markets on the terms applicable under the ISO/CAISO Tariff to Participating Generators and Participating Loads, respectively, as and further applicable to MSS Operators or MSS Aggregators in accordance with the CAISO Tariff, except where otherwise modified by this Agreement. If SVP's Scheduling Coordinator or its MSS Aggregator's Scheduling Coordinator submits a bid for Bids to provide Energy or Ancillary Services from a Generating Unit listed in Schedule 14 or Load of SVP's System, SVP warrants to the ISO/CAISO that it has the capability to provide that service in accordance with the ISO/CAISO Tariff and that it shall comply with ISO/CAISO Dispatch instructions/Instructions for the provision of the service in accordance with this Agreement. If SVP may self-provide all or any portion of its obligation for Energy and Ancillary Services in accordance with the CAISO Tariff, except as otherwise specified in this Agreement.

9.2.2 Participation in the Integrated Forward Market. Should SVP elect to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, SVP's Scheduling Coordinator submits a bid for Energy or Ancillary Services from a Generating Unit or Load within a Service Area of SVP's System, any Energy delivered from that Generating Unit or Load shall be added to the calculation of SVP's net metered Demand and exports for purposes of determining deliveries to SVP's System in assessing charges pursuant to Article XIII. must also submit Schedules, which may include Bids and Self-Schedules, of Supply in the Day-Ahead Market to match its MSS Demand Forecast as developed by SVP. Sources of Supply may include Generation, imports, Existing Transmission Contract deliveries and Inter-SC Trades.

9.2.2 Certification. SVP shall not use a Scheduling Coordinator to submit a bid for the provision of an Ancillary Service or submit a Schedule for the self provision of an Ancillary Service unless the Scheduling Coordinator serving SVP is in possession of a current certificate pursuant to Sections 2.5.6 and 2.5.24 of the ISO Tariff.

~~9.2.3 Supplemental Energy and Ancillary Service Bids.~~ Bids in the ISO's Supplemental Energy and Ancillary Service markets may only be submitted by SVP's Scheduling Coordinator.

9.2.3 Scheduling Timelines. All Bids, including Self-Schedules, submitted on behalf of SVP for delivery of Energy, Ancillary Services, and RUC Capacity to Loads in SVP's System and for exports from SVP's System shall be submitted by a Scheduling Coordinator certified in accordance with the applicable provisions of the CAISO Tariff that has entered into a Scheduling Coordinator Agreement with the CAISO that is currently in effect. The Scheduling Coordinator may be SVP itself, NCPA, or another Scheduling Coordinator designated by SVP. Except as otherwise specified in this Section 9.2, SVP's Scheduling Coordinator shall submit all Bids, including (i) Self-Schedules for the use of its Existing Contracts and Encumbrances, and Transmission Ownership Rights ("TOR") comprising SVP's System, (ii) Bids and Self-Schedules for the use of the CAISO Controlled Grid as a new firm use, and (iii) Bids, including but not limited to Self-Schedules, for the delivery (including self-provision) of Energy and Ancillary Services, within the timelines established by the CAISO Tariff. SVP's Scheduling Coordinator shall not be precluded from making real-time changes if such scheduling capability is afforded SVP under Existing Contracts, Encumbrances or the Settlement Agreement pursuant to Schedule 13 of this Agreement. Schedule 13 includes any scheduling timelines required for Existing Contracts and Encumbrances, and Transmission Ownership Rights comprising SVP's System. If SVP elects to perform Load following in accordance with Section 4.9.13 of the CAISO Tariff, SVP's Scheduling Coordinator shall have the ability to deviate from its real-time scheduled amounts in order to follow Load as described in Section 12.12 and not be restricted by the scheduling timelines established by the CAISO Tariff.

9.2.4 Black Start and Voltage Support. SVP or its Scheduling Coordinator shall be entitled to bid the resources on SVP's System in any open solicitation held by the ISO/CAISO for Black Start or Voltage Support services, provided that the supply of any service by SVP shall not impair its ability to provide the service it is required by Article VIII of this Agreement to provide for SVP's System, and, if the services are sold to the ISO/CAISO, SVP or its Scheduling Coordinator shall provide such services in accordance with the ISO/CAISO Tariff.

9.3 Congestion Revenue Rights. SVP as a Load Serving Entity is eligible to participate in and receive an allocation of CRRs through the CRR Allocation process in accordance with Section 36 of the CAISO Tariff. SVP, in order to participate in the CRR Allocation process, has executed, and shall maintain in effect, a *pro forma* CRR Entity Agreement in accordance with the CAISO Tariff. SVP shall be able to utilize its staff, NCPA staff and other consultants to enter SVP CRR nomination/bid information into, and download SVP CRR nomination/bid information from, the CAISO's CRR system.

ARTICLE X
GENERATING UNITS AND MARKET-PARTICIPATING LOADS

10.1 Identification of Resources. SVP has identified in Schedule 14 the individual Generating Units and Participatingmarket-participating Loads that it owns, operates or to which it has a contractual entitlement, ~~that are connected to SVP's System.~~

10.1.1 Technical Characteristics. SVP has provided to the ISOCAISO in Schedule 14 the required information regarding the capacity and operating characteristics of each of the Generating Units and Participatingmarket-participating Loads listed in that ~~schedule~~Schedule. The ISOCAISO may verify, inspect, and test the capacity and operating characteristics provided in Schedule 14, and any changes thereto made pursuant to Section 10.1.2 of this Agreement, in accordance with Section ~~2.5.258.10~~10 of the ISOCAISO Tariff.

10.1.2 Notification of Changes. SVP shall notify the ISOCAISO sixty (60) days prior to any change to the information provided in Schedule 14, provided that such notice shall not be required for changes to parameters of operating limitations set forth in Schedule 14, which shall be made in accordance with the ISOCAISO's Operating Procedures. The Parties shall amend Schedule 14, as applicable, to reflect that change. Subject to such notification, and verification, inspection, and testing in accordance with Section 10.1.1, but without waiting for the execution and effectiveness of an amended Schedule 14, the Parties shall implement any new information for a Generating Unit or Participatingmarket-participating Load identified in Schedule 14 upon the effective date for the next scheduled update to the ISOCAISO's Master File.

10.1.3 Generating Unit Limitations. Nothing in this section shall preclude SVP from informing the ISOCAISO of changes in limitations on the operation of a Generating Unit, as provided in Section 7.1 of this Agreement, or to comply with environmental laws and regulations, provided that SVP provides the ISOCAISO with advance notice of any changes in such limitations.

10.2 Generating Unit Operation

10.2.1 Generating Unit Telemetry. SVP shall install and maintain direct telemetry links to the ISOCAISO's EMS system for each SVP Generating Unit that enable the ISOCAISO to view the status, voltage, and output of the Generating Unit and ISOCAISO certified meters that transmit data automatically to the ~~ISO's meter data acquisition system~~CAISO's Revenue Meter Data Acquisition and Processing System. SVP shall calculate and specify to the ISOCAISO any distribution loss factor applicable to the Generating Units of SVP's System.

10.2.2 Regulation Ancillary Services. If SVP, through its Scheduling Coordinator, chooses to ~~supply~~submit Bids to Supply Regulation or self-provide to make a Submission to Self-Provide an Ancillary Service for Regulation from a Generating

Unit, it must provide the ISOCAISO with control over the Generating Unit providing Regulation and place the Generating Unit on Automatic Generation Control ("AGC") responsive to the ISOCAISO's Regulation signal. Regulation service shall be provided in accordance with the ISOCAISO Tariff. SVP or its Scheduling Coordinator may adjust output of the Generating Units of SVP's System, in response to SVP's, or its MSS Aggregator's, Load following needs, ~~if elected in accordance with Section 23.12 of the ISO Tariff~~, provided that, if SVP is providing Regulation to the ISOCAISO from any Generating Unit, it may not adjust the output of that Generating Unit unless the integrity of the ISOCAISO's Regulation signal, and the continuous responsiveness of such Generating Unit, via AGC, to the ISOCAISO's Regulation signal, is not compromised. If the ISOCAISO determines that the integrity of the ISOCAISO's Regulation signal or the continuous responsiveness to the ISOCAISO's Regulation signal is compromised, SVP's Generating Unit shall be deemed not to have provided the Regulation, and SVP shall be subject to the provisions of the ISOCAISO Tariff applicable to failure to provide Regulation. To the extent that SVP chooses not to provide Regulation from an SVP Generating Unit, the ISOCAISO shall not control the Generating Unit via a direct link between the ISO and the Generating Unit without SVP's consent.

10.3 ISOCAISO Authority to Issue Dispatch Instructions for SVP Resources.

The ISOCAISO's authority to issue Dispatch Instructions, including Exceptional Dispatch Instructions, for any portion of the capacity of any Generating Unit of SVP, other than in accordance with a bid Bid submitted to the ISOCAISO by SVP's Scheduling Coordinator, is set forth in and subject to Section 7.1 of this Agreement.

10.4 WECC Requirements Applicable to Participating Generators

10.4.1 Reliability Criteria. Except as provided in Section 7.1, SVP shall comply with the requirements of Section 5.44.6.5 of the ISOCAISO Tariff applicable to Participating Generators in accordance with Section 3.2.2.

10.4.2 Payment of WECC Sanctions. SVP shall be responsible for payment directly to the WECC of any monetary sanction assessed against SVP by the WECC, as provided in Section 5.4.34.6.5.3 of the ISOCAISO Tariff.

ARTICLE XI SCHEDULING

11.1 ~~Scheduling Coordinator.~~ ~~All Schedules submitted on behalf of SVP for the delivery of Energy and Ancillary Services to Loads in SVP's System and for exports from SVP's System shall be submitted by a Scheduling Coordinator certified in accordance with the applicable provisions of the ISO Tariff that has entered into a Scheduling Coordinator Agreement with the ISO that is currently in~~

effect. The Scheduling Coordinator may be SVP itself or a Scheduling Coordinator designated by SVP.

~~11.2 Self-Provided Energy and Ancillary Services.~~ SVP may self provide all or any portion of its obligation for Energy and Ancillary Services. Whether or not SVP engages in such self-provision, SVP's Scheduling Coordinator shall include the gross output, less auxiliary load, of each Generating Unit and import from which SVP meets that obligation and the gross Load served on SVP's System and gross exports from SVP's System in Schedules submitted to the ISO. If the ISO amends the ISO Tariff to relieve Scheduling Coordinators of the obligation to schedule gross Generation, imports, Loads, and exports, and the amendment would have applied to SVP in the absence of this Agreement, the Parties shall negotiate an amendment to this Agreement to conform the obligations of this section to the modified procedures.

~~11.3 Scheduling Timelines.~~ SVP's Scheduling Coordinator shall submit all Schedules, including Schedules for the use of its Existing Contracts and Encumbrances, Schedules for the use of the ISO Controlled Grid as a new firm use, and Schedules for the self-provision of Energy and Ancillary Services, within the timelines established by the ISO Tariff. SVP's Scheduling Coordinator shall not be precluded from making real-time changes if such scheduling capability is afforded SVP under Existing Contracts or Encumbrances or the Settlement Agreement. Schedule 13 includes any Scheduling timelines required for Existing Contracts and Encumbrances. SVP's Scheduling Coordinator shall provide to the ISO by 8:30 a.m. on the day prior to the Trading Day, a reservation amount for the California-Oregon Transmission Project ("COTP") that will not exceed SVP's Encumbrance. This reservation amount will be the maximum amount usable by and available to SVP on the COTP in the Day Ahead Market, the Hour Ahead Market and for real-time scheduling changes in accordance with Schedule 13 of this Agreement.

ARTICLE XII METERING

~~11.1 12.1 CAISO Certified Revenue Quality Metering.~~ SVP shall ensure installation of ISOCAISO-certified revenue quality meters and associated equipment at (a) the Points of MSS Interconnection, and, (b) for each Generating Unit connected to SVP's System, listed in Schedule 14, at each bus to which one or more Generating Units is connected, provided that the Demand of any Load at that bus, other than a Generating Unit auxiliary load Load, is separately metered.

~~11.2 12.2 Metering Requirements.~~ The provisions of the ISOCAISO Tariff applicable to ISOCAISO Metered Entities shall apply to SVP, subject to the particular rights and obligations of the Parties with respect to metering set forth in Schedule 15, 15 of this Agreement, including access to and testing of SVP's meters.

11.3 ~~12.3~~ **SVP SQMD Calculation.** The calculation of SVP's Settlement Quality Meter Data ("SQMD") shall be in accordance with Schedule 15.15 of this Agreement.

ARTICLE XIII **CHARGES**

12.1 ~~13.4~~ **Charges Generally.** Except as may be provided otherwise in the provisions of contained within this Article XIII or other Sections of this Agreement, SVP's Scheduling Coordinator shall be responsible for charges incurred in accordance with Sections 4.9 and 11 of the ISOCAISO Tariff, provided that nothing in this Agreement shall prohibit SVP from challenging the allocation of any new charge under the ISOCAISO Tariff to SVP on the ground that the proposed charge is not appropriately assessed against an MSS Aggregator and/or an MSS Operator, or on any other ground. Further, except as specifically provided in this Agreement, SVP shall only be responsible for charges allocated by the ISOCAISO Tariff to Participating TOs if it becomes a Participating TO, as permitted by Section 3.3.7. CAISO and SVP recognize that Section 12.7.2 below is before the FERC and subject to modification based on a prospective FERC order. The Parties recognize that the FERC is expected to rule on the CAISO's Request for Clarification or Rehearing filed on July 21, 2008 and that such ruling could impact Section 12.7.2. To the extent that the anticipated FERC order requires a change to the existing language of Section 12.7.2, the Parties will promptly meet to amend this Agreement consistent with the FERC order. This provision is not intended to waive any arguments any party may have made or any positions it has taken or may take in that proceeding.

~~13.2~~ **Transmission Losses.** SVP's Scheduling Coordinator shall be responsible for transmission losses, in accordance with the ISO Tariff, only for the delivery of Energy to SVP's System or from SVP's System, provided SVP fulfills its obligation to provide for transmission losses on the transmission facilities forming part of SVP's System in accordance with Section 5.5 of this Agreement. A Generation Meter Multiplier ("GMM") shall be assigned to the Generating Units on SVP's System at the Points of Interconnection for use of the ISO Controlled Grid. That GMM shall be 1.0 for all Generating Units within SVP's System that are located at or behind a Point of Interconnection, to the extent that the Load at the Point of Interconnection for that portion of SVP's System exceeds the amount of Generation produced by the Generating Units connected to that portion of SVP's System, except that a GMM shall be calculated by the ISO for Energy produced pursuant to a Dispatch instruction from the ISO.

~~13.3~~ **Congestion Costs.** SVP's Scheduling Coordinator shall be responsible for Usage Charges and Grid Operations Charges, and any successor charges through which the ISO collects Congestion costs from Scheduling Coordinators,

in accordance with the ISO Tariff only with respect to SVP's Scheduling Coordinator's delivery of Energy and Ancillary Services to SVP's System or from SVP's System, including SVP's Scheduling Coordinator's delivery of Energy and Ancillary Services from Generating Units on SVP's System to SVP's System Loads other than Loads within the same Service Area to which the Generating Units are connected, provided that SVP fulfills its obligation to manage Congestion on SVP's System and at the Points of Interconnection at its own cost in accordance with Section 5.5 of this Agreement.

12.2 Congestion Management. SVP shall be responsible for the cost of managing and relieving transmission Congestion within SVP's System as specified in Section 5.5, only to the extent that the cause of the transmission Congestion within the SVP System is a direct result of, and solely attributed to, the operations or actions of SVP. To the extent that transmission Congestion within SVP's System is due to actions not directly related to operations of SVP's System, and the CAISO utilizes Exceptional Dispatch Instructions to resolve the identified transmission Congestion internal to SVP's System, the resulting costs attributed to CAISO actions will be allocated pursuant to the provisions specified in Section 11.5.6.2.5.2 of the CAISO Tariff, and will not be solely allocated to SVP.

12.3 13.4 Unaccounted-For for Energy Costs. SVP's System shall be treated as a Utility Distribution Company utility Service Area for purposes of allocating responsibility for Unaccounted- for Energy costs in accordance with Section 11.5.3 of the ISOCAISO Tariff.

12.4 13.5 Reliability Generation. SVP shall be responsible for the costs of maintaining the reliability of transmission facilities in SVP's System, including costs of Generating Units operated by or on behalf of SVP for that purpose. If and to the extent SVP does not maintain sufficient Generation to meet the reliability criteria in Schedule 16 as applied to SVP's System and thus avoid material adverse impacts on the ISOCAISO Controlled Grid, then SVP may be assessed costs incurred by the ISOCAISO to support the reliability of SVP's System.

13.6 Voltage Support Costs. ~~If and to the extent SVP does not satisfy the Voltage Support obligations set forth in accordance with Section 8.3 of this Agreement, SVP's Scheduling Coordinator shall bear a proportionate share of the ISO's Voltage Support cost in accordance with the ISO Tariff.~~

13.7 Black Start Costs. ~~If and to the extent SVP does not provide its own Black Start capability in accordance with Section 8.4 of this Agreement, SVP's Scheduling Coordinator shall bear a proportionate share of the ISO's Black Start cost in accordance with the ISO Tariff.~~

12.5 13.8 Neutrality Costs. SVP's Scheduling Coordinator's obligation to pay neutrality adjustments and Existing Contracts cash neutrality charges (or collect refunds) shall be based on SVP's net metered MSS Demand and exports from

the ISO Control Area—CAISO Balancing Authority Area irrespective of the SVP's MSS (or its MSS Aggregator's) Settlement election as specified in Section 4.9.13 of the CAISO Tariff.

12.6 ~~13.9~~ **CAISO Balancing Authority Area Summer Reliability Costs.** SVP, through its Scheduling Coordinator, shall have the option to avoid any share of the ISO/CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to ISO/CAISO Tariff Section 2.3.5.1.8.42.1.8. In order to avoid such costs, SVP shall secure capacity reserves on an annual basis at least equal to one hundred fifteen percent (15115%) of its the peak SVP MSS Demand responsibility, and SVP shall provide documentation to the ISO ~~of CAISO~~ showing the resources proposed to meet that MSS peak Demand responsibility plus such capacity reserves. Such capacity reserves may include peaking capacity. Such capacity resources may include, but are not limited to, generating resources, firm power purchases, ETC supply contracts, on-demand rights to Energy, peaking resources, and SVP's MSS Demand reduction programs. For the purposes of this Section 12.6, the MSS peak Demand responsibility shall be equal to the forecasted annual coincident MSS peak Demand Forecast plus any firm power sales by SVP plus any SVP's on-demand obligations to third parties, less interruptible Loads. To the extent that SVP demonstrates its provision of capacity reserves in accordance with this Section 12.6 by November 1 for the next calendar year, SVP's Scheduling Coordinator shall not be obligated to bear any share of the ISO/CAISO's costs for any summer Demand reduction program or for any summer reliability Generation procurement program pursuant to ISO/CAISO Tariff Section 2.3.5.1.8.42.1.8.

13.10 ~~**Generating Unit Minimum Load, Emissions, and Start-Up Costs.**~~ If the ISO is compensating Generating Units for Minimum Load Costs, Emissions Costs, and Start-Up Costs, and SVP has elected to follow its Load in accordance with Section 8.6, then SVP shall elect either the option set forth in Section 13.10.1 or the option set forth in Section 13.10.2. If SVP has not elected to follow its Load in accordance with Section 8.6, then SVP may not elect the option set forth in Section 13.10.2.

13.10.1 ~~SVP may elect to be eligible for recovery of Minimum Load Costs and charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of SVP's System. If SVP makes such election, then the Scheduling Coordinator for SVP shall bear its proportionate share of the total amount of those costs incurred by the ISO in accordance with the ISO Tariff.~~

13.10.2 ~~SVP may elect not to be eligible for recovery of Minimum Load Costs and not to charge the ISO for the Emissions Costs and Start-Up Costs of the Generating Units serving the Load of SVP's System. If SVP makes such election, then the Scheduling Coordinator for SVP shall bear its proportionate share of the total amount of those costs incurred by the ISO based on SVP's Net Negative Uninstructed Deviations.~~

~~13.10.3~~ SVP shall make the election whether to be eligible for Minimum Load Cost recovery and charge the ISO for the subject Generating Unit Emissions Costs and Start-Up Costs annually by November 1 for the following calendar year.

~~13.11 Grid Management Charge Adjustment for MSS Load Following.~~ If the ISO is charging Grid Management Charges for uninstructed deviations (currently the Energy Transmission Services Uninstructed Deviations Charge and a portion of the Market Usage Charge), and if SVP's Scheduling Coordinator has uninstructed deviations associated with Load following from resources listed in Schedule 14, then the ISO will net the Generation and imports into the MSS to match the Load and exports out of the MSS, and will not assess Grid Management Charges associated with uninstructed deviations for such portion of Energy that is used to match MSS Load and net exports out of the MSS. If Generation and imports into the MSS are above the amount to cover Load and exports out of the MSS, and were sold into the ISO's Imbalance Energy market, then SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. If Generation and imports into the MSS are below the amount to cover Load and exports out of the MSS, and Imbalance Energy is purchased from the ISO, then SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with uninstructed deviations for this quantity. SVP's Scheduling Coordinator will otherwise be assessed all remaining components of the Grid Management Charge in accordance with the ISO Tariff.

~~13.12 Deviation Band and Penalties Calculation.~~ Subject to an election by SVP made in accordance with Section 23.12 of the ISO Tariff to have its Scheduling Coordinator follow Load, the ISO will settle with SVP's Scheduling Coordinator with regard to Imbalance Energy, based on the applicable zonal or locational ex post prices, in accordance with the ISO Tariff. For purposes of assessing penalties to SVP's Scheduling Coordinator associated with operating outside the portfolio deviation band described in Section 8.6, the portfolio deviation band shall be three percent (3%) of the lesser of SVP's metered or Hour Ahead scheduled Demand and exports from the MSS, adjusted for Forced Outages and any ISO directed firm Load Shedding, for SVP's portfolio as a whole. Penalties for operating outside of the deviation band will be based on a price that is the effective weighted average ex post price applicable to SVP for the billing interval. If the metered Generation resources and imports into the MSS exceed the Demand, exports out of the MSS, and Energy expected to be delivered by SVP in response to the ISO's Dispatch instructions and/or Regulation set point signals issued by the ISO's AGC by more than the deviation band, then the ISO will take back its payment for Imbalance Energy by assessing SVP's Scheduling Coordinator a penalty of one hundred percent (100%) of the amount of Imbalance Energy that is outside the deviation band. If metered Generation resources and imports into the MSS are deficient in meeting Demand, exports out of the MSS, and Energy expected to be delivered by SVP in response to the ISO's Dispatch instructions and/or Regulation set point signals issued by the ISO's AGC by more than the deviation band, then SVP's Scheduling Coordinator

shall be assessed a two hundred percent (200%) penalty for the amount of Imbalance Energy that is outside of the deviation band, in addition to the Imbalance Energy charges that may be applicable. SVP shall not oppose the ISO's allocation of the proceeds of any deviation band penalties as an offset to the ISO's Grid Management Charge.

12.7 Allocation of Net IFM Bid Cost Uplift. SVP's Scheduling Coordinator's obligation to pay Net IFM Bid Cost Uplift charges shall be based on the following two tier structure:

12.7.1 Tier 1 IFM Bid Cost Uplift. The hourly Net IFM Bid Cost Uplift is allocated to SVP's Scheduling Coordinator in proportion to SVP's MSS non-negative IFM Load Uplift Obligation, but with an IFM Bid Cost Uplift rate not exceeding the ratio of the hourly Net IFM Bid Cost Uplift for the Trading Hour divided by the sum of all hourly Generation scheduled in the Day-Ahead Schedule and IFM upward AS Awards for all Scheduling Coordinators from CAISO-committed Bid Cost Recovery Eligible Resources in that Trading Hour. The IFM Load Uplift Obligation for SVP's Scheduling Coordinator is the difference between the total Demand scheduled in the Day-Ahead Schedule of that Scheduling Coordinator and the sum of the scheduled Generation and scheduled imports from the Self-Schedules in the Day-Ahead Schedule of that Scheduling Coordinator, adjusted by any applicable Inter-SC Trades of IFM Load Uplift Obligations.

13.13 Replacement Reserve Allocation. MD02 includes the elimination of Replacement Reserve by October 1, 2002. If Replacement Reserve is not eliminated by October 1, 2002, the Parties agree to negotiate a change to the ISO's allocation of Replacement Reserve costs to SVP to bring that allocation into conformance with the settlement principles of Section 8.6.

12.7.2 Tier 2 IFM Bid Cost Uplift. The Scheduling Coordinator for SVP as the MSS Operator that has elected both to not follow its Load and gross Settlement will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to SVP's Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules. The Scheduling Coordinator for SVP as the MSS Operator that has elected to follow its Load or net Settlement, or both, will be charged for an amount equal to any remaining hourly Net IFM Bid Cost Uplift for the Trading Hour in proportion to SVP's MSS Aggregation Net Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules.

13.14 Penalties for Failure to Provide Ancillary Services Capacity. The Parties agree that Ancillary Services should be provided from the resources that the ISO actually instructs to respond and that the resources instructed to deliver Ancillary Services are expected to provide an incremental response consistent with the standards for the Ancillary Service. However, since SVP's Scheduling Coordinator may simultaneously be undertaking economic trades or following

~~Loads using the same resource that the ISO has instructed to deliver Ancillary Services, the ISO will incorporate SVP's documented Load following instructions into its evaluation of Ancillary Services compliance. Penalties for failure to provide committed Ancillary Services capacity will be assessed by the ISO in accordance with the ISO Tariff, on an individual Generating Unit basis, whenever that capacity is considered to have not been made available to the ISO. If the ISO believes that an SVP Generating Unit did not supply the committed amount of Ancillary Services capacity or associated Energy, based on the Ancillary Services capacity reservation, any instructions issued by the ISO to SVP or its Scheduling Coordinator to provide associated Energy, and the supporting meter data, when assessing penalties the ISO will give due consideration to operational data that SVP or its Scheduling Coordinator may provide to demonstrate that the Generating Unit's output was being adjusted for Load following purposes as allowed by the terms of this Agreement and within the Ancillary Services capacity not provided to the ISO. Additionally, the Parties agree that the current equations for the settlement of real time Energy may under some circumstances result in Ancillary Services capacity penalties that are inappropriate when the Generating Unit is being used simultaneously to follow Load and provide Ancillary Services Energy. Because it is anticipated that the current inadequacies will be resolved by October 1, 2002, by the implementation of new settlements equations that are part of MD02, the Parties agree to negotiate appropriate changes to the current settlements equations in the event that they are not superseded at that time.~~

12.8 Allocation of Net RTM Bid Cost Uplift. The allocation of Net RTM Bid Cost Uplift is based on the MSS elections as specified in Section 4.9.13 of the CAISO Tariff. The hourly RTM Bid Cost Uplift is allocated to the Scheduling Coordinator for SVP as the MSS Operator that has elected to not follow its Load and gross Settlement, in proportion to SVP's MSS Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules for the Trading Hour. For the Scheduling Coordinator for SVP as the MSS Operator that has elected not to follow its Load and net Settlement, the hourly RTM Bid Cost Uplift is allocated in proportion to SVP's MSS Aggregation Net Measured Demand minus SVP's Measured Demand served solely by means of valid and balanced TOR Self-Schedules. For the Scheduling Coordinator for SVP as the MSS Operator that has elected to follow its Load, the hourly RTM Bid Cost Uplift is allocated in proportion to SVP's MSS Net Negative Uninstructed Deviation with MSS Load Following Energy included in the netting.

12.9 Grid Management Charges Based on Uninstructed Imbalance Energy. If the CAISO is charging Grid Management Charges for Uninstructed Imbalance Energy, and should SVP elect, in accordance with Section 4.9.13 of the CAISO Tariff to perform Load-following, SVP's Scheduling Coordinator shall only be assessed Grid Management Charges for Uninstructed Imbalance Energy based on the net quantity of Energy either delivered to or received from the CAISO Real-Time Market, excluding the quantity of Energy provided as Instructed Imbalance Energy, other than MSS Load Following Energy, and the quantity of Energy used to perform Load-following. If the amount of Energy provided from

Generation resources listed in Schedule 14, imports and trades in to the MSS netted against MSS Demand, exports, and trades out of the MSS is positive, excluding Instructed Imbalance Energy other than MSS Load Following Energy, then such portion of Energy was provided in excess of SVP's Load-following needs and was sold into the CAISO Real-Time Market, in which case SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with Uninstructed Imbalance Energy for this net excess quantity. If the amount of Energy provided from Generation resources listed in Schedule 14, imports and trades into the MSS netted against MSS Demand, exports, and trades out of the MSS is negative, excluding Instructed Imbalance Energy other than MSS Load Following Energy, then such portion of Energy was not sufficient to fully cover SVP's Load-following needs and was purchased from the CAISO Real-Time Market, in which case SVP's Scheduling Coordinator will only be charged Grid Management Charges associated with Uninstructed Imbalance Energy for this net purchased quantity. For the purposes of calculating the quantity of Uninstructed Imbalance Energy not used to perform Load following, MSS Load Following Energy, which is classified as Instructed Imbalance Energy, will be included in the calculation of Uninstructed Imbalance Energy by netting MSS Load Following Energy against Uninstructed Imbalance Energy.

12.10 Grid Management Charges Based on Instructed Imbalance Energy. If the CAISO is charging Grid Management Charges for Instructed Imbalance Energy, SVP's Scheduling Coordinator will not be assessed Grid Management Charges for Instructed Imbalance Energy associated with MSS Load Following Energy.

12.11 MSS Deviation Band. The amount by which a Load following MSS Operator can deviate from Expected Energy without incurring a Load Following Deviation Penalty, as defined in Section 12.13, is equal to three percent (3%) of an MSS Operator's gross metered MSS Demand and exports from the MSS, adjusted for Forced Outages and for any CAISO directed firm Load Shedding from the MSS's portfolio as a whole.

12.12 Load Following Deviation Band Compliance. To the extent that sufficient Energy for the purposes of serving MSS Demand in SVP's System and exports from SVP's System, including losses, is not reflected in Bids, including Self-Schedules, submitted by SVP's Scheduling Coordinator and delivered in real time, SVP shall be deemed (through its Scheduling Coordinator) to have purchased or sold Imbalance Energy in the CAISO's Real-Time Market. The CAISO will settle with SVP's Scheduling Coordinator with regard to Imbalance Energy in accordance with the CAISO Tariff. However, should SVP elect, in accordance with CAISO Tariff Section 4.9.13, to have its Scheduling Coordinator follow SVP's MSS Demand and exports from the MSS with SVP's resources and imports into the MSS, to the extent that the net Imbalance Energy for all of SVP's MSS Demand and exports from the MSS, and resources and imports into the MSS, is within SVP's portfolio MSS Deviation Band, as specified in Section 12.11, SVP's Scheduling Coordinator will not be subject to the Load Following

Deviation Penalty, as specified in Section 12.13, or costs other than the cost of the Imbalance Energy itself. Schedule 18 of this Agreement (or, if SVP has an MSS Aggregator, Schedule 19 of the MSS Aggregator Agreement) describes the process for calculating the applicable amount of net Imbalance Energy, which is referred to as deviation energy within these Schedules. To the extent that SVP's Scheduling Coordinator is operating outside of its portfolio MSS Deviation Band, SVP's Scheduling Coordinator shall be subject to the Load Following Deviation Penalty. In following Load, SVP's Scheduling Coordinator may utilize any resource available to it regardless of whether, or at what level, the resource is reflected in Bids, including Self-Schedules, submitted by SVP's Scheduling Coordinator, except with respect to any portion of the capacity of a resource for which SVP's Scheduling Coordinator has scheduled to provide an Ancillary Service or RUC Capacity to the CAISO for that resource or to the extent the CAISO has issued a System Emergency operating order consistent with Section 7.1.1.

12.13 Deviation Band Penalties Calculation. For purposes of assessing Load Following Deviation Penalties to SVP's Scheduling Coordinator, the CAISO will evaluate the amount of (i) positive deviation energy outside of the portfolio MSS Deviation Band supplied to the CAISO Markets or (ii) negative deviation energy outside of the portfolio MSS Deviation Band supplied from CAISO Markets and not served by SVP resources. To the extent that SVP's Scheduling Coordinator has provided positive deviation energy outside of the portfolio MSS Deviation Band supplied to the CAISO Markets, measured as defined in Schedule 18 of this Agreement or Schedule 19 of the MSS Aggregator Agreement, then the payment for excess Energy outside of the portfolio MSS Deviation Band shall be rescinded and thus SVP's Scheduling Coordinator will pay the CAISO an amount equal to one hundred percent (100%) of the product of the highest LMP paid to the MSS Operator for its Generation in the Settlement Interval for the amount of the Imbalance Energy that is supplied in excess of the portfolio MSS Deviation Band. To the extent that SVP's Scheduling Coordinator has a negative amount of deviation energy outside of the portfolio MSS Deviation Band supplied from the CAISO Markets that is not served by SVP resources, measured as defined in Schedule 18 of this Agreement or Schedule 19 of the MSS Aggregator Agreement, then SVP's Scheduling Coordinator shall pay the CAISO an amount equal to the product of the PG&E Default LAP price for the Settlement Interval and two hundred percent (200%) of the shortfall that is outside of the portfolio MSS Deviation Band. The two hundred percent (200%) penalty is in addition to the charges for the Imbalance Energy that is supplied from the CAISO Markets.

13.1512.14 Operating and Maintenance Costs. SVP shall be responsible for all its costs incurred in connection with procuring, installing, operating, and maintaining the facilities, Generating Units, and Participatingmarket-participating Loads of SVP's System for the purpose of meeting its obligations under this Agreement.

13.4612.15 Billing and Payment. Billing and payment will be in accordance with the ISOCAISO Tariff.

12.16 MSS Net Negative Uninstructed Deviation. The calculation of MSS Net Negative Uninstructed Deviation must include MSS Load Following Energy as part of the calculation of Net Negative Uninstructed Deviation quantities when used for purposes of applicable CAISO Settlement allocations. MSS Load Following Energy shall be netted against Uninstructed Imbalance Energy to properly account for the actual quantity of Net Negative Uninstructed Deviation.

12.17 Residual Unit Commitment. Should SVP elect, in accordance with Section 4.9.13 of the CAISO Tariff, to perform Load-following, SVP will be considered to have automatically opted-out of RUC participation and SVP's Scheduling Coordinator will be exempt from costs associated with RUC and Bid Cost Recovery for RUC.

12.18 Emissions Costs.

12.18.1 Unless specified otherwise in this Agreement, if the CAISO is compensating Generating Units for Emissions Costs, and if SVP elects to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on the SVP's gross Measured Demand excluding out of state exports. The Scheduling Coordinator for SVP as an MSS Operator shall only be eligible to submit Emissions Cost Invoices pursuant to Section 11.18.6 of the CAISO Tariff if SVP's MSS Generating Units have been made available to the CAISO through the submittal of Energy Bids.

12.18.2 If SVP elects not to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on SVP's net Measured Demand excluding out-of-state exports.

12.18.3 If SVP elects to follow its Load, in accordance with Section 4.9.13 of the CAISO Tariff, and if SVP elects not to charge the CAISO for the Emissions Costs of the Generating Units serving the Load of SVP's System, then SVP's Scheduling Coordinator shall bear its proportionate share of the total amount of those costs incurred by the CAISO based on SVP's Net Negative Uninstructed Deviations with MSS Load Following Energy included in the netting.

12.18.4 SVP shall make the election whether to charge the CAISO for these costs on an annual basis on November 1 for the following calendar year.

ARTICLE XIV
PENALTIES AND SANCTIONS

13.1 14.1 Penalties. SVP or its Scheduling Coordinator shall be subject to penalties and/or sanctions for failure to comply with any provisions of this Agreement only to the extent that (a) the penalty or sanction is set forth in the ISOCAISO Tariff and has been approved by FERC; and (b) the ISOCAISO Tariff provides for the imposition of the same penalty or sanction on a UDC, MSS Aggregator, MSS Operator, ~~or~~ Participating Generator, or Participating Load in the same circumstances. Nothing in this Agreement, with the exception of the provisions of Article ~~XV~~XIV, shall be construed as waiving the rights of SVP to oppose or protest any penalty or sanction proposed by the ISOCAISO to the FERC or the specific imposition by the ISOCAISO of any FERC-approved penalty or sanction on SVP. However, both the CAISO and SVP are required to comply with the NERC and WECC Reliability Standards applicable to the functional entity types for which they have registered with NERC and WECC, and, should either fail to meet their respective obligations, each shall be responsible for payment, directly to the WECC, of any monetary sanction assessed against it by the WECC for such failure.

13.2 14.2 Corrective Measures. If SVP fails to meet or maintain the requirements set forth in this Agreement or in the applicable provisions of the ISOCAISO Tariff, the ISOCAISO shall be permitted to take any of the measures, contained or referenced herein or in the applicable provisions of the ISOCAISO Tariff, that the ISOCAISO deems to be necessary to correct the situation. However, both the CAISO and SVP are required to comply with the NERC and WECC Reliability Standards applicable to the functional entity types for which they have registered with NERC and WECC, and, should either be instructed by the WECC or NERC to take corrective measures, such corrective measures shall be undertaken outside of this Agreement.

ARTICLE XV
DISPUTE RESOLUTION

14.1 15.1 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 SVP and references to the ISOCAISO Tariff shall be read as references to this Agreement.

ARTICLE XVXV
REPRESENTATIONS AND WARRANTIES

- 15.1** ~~16.1~~ **Representations 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.
- 15.2** ~~16.2~~ **Necessary Approvals.** Each Party represents that all necessary leases, approvals, licenses, permits, easements, rights of way or access to install, own and/or operate its facilities subject to this Agreement have been or will be obtained prior to the effective date of this Agreement.

ARTICLE XVII XVI
LIABILITY AND INDEMNIFICATION

- 16.1** ~~17.1~~ **Liability and Indemnification.** The provisions of Section 14 of the ISOCAISO Tariff will apply to liability and indemnification arising under this Agreement, except that all references in Section 14 of the ISOCAISO Tariff to Market Participants shall be read as references to SVP and references to the ISOCAISO Tariff shall be read as references to this Agreement.

ARTICLE XVIII XVII
UNCONTROLLABLE FORCES

- 17.1** ~~18.1~~ **Uncontrollable Forces.** Section ~~45~~14.1 of the ISOCAISO Tariff shall be incorporated by reference into this Agreement, except that all references in Section ~~45~~14.1 of the ISOCAISO Tariff to Market Participants shall be read as a reference to SVP and references to the ISOCAISO Tariff shall be read as references to this Agreement.

ARTICLE XIX XIII
MISCELLANEOUS

- 18.1** ~~19.1~~ **Notices.** Any notice, demand or request which may be given to or made upon either Party regarding this Agreement shall be made in writing to the employee or official identified in Schedule 17 of this Agreement, and shall be deemed properly given: (a) upon delivery, ~~(a)~~ if delivered in person, (b) five (5) days after deposit in the mail if sent by first class United States mail, postage prepaid, (c) upon receipt of confirmation by return facsimile if sent by facsimile, or (d) upon delivery if delivered by prepaid commercial courier service. A Party must update the information in Schedule 17 as the information changes. Such changes shall not constitute an amendment to this Agreement.

18.2 ~~19.2~~ **Waivers.** Any waiver 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.

18.3 ~~19.3~~ **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 laws provisions. The Parties agree 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 one 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.

18.4 ~~19.4~~ **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 the provisions of this Agreement.

18.5 ~~19.5~~ **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.

18.6 ~~19.6~~ **Consistency with Federal Laws and Regulations.** Nothing in this Agreement shall compel either Party to violate federal statutes or regulations, or orders lawfully promulgated thereunder. If any provision of this Agreement is inconsistent with any obligation imposed on a Party by such federal statute, regulation or order, to that extent, it shall be inapplicable to that Party. No Party shall incur any liability by failing to comply with a provision of this Agreement that is inapplicable to it by reason of being inconsistent with any such federal statutes, regulations, or orders lawfully promulgated thereunder; provided, however, that such Party shall use its best efforts to comply with this Agreement, to the extent that applicable federal laws, regulations, and orders lawfully promulgated thereunder permit it to do so.

18.7 ~~19.7~~ **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.

18.8 ~~19.8~~ **Assignments.** Either Party may assign its respective rights and obligations under this Agreement, with the other Party's prior written consent, in accordance with Section ~~17~~22.2 of the ISOCAISO Tariff, which is incorporated by reference into this Agreement. Such consent shall not be unreasonably withheld.

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: _____

CITY OF SANTA CLARA

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

SCHEDULE 1
SVP'S SYSTEM FACILITIES

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

SCHEDULE 1A
NCPA'S SYSTEM FACILITIES
[Section 1.2]

The following facilities form NCPA's system, including the Points of MSS Interconnection, that support the SVP transactions.

Points of MSS Interconnection:

(See NCPA-provided information in NCPA's MSS Aggregator Agreement with the ISOCAISO)

Generating Resources (SVP's Share):

Collierville and Spicer Hydroelectric Power ~~Plant~~Plants

NCPA Geothermal Plants

NCPA Combustion Turbine Project No. 1 (including Alameda, ~~Roseville~~ and Lodi CTs)

SCHEDULE 2
INTERCONNECTED OPERATION STANDARDS
[Section 4.2]

The ISOCAISO and SVP shall jointly maintain stable operating parameters and control real and reactive power flows in accordance with the following Interconnected Operation Standards.

SVP Responsibilities

- 1.0 SVP shall operate the facilities of SVP's System at each Point of MSS Interconnection in such manner as to avoid any material or adverse impact on the ~~ISO Control~~CAISO Balancing Authority Area. In accordance with this performance goal, SVP shall:
 - 1.1 Operate the facilities of SVP's System at each Point of MSS Interconnection within established operating parameters including normal ratings, emergency ratings, voltage limits, and balance of load between electrical phases.
 - 1.2 Maintain primary and backup protective systems such that faults on SVP's System facilities will be cleared within the timeframe specified by the Participating TO and SVP with minimal impact on the ISOCAISO Controlled Grid.
 - 1.3 Maintain overall load power factor at each ~~Point~~the Points of MSS Interconnection with the ISOCAISO Controlled Grid in accordance with Section 8.3 of this Agreement, unless requested by PG&E to operate power factor at a specific value for system reliability purposes.
 - 1.4 In addition, SVP shall operate the facilities of SVP's System at each Point of MSS Interconnection in accordance with the requirements applicable to Utility Distribution Companies in the ISOCAISO Operating Procedures and standards, except as otherwise provided in ~~the~~this Agreement.

ISOCAISO Responsibilities

- 2.0 The ISOCAISO shall operate the ISOCAISO Controlled Grid at each Point of MSS Interconnection with SVP in such manner as to avoid any material or adverse impact on SVP facilities. In accordance with this performance goal, the ISOCAISO shall:
 - 2.1 Participate with all affected parties (including SVP and PG&E) in the development of joint power quality performance standards and jointly maintain compliance with such standards.

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- 2.2 Observe SVP grid voltage limits specified in Attachment 1 including requirements for reduced voltage on ISO/CAISO Controlled Grid facilities which apply during heavy fog (or other unusual operating conditions) as needed to minimize the risk of insulator flashover. Any anticipated reduction in operating voltages on CAISO Controlled Grid facilities shall be studied and established by SVP and the CAISO.
 - 2.3 Approve SVP's maintenance requests in a timely manner for transmission facilities that impact the ISO/CAISO Controlled Grid, and shall not unreasonably withhold approval of such requests for authorization to perform energized insulator washing work or to take planned Outages needed to replace or insul-grease insulators.
 - 2.4 Support SVP investigation of power quality incidents, and provide related data to SVP in a timely manner.
 - 2.5 Support installation of apparatus on the ISO/CAISO Controlled Grid to improve power quality, and take all reasonable measures to investigate and mitigate power quality concerns caused by actions or events in neighboring systems or ~~control areas~~ Balancing Authority Areas.
 - 2.6 Maintain overall load power factor at each ~~Point~~ the Points of MSS Interconnection with SVP's System in accordance with Section 8.3 of the Agreement.

SCHEDULE 2
ATTACHMENT 1

SVP GRID VOLTAGE LIMITS

There are no SVP grid voltage limitations at the present time.

The steady state voltage at Scott, Kifer, and Northern Receiving Stations is $115 \text{ kV} \pm 5\%$, or $230 \text{ kV} \pm 5\%$ for the SVP Switching Station.

SCHEDULE 3**RIGHTS OF ACCESS TO FACILITIES****[Section 4.5.1]**

- 1.0 Equipment Installation.** In order to give effect to this Agreement, a Party that requires use of particular equipment (the equipment owner) may require installation of such equipment on property owned by the other Party (the property owner), provided that the equipment is necessary to meet the equipment owner's service obligations and that the equipment shall not have a negative impact on the reliability of the service provided, nor prevent the property owner from performing its own obligations or exercising its rights under this Agreement.
- 1.1 Free Access.** The property owner shall grant to the equipment owner free of charge reasonable installation rights and rights of access to accommodate equipment inspection, maintenance, repair, upgrading, or removal for the purposes of this Agreement, subject to the property owner's reasonable safety, operational, and future expansion needs.
- 1.2 Notice.** The equipment owner shall provide reasonable notice to the property owner when requesting access for site assessment, equipment installation, or other relevant purposes. Such access shall not be provided unless the parties mutually agree to the date, time, and purpose of each access. Agreement on the terms of the access shall not be unreasonably withheld or delayed.
- 1.3 Removal of Installed Equipment.** Following reasonable notice, the equipment owner shall be required, at its own expense, to remove or relocate equipment, at the request of the property owner, provided that the equipment owner shall not be required to do so if it would have a negative impact on the reliability of the service provided, or would prevent the equipment owner from performing its own obligations or exercising its rights under this Agreement.
- 1.4 Costs.** The equipment owner shall repair at its own expense any property damage it causes in exercising its rights and shall reimburse the property owner for any other reasonable costs that it may be required to incur to accommodate the equipment owner's exercise of its rights under Section 4.5 of this Agreement.
- 2.0 Rights to Assets.** The Parties shall not interfere with each other's assets, without prior written agreement.
- 3.0 Inspection of Facilities.** In order to meet their respective obligations under this Agreement, each Party may view or inspect facilities owned

by the other Party. Provided that reasonable notice is given, a Party shall not unreasonably deny access to relevant facilities for viewing or inspection by the requesting Party. Unless decided otherwise by the Party receiving the request, a supervisor is to be present at any time access is granted to any equipment or other facilities of either Party's System.

SCHEDULE 4**MAINTENANCE COORDINATION****[Section 5.1.2]**

By October 15th of each year, SVP shall exchange with the ISOCAISO a provisional planned outage program for all lines and equipment in Schedule 4.1 in accordance with the CAISO Tariff. That document will be updated quarterly or as changes occur to the proposed schedule.

The ISOCAISO shall approve all proposed outages on equipment and lines listed on Schedule 1 unless a proposed outage would cause the ISOCAISO to violate Applicable WECC or NERC mandatory Reliability Criteria Standards. Approval of outages shall not be unreasonably withheld or delayed.

As noted on Schedule 1, some facilities are jointly owned by SVP and one or more other entities. The ISOCAISO acknowledges that, under the terms of the operating agreements applicable to each such facility, SVP may not be able to control unilaterally the timing of outages. SVP shall exercise its rights under the operating agreements, if any, applicable to each jointly owned facility listed on Schedule 1 to coordinate scheduling of outages with the ISOCAISO in accordance with this Agreement to the maximum extent possible and shall not enter into any operating agreement or amendment to an existing operating agreement with respect to any such facility that diminishes SVP's rights to schedule outages. However, SVP shall communicate directly to the ISOCAISO regarding its coordination of scheduled outages.

Applications for scheduled work shall be submitted to the ISOCAISO by the SVP Grid Operations group via means to be agreed to by both Parties. The documents submitted by SVP shall record the details for all work and become the database for reporting and recording outage information.

SCHEDULE 5**CRITICAL PROTECTIVE SYSTEMS****[Section 5.3]**

Distribution protective relay schemes affecting the ISO/CAISO Controlled Grid are those associated with transformers that would trip transmission breakers and/or ~~buses~~busses at SVP's Points of MSS Interconnection when activated. These would include any of the following:

1. High Side Overcurrent Relays
2. Differential Overcurrent Relays
3. Sudden Pressure Relays
4. Low Oil Relays
5. Neutral Ground Overcurrent Relays
6. On fuse protected transformers, it would be the high-side fuses.

The following is a brief description of the relaying schemes at Kifer Receiving Station that trip one or more of the 115kV line breakers (except SVP's 115kV tie line between Kifer Receiving Station and Scott Receiving Station):

- The single 115kV Bus Differential Protection Schemes would trip all 115kV breakers including the 115kV PG&E line breakers.
- All 115/60kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115kV PG&E line breakers because of the main/auxiliary bus configuration.

The following is a brief description of the relaying schemes at Scott Receiving Station that trip one or more of the 115kV line breakers (except SVP's 115kV tie line between Kifer Receiving Station and Scott Receiving Station):

- 115kV Bus Differential Protection Scheme would trip all 115kV breakers including the 115kV PG&E line breakers.
- All 115/60kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115kV PG&E line breakers because of the main/auxiliary bus configuration.

The following is a brief description of the relaying schemes at Northern Receiving Station that trip one or more of the 115kV line breakers:

- Both 115kV Bus Differential Protection Schemes would trip all associated 115kV breakers including the 115kV PG&E line breakers.
- All 115/60 kV Transformer Protection Schemes trip only the transformer breakers and NOT any of the 115 kV PG&E line breakers because of the main/auxiliary bus configuration.

SCHEDULE 6
OPERATIONAL CONTACT

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

SCHEDULE 7
EMERGENCIES

[Section 7.2]

The ISOCAISO shall notify SVP's Power Control Scheduling Center ("PCCPSC") Operator, as identified in Schedule 6, of the emergency, including information regarding the cause, nature, extent, and potential duration of the emergency. The PCCPSC Operator shall make the appropriate notifications within the SVP organization. The PCCPSC Operator shall then take such actions as are appropriate for the emergency in accordance with Section 7 of this Agreement.

SVP shall make requests for information from the ISOCAISO regarding emergencies through contacts to the ISOCAISO's Operations Shift Supervisor, by SVP's PCCPSC Operator, or SVP's Information Officer may coordinate public information requests with the ISOCAISO Communication Coordinator.

SVP will communicate necessary information, including estimated service restoration by geographic areas, to appropriate state, local governmental entities, and its customers as needed. For transmission system caused outages, the ISOCAISO's Operations Shift Supervisor will notify the PCCPSC Operator, who will make appropriate notifications within SVP's organization of any information related to the outage such as cause, nature, extent, potential duration and customers affected.

The PCCSVP PSC Operator and Electric Control Center and CAISO Grid Operations/Control Center logs, Electric Switching Orders and Energy Management System temporal databases will be used in preparation of outage Forced Outage reviews. These documents are defined as the chronological record of the operation of the activities which occur with the portion of the electrical system assigned to that control center. The log shall contain all pertinent information, including orders received and transmitted, relay operations, messages, clearances, accidents, trouble reports, daily switching programprograms, etc.

SVP shall retain records in accordance with its standard practices for record retention for six years.

If SVP's MSS is part of an MSS Aggregation, SVP, the CAISO, and the MSS Aggregator may agree that initial operational contacts during emergencies, on SVP's behalf, can be made by/through the power control center of the MSS Aggregator (such as the NCPA Dispatch Center).

SCHEDULE 8**UNDERFREQUENCY LOAD SHEDDING****[Section ~~7.4.17.4.1~~, 7.4.5]**

The objective of the ~~Under Frequency~~ SVP's Underfrequency Load Shedding (UFLS) program is to provide security and protection to the interconnected bulk power network by arresting frequency decay during periods of insufficient resources.

SVP's UFLS Underfrequency Load Shedding program establishes Under Frequency Underfrequency Load Shedding objectives consistent with the ~~load shedding~~ Load Shedding policies of the ~~Western Electricity Coordinating Council, the North American Electric Reliability Council~~ WECC, NERC and SVP. SVP's UFLS Underfrequency Load Shedding program ~~satisfies~~ shall at all times comport with the requirements of the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan (Formal/Final Report November 25, 1997). ~~SVP's UFLS program is 1997, as revised August 3, 2004) and any of its subsequent amendments. Upon mutual agreement of SVP and CAISO, SVP's Underfrequency Load Shedding program may also be set in accordance with the WECC Southern Island Tripping Plan and coordinated with it. The SVP UFLS Underfrequency Load Shedding program utilizes WECC planning criteria in this area. Per WECC requirements, UFLS Underfrequency Load Shedding is on the feeder side of the transformer.~~

SVP's UFLS Underfrequency Load Shedding program is set forth in Attachment A to SVP's EAP, which is attached to Schedule 11, and incorporates the tripping scheme set forth therein.

SCHEDULE 9
OTHER AUTOMATIC LOAD SHEDDING
[Section 7.4.1]

SVP has no other automatic load shedding Load Shedding devices other than those identified in Schedule 8.

SCHEDULE 10
MANUAL LOAD SHEDDING

[Section 7.4.37.4.2]

Criteria for the implementation of manual Load Shedding are set forth in the SVP Emergency Action Plan attached to Schedule 11.

NOTE: SVP's ~~deep load shedding~~manual Load Shedding program needs to be coordinated with PG&E's ~~deep load shedding~~manual Load Shedding program (to make sure the same ~~load~~Load is not double-counted).

SCHEDULE 10A

ROTATING LOAD CURTAILMENT PROCEDURES

[Section 7.4.37.4.2]

Any information regarding SVP's rotating Load curtailment procedures are described in the SVP Emergency Action Plan attached to Schedule 11. To maintain a minimum amount of continuously interrupted Load, as directed by the ISOCAISO, for an extended amount of time, no portion of SVP's interrupted Load shall be restored unless an equal or greater amount of Load is interrupted first.

SCHEDULE 10B
INTERRUPTIBLE LOAD

[Section 7.4.37.4.2]

Should SVP seek to bid any interruptible Load into any ISO market CAISO Market, SVP shall provide a complete description of the program to the ISO CAISO at least sixty (60) days prior to the submission of the first such bid by SVP's Scheduling Coordinator and all applicable Operating Procedures shall be followed.

SCHEDULE 11
EMERGENCY ACTION PLAN

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

SCHEDULE 12

LOAD RESTORATION

[Section 7.4.4]

SVP shall follow the procedures set forth below in this Schedule 12 in promoting orderly, coordinated restoration of electric systems after a major system disturbance has occurred which resulted in ~~load shedding by frequency relays~~ Underfrequency Load Shedding ("UFLS") in California.

1. Immediately after ~~load shedding by frequency relay~~ UFLS has occurred in SVP's System, SVP shall remain in contact with PG&E's Area Control Center (ACC) until normal frequency has been restored throughout the ~~ISO Control~~ CAISO Balancing Authority Area or the ~~ISO~~ CAISO Shift Manager ~~Supervisor~~ Supervisor has concluded that such full-time communications can be terminated. Emergency communications over the California ACC Hot-line will be under the direction of the ~~ISO~~ CAISO Shift Manager ~~Supervisor~~ Supervisor and the senior dispatcher present at the PG&E ACC(s).
2. Manual ~~load~~ Load restoration shall not normally be initiated until the California ACC Hot Line is attended. No ~~load~~ Load is to be manually restored unless directed by the ~~ISO~~ CAISO, either directly or through its assignee, provided that the procedure for the ~~ISO~~ CAISO's designation of any assignee is agreed to by SVP, after the frequency has recovered and there is indication that the frequency can be maintained. SVP shall await direction from the ~~ISO~~ CAISO or its assignee, who will be in contact with the ~~ISO~~ CAISO Shift Manager ~~Supervisor~~ Supervisor. The ~~ISO~~ CAISO Shift Manager ~~Supervisor~~ Supervisor shall determine whether adequate generation resources are available on line to support the ~~load~~ Load to be restored.
3. SVP's automatic load restoration will be consistent with the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan.
4. If the ~~ISO~~ CAISO cannot meet the WECC and NERC Control Area Disturbance Control Standard or the Control Performance Standard post disturbance, no manual ~~load~~ Load restoration shall be permitted. If the frequency is such that automatic ~~load~~ Load restoration occurs under these conditions, if SVP has restored ~~load~~ Load automatically, it will manually shed an equivalent amount of ~~load~~ Load to offset the ~~load~~ Load which was automatically restored, after consultation with the CAISO, or PG&E, if so designated.
5. Restoration of ties and off-site power ~~supply~~ Supply to nuclear generating facilities should be given top priority. Manual ~~load~~ Load restoration will be deferred during periods of tie restoration. SVP should be equipped and prepared to drop ~~load~~ Load manually when necessary to allow frequency recovery sufficient to re-establish ~~ISO~~ CAISO intra-area ties and ~~ties~~ Interties between the ~~ISO Control~~ CAISO Balancing Authority Area and

outside systems. Where manual ~~load-shedding~~Load Shedding is required, the ISOCAISO shall make reasonable efforts to allocate the ~~load shedding~~Load Shedding requirement equitably among SVP, UDCs, and MSS Operators where ~~load-shedding~~Load Shedding shall be beneficial, and such ~~load-shedding~~Load Shedding shall be made in accordance with Section 7.4.

6. SVP shall use its existing plans and priorities to restore ~~load~~Load within the parameters given by the ISOCAISO, giving the appropriate priority to essential services such as military, public safety agencies, water treatment plants, sewage treatment plants, etc.

SCHEDULE 13

EXISTING CONTRACTS AND ENCUMBRANCES AND TRANSMISSION OWNERSHIP RIGHTS

[Section 9.1.1 and 9.2.3]

| Existing Contract or Encumbrance <u>or Transmission Ownership Rights</u> | Amount (MW) | Scheduling Timeline | |
|---|--|--|---|
| | | To PTO | To ISO/CAISO |
| PG&E WAPA Contract 2948A (PG&E # 79) | 216 | 20 min. into the active ½ hour. | In accordance with the ISO Tariff |
| COTP Interim Participation Agreement, scheduled in accordance with the Coordinated Operations Agreement among PG&E, SCE, SDG&E and TANC (PG&E # 146) <u>Terminus (as described in the CAISO-SMUD Interconnected Control Area Operating Agreement)</u> | 252279 North to South* 192213 South to North* | N/A | 30 min. prior to the start of the active hour. |
| South of Tesla Principles between PG&E and TANC (PG&E # 143) | * ** <u>±</u> | 30 min. prior to in accordance with the start of the active hour. <u>CAISO Tariff</u> | In accordance with the ISO/CAISO Tariff |
| PG&E-SVP Grizzly Agreement(s) | 45.32 (17.66+ 27.66) | 20 min. into the active ½ hour. | In accordance with <u>Via logical meter, after the ISO Tariff-fact adjustments.</u> |
| SCE-MSR Firm Transmission Service Agreement | 52.5 | 30 min. prior to the start of the active hour. | In accordance with <u>30 min. prior to the ISO Tariff start of the active hour.</u> |

*The amount of SVP's Existing Contracts and Encumbrances associated with its ISO contract reference numbers (CRNs) and Transmission Ownership Rights, as reflected in this Schedule 13, is set forth here for informational purposes only and is accounted for, and subject to, Schedule 13 of the NCPA MSS Aggregator Agreement. The COTP Interim Participation/Coordinated Operations Agreement amount is Such COTP and SOTP amounts are subject to interim adjustment in accordance with the Settlement Agreement. Interim adjustments shall not require amendment to this Agreement; provided, however,

permanent changes to these amounts will be deemed an amendment to this Agreement and shall be given effect in accordance with the Settlement Agreement. The COTP Terminus Transmission Ownership Rights amounts are contingent upon the direction of the transaction and the California Oregon Intertie rating.

~~**The amount of SVP's Existing Contracts and Encumbrances associated with its ISO contract reference numbers (CRNs) is set forth, and is accounted for, and subject to, Schedule 13 of the NCPA MSS Aggregator Agreement. The SOTP amounts are contingent upon the availability of unused transmission service rights as further described in the Path 15 Operating Instructions (Appendix B, Transmission Control Agreement, as approved in Docket ER99-1770 and as may be amended or superseded~~superseded~~) and is~~are accounted for, and subject to, Schedule 13 of the NCPA MSS Aggregator Agreement.

Note: Details regarding the agreed upon scheduling provisions for each Existing Contract or Encumbrance or Transmission Ownership Right are described in the Settlement Agreement.

SCHEDULE 14
GENERATING UNITS

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

SCHEDULE 15

METERING OBLIGATIONS

~~[Section 12.2]~~[Sections 11.2 and 11.3]Obligations and Rights of SVP

- 1.0 Submission of Meter Data through the ISO's CAISO's Settlement Quality Meter Data Systems ("SQMDS") and Revenue Meter Data Acquisition and Processing System ("MDASRMDAPS").** SVP agrees to make available to the ISOCAISO through MDASSQMDS and RMDAPS, or its successor system, its Meter Data in accordance with the ISOCAISO Tariff. The ISOCAISO's requirements regarding the frequency with which it requires Meter Data to be made available to it through MDASRMDAPS and SQMDS by SVP are referred to in the CAISO Tariff and the Business Practice Manual for Metering Protocol of the ISO Tariff.
- 1.1 Meter Information.** SVP shall provide in the format prescribed by Schedule 15.1 the required information with respect to all of its meters used to provide Meter Data to the ISOCAISO. SVP must immediately notify the ISOCAISO of any changes to the information provided to the ISOCAISO in accordance with this Section and provide the ISOCAISO with any information in relation to such change as reasonably requested by the ISOCAISO. SVP shall have the right to modify Schedule 15.1, although such modification shall not constitute an amendment to this Agreement.
- 1.2 Transformer and/or Line Loss Correction Factor.** If SVP uses low voltage side metering, it shall use the ISO approved transformer and/or line loss correction factor referred to in the Metering Protocol of the ISO Tariffappropriate Transformer and Line Loss Correction Factors approved by its Local Regulatory Authority, consistent with the CAISO Tariff and the Business Practice Manual for Metering.
- 1.3 Rights to Access Metering Facilities.** SVP shall use its best efforts to procure any rights necessary for the ISOCAISO to access all Metering Facilities of SVP to fulfill its obligations under the ISOCAISO Tariff, and its obligations under this Agreement. If, after using its best efforts, SVP is unable to provide the ISOCAISO with such access rights, SVP shall ensure that one of its employees is an ISOa CAISO Authorized Inspector and such employee undertakes, at the ISOCAISO's request, the certification, testing, inspection and/or auditing of those Metering Facilities in accordance with the procedures established pursuant to the CAISO Tariff and the Business Practice Manual for Metering Protocol of the ISO

Tariff, including the requirement to complete and provide to the ISOCAISO all necessary documentation. The ISOCAISO acknowledges that it will not be prevented from fulfilling its obligations under the ISOCAISO Tariff or this Agreement by reason of the fact that it is provided with escorted access to the Metering Facilities of SVP.

- 1.4 Security and Validation Procedures.** The security measures and the validation, editing, and estimation procedures that the ISOCAISO shall apply to Meter Data made available to the ISOCAISO by SVP shall be as referred to in the CAISO Tariff and the Business Practice Manual for Metering Protocol of the ISO Tariff.
- 1.5 Authorized Users.** In addition to the persons referred to in the ISOCAISO Tariff, including SVP and the relevant Scheduling Coordinator, as being entitled to access Meter Data on MDASSQMDS, SVP may set forth in Schedule 15.2 of this Agreement any additional authorized users that shall be entitled to access SVP's Settlement Quality Meter Data held by the ISOCAISO. SVP shall include in Schedule 15.2 as authorized users the relevant UDCs and TOs. The ISOCAISO shall provide the authorized users with any password or other information necessary to access SVP's Settlement Quality Meter Data held by the ISOCAISO on MDASSQMDS. Any amendment or addition to Schedule 15.2 shall not constitute an amendment to this Agreement.
- 1.6 Certification, Inspection, and Auditing of Meters.** SVP shall be responsible for all reasonable costs incurred by the ISOCAISO or an ISOa CAISO Authorized Inspector in connection with them carrying out the certification, inspection, testing or auditing of the meters identified in Schedule 15.1 from which SVP provides Meter Data to the ISOCAISO. The ISOCAISO or ISOCAISO Authorized Inspector shall furnish SVP, upon request, an itemized bill for such costs.

Obligations and Rights of the ISOCAISO

- 2.0 Direct Polling of MDASRevenue Quality Meter Data.** The ISOCAISO shall allow the Scheduling Coordinator representing SVP and all authorized users to directly poll MDASCAISO certified meters for the Meter Data relating to SVP in accordance with the procedures referred to in the CAISO Tariff and the Business Practice Manual for Metering Protocol of the ISO Tariff.
- 2.1 ISOCAISO as a Third-Party Beneficiary.** The ISOCAISO shall be a third-party beneficiary to any future agreement between SVP and any other party relating to the Metering Facilities of SVP for the purpose of granting the ISOCAISO access to any relevant information, records and facilities as needed by the ISOCAISO to fulfill its obligations under the ISOCAISO Tariff and its obligations under this Agreement.

2.2 Remote and Local Access to Metering Data. The ISO/CAISO shall provide SVP any password or other requirements necessary for SVP to access its Meter Data remotely or locally at the meter.

Calculation of SVP Settlement Quality Meter Data

If SVP elects to use its MSS Aggregator for Load following, the calculation of SVP's Settlement Quality Meter Data ("SQMD") shall be made as part of its MSS Aggregator's calculation of SQMD. If SVP does not use its MSS Aggregator for Load following, the calculation of SVP's SQMD shall be made in accordance with a calculation procedure that is mutually agreed by the Parties, which calculation procedure will generally be as follows:

SVP SQMD (Gross Load MSS Demand) = Settlement Quality Meter Data at the Points of MSS Interconnection + Metered Generation from Internal Generating Units – Final Real-Time WAPA 2948A Energy in accordance with the Settlement Agreement Power Scheduled with PG&E +/- the incremental or decremental real-time revisions to the Hour Ahead Schedules for Grizzly Agreement deliveries in accordance with the Settlement Agreement multiplied by any applicable Distribution Loss Factor

In order to determine the quantity of Gross MSS Demand that is served by TOR or ETC deliveries, and in turn will not be subject to Congestion costs resulting from the CAISO LMP calculation, the quantity of Gross MSS Demand that is served by TOR or ETC deliveries must be identified for Settlement purposes. The quantity of Gross MSS Demand that is served by TOR or ETC deliveries will be scheduled at the SVP Custom LAP(s), as described below, which will be used to identify the quantity of Gross MSS Demand that is served by TOR or ETC deliveries. The quantity of Gross MSS Demand that is not served by TOR or ETC deliveries will be provided to the CAISO using a specified SQMDS Resource ID which will be equal to Gross MSS Demand less the amount of Gross MSS Demand served by TOR or ETC deliveries. SVP will calculate and supply to the CAISO, using SQMDS Resource IDs, the metered values associated with the Gross MSS Demand served at the SVP Custom LAP(s) served by TOR and ETC deliveries, and Gross MSS Demand not served by TOR and ETC deliveries.

SVP Custom LAP(s) = Metered deliveries at the SVP Custom LAP(s), which was created for the purpose of settling Gross MSS Demand associated with TOR and ETC deliveries to the SVP City Gate, is separated from other Gross MSS Demand for the purpose of settling Congestion costs. There may be more than one SVP Custom LAP utilized if the CAISO needs to separately

distinguish the portions of SVP Gross MSS Demand served by each TOR or ETC that SVP is a party to.

This calculation will be done on an aggregated basis, by applicable LAP, consistent with the level of aggregation of the Schedules, which may be provided in the form of a Bid, which will be submitted to the CAISO. The Load Distribution Factors, which are used to disaggregate the aggregated scheduled and metered information, are developed by the CAISO.

SCHEDULE 15.1
METER INFORMATION

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

SCHEDULE 15.2

**ACCESS TO METER DATA
AND AUTHORIZED USERS**

[SVP shall provide in Schedule 15.2 a list of all authorized users of SVP's Settlement Quality Meter Data and any restrictions or limitations placed on them.]

Authorized Users

~~Western Area Power Administration~~

Pacific Gas and Electric Company

SCHEDULE 16

TRANSMISSION RELIABILITY CRITERIA

~~[Section 13.5]~~
[Sections 8.1.3 and 12.4]

For transmission reliability, SVP shall abide by all NERC and WECC Planning Criteria and the following:

Power Flow Assessment:

| | Criteria | |
|--------------------------------|----------------------|----------------------|
| | Thermal ³ | Voltage ⁴ |
| Contingencies | | |
| Generating unit ¹ | A/R | A/R |
| Transmission line ¹ | A/R | A/R |
| Transformer ¹ | A/R ⁵ | A/R ⁵ |
| Overlapping ² | A/R | A/R |

- 1 All single contingency outages Outages (i.e. generating unit Generating Unit, transmission line or transformer) will be simulated on participating transmission owners Participating Transmission Owners' local area systems.
- 2 Key generating unit Generating Unit out, system readjusted, followed by a line outage Outage.
- 3 Applicable Rating – Based on ISOCAISO Transmission Register or facility upgrade plans.
- 4 Applicable Rating – ISOCAISO Grid Planning Criteria or facility owner criteria as appropriate.
- 5 Based on judgment of ISOCAISO and facility owner, a thermal or voltage criterion violation resulting from a transformer outage Outage may not be cause for Reliability Must-Run Generation solution if the violation is considered marginal (e.g. acceptable loss of life or low voltage), otherwise (e.g. unacceptable loss of life or voltage collapse) a Reliability Must-Run Generation solution would be indicated.

Post Transient Load Flow Assessment:

| Contingencies | Reactive Margin Criteria ² |
|-----------------------|---------------------------------------|
| Selected ¹ | A/R |

- 1 If power flow results indicate significant low voltages for a given power flow contingency, simulate that outage Outage using the post transient load Load flow program. The post-transient assessment will develop appropriate Q/V and/or P/V curves.
- 2 Applicable Rating – positive margin based on 105% of 1 in 2 year load forecast.

Stability Assessment:

Contingencies

Stability Criteria ²

Selected ¹

A/R

- 1 If power flow or post transient study results indicate significant low voltages or marginal reactive margin for a given contingency, simulate that ~~outage~~Outage using the dynamic stability program.
- 2 Applicable Rating – ~~ISO~~CAISO Grid Planning Criteria or facility owner criteria as appropriate.

SCHEDULE 17
CONTACTS FOR NOTICES

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

SCHEDULE 18

MSSA LOAD FOLLOWING DEVIATION ENERGY FORMULA

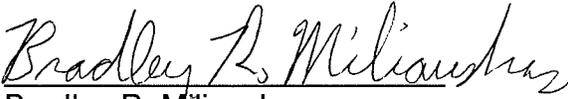
[Sections 12.12 and 12.13]

The MSS Load following deviation energy formula that is applicable to SVP's MSS Agreement is contained in the Schedule 19 of the MSS Aggregator Agreement between SVP's MSS Aggregator and the CAISO. At the time of the execution of this Amended and Restated Metered Subsystem Agreement, the Northern California Power Agency (NCPA) is SVP's MSS Aggregator. The Parties agree to develop appropriate MSS Load following deviation energy formula language for this Agreement if SVP is not a part of a Load following MSS Aggregation but has still elected to follow its Load.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing documents as described in those documents, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. on this 11th day of November, 2008.


Bradley R. Miliauskas