

July 19, 2011

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

**Re: California Independent System Operator Corporation
Filing of Second Revised Rate Schedule No. 50
Docket No. ER11-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation submits for Commission filing and acceptance a second amendment to the California-Oregon Intertie Path Operating Agreement (“COI-POA”) among Pacific Gas and Electric Company (“PG&E”), Participants in the California-Oregon Transmission Project (“TANC”), Western Area Power Administration (“Western”), and the California Independent System Operator Corporation (“ISO”).¹ The ISO submits the instant filing to add PacifiCorp as a party in accordance with a settlement approved by the Commission,² and to incorporate changes consistent with changes agreed to by PG&E, Western, TANC and PacifiCorp as part of their negotiation of the Owners Coordinated Operations Agreement (“OCA”).³ The

¹ The ISO is also sometimes referred to as the CAISO. The ISO submits the second amended COI-POA pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d and Part 35 of the Commission’s regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009).

² The Commission approved a settlement on December 20, 2007, in Docket Nos. ER07-882-000, et al., among PG&E, PacifiCorp, the CAISO, TANC, SMUD, Powerex, and PPM Energy that resolved, among other things, a dispute over the eastern Malin to Round Mountain segment of the California-Oregon Intertie (“the Settlement”). In order to ensure that the operation of the three-line California-Oregon Intertie (“COI”) continues to be coordinated among all the parties that have capacity at the COI, the Settlement provides that PacifiCorp be added as a COI-POA party beginning January 1, 2012. Specifically, under Section 5.3 of the Settlement, the parties to the OCA, the COI-POA and PacifiCorp agree to commence negotiations to add PacifiCorp as a party to the OCA and COI-POA no later than January 1, 2009, and to execute amended versions of these two agreements by June 1, 2011. Furthermore, the Settlement provided that, to the extent that the parties were unable to reach agreement, PacifiCorp or any COI-POA party could unilaterally propose amendments to the COI POA) to become effective January 1, 2012 and request that the Commission resolve the disputed issues.

³ PG&E filed agreed upon changes to include PacifiCorp as a party to the OCA in Docket No. ER11-3911-000, and PacifiCorp filed these same agreed upon changes as well as some

ISO proposes that the second amended COI-POA be made effective on January 1, 2012 in accordance with the Settlement.

I. Background

The OCOA provides for the coordinated operation of the three 500 kV AC transmission lines connecting California with the Pacific Northwest: the two-line Pacific AC Intertie and the California-Oregon Transmission Project (“COTP”). The Pacific Intertie, the combined PACI and COTP, is the primary transmission path connecting California with the Pacific Northwest and is a critical link in maintaining reliability in the West. The three 500 kV line segments operate and function as one integrated system that is crucial to the imports from the Pacific Northwest into California and the exports from California to the Pacific Northwest. The northern part of this three-line system consisting of the portions of the PACI between the Malin and Round Mountain Substations and the COTP between Captain Jack and Olinda Substations is referred to as the California-Oregon Intertie (“COI”).

The OCOA provides for, among other things, the coordinated operation and maintenance of these three 500-kV transmission lines in order to provide a reliable and stable operating system to facilitate reliable and commercially beneficial interaction of numerous market participants at this vibrant trading hub and serve the public interest. Coordination of the three 500 kV lines also requires coordination between the two balancing authority areas south of the California-Oregon border in which these lines are located – those operated by the ISO and the Balancing Authority of Northern California (“BANC”). This coordination, including pro rata sharing of curtailments and the ability to deal with system contingencies, helps to ensure the reliability of transmission service in California and power transfers between California and the Pacific Northwest.

The OCOA also specifies in detail the coordination of operations of the three-line system by a single path operator, currently the ISO, pursuant to an agreement with the OCOA parties. The COI-POA provides the ISO with the authority and mechanisms to carry out its responsibilities as path operator of the COI. Specifically, the COI-POA codifies the information requirements and duties and obligations of the ISO and the COI owners so as to enable the ISO to perform its coordination of operations obligations even though the lines are under the operational control of different entities and are in different balancing authority areas. The ISO as path operator is responsible for determining available scheduling capability, and coordinating curtailments, maintenance, planned

additional disputed changes to the OCOA in Docket No. ER11-3865-000. The changes to the COI-POA filed by the ISO in this docket are consistent with the agreed upon changes to the OCOA as filed by both PacifiCorp and PG&E. In other words, the outcome of the proceedings associated with the OCOA amendments should not impact the changes proposed by the ISO to the COI-POA.

outages, and the restoration of facilities to service to maximize the available scheduling capability and minimize reductions in operational transfer capability.

Although the ISO understands parties began negotiations prior to January 1, 2009 and have continued these negotiations during the past two-and-one-half years, and the agreed upon changes are reflected in the COI-POA being filed by the ISO, the parties have not been able to come to a complete agreement on the necessary language changes to the OCOA. Thus, an executed version of the COI-POA has not yet been achieved. Nevertheless, PacifiCorp, TANC, Western and PG&E have authorized the ISO to represent that they concur with the proposed changes to the COI-POA. The only disputed changes concern the OCOA as filed by PacifiCorp in Docket No. ER11-3865-000.

II. Description of Changes

Beyond the addition of PacifiCorp as a COI-POA party in those portions of the agreement where the parties are mentioned, *e.g.*, Section 1 (Parties), Section 2 (Recitals) and Section 4 (Definitions)⁴, the agreed upon COI-POA changes proposed through this filing fall into three main categories:

1. Governance Changes – Section 7 (Administration) has been updated to reflect the governance changes agreed to by the OCOA parties. The ISO's role as path operator remains unchanged.
2. Definitional Changes – During the negotiations, a review of the COI-POA indicated that there were ambiguous and potentially internally inconsistent definition and use of the terms PACI, PACI-P, PACI-W and System. The parties agreed to add new definitions, *e.g.*, PACI-1, PACI-2 and PACI-P and modify others, *e.g.*, PACI-P and System in order to clarify the descriptions of the lines covered under the COI-POA and thereby reduce potential confusion about the agreement.

⁴ The second amended COI-POA maintains the use of the term "Control Area" and "Control Area Operator." The ISO recognizes that the term "Control Area" is now referred to as a "Balancing Authority Area" in the NERC Glossary of Terms, and that there is no parallel definition for "Control Area Operator" in the NERC functional model. Nevertheless, the ISO has accepted this approach since both filed versions of the OCOA maintain these definitions, the ISO is not a party to the OCOA, and it would be confusing to update the COI-POA and not the OCOA. In addition, the potential ambiguity that arises most acutely with respect to the definition of Control Area Operator because it can no longer be defined by reference to NERC and WECC documents is mitigated by the fact the term is used throughout the COI-POA only to reference a specific entity and not to define the responsibilities of the entity. The ISO explained its position to the parties and in response has been assured by PacifiCorp, TANC, Western, and PG&E that continued use of these two terms serves only to minimize confusion and will not affect any of the coordination and operation requirements reflected in the OCOA and the COI-POA.

3. Miscellaneous Changes – Parties have agreed to changes in Section 1 (Parties), Section 2 (Recitals), Section 6 (Effective Date and Term), Section 8 (System Operations) and Section 34 (Federal Provisions) that serve to update the COI-POA.

In addition, the parties have agreed to update the cost sharing percentages included in Appendix B based on the addition of PacifiCorp as a party. The filed rate for ISO services as path operator remains unchanged.

III. Effective Date and Request for Waiver

The ISO requests that the COI-POA included in the instant filing be made effective on January 1, 2012.

IV. Service

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

Enclosed for filing is each of the following:

- (1) This letter of transmittal;
- (2) California-Oregon Intertie Path Operating Agreement (Attachment A); and
- (3) California-Oregon Intertie Path Operating Agreement with the revisions to the prior version of the agreement shown in red-line format (Attachment B).

V. Correspondence

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

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

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

The Honorable Kimberly D. Bose
July 19, 2011
Page 5

Respectfully submitted,

By: /s/ John C. Anders

Nancy Saracino

General Counsel

Sidney M. Davies

Assistant General Counsel

John C. Anders

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916) 608-7287

Fax: (916) 608-7222

janders@caiso.com

Attorneys for the California Independent
System Operator Corporation

Attachment A – Clean Sheets

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

PacifiCorp,

the Transmission Agency of Northern California,

Western Area Power Administration,

And

California Independent System Operator Corporation

July 19, 2011

Table of Contents

SECTION	<u>Sheet</u>
1 PARTIES.....	8
2 RECITALS	8
3 AGREEMENT	11
4 DEFINITIONS	11
4.1 ADMINISTRATIVE COMMITTEE:.....	11
4.2 ADMINISTRATIVE REPRESENTATIVE:	11
4.3 APPLICABLE REQUIREMENTS:.....	12
4.4 AVAILABLE SCHEDULING CAPABILITY (“ASC”):.....	12
4.5 ASC SHARE:.....	12
4.6 AVAILABLE SYSTEM TRANSFER CAPABILITY (“ASTC”):.....	12
4.7 CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION (“CAISO”):	12
4.8 CALIFORNIA-OREGON BORDER (“COB”):.....	12
4.9 CALIFORNIA-OREGON INTERTIE (“COI”):.....	13
4.10 CALIFORNIA-OREGON INTERTIE CONTROL AREA OPERATOR (“COI CONTROL AREA OPERATOR”):	13
4.11 CLEARANCE:	13
4.12 CONTROL AREA:.....	13
4.13 CONTROL AREA OPERATOR:	13
4.14 COST	13
4.15 COTP:	14
4.16 COTP PARTICIPANTS:	14
4.17 COTP TERMINUS:	14
4.18 CURTAILMENT:	14
4.19 E&O COMMITTEE:	14
4.20 E&O REPRESENTATIVE:	14
4.21 EFFECTIVE DATE:	14
4.22 ELECTRIC SYSTEM:	15

4.23	FERC:.....	15
4.24	FEDERAL POWER ACT:	15
4.25	INDIAN SPRING:	15
4.26	NERC:	15
4.27	NOMOGRAM:	15
4.28	NON-SIMULTANEOUS TRANSFER CAPABILITY:	15
4.29	NON-VOTING REPRESENTATIVE:	16
4.30	OPERATING EMERGENCY:	16
4.31	OPERATING PROCEDURES:	16
4.32	OPERATIONAL TRANSFER CAPABILITY LIMIT (“OTC”):	16
4.33	OWNER:.....	17
4.34	OWNERS COORDINATED OPERATION AGREEMENT (“OCO”):.....	17
4.35	PACI-1:.....	17
4.36	PACI-2:.....	17
4.37	PACIFIC AC INTERTIE (“PACI”):	17
4.38	PACI-P:	17
4.39	PACI-PC:.....	18
4.40	PACI-W:	18
4.41	PACIFIC DC INTERTIE (“PDCI”):.....	18
4.42	PACIFIC INTERTIE:	18
4.43	PACIFIC NORTHWEST PATH OPERATOR:	18
4.44	PATH OPERATOR FOR COI:	18
4.45	POWER FLOW REDUCTION MEASURES	18
4.46	PRUDENT UTILITY PRACTICE:	18
4.47	RATED SYSTEM TRANSFER CAPABILITY (“RSTC”):	19
4.48	REMEDIAL ACTIONS:	19
4.49	REMEDIAL ACTION SCHEMES (“RAS”):	19
4.50	RSTC SHARE:	19
4.51	SIMULTANEOUS TRANSFER CAPABILITY:	19

4.52	SYSTEM:	19
4.53	TESLA BYPASS:	19
4.54	TRANSFER CAPABILITY:	19
4.55	TRANSMISSION AGENCY OF NORTHERN CALIFORNIA ("TANC"):.....	20
4.56	TRANSMISSION NETWORK:.....	20
4.57	UNSCHEDULED FLOW (ALSO CALLED LOOP FLOW):	20
4.58	UNCONTROLLABLE FORCE:	20
4.59	VOTING REPRESENTATIVE:	20
4.60	WECC:	21
4.61	WILLFUL ACTION:	21
5	SCOPE OF AGREEMENT.....	22
6	EFFECTIVE DATE AND TERM.....	22
6.1	EFFECTIVE DATE	22
6.2	TERM.....	22
7	ADMINISTRATION	23
7.1	REPRESENTATION	23
7.2	DUTIES OF ADMINISTRATIVE COMMITTEE	23
7.3	DUTIES OF E&O COMMITTEE	24
7.4	E&O REPRESENTATIVE REVIEW.....	24
7.5	MEETINGS.....	24
7.6	EXPENSES	25
7.7	OPERATING PROCEDURE IMPLEMENTATION	25
8	SYSTEM OPERATION	26
8.1	COI OPERATING PROCEDURES.....	26
8.2	UNSCHEDULED FLOW PROCEDURE	26
8.3	PATH OPERATOR FOR COI DUTIES:	26
8.4	PATH OPERATOR FOR COI COMPENSATION.....	30
8.5	OWNERS' OBLIGATIONS TO PATH OPERATOR FOR COI:	31

9	PAYMENT	31
9.1	PAYMENT.....	31
9.2	FULL PAYMENT.....	32
9.3	LATE PAYMENTS.....	32
9.4	DISPUTED BILLS.....	32
10	ASSIGNMENT	33
11	LIABILITY	33
11.1	SCOPE OF LIABILITY.....	33
11.2	CLAIMS OF ELECTRIC CUSTOMERS.....	34
11.3	PROTECTION OF FACILITIES.....	34
12	UNCONTROLLABLE FORCE	35
12.1	NO DEFAULT.....	35
12.2	NO SETTLEMENT OBLIGATION.....	35
12.3	NOTICE AND REMOVAL OBLIGATION.....	35
13	NO DEDICATION OF FACILITIES	35
14	REGULATORY AUTHORITY	35
14.1	FERC JURISDICTION.....	35
14.2	CHANGES IN RATES.....	35
15	DISPUTE RESOLUTION	36
15.1	DISPUTES GENERALLY.....	36
15.2	TECHNICAL DISPUTES.....	36
15.3	RULES.....	37

16	NO EXCLUSIVE REMEDY	37
17	GOVERNING LAW	37
18	NON-WAIVER	38
19	NOTICES	38
20	NO THIRD PARTY BENEFICIARIES	38
21	RELATIONSHIP OF THE PARTIES	38
22	TITLES	39
23	NO PRECEDENTS	39
24	ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS	39
24.1	ADVERSE DETERMINATION.....	39
24.2	EXPANSION OF OBLIGATIONS.....	40
24.3	RENEGOTIATION.....	40
25	SEVERABILITY	40
26	PRESERVATION OF OBLIGATIONS	41
27	INTEGRATION OF AGREEMENT	41
28	APPENDICES INCORPORATED	41
29	JUDGMENTS AND DETERMINATIONS	41
30	FEDERAL PROVISIONS	41
30.1	CONTINGENT UPON APPROPRIATIONS	41
30.2	OFFICIALS NOT TO BENEFIT	42
30.3	COVENANT AGAINST CONTINGENT FEES	42
30.4	CONTRACT WORK HOURS AND SAFETY STANDARDS.....	42
30.5	EQUAL OPPORTUNITY EMPLOYMENT PRACTICES	42
30.6	USE OF CONVICT LABOR.....	43
31	SUCCESSOR IN INTEREST:	43
32	AMENDMENTS	43
33	SIGNATURES; EXECUTION IN COUNTERPARTS:	43
	APPENDIX A - Recipients of Notices	47
	APPENDIX B - Owners' Cost Shares	50

Table of Acronyms and Abbreviations

Agreement:	This California-Oregon Intertie Path Operating Agreement
ASC:	Available Scheduling Capability
ASTC:	Available System Transfer Capability
BPA:	Bonneville Power Administration
CAISO:	California Independent System Operator Corporation
COB:	California-Oregon Border
COI:	California-Oregon Intertie
COTP:	California-Oregon Transmission Project
CVP:	Central Valley Project
Edison:	Southern California Edison Company
FERC:	The Federal Energy Regulatory Commission, or its regulatory successor
NERC:	The North American Electric Reliability Council, or its successor
NOB:	Nevada-Oregon Border
OCOA:	Owners Coordinated Operation Agreement
PACI:	Pacific AC Intertie
PDCI:	Pacific DC Intertie
PG&E:	Pacific Gas and Electric Company
RAS:	Remedial Action Schemes
RSTC:	Rated System Transfer Capability
SDG&E:	San Diego Gas & Electric Company
TANC:	Transmission Agency of Northern California
Western:	Western Area Power Administration
WECC:	The Western Electricity Coordinating Council, or its successor

California-Oregon Intertie Path Operating Agreement

Among

**Pacific Gas and Electric Company,
the Transmission Agency of Northern California,
Western Area Power Administration**

And

California Independent System Operator Corporation

1 PARTIES

- 1.1 The California-Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants In the California-Oregon Transmission Project, Western Area Power Administration and the California Independent System Operator Corporation, Governing the Operation Of the Pacific AC Intertie and the California-Oregon Transmission Project (“COI POA”), was entered into as of the 21st day of October 2004, and became effective on January 1, 2005.
- 1.2 The COI POA was amended and entered into as of the 21st day of November 2007, by and among the following: Pacific Gas and Electric Company (“PG&E”), the California-Oregon Transmission Project_Participants (“COTP Participants”), as defined in Section 4.16 of the Amended COI POA, the Western Area Power Administration (“Western”), and the California Independent System Operator Corporation_ (“CAISO”), and became effective January 1, 2008 (“Amended COI POA”). The CAISO is the Path Operator for COI.
- 1.3 This instant Second Amended California-Oregon Intertie Path Operating Agreement (“Second Amended COI POA” or “Agreement”) amends the Amended COI POA and is made and entered into as of this **X** day of **X**, by and among the following: PG&E, PacifiCorp, Transmission Agency of Northern California (“TANC”) on behalf of the COTP Participants, Western, and the CAISO, hereinafter sometimes referred to collectively as “Parties” and individually as a “Party.”

2 RECITALS

This Agreement is made with reference to the following facts, among others:

- 2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie (“PACI”) between Malin and Tesla Substations.
- 2.2 PG&E constructed and owns most of the portions of the PACI in northern California (“PACI-P”), which operate in parallel with the COTP.
- 2.3 PG&E has operated the PACI-P since December 20, 1967, which, under this Agreement, will be coordinated with the COTP Participants and Western. PG&E

turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation (“CAISO”), which operates the Control Area in which the PACI is presently located.

- 2.4 Western owns a portion of the PACI (“PACI-W”), which had been coordinated with the PACI-P pursuant to Western’s Contract With California Companies For Extra High Voltage Transmission And Exchange Service (“Contract 2947A”), which expired December 31, 2004. Subsequently, under the Transmission Exchange Agreement among Western, the CAISO and PG&E (“Western TEA”), Western and the CAISO established terms for an exchange of bi-directional transmission service.
- 2.5 PacifiCorp owns a portion of the PACI (“PACI-PC”), which is coordinated with the PACI-P pursuant to the Transmission Exchange Agreement among PacifiCorp, the CAISO, and PG&E (“PacifiCorp TEA”). Under the PacifiCorp TEA, which became effective on January 1, 2008, PacifiCorp and PG&E have exchanged transmission capacity on their respective segments of the Malin-Round Mountain No. 2 Line.
- 2.6 The COTP Participants have transferred the COTP to the Balancing Authority Area operated by the Balancing Authority of Northern California. Western, under terms of the TEA, has the PACI-W located in the Balancing Authority Area of the CAISO and may decide to transfer the PACI-W to a Balancing Authority Area different than that operated by the CAISO.
- 2.7 Prior to the execution of this Agreement, the CAISO has performed, and continues to perform, the functions of the Path Operator for the California-Oregon Intertie (“COI”) in coordination with the Pacific Northwest Path Operator, and those entities have developed certain procedures to provide for the reliable operation of the COI.
- 2.8 PG&E, COTP Participants, and Western agreed to the terms and conditions of the Owners Coordinated Operations Agreement (“OCO”)”, which was approved by FERC and went into effect on January 1, 2005, and amendments, which became effective January 1, 2008 (“Amended OCO”), in order to establish the coordination obligations and rights for the System. In December 2008, PG&E, PacifiCorp, TANC on behalf of the COTP Participants, and Western (collectively, the Owners and

individually, an Owner) entered into negotiations of further amendments, to the Amended OCOA, intended to become effective January 1, 2012 (Second Amended OCOA), to further the established coordination obligations and rights for the System. Prior to the Effective Date of this Agreement, each Owner has made arrangements for its facilities that are a part of the System to be operated within a NERC certified Control Area, and such arrangements require the Control Area Operator of each Control Area to operate such facilities in conformance with this Agreement and Section 8.2.2 of the Second Amended OCOA.

- 2.9 The Second Amended OCOA provides, in Section 8, that the parties to the OCOA shall develop and enter into an Operating Agreement with the Path Operator for the COI.
- 2.10 As part of the November 21, 2007 Offer of Settlement and Stipulation in Docket No. ER07-882, et al., the parties to the Amended COI POA and PacifiCorp agreed to commence good faith negotiations in an attempt to agree to further amendments to the COI POA and the OCOA to include PacifiCorp as a party to each agreement. This instant Agreement is a result of those negotiations and is the successor agreement to the Amended COI POA.
- 2.11 It is the Owners' desire, in accordance with the Second Amended OCOA, to:
 - 2.11.1 Enter into this Agreement with the CAISO as the Path Operator for COI to provide for the continued reliable coordinated operation of the PACI and COTP with the Pacific Northwest Path Operator, and
 - 2.11.2 Provide in this Agreement for the CAISO as the Path Operator for COI to coordinate certain aspects of the operation of multiple Control Areas bordering and extending south of COB.
- 2.12 It is the Parties' desire, in accordance with this Agreement, to:
 - 2.12.1 Assure the continued reliable operation of the COI;
 - 2.12.2 Establish the obligations, rights and compensation of the Path Operator for COI;

2.12.3 Establish requirements for the obligations and rights to be included in all agreements between the Path Operator for COI and a COI Control Area Operator necessary to carry out Path Operator duties in relation to a Control Area operated by such Control Area Operator; and

2.12.4 Establish requirements for the obligations and rights to be included in all agreements between the COI Control Area Operator(s) and each appropriate COI participant, if necessary, to carry out the Control Area Operator duties in relation to a coordinated operation of COI.

2.13 Nothing in this Agreement is intended to limit the Pacific Northwest Path Operator's discretion in performing its duties.

3 AGREEMENT

In consideration of the covenants and conditions herein, the Parties agree as follows:

4 DEFINITIONS

Whenever used in this Agreement, the following terms, when initially capitalized, shall have the meanings set forth in this Section 4. The singular of any definition shall include the plural and the plural shall include the singular. A Table of Acronyms and Abbreviations, incorporated in this Section 4, follows the Table of Contents.

4.1 Administrative Committee:

The committee created under Section 7 of the Second Amended OCOA, composed of one Voting Representative from PG&E, one from Western, and one from the COTP Participants, and one Non-Voting Representative from PacifiCorp. The Path Operator for COI shall be an ex-officio, non-voting member of this committee for matters related to path operation.

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7 of the Second Amended OCOA as a Voting Representative or a Non-Voting Representative.

4.3 Applicable Requirements:

In relation to a Party's interest in the System, any applicable law or regulation; any standards, procedures or requirements of (i) NERC, (ii) WECC, or (iii) any other person or entity or tariff or rate schedule, that are legally binding on a Party's interest in the System, which may include operational control; in each case as amended from time to time and whether now existing or hereafter imposed or arising. The requirements applicable to one Party's interest in the System may not be applicable to another Party's interest in the System.

4.4 Available Scheduling Capability ("ASC"):

The maximum amount of power that can be scheduled over the System, as measured across COI and determined in accordance with Section 11.1 of the Second Amended OCOA.

4.5 ASC Share:

The allocation of ASC to the PACI-1, PACI-2 or COTP as calculated pursuant to Section 11.2 of the Second Amended OCOA.

4.6 Available System Transfer Capability ("ASTC"):

The portion of Rated System Transfer Capability ("RSTC") that is physically capable of transmitting power based on operating conditions of the System, other than Unscheduled Flow, existing at a given time as determined in accordance with Sections 8.5 and 11.1 of the Second Amended OCOA.

4.7 California Independent System Operator Corporation ("CAISO"):

A California nonprofit, public benefit corporation that has operational control of the transmission facilities of certain Parties, dispatches certain generating units and loads, and is a Control Area Operator.

4.8 California-Oregon Border ("COB"):

The cut-plane where the COI crosses the border between the State of California and the State of Oregon, parallel to such border.

4.9 California-Oregon Intertie ("COI"):

The two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation.

4.10 California-Oregon Intertie Control Area Operator ("COI Control Area Operator"):

A Control Area Operator who has a Control Area in California that includes at least one of the three transmission lines that constitutes the COI.

4.11 Clearance:

The disconnecting and de-energizing and reconnecting and re-energizing of equipment to ensure the safety of an Owner's customers, employees and equipment, and to maintain reliable service.

4.12 Control Area:

An area comprised of an Electric System or Electric Systems, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Control Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves in accordance with Prudent Utility Practice. For purposes of this definition, a Control Area must be certified by NERC and operate in conformance with Applicable Requirements as a Balancing Authority.

4.13 Control Area Operator:

The operator of a Control Area, which performs all duties for such an entity specified by applicable NERC and WECC documents.

4.14 Cost

All just, reasonable, necessary and prudently incurred expenses or capital expenditures, including but not limited to those for operation, maintenance and engineering, contract modification, administrative and general expenses, taxes, depreciation, and fees for consultants, as determined in accordance with the FERC Uniform System of Accounts as such may be amended or superseded from time to time, and costs of capital. The appropriate components of the Cost, as defined herein, shall be applied for the particular circumstances associated with the incurrence of costs.

4.15 COTP:

The California-Oregon Transmission Project, a 500-kV transmission line and associated facilities between the Captain Jack Substation near COB and the COTP Terminus. The COTP is owned by the COTP Participants.

4.16 COTP Participants:

Western, Transmission Agency of Northern California ("TANC"), Carmichael Water District, the California City of Redding, PG&E, San Juan Suburban Water District, and their successors and assigns.

4.17 COTP Terminus:

The point of interconnection between the PG&E Electric System and COTP, located at the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP's conductors extending from the Tracy Substation meet PG&E's conductors extending from PG&E's Tesla and Los Banos Substations.

4.18 Curtailement:

A reduction in schedules across COI in accordance with Section 11 of the Second Amended OCOA.

4.19 E&O Committee:

The body composed of one Voting Representative each of PG&E, Western, and the COTP Participants, and one Non-Voting Representative of PacifiCorp, pursuant to Section 7 of the Second Amended OCOA. The Path Operator for COI shall be an ex-officio, non-voting member of this committee for matters related to path operation.

4.20 E&O Representative:

A Voting Representative or a Non-Voting Representative serving on the E&O Committee, designated in accordance with Section 7 of the Second Amended OCOA.

4.21 Effective Date:

The date on which this Agreement becomes effective as specified in Section 6.1 herein.

4.22 Electric System:

All physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity's ownership interest in such asset or property shall be considered to be part of its Electric System. For purposes of this Agreement, the Electric System of an Owner shall not be deemed to be the Electric System of the Path Operator for COI.

4.23 FERC:

The Federal Energy Regulatory Commission, or its regulatory successor.

4.24 Federal Power Act:

That federal law, originally enacted as Title II of the Public Utilities Act of 1935, as amended, which provides, inter alia, for federal regulation of transmission and the sale at wholesale of electric power and energy in interstate commerce, codified at 16 U.S.C. Sections 824 et seq., as it may be amended.

4.25 Indian Spring:

The point of change of ownership between PG&E and PacifiCorp along the PACI-2, between Round Mountain and Malin Substations.

4.26 NERC:

The North American Electric Reliability Corporation, or its successor national electric reliability organization.

4.27 Nomogram:

A set of operating or scheduling rules used to ensure that simultaneous operating limits are complied with, in order to meet NERC and WECC operating criteria.

4.28 Non-Simultaneous Transfer Capability:

The capability or capacity of a transmission circuit or path, in megawatts, to transfer power reliably and in accordance with prescribed reliability criteria independent of concurrent flows

on other circuits or paths. It is normally determined with all potentially interacting circuits or paths loaded below the levels at which limitations are observed and studied.

4.29 Non-Voting Representative:

A representative serving on the Administrative Committee or E&O Committee designated in accordance with Section 7 of the Second Amended OCOA as a Non-Voting Representative. PacifiCorp is represented on the Administrative Committee and the E&O Committee by a Non-Voting Representative.

4.30 Operating Emergency:

An unexpected event or circumstance, or series of events or circumstances, that has caused or is reasonably anticipated to cause a sudden loss or interruption of a facility in a Party's Electric System or any other electric generating or transmitting facilities and that, in the judgment of the Party taking or requesting action, requires immediate action to:

4.30.1 Preserve, maintain, or reestablish the safety, reliability, integrity or operability of the affected Control Area(s), the System, or such other electric facilities as have been affected;

4.30.2 Avoid a hazard to the property, health or safety of employees or the public;

4.30.3 Minimize or avoid loss of load or the inability to furnish any electric service;

or

4.30.4 Maintain the frequency or voltage of a Party's Electric System.

4.31 Operating Procedures:

The procedures and instructions developed and approved pursuant to this Agreement for the Path Operator for COI.

4.32 Operational Transfer Capability Limit ("OTC"):

The amount as defined under that name in the WECC Reliability Criteria Agreement Annex A, as it may be amended or superseded. As of the Effective Date, this amount is the maximum value of the most critical system operating parameter(s) which meets: (a) pre-contingency criteria as determined by equipment loading capability and acceptable voltage conditions, (b) transient criteria as determined by equipment loading capability and acceptable voltage conditions, (c) transient performance criteria and (d) post-contingency loading and voltage criteria. The OTC for

COI shall be the lesser of ASTC and the Transfer Capability of that path determined by the Pacific Northwest Path Operator. Where used in this Agreement without specific locational reference, OTC shall mean the OTC for COI unless otherwise noted.

4.33 Owner:

PG&E, PacifiCorp, each of the COTP Participants, and Western.

4.34 Owners Coordinated Operation Agreement (“OCOA”):

The contract among the Owners governing the coordinated operation of the Pacific AC Intertie and the California-Oregon Transmission Project, as it may be amended.

4.35 PACI-1:

The portion of the PACI consisting of the western 500-kV transmission line and associated facilities between COB and the COTP Terminus, which is owned by PG&E between Round Mountain and the COTP Terminus and by Western between Round Mountain and the Malin Substations.

4.36 PACI-2:

The portion of the PACI consisting of the eastern 500-kV transmission line and associated facilities between COB and the COTP Terminus, which is owned by PG&E between Indian Spring and the COTP Terminus and by PacifiCorp between Indian Spring and the Malin Substation near COB.

4.37 Pacific AC Intertie (“PACI”):

For purposes of this Agreement, that portion of the 500 kV AC Pacific Intertie located between COB and PG&E's Tesla Substation, associated 500 kV facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the COTP Terminus, including lines, substations and associated facilities.

4.38 PACI-P:

The portion of the PACI-1 owned by PG&E and located between the COTP Terminus and Round Mountain Substation together with the portion of the PACI-2 owned by PG&E and located between the COTP Terminus and Indian Spring in northern California.

4.39 PACI-PC:

The portion of the PACI-2 owned by PacifiCorp and located between Indian Spring in northern California and the Malin Substation near COB and associated facilities.

4.40 PACI-W:

The portion of the PACI-1 owned by Western and located between the Malin and Round Mountain Substations.

4.41 Pacific DC Intertie ("PDCI"):

The ± 500 kV direct current transmission line that includes, and is located between, the Celilo Converter Station in Oregon and the Sylmar Converter Station in California.

4.42 Pacific Intertie:

Those AC and DC facilities that are the PACI and PDCI.

4.43 Pacific Northwest Path Operator:

The entity, currently the Bonneville Power Administration ("Bonneville"), responsible for operating the electric transmission path and managing transfer capability north of COB corresponding to the COI south of COB.

4.44 Path Operator for COI:

The entity that performs the duties described in Section 8.3 herein.

4.45 Power Flow Reduction Measures

Actions taken to promptly and rapidly reduce power flow, including but not limited to: the circulation of power on the PDCI, the increase of generation within the Control Area through changes initiated by a Control Area Operator that create counter flow, and Curtailments that result in immediate responses from the parties to scheduled transactions to change the amount of generation or load accordingly.

4.46 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is

not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

4.47 Rated System Transfer Capability ("RSTC"):

The Non-Simultaneous Transfer Capability of the System across COI as determined by the Administrative Committee in accordance with Section 9 of the Second Amended OCOA.

4.48 Remedial Actions:

The automated actions taken under a Remedial Action Scheme, such as equipment insertion or removal and load or generation tripping.

4.49 Remedial Action Schemes ("RAS"):

The procedures that are required to maintain reliable operation of the System after a disturbance on the interconnected Electric Systems.

4.50 RSTC Share:

The allocation of RSTC to each of the three 500 kV lines comprising the PACI and COTP in accordance with Section 10 of the Second Amended OCOA.

4.51 Simultaneous Transfer Capability:

The capability or capacity of a transmission circuit or path, in megawatts, to transfer power reliably and in accordance with prescribed reliability criteria in concert with other interacting paths or circuits. It is normally defined by its interactive relationship in the form of nomograms with the flows on other transfer paths or circuits.

4.52 System:

The combined COTP, PACI-1 and PACI-2.

4.53 Tesla ByPass:

The approximately 6.8 miles of double-circuit 500-kV facilities, together with associated 500-kV bus work and circuit breakers at the 500-kV Tracy Substation, which interconnect the COTP with the PACI-1 and the PACI-2 at the COTP Terminus.

4.54 Transfer Capability:

The amount of electric power, expressed in megawatts, that can be transferred in a designated direction on the System between the Pacific Northwest and California, as measured

across COI, using the Transmission Network in a reliable manner and in accordance with Prudent Utility Practice and Applicable Requirements.

4.55 Transmission Agency of Northern California ("TANC"):

A joint powers agency authorized by Section 6502 of the California Government Code, and, as of the Effective Date, composed of the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah; the Plumas-Sierra Rural Electric Cooperative; the Sacramento Municipal Utility District; the Modesto Irrigation District; and the Turlock Irrigation District.

4.56 Transmission Network:

The interconnected Electric Systems represented in the power system studies of Transfer Capability, which include the System and the Electric Systems of all Parties and certain third parties, as represented in such rating or operating studies.

4.57 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

4.58 Uncontrollable Force:

Any cause beyond the control of a Party which renders it unable to perform an obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, volcanic activity, tornado, storm, drought, fire, pestilence, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, vandalism, strike, labor dispute, labor or material shortage, sabotage, terrorism, governmental priorities or restraint by court order or public authority and action or non-action by, or inability to obtain or maintain in effect any necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

4.59 Voting Representative:

A representative serving on the Administrative Committee or E&O Committee designated in accordance with Section 7 of the Second Amended OCOA as a Voting Representative. PG&E, Western, and the COTP Participants are represented on the Administrative Committee and the E&O Committee by Voting Representatives.

4.60 WECC:

The Western Electricity Coordinating Council or its successor.

4.61 Willful Action:

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

4.61.1.1 Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or

4.61.1.2 Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

4.61.2 The phrase "employees having management or administrative responsibility," as used in Section 4.61.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

5 SCOPE OF AGREEMENT

This Agreement establishes the Owners' arrangement with the Path Operator for COI to ensure that the Owner's transmission capacity is available to the maximum extent practical consistent with the reliable operation of the COI. It is the intent of the Parties that the Path Operator for COI shall operate the COI to make available the greatest amount of Transfer Capability on the COI consistent with Prudent Utility Practice and existing conditions. In the case of any conflict between any tariff or rate schedule of the Path Operator for COI and this Agreement, this Agreement shall prevail.

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

This Agreement shall become effective on January 1, 2012, or the date on which FERC permits the amendments to become effective without change or condition unacceptable to any Party, whichever comes later.

6.2 Term

This Agreement shall terminate on the earliest of:

(a) upon unanimous vote of the Voting Representatives of the Administrative Committee pursuant to Section 8.1.5 of the Second Amended OCOA, and such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement, following not less than 60 days' notice to the Path Operator for COI; or

(b) termination of the Second Amended OCOA; or

(c) the Path Operator for COI shall have the right to terminate upon one year's written notice, provided however, that such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement.

If this Agreement is terminated pursuant to this Section 6.2, then any Party that requires FERC authorization to terminate service under this Agreement promptly shall file a notice of termination with the FERC. If and when this Agreement terminates pursuant to this Section 6.2, then all Parties that do not require authorization from FERC to terminate providing any service under this Agreement shall cease both to provide and to take any service under this Agreement or any rate

schedule resulting in whole or in part from this Agreement, regardless of any action or inaction by FERC as to any application by another Party to terminate service.

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties and the Path Operator for COI concerning administrative and technical matters that may arise in connection with this Agreement, the Administrative Committee and the E&O Committee shall meet, and shall invite the Path Operator for COI and, if applicable, the COI Control Area Operator(s) and the Pacific Northwest Path Operator to attend any such meeting to discuss and resolve any such administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by vote, which shall be a unanimous vote of all Voting Representatives of the respective committees unless the committee decides otherwise by unanimous vote of the Voting Representatives or unless otherwise specified in this Agreement. As a Voting Representative, PG&E is required to cast its vote in Administrative Committee and E&O Committee meetings in accordance with Appendix B of the Second Amended OCOA.

7.2 Duties of Administrative Committee

The Administrative Committee, as established in Section 7.2 of the Second Amended OCOA, shall:

- 7.2.1 Resolve issues among the Owners regarding the interpretation of this Agreement;
- 7.2.2 Resolve issues that could not be resolved by the E&O Committee;
- 7.2.3 Recommend amendments to the Agreement for consideration of the Parties;
and
- 7.2.4 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

The E&O Committee, as established in Section 7.3 of the Second Amended OCOA shall:

- 7.3.1 Resolve issues and jointly develop operating procedures with the Path Operator for COI concerning the appropriate determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees.
- 7.3.2 Resolve issues concerning the Operating Procedures of the Path Operator for COI;
- 7.3.3 Propose, review and develop Operating Procedures used by the Path Operator for COI to perform its duties under Section 8 of this Agreement;
- 7.3.4 Review and comment upon operating procedures used by the Pacific Northwest Path Operator;
- 7.3.5 Refer issues that cannot be resolved by the E&O Committee to the Administrative Committee; and
- 7.3.6 Perform such other duties as may be assigned by the Administrative Committee or as may be designated in this Agreement.

7.4 E&O Representative Review

All matters pertaining to the duties of the Path Operator for COI and its performance thereof requiring action or resolution by the Administrative Committee pursuant to this Agreement shall be reviewed by the E&O Committee prior to referral to the Administrative Committee, unless otherwise agreed by the Administrative Committee.

7.5 Meetings

The Path Operator for COI may call a meeting of the Administrative Committee or the E&O Committee upon reasonable advance written notice to the Administrative or E&O Committee Representatives. A written agenda incorporating any items proposed by any Administrative or E&O Committee Representative shall be supplied for such meetings. Meetings

may be conducted in person, by telephone, or by any other mutually agreed upon means. The Administrative Committee or the E&O Committee may invite others to participate in such meetings.

7.6 Expenses

Any reasonable expenses incurred by the Path Operator for COI to attend meetings of the Administrative Committee and E&O Committee as identified in this Section 7, and authorized by the Administrative Committee for recovery, shall be paid by the Owners under Section 8.4.

7.7 Operating Procedure Implementation

Any new procedure(s) or change to the existing Operating Procedures requested by the Path Operator for COI shall be brought before the E&O Committee for joint review and development prior to implementation of such new procedure. In the event that the Path Operator for COI must make an immediate decision that is not addressed in existing Operating Procedures, regarding a situation which the Path Operator for COI believes could result in an Operating Emergency, the Path Operator for COI may implement such new procedure(s), take such action(s) or make such determination as in its judgment is necessary in accordance with Prudent Utility Practice, Applicable Requirements and in conformance with the provisions of this Agreement, *provided* that the Path Operator for COI must obtain E&O Committee approval for continued operation using such new or changed procedure(s) within 10 days of the changes being made, otherwise the Path Operator for COI shall cease utilizing the new procedure(s). E&O Committee approval shall be by unanimous vote of the Voting Representatives. Such E&O Committee approval may provide for an extension of the 10-day period of temporary implementation. The Path Operator for COI reserves the right to not implement any Operating Procedure that is not operationally feasible or conflicts with its legal obligations, reliability requirements, is inconsistent with NERC or WECC requirements, or threatens public health or safety. At least 10 days before consideration of any new or proposed non-emergency Operating Procedure by the E&O Committee which may be applicable to the Pacific Northwest Path Operator, the Path Operator for COI shall provide a copy of such new or proposed Operating procedure to the Pacific Northwest Path Operator for review and comment. Any emergency Operating Procedure shall be provided by the Path Operator for COI to the Pacific Northwest Path Operator as soon as possible prior to the E&O Committee approval.

8 SYSTEM OPERATION

8.1 COI Operating Procedures

The E&O Committee shall, as provided in Section 7.7 herein, establish and modify, as necessary, Operating Procedures required to implement this Agreement consistent with Prudent Utility Practice and Applicable Requirements. Such Operating Procedures shall, among other things, permit all affected entities with applicable transmission availability posting or service offer requirements to meet the timing requirements of such posting or service offer requirements. The COI Operating Procedures shall be binding upon the Parties and fully enforceable under this Agreement and may be changed from time to time by E&O Committee approval in accordance with Section 7.3 herein. Such revisions shall not be deemed to be an amendment to this Agreement. Nothing in this Agreement shall be deemed to require the scheduling of the transmission rights of a Non-Participating Transmission Owner in accordance with the CAISO scheduling procedures applicable to the use of the CAISO Controlled Grid, as those two terms are defined in the CAISO tariff.

8.2 Unscheduled Flow Procedure

Operating Procedures for Unscheduled Flow shall require that Unscheduled Flow be deducted from OTC and ASTC only on a real-time basis, or for the hour-ahead pre-scheduling period, unless the E&O Committee establishes an alternate procedure. COI Operating Procedures shall be consistent with the WECC Unscheduled Flow Mitigation Plan.

8.3 Path Operator for COI Duties:

The Path Operator for COI shall, in accordance with Prudent Utility Practice and Applicable Requirements:

- 8.3.1 Determine OTC in coordination with the Pacific Northwest Path Operator and consistent with WECC seasonal studies performed by or on behalf of the Owners and in consideration of hydroelectric generation conditions in Northern California;
- 8.3.2 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with procedures developed pursuant to this Agreement, and allocate ASC to the PACI-1, PACI-2 and COTP in conformance with the

Second Amended OCOA and the associated Operating Procedures established and approved by the E&O Committee;

- 8.3.3 To the extent feasible, determine and allocate ASTC among the Owners, based on operating conditions at or south of the Malin and Captain Jack Substations, such that the ASTC allocated represents the total ASTC available, which amount may, at times, be different than the OTC, which value may be less than ASTC due to operating condition north of the Malin and Captain Jack Substations as determined by the Pacific Northwest Path Operator;
- 8.3.4 Provide timely communications to the COI Control Area Operators and the Pacific Northwest Path Operator concerning all matters required or desirable to communicate under this Agreement, other applicable agreements, Prudent Utility Practice and Applicable Requirements. Such communications shall meet the scheduling requirements of each of the Control Area Operators and shall include, but not be limited to, the following information:
 - 8.3.4.1 OTC, ASTC, ASC, ASC Shares and any limitations thereon based on actual and estimated Unscheduled Flow, and applicable Nomograms;
 - 8.3.4.2 Schedules exceeding ASC Share;
 - 8.3.4.3 Its determination of the amount of Power Flow Reduction Measures;
 - 8.3.4.4 Each COI Control Area Operator's share of responsibility for Power Flow Reduction Measures in accordance with applicable Operating Procedures.
- 8.3.5 Determine and give timely notice to all COI Control Area Operators of the need for and the amount of Power Flow Reduction Measures which amount shall be based on the need to respond to a real-time reduction in OTC and accommodate Unscheduled Flow during the applicable period of the use of Power Flow Reduction Measures so as to enable the Path Operator for COI to comply with WECC and NERC reliability standards, avoid sanctions for

violations for any WECC or NERC reliability standards, and comply with any other applicable power flow reduction obligations, and promptly advise the COI Control Area Operators to take their share of such Power Flow Reduction Measures in the amounts in accordance with applicable Operating Procedures;

8.3.6 Monitor all Electric System conditions that may reasonably affect ASTC and ASC, including, but not limited to, the following:

8.3.6.1 Operating status of 500 kV and 230 kV equipment and related power flows, Unscheduled Flow and voltages;

8.3.6.2 Operating status of generators and related power flows and voltages; and

8.3.6.3 RAS and telecommunications status and available remedial actions.

8.3.7 Establish ASTC and ASC in real time by monitoring flows and schedules at COI and power flows on other paths interacting with COI where Nomograms are used;

8.3.8 Prior to satisfaction of the requirements necessary to initiate coordinated operation of phase shifters and other flow control devices under the WECC Unscheduled Flow Mitigation Plan, and to the extent beneficial, operate flow control devices made available by one or more Parties in accordance with the instructions of the applicable Party. Such instructions shall be determined by the E&O Committee based on studies and shall address the amount and allocation of benefits due to the operation of such flow control devices, with due regard to the benefits provided by each Party making such devices available. Nothing in this Section 8.3.8 or any other provision of this Agreement shall be interpreted to require a Party, its Control Area Operator or the Path Operator for COI to violate the WECC Unscheduled Flow Mitigation Plan or operate phase shifters or other system elements for which such Party retains operational control in order to reduce Unscheduled Flow for the benefit of any other Party prior to the initiation of the WECC

Unscheduled Flow Mitigation Plan, as that plan may be amended or superseded;

- 8.3.9 Implement the WECC Unscheduled Flow Mitigation Plan;
- 8.3.10 Perform or cause to be performed all things necessary to meet the criteria for path operation including compliance with all applicable WECC and NERC reliability standards as they may be amended or superseded, as well as other duties applicable to path operation that may be required by the WECC or NERC through rules, standards or criteria;
- 8.3.11 Make all reasonable efforts to maximize both OTC and ASC consistent with the obligations set forth in this Section 8 by, among other things, reviewing the equipment outage plans of the Parties and COI Control Area Operators and the Pacific Northwest Path Operator to the extent such outage plans affect OTC, and recommending changes to such outage plans to minimize reductions in OTC;
- 8.3.12 Perform such other responsibilities and apply such policies and procedures as developed by the E&O Committee and approved by the Administrative Committee;
- 8.3.13 In the event of, and for the duration of, an Operating Emergency or as a result of Uncontrollable Force, notify the applicable Control Area Operators of any limitations on OTC or ASC due to the Operating Emergency or Uncontrollable Force. Such recommendations may include or result in, without limitation, Power Flow Reduction Measures and requesting that COI Control Area Operators operate System facilities in compliance with this Agreement;
- 8.3.14 Maintain continuous, reliable communication with the applicable WECC Reliability Coordinator and promptly inform such Reliability Coordinator of all conditions or events required by WECC rules and procedures;
- 8.3.15 Operate, maintain and replace those facilities, and recruit, retain and develop sufficient trained and certified personnel, as necessary to reliably

and efficiently perform all duties and functions required of the Path Operator for COI;

- 8.3.16 Perform all duties and functions of the Path Operator for COI for the benefit of all Owners without preference or discrimination and independently of, and without any preference or discrimination in relation to, any status, obligation or right of the Path Operator for COI as Control Area Operator, energy market participant, transmission service provider, electric or other utility, or government agency;
- 8.3.17 Comply with all requirements concerning standards of conduct under FERC Order No. 2004, as it may be amended or superseded, whether or not the Path Operator for COI is subject to FERC jurisdiction in regard to that regulation;
- 8.3.18 Enter into, maintain, amend and enforce agreements with COI Control Area Operators (i) necessary to perform obligations under this Agreement, including but not limited to those duties pursuant to Sections 8.3.4, 8.3.10, and 8.3.11, and (ii) that prohibit the application to the Parties of any requirement, rule, obligation, rate or charge in a tariff, rate schedule or other document issued or revised by any COI Control Area Operator without the written consent of the Administrative Committee;
- 8.3.19 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of the COI and perform other obligations under this Agreement, which coordination shall be under a contract to the extent feasible; and
- 8.3.20 The Path Operator for COI shall not have the authority to modify any term or condition of this Agreement, whether by course of conduct of any entity or otherwise, without the written agreement of all Parties.

8.4 Path Operator for COI Compensation

The Owners shall compensate the Path Operator for COI for services provided pursuant to Section 8.3 of this Agreement in accordance with the costs specified in Appendix B of

this Agreement. The Path Operator for COI shall not impose any charge or rate under this Agreement for any service the CAISO renders to the Owners other than for services provided pursuant to this Agreement.

8.5 Owners' Obligations to Path Operator for COI:

Each Owner shall take, or cause its COI Control Area Operator to take, the following actions on a timely basis:

- 8.5.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI determines is reasonably needed to determine ASTC;
- 8.5.2 Provide outage schedules for equipment that may impact the rating of the COI when required by the Path Operator of COI;
- 8.5.3 Provide or make arrangements for the provision of reliable telecommunications facilities and service required to transmit real-time information, specified in Section 8.5.1, to the Path Operator for COI to enable the Path Operator for COI to comply with its obligations under Section 8.3; and

9 PAYMENT

The Path Operator for COI shall bill each Owner after the fact for Costs of the Path Operator for COI incurred to provide services under this Agreement each month by the 15th day of the following month as specified in Appendix B, in proportion to its rights to use RSTC. The Costs of the Path Operator for COI reflected in a bill for other than those reflected in Appendix B shall include only those costs approved in advance by the Administrative Committee.

9.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) via Fed wire or, at the election of the billed Party, to an escrow account via Fed wire in accordance with Section 9.4 (for disputed amounts). Payment of any bill must be received by

the Party owed or deposited into the escrow account no later than 20 calendar days after delivery (such date, for purposes of this Section 9, is the "Payment Due Date").

9.2 Full Payment

Payments shall not be subject to any reduction, whether by offset or otherwise. No Party shall take any action that would disable itself from meeting, or jeopardize its ability to meet, its obligations under this Agreement including any obligation to pay money.

9.3 Late Payments

Bills that are not paid in full by the Payment Due Date shall accrue interest in accordance with Section 35.19a(a)(2) of FERC Regulations, 18 C.F.R. § 35.19a(a)(2), as they may be amended or superseded (for purposes of this Section 9, "Interest"). Interest shall accrue daily on the unpaid amount from the Payment Due Date until the date that full payment, including accrued Interest, is received by the Party owed.

9.4 Disputed Bills

9.4.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 9.4.2. The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

9.4.2 Escrow Account: The escrow account established pursuant to Section 9.4.1 shall be with an escrow agent selected by the paying owing Party and approved in advance by the Party owed in a form acceptable to the Party owed. The instructions given to the escrow agent shall include an express

obligation on the escrow agent's part to release sufficient funds from the account, including Interest that has accrued on the account, to pay in full to the Party owed one of the following amounts (plus accumulated Interest on that amount), as applicable: (1) the amount originally billed; (2) an alternative amount agreed upon by the disputing Parties; or (3) the amount determined by FERC or other tribunal of competent jurisdiction to be due to the Party owed but unpaid by the disputing Party. The disputing Party shall pay all costs and penalties that may be associated with withdrawing funds to pay the Party owed. Any funds remaining in the escrow account after payment to the Party owed, including accumulated Interest on those remaining funds, shall be returned to the owing Party.

10 ASSIGNMENT

A Party may assign its rights and obligations under this Agreement to another person with the consent of the other Parties, which consent shall not be unreasonably withheld. The assignee shall expressly assume in writing the duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect. To the extent directed by Congress, Western may assign any right or interest under this Agreement that it may have without the consent of any Party, subject to the assumption obligation in this Section 10.

11 LIABILITY

11.1 Scope of Liability

Except for any loss, damage, claim, cost, charge or expense relating from Willful Action, or for the nonpayment of monies due, no Party, its directors, members of its governing body,

officers, employees or agents shall be liable to any other Party for any death, injury, loss, damage, claim, cost, charge or expense of any kind or nature incurred by any other Party, including, without limitation, direct, indirect or consequential loss, damage, claim, cost, charge or expense, and whether or not resulting from the negligence of any Party, its directors, members of its governing body, officers, employees or any person or entity whose negligence would be imputed to such Party, arising from the performance or non-performance of obligations under this Agreement. Except for any death, injury, loss, damage, claim, cost, charge or expense resulting from Willful Action or nonpayment of monies due, each Party releases the other Parties, their directors, members of governing bodies, officers, employees and agents from any such liability.

11.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose electric customer shall make a claim or bring an action against such other Party for any death, injury, loss or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees and agents from and against any liability for such death, injury, loss or damage; provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party which cannot lawfully indemnify pursuant to this Section 11.2. The term "electric customer" shall mean any electric customer to which no power or energy is delivered for resale.

11.3 Protection of Facilities

Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty operation or non-operation of any other Party's facilities, and no other Party shall be liable for any damages so caused.

12 UNCONTROLLABLE FORCE

12.1 No Default

No Party shall be considered to be in default in the performance of any obligation under this Agreement, other than an obligation to pay money, when a failure of performance is due to an Uncontrollable Force.

12.2 No Settlement Obligation

Nothing in this Agreement shall be construed to require a Party to settle any strike or labor dispute in which it may be involved.

12.3 Notice and Removal Obligation

In the event a Party is rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force, such Party shall give prompt written notice of such fact to the other Parties and shall seek to remove such inability with all reasonable dispatch.

13 NO DEDICATION OF FACILITIES

Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall, at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

14 REGULATORY AUTHORITY

14.1 FERC Jurisdiction

This agreement is subject to acceptance for filing by, and the regulatory jurisdiction of, FERC.

14.2 Changes in Rates

Nothing contained herein shall be construed as affecting in any way the right of a Party furnishing services in accordance with this Agreement unilaterally to make application to FERC

for a change in rates under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgate thereunder, nor shall it affect the right of any Party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act. The term "rates" as used herein shall mean a statement of electric services as provided in accordance with this Agreement, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts, including but not limited to this Agreement, which in any manner affect or relate to such services, rates, and charges. A change in rates may include, but not be limited to, changes in rates, charges, and the underlying methodology by which such rates and charges are developed. The Parties agree that not less than 60 days prior to the filing of any change in rates under this Agreement the Parties will commence negotiations regarding such proposed change in rates.

15 DISPUTE RESOLUTION

15.1 Disputes generally.

The Parties shall use good faith efforts to settle promptly all disputes arising under this Agreement. In the event that a dispute, including a billing dispute or a dispute regarding the interpretation of this Agreement, is not settled by good faith efforts within a reasonable time, the Parties involved in the dispute may agree to arbitrate the dispute. Any such arbitration shall be binding as to result on those Parties. Absent an agreement to arbitrate, a Party may pursue any legal, equitable or regulatory right or remedy available to it for the resolution of the dispute.

15.2 Technical Disputes.

If a dispute arises between the Path Operator for COI and one or more Owners concerning matters under this Agreement within the scope of the Administrative Committee or the E&O Committee, or concerning a decision of either committee, then, before resolving the dispute under this Section 15, the involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive of similar authority from each Party involved in the dispute or his or her designated representative. Within 20 calendar days after delivery by the Party seeking dispute resolution of notice to each other Party, the executives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they

reasonably deem necessary but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then any Party involved in the dispute may initiate mediation or may initiate formal dispute resolution under this Section 15. If the other involved Parties agree to mediation, then the involved Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 days.

15.3 Rules.

All negotiations, settlement conferences, compromise discussions and any mediation conducted pursuant to this Section 15 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each involved Party shall pay the share of the costs of any mediation in accordance with the agreement of the involved Parties to engage in mediation. Nothing in this Section 15 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

16 NO EXCLUSIVE REMEDY

Subject to the provisions of Section 14, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

17 GOVERNING LAW

This Agreement is made and entered into in the State of California. Interpretation of this Agreement, and performance and enforcement thereof, shall be determined in accordance with California law or federal law as applicable.

18 NON-WAIVER

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

19 NOTICES

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. By notice to all Parties, any Party may revise the person designated to receive notices. Such revision shall not constitute an amendment to this Agreement.

20 NO THIRD PARTY BENEFICIARIES

No right or obligation contained in this Agreement shall inure to the benefit of any person or entity which is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

21 RELATIONSHIP OF THE PARTIES

21.1 Except as otherwise provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not joint or collective. It is the intent of the Parties not to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, or with regard to, any Party.

21.2 Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. No Party or group of Parties shall be under the control of or shall be deemed to control any other Party or Parties.

21.3 No Party shall be the agent of, or have the right or power to bind another Party without its written consent, except as expressly provided for in this Agreement.

22 TITLES

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 rates, terms or conditions of this Agreement.

23 NO PRECEDENTS

Nothing contained in this Agreement shall be construed to establish any precedent for any other rate schedule or agreement or to grant any right to or impose any obligation on any Party beyond the scope and terms of this Agreement. No Party, by entering into this Agreement, holds itself out to furnish like or similar service to any other person or entity. The voting provisions in this Agreement shall be non-precedential with respect to any future proceedings and shall not be deemed to bind any Party to this agreement in any future proceeding, except in a proceeding to enforce the voting provisions of this Agreement.

24 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

24.1 Adverse Determination

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

24.2 Expansion Of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be interpreted, modified, or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur significant new or different obligations to another Party or to third parties not contemplated by this Agreement, or to forego any right under this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties shall attempt to renegotiate in good faith the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated by the Parties at the time this Agreement was made.

24.3 Renegotiation

If, within three months after an order or decision as described in Sections 24.1 and 24.2, the Parties either: (i) do not agree that a renegotiation is feasible or necessary; or (ii) cannot agree to amend or supersede this Agreement, then (a) any Party may initiate dispute resolution in accordance with Section 15; (b) any Party subject to Section 205 of the Federal Power Act may unilaterally file with the FERC an amendment to this Agreement or a replacement agreement; or (c) any Party may take any action before the FERC or elsewhere that it deems appropriate, including filing under Section 206 of the Federal Power Act. As used in this Section 24, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

25 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 full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to

eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 25 shall limit the rights of any Party under Section 24.

26 PRESERVATION OF OBLIGATIONS

Upon termination of this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

27 INTEGRATION OF AGREEMENT

This Agreement constitutes the complete and final expression of the rights and obligations of the Parties in connection with the subject matter of this Agreement and is intended as a complete and exclusive statement of the terms of their agreement which supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, communications and contracts which may have been made in connection with the subject matter of this Agreement.

28 APPENDICES INCORPORATED

All appendices to this Agreement are attached to this Agreement and are incorporated by reference as if herein fully set forth.

29 JUDGMENTS AND DETERMINATIONS

When the terms of this Agreement provide that an action may or must be taken, or that the existence of a condition may be established, based on a judgment or determination of a Party, such action or judgment shall be exercised or such determination shall be made in good faith and where applicable in accordance with Prudent Utility Practice and shall not be arbitrary or capricious.

30 FEDERAL PROVISIONS

30.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the

necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

30.2 Officials Not to Benefit

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

30.3 Covenant Against Contingent Fees

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

30.4 Contract Work Hours and Safety Standards

This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C. § 3701, is subject to the provisions of the Act, 40 U.S.C. §§ 3701-3708, as amended and supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

30.5 Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 43 Fed. Reg. 46501 (1978), which provides, among other things, that PG&E will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in this Agreement.

30.6 Use of Convict Labor

The Parties agree not to employ any person undergoing sentence of imprisonment in performing obligations under this Agreement except as provided by 18 U.S.C. § 3622 (c), as amended and supplemented, and Executive Order 11755, December 29, 1973, as amended and supplemented.

31 SUCCESSOR IN INTEREST:

Each successor in interest to any right, title, interest in or use of the ASC Share of any Party shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement. Any transfer limited to the operational control of a Party's right or interest in the System is not intended to create a successor in interest unless the transfer is permanent and irrevocable.

32 AMENDMENTS

No amendment, waiver, or modification to this Agreement shall be enforceable unless it is (1) reduced to writing and executed by all of the Parties, and (2) submitted to and made effective by FERC. Nothing in this Section 32 shall limit a Party's rights under Section 14.2.

33 SIGNATURES; EXECUTION IN COUNTERPARTS:

Each signatory to this Agreement represents that he or she has been duly authorized to enter into this Agreement on behalf of the Party for whom he or she signs. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the Parties have affixed their signatures as of the date(s) set forth below.

California Independent System Operator Corporation

By: _____
Name: Stephen Berberich
Title: President and Chief Executive Officer
Date: _____

**Transmission Agency of Northern California
(on behalf of the COTP Participants)**

By: _____
Name: James W. Beck
Title: General Manager
Date: _____

Western Area Power Administration

By: _____
Name: Peter S. Garris
Title: Operations Manager, Sierra-Nevada Customer Service Region
Date: _____

Pacific Gas and Electric Company

By: _____

Name: _Geisha Williams

Title: Executive Vice President – Electric Operations

Date: _____

PacifiCorp

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: _____

APPENDIX A
Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

California Independent System Operator Corporation
Stephen Berberich
President and Chief Executive Officer
250 Outcropping Way
Folsom, CA 95630

Pacific Gas and Electric Company
Geisha Williams
Executive Vice President –Electrical Operations
77 Beale Street, Mail Code B32
San Francisco, CA 94105

Transmission Agency of Northern California
Mr. James W. Beck
General Manager
P.O. Box 15129
Sacramento, CA 95851-0129

PacifiCorp
Mr. John Cupparo
Senior VP Transmission
825 NE Multnomah, St., Suite 1600
Portland, OR 97232

Western Area Power Administration
Mr. Peter S. Garris
Operations Manager, Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, CA 95630

APPENDIX B

Owners' Cost Shares

APPENDIX B
OWNERS' COST SHARES

Annual Costs of the Path Operator of COI: \$ 2,000,000.00

I. Billing

1) The Path Operator for COI will bill the Owner by the 15th day of each month for the previous month's service. The bills shall be sent via electronic mail with a copy sent via first-class United States Mail.

2) The Owner shall pay monthly:
 Owners' Cost Share * (\$166,667)

3) Each Owner shall provide the Path Operator for COI the following billing information and notify the Path Operator for COI of any changes to its information at least one billing cycle prior to the change:

- Contact name
- Billing address
- Billing telephone number
- Billing electronic mail address

II. Cost Sharing Percentages

2012

Owner	PATH ¹			Owners' Cost Share (Percentage of COI)
	PACI-1	PACI - 2	COTP	
PG&E	0.0000%	81.2500%	2.0625%	27.7708%
PacifiCorp	0.0000%	18.7500%	0.0000%	6.2500%
Western	100.0000%	0.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	86.8519%	28.9507%
Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages 2013 through 2016

Owner	PATH ¹			Owners' Cost Share (Percentage of COI)
	PACI-1	PACI - 2	COTP	
PG&E	0.0000%	75.0000%	2.0625%	25.6874%
PacifiCorp	0.0000%	25.0000%	0.0000%	8.3334%
Western	100.0000%	0.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	86.8519%	28.9507%
Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages

2017

Owner	PATH ¹			Owners' Cost Share (Percentage of COI)
	PACI-1	PACI - 2	COTP	
PG&E	0.0000%	68.7500%	2.0625%	23.6041%
PacifiCorp	0.0000%	31.2500%	0.0000%	10.4167%
Western	100.0000%	0.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	86.8519%	28.9507%
Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages 2018 and Thereafter¹

Owner	PATH ²			Owners' Cost Share (Percentage of COI)
	PACI-1	PACI-2	COTP	
PG&E	0.0000%	50.0000%	2.0625%	17.3541%
PacifiCorp	0.0000%	50.0000%	0.0000%	16.6667%
Western	100.0000%	0.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	86.8519%	28.9507%
Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

- 1 For PG&E and PacifiCorp, the Owners' Cost Share percentages for 2018 and thereafter will remain in place as long as the Transmission Exchange Agreement between these two companies remains in effect. If the Transmission Exchange Agreement is terminated, PG&E and PacifiCorp agree to negotiate new, applicable Cost Share percentages.
- 2 The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

Attachment B – Blacklines

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

PacifiCorp,

the Transmission Agency of Northern California,

Western Area Power Administration,

And

California Independent System Operator Corporation

July 19, 2011

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

Participants in PacifiCorp,

the ~~California-Oregon~~ Transmission ~~Project~~ Agency of Northern California,

Western Area Power Administration,

And

California Independent System Operator Corporation

Table of Contents

SECTION	<u>Sheet</u>
1 PARTIES	7
2 RECITALS	8
3 AGREEMENT	11
4 DEFINITIONS	11
4.1 ADMINISTRATIVE COMMITTEE:	12
4.2 ADMINISTRATIVE REPRESENTATIVE:	12
4.3 APPLICABLE REQUIREMENTS:	12
4.4 AVAILABLE SCHEDULING CAPABILITY (“ASC”):	12
4.5 ASC SHARE:	12
4.6 AVAILABLE SYSTEM TRANSFER CAPABILITY (“ASTC”):	12
4.7 CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION (“CAISO”):	13
4.8 CALIFORNIA-OREGON BORDER (“COB”):	13
4.9 CALIFORNIA-OREGON INTERTIE (“COI”):	13
4.10 CALIFORNIA-OREGON INTERTIE CONTROL AREA OPERATOR (“COI CONTROL AREA OPERATOR”):	13
4.11 CLEARANCE:	13
4.12 CONTROL AREA:	13
4.13 CONTROL AREA OPERATOR:	14
4.14 COST:	14
4.15 COTP:	14
4.16 COTP PARTICIPANTS:	14
4.17 COTP TERMINUS:	14
4.18 CURTAILMENT:	14
4.19 E&O COMMITTEE:	15
4.20 E&O REPRESENTATIVE:	15
4.21 EFFECTIVE DATE:	15

4.22	ELECTRIC SYSTEM:.....	15
4.23	FERC:	15
4.24	FEDERAL POWER ACT:	15
4.25	INDIAN SPRING:	16
4.26	NERC:	16
4.27	NOMOGRAM:	16
4.28	NON-SIMULTANEOUS TRANSFER CAPABILITY:.....	16
4.29	OPERATING EMERGENCY:	16
4.30	OPERATING PROCEDURES:.....	17
4.31	OPERATIONAL TRANSFER CAPABILITY LIMIT (“OTC”):.....	17
4.32	OWNER:	17
4.33	OWNERS COORDINATED OPERATION AGREEMENT (“OCO”):	18
<u>4.33</u>	<u>PACI-1:.....</u>	<u>17</u>
<u>4.34</u>	<u>PACI-2:.....</u>	<u>17</u>
4.34	PACIFIC AC INTERTIE (“PACI”):.....	18
4.35	PACI-P:	18
<u>4.35</u>	<u>PACI-PC:.....</u>	<u>17</u>
4.36	PACI-W:.....	19
4.37	PACIFIC DC INTERTIE (“PDCI”):.....	19
4.38	PACIFIC INTERTIE:	19
4.39	PACIFIC NORTHWEST PATH OPERATOR:	19
4.40	PATH OPERATOR FOR COI:.....	19
4.41	POWER FLOW REDUCTION MEASURES	19
4.42	PRUDENT UTILITY PRACTICE:.....	19
4.43	RATED SYSTEM TRANSFER CAPABILITY (“RSTC”):.....	20
4.44	REMEDIAL ACTIONS:	20
4.45	REMEDIAL ACTION SCHEMES (“RAS”):	20
4.46	RSTC SHARE:	20
4.47	SIMULTANEOUS TRANSFER CAPABILITY:	20

4.48	SYSTEM:	20
4.49	TESLA BYPASS:	20
4.50	TRANSFER CAPABILITY:	21
4.51	TRANSMISSION AGENCY OF NORTHERN CALIFORNIA (“TANC”):.....	21
4.52	TRANSMISSION NETWORK:	21
4.53	UNSCHEDULED FLOW (ALSO CALLED LOOP FLOW):	21
4.54	UNCONTROLLABLE FORCE:	21
4.55	WECC:.....	22
4.56	WILLFUL ACTION:	22
5	SCOPE OF AGREEMENT	23
6	EFFECTIVE DATE AND TERM.....	23
6.1	EFFECTIVE DATE.....	23
6.2	TERM.....	23
7	ADMINISTRATION	24
7.1	REPRESENTATION.....	24
7.2	DUTIES OF ADMINISTRATIVE COMMITTEE.....	25
7.3	DUTIES OF E&O COMMITTEE.....	25
7.4	E&O REPRESENTATIVE REVIEW	26
7.5	MEETINGS	26
7.6	EXPENSES.....	26
7.7	OPERATING PROCEDURE IMPLEMENTATION	26
8	SYSTEM OPERATION.....	27
8.1	COI OPERATING PROCEDURES	27
8.2	UNSCHEDULED FLOW PROCEDURE.....	28
8.3	PATH OPERATOR FOR COI DUTIES:.....	28
8.4	PATH OPERATOR FOR COI COMPENSATION	33
8.5	OWNERS’ OBLIGATIONS TO PATH OPERATOR FOR COI:.....	33

9	PAYMENT	34
9.1	PAYMENT	34
9.2	FULL PAYMENT	34
9.3	LATE PAYMENTS	34
9.4	DISPUTED BILLS	34
10	ASSIGNMENT.....	36
11	LIABILITY	36
11.1	SCOPE OF LIABILITY	36
11.2	CLAIMS OF ELECTRIC CUSTOMERS	36
11.3	PROTECTION OF FACILITIES	37
12	UNCONTROLLABLE FORCE.....	37
12.1	NO DEFAULT	37
12.2	NO SETTLEMENT OBLIGATION	37
12.3	NOTICE AND REMOVAL OBLIGATION	37
13	NO DEDICATION OF FACILITIES.....	38
14	REGULATORY AUTHORITY	38
14.1	FERC JURISDICTION.....	38
14.2	CHANGES IN RATES	38
15	DISPUTE RESOLUTION	39
15.1	DISPUTES GENERALLY	39
15.2	TECHNICAL DISPUTES.....	39
15.3	RULES.....	39

16	NO EXCLUSIVE REMEDY	40
17	GOVERNING LAW.....	40
18	NON-WAIVER	40
19	NOTICES.....	41
20	NO THIRD PARTY BENEFICIARIES	41
21	RELATIONSHIP OF THE PARTIES.....	41
22	TITLES	42
23	NO PRECEDENTS.....	42
24	ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS.....	42
24.1	ADVERSE DETERMINATION	42
24.2	EXPANSION OF OBLIGATIONS.....	42
24.3	RENEGOTIATION	43
25	SEVERABILITY	43
26	PRESERVATION OF OBLIGATIONS.....	44
27	INTEGRATION OF AGREEMENT	44
28	APPENDICES INCORPORATED	44
29	JUDGMENTS AND DETERMINATIONS	44
30	FEDERAL PROVISIONS	44
30.1	CONTINGENT UPON APPROPRIATIONS	44
30.2	OFFICIALS NOT TO BENEFIT	45
30.3	COVENANT AGAINST CONTINGENT FEES.....	45
30.4	CONTRACT WORK HOURS AND SAFETY STANDARDS	45
30.5	EQUAL OPPORTUNITY EMPLOYMENT PRACTICES	45
30.6	USE OF CONVICT LABOR	46
31	SUCCESSOR IN INTEREST:.....	46
32	AMENDMENTS	46
33	SIGNATURES; EXECUTION IN COUNTERPARTS:	46
	APPENDIX A - Recipients of Notices	47
	APPENDIX B - Owners' Cost Shares	50

Table of Acronyms and Abbreviations

Agreement:	This California-Oregon Intertie Path Operating Agreement
ASC:	Available Scheduling Capability
ASTC:	Available System Transfer Capability
BPA:	Bonneville Power Administration
CAISO:	California Independent System Operator <u>Corporation</u>
COB:	California-Oregon Border
COI:	California-Oregon Intertie
COTP:	California-Oregon Transmission Project
CVP:	Central Valley Project
Edison:	Southern California Edison Company
FERC:	The Federal Energy Regulatory Commission, or its regulatory successor
NERC:	The North American Electric Reliability Council, or its successor
NOB:	Nevada-Oregon Border
OCOA:	Owners Coordinated Operation Agreement
PACI:	Pacific AC Intertie
PDCI:	Pacific DC Intertie
PG&E:	Pacific Gas and Electric Company
RAS:	Remedial Action Schemes
RSTC:	Rated System Transfer Capability
SDG&E:	San Diego Gas & Electric Company
TANC:	Transmission Agency of Northern California
Western:	Western Area Power Administration
WECC:	The Western Electricity Coordinating Council, or its successor

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

~~Participants in the California-Oregon Transmission Project~~ Agency of Northern California,

Western Area Power Administration

And

California Independent System Operator Corporation

1 PARTIES

1.1 ~~This~~The California-Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants In the California-Oregon Transmission Project, Western Area Power Administration and the California Independent System Operator Corporation, Governing the Operation Of the Pacific AC Intertie and the California-Oregon Transmission Project (“Agreement”), was originally entered into as of the 21st day of October 2004, and was made effective on January 1, 2005, and as amended is made and entered into as of this 21st day of November 2007, by and among the following: Pacific Gas and Electric Company (“PG&E”), each California-Oregon Transmission Project (“COTP”) Participant, as defined in Section 4.16 herein, the Western Area Power Administration (“Western”), and the California Independent System Operator (“CAISO”), hereinafter sometimes referred to collectively as “Parties” and individually as a “Party.” The CAISO is the Path Operator for COICOI POA”), was entered into as of the 21st day of October 2004, and became effective on January 1, 2005.

1.2 The COI POA was amended and entered into as of the 21st day of November 2007, by and among the following: Pacific Gas and Electric Company (“PG&E”), the California-Oregon Transmission Project Participants (“COTP

Participants”), as defined in Section 4.16 of the Amended COI POA, the Western Area Power Administration (“Western”), and the California Independent System Operator Corporation (“CAISO”), and became effective January 1, 2008 (“Amended COI POA”). The CAISO is the Path Operator for COI.

1.3 This instant Second Amended California-Oregon Intertie Path Operating Agreement (“Second Amended COI POA” or “Agreement”) amends the Amended COI POA and is made and entered into as of this X day of X, by and among the following: PG&E, PacifiCorp, Transmission Agency of Northern California (“TANC”) on behalf of the COTP Participants, Western, and the CAISO, hereinafter sometimes referred to collectively as “Parties” and individually as a “Party.”

2 RECITALS

This Agreement is made with reference to the following facts, among others:

- 2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie (“PACI”) between Malin and Tesla ~~substations~~Substations.
- 2.2 PG&E constructed and owns most of the portions of the PACI in northern California; ~~(“PACI-P”), which operates~~operate in parallel with the COTP ~~(“PACI-P”);.~~
- 2.3 PG&E has operated the PACI-P since December 20, 1967, ~~and owns parts of the PACI~~ which, under this Agreement, will be coordinated with the COTP Participants and Western. PG&E turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation (“CAISO”), which operates the Control Area in which the PACI is presently located.
- 2.4 Western owns a portion of the PACI (“PACI-W”), which had been coordinated with the PACI-P pursuant to Western’s Contract With California

Companies For Extra High Voltage Transmission And Exchange Service (“Contract 2947A”), which expired ~~January 1, 2005~~December 31, 2004.

Subsequently, under the Transmission Exchange Agreement among Western, the CAISO and PG&E (“Western TEA”), Western and the CAISO established terms for an exchange of bi-directional transmission service.

- 2.5 PacifiCorp owns a portion of the PACI-~~W~~ (“PACI-PC”), which ~~was~~is coordinated with the PACI-P pursuant to ~~an agreement between the~~ Transmission Exchange Agreement among PacifiCorp, the CAISO, and PG&E, Southern California Edison Company (“Edison”) and San Diego Gas & Electric Company (“SDG&E”) (“PacifiCorp TEA”). Under the PacifiCorp TEA, which ~~terminated on December 31, 2007~~became effective on January 1, 2008, PacifiCorp and PG&E have exchanged transmission capacity on their respective segments of the Malin-Round Mountain No. 2 Line.
- 2.6 The COTP Participants ~~or~~have transferred the COTP to the Balancing Authority Area operated by the Balancing Authority of Northern California. Western, under terms of the TEA, has the PACI-W located in the Balancing Authority Area of the CAISO and may decide to transfer ~~respectively the COTP or the PACI-W, or both,~~ to a ~~Control~~Balancing Authority Area different than that operated by the CAISO.
- 2.7 Prior to the execution of this Agreement, the CAISO has performed, and continues to perform, the functions of the Path Operator for the California-Oregon Intertie (“COI”) in coordination with the Pacific Northwest Path Operator, and those entities have developed certain procedures to provide for the reliable operation of the COI.
- 2.8 PG&E, COTP Participants, and Western, ~~(collectively, the “Owners” and individually, an “Owner”)~~ agreed to the terms and conditions of the Owners Coordinated Operations Agreement (“OCO A”), which was approved by FERC and went into effect on January 1, 2005, and amendments, which ~~will become~~became effective January 1, 2008; (“Amended OCO A”), in order to

establish the coordination obligations and rights for the System. In December 2008, PG&E, PacifiCorp, TANC on behalf of the COTP Participants, and Western (collectively, the Owners and individually, an Owner) entered into negotiations of further amendments, to the Amended OCOA, intended to become effective January 1, 2012 (Second Amended OCOA), to further the established coordination obligations and rights for the System. Prior to the Effective Date of this Agreement, each Owner has made arrangements for its facilities that are a part of the System to be operated within a NERC certified Control Area, and such arrangements require the Control Area Operator of each Control Area to operate such facilities in conformance with this Agreement and Section 8.2.2 of the Second Amended OCOA.

2.9 The Second Amended OCOA provides, in Section 8, that the parties to the OCOA shall develop and enter into an Operating Agreement with the Path Operator for the COI.

2.10 As part of the November 21, 2007 Offer of Settlement and Stipulation in Docket No. ER07-882, et al., the parties to the Amended COI POA and PacifiCorp agreed to commence good faith negotiations in an attempt to agree to further amendments to the COI POA and the OCOA to include PacifiCorp as a party to each agreement. This instant Agreement is a result of those negotiations and is the successor agreement to the Amended COI POA.

2.10.11 It is the Owners' desire, in accordance with the Second Amended OCOA, to:

2.10.12.11.1 Enter into this Agreement with the CAISO as the Path Operator for COI to provide for the continued reliable coordinated operation of the PACI and COTP with the Pacific Northwest Path Operator, and

~~2.10.22.11.2~~ Provide in this Agreement for the CAISO as the Path Operator for COI to coordinate certain aspects of the operation of multiple Control Areas bordering and extending south of COB, ~~if such a Control Area configuration is created.~~

~~2.11.2.12~~ It is the Parties' desire, in accordance with this Agreement, to:

~~2.11.12.12.1~~ Assure the continued reliable operation of the COI;

~~2.11.22.12.2~~ Establish the obligations, rights and compensation of the Path Operator for COI;

~~2.11.32.12.3~~ Establish requirements for the obligations and rights to be included in all agreements between the Path Operator for COI and a COI Control Area Operator necessary to carry out Path Operator duties in relation to a Control Area operated by such Control Area Operator; and

~~2.11.42.12.4~~ Establish requirements for the obligations and rights to be included in all agreements between the COI Control Area Operator(s) and each appropriate COI participant, if necessary, to carry out the Control Area Operator duties in relation to a coordinated operation of COI.

~~2.122.13~~ Nothing in this Agreement is intended to limit the Pacific Northwest Path Operator's discretion in performing its duties.

3 AGREEMENT

In consideration of the covenants and conditions herein, the Parties agree as follows:

4 DEFINITIONS

Whenever used in this Agreement, the following terms, when initially capitalized, shall have the meanings set forth in this Section 4. The singular of any definition shall include the plural and the plural shall include the singular. A Table of Acronyms and Abbreviations, incorporated in this Section 4, follows the Table of Contents.

4.1 Administrative Committee:

The committee created under Section 7 of the Second Amended OCOA, composed of one ~~representative~~Voting Representative from PG&E, one from Western, and one from the COTP Participants, and one Non-Voting Representative from PacifiCorp. The Path Operator for COI shall be an ex-officio, non-voting member of this committee for matters related to ~~Path Operation~~path operation.

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7 of the ~~OCOA~~Second Amended OCOA as a Voting Representative or a Non-Voting Representative.

4.3 Applicable Requirements:

In relation to a Party's interest in the System, any applicable law or regulation; any standards, procedures or requirements of (i) NERC, (ii) WECC, or (iii) any other person or entity or tariff or rate schedule, that are legally binding on a Party's interest in the System, which may include operational control; in each case as amended from time to time and whether now existing or hereafter imposed or arising. The requirements applicable to one Party's interest in the System may not be applicable to another Party's interest in the System.

4.4 Available Scheduling Capability ("ASC"):

The maximum amount of power that can be scheduled over the System, as measured across COI and determined in accordance with Section 11.1 of the Second Amended OCOA.

4.5 ASC Share:

The allocation of ASC to the PACI-~~P1~~, PACI-~~W2~~ or COTP as calculated pursuant to Section 11.2 of the Second Amended OCOA.

4.6 Available System Transfer Capability ("ASTC"):

The portion of Rated System Transfer Capability ("RSTC") that is physically capable of transmitting power based on operating conditions of the System, other than

Unscheduled Flow, existing at a given time as determined in accordance with Sections 8.5 and 11.1 of the [Second Amended](#) OCOA.

4.7 California Independent System Operator Corporation (“CAISO”):

A California nonprofit, public benefit corporation that has operational control of the transmission facilities of certain Parties, dispatches certain generating units and loads, and is a Control Area Operator.

4.8 California-Oregon Border (“COB”):

The cut-plane where the COI crosses the border between the State of California and the State of Oregon, parallel to such border.

4.9 California-Oregon Intertie (“COI”):

The two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation.

4.10 California-Oregon Intertie Control Area Operator (“COI Control Area Operator”):

A Control Area Operator who has a Control Area in California that includes at least one of the three transmission lines that constitutes the COI.

4.11 Clearance:

The disconnecting and de-energizing and reconnecting and re-energizing of equipment to ensure the safety of an Owner’s customers, employees and equipment, and to maintain reliable service.

4.12 Control Area:

An area comprised of an Electric System or Electric Systems, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Control Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves in accordance with Prudent Utility Practice. For purposes of this definition, a Control Area must be certified by [WECCNERC](#) and operate in conformance with Applicable Requirements [as a Balancing Authority](#).

4.13 Control Area Operator:

The operator of a Control Area, which performs all duties for such an entity specified by applicable NERC and WECC documents.

4.14 Cost

All just, reasonable, necessary and prudently incurred expenses or capital expenditures, including but not limited to those for operation, maintenance and engineering, contract modification, administrative and general expenses, taxes, depreciation, and fees for consultants, as determined in accordance with the FERC Uniform System of Accounts as such may be amended or superseded from time to time, and costs of capital. The appropriate components of the Cost, as defined herein, shall be applied for the particular circumstances associated with the incurrence of costs.

4.15 COTP:

The California-Oregon Transmission Project, a 500-kV transmission line and associated facilities between the Captain Jack ~~substation~~Substation near COB and the COTP Terminus. The COTP is owned by the COTP Participants.

4.16 COTP Participants:

Western, Transmission Agency of Northern California (“TANC”), Carmichael Water District, the California City of ~~Vernon, the California City of~~ Redding, PG&E, San Juan Suburban Water District, and their successors and assigns.

4.17 COTP Terminus:

The point of interconnection between the PG&E Electric System and COTP, located at the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP’s conductors extending from the Tracy Substation meet PG&E’s conductors extending from PG&E’s Tesla and Los Banos Substations.

4.18 Curtailement:

A reduction in schedules across COI in accordance with Section 11 of the Second Amended OCOA.

4.19 E&O Committee:

The body composed of one ~~representative~~Voting Representative each of PG&E, Western, and the COTP Participants, and one Non-Voting Representative of PacifiCorp, pursuant to Section 7 of the Second Amended OCOA. The Path Operator for COI shall be an ex-officio, non-voting member of this committee for matters related to ~~Path Operation~~path operation.

4.20 E&O Representative:

A ~~representative~~Voting Representative or a Non-Voting Representative serving on the E&O Committee, designated in accordance with Section 7 of the Second Amended OCOA.

4.21 Effective Date:

The date on which this Agreement becomes effective as specified in Section 6.1 herein.

4.22 Electric System:

All physically connected properties and other assets, now or hereafter existing, owned or controlled by a single entity, and used for, or pertaining to, the generation, transmission, transformation, distribution, or sale of electric power and energy, including all additions, extensions, expansions, and improvements, but excluding subsidiaries and their properties and assets. To the extent that an entity is not the sole owner of an asset or property, only that entity's ownership interest in such asset or property shall be considered to be part of its Electric System. For purposes of this Agreement, the Electric System of an Owner shall not be deemed to be the Electric System of the Path Operator for COI.

4.23 FERC:

The Federal Energy Regulatory Commission, or its regulatory successor.

4.24 Federal Power Act:

That federal law, originally enacted as Title II of the Public Utilities Act of 1935, as amended, which provides, inter alia, for federal regulation of transmission and the

sale at wholesale of electric power and energy in interstate commerce, codified at 16 U.S.C. Sections 824 et seq., as it may be amended.

4.25 Indian Spring:

The point of change of ownership ~~along the PACI-P portion of the PACI~~ between PG&E and PacifiCorp along the PACI-2, between Round Mountain and Malin Substations.

4.26 NERC:

The North American Electric Reliability Corporation, or its successor national electric reliability organization.

4.27 Nomogram:

A set of operating or scheduling rules used to ensure that simultaneous operating limits are complied with, in order to meet NERC and WECC operating criteria.

4.28 Non-Simultaneous Transfer Capability:

The capability or capacity of a transmission circuit or path, in megawatts, to transfer power reliably and in accordance with prescribed reliability criteria independent of concurrent flows on other circuits or paths. It is normally determined with all potentially interacting circuits or paths loaded below the levels at which limitations are observed and studied.

4.29 Non-Voting Representative:

A representative serving on the Administrative Committee or E&O Committee designated in accordance with Section 7 of the Second Amended OCOA as a Non-Voting Representative. PacifiCorp is represented on the Administrative Committee and the E&O Committee by a Non-Voting Representative.

4.294.30 Operating Emergency:

An unexpected event or circumstance, or series of events or circumstances, that has caused or is reasonably anticipated to cause a sudden loss or interruption of a facility in a Party's Electric System or any other electric generating or transmitting facilities

and that, in the judgment of the Party taking or requesting action, requires immediate action to:

4.29.14.30.1 Preserve, maintain, or reestablish the safety, reliability, integrity or operability of the affected Control Area(s), the System, or such other electric facilities as have been affected;

4.29.24.30.2 Avoid a hazard to the property, health or safety of employees or the public;

4.29.34.30.3 Minimize or avoid loss of load or the inability to furnish any electric service; or

4.29.44.30.4 Maintain the frequency or voltage of a Party's Electric System.

4.304.31 Operating Procedures:

The procedures and instructions developed and approved pursuant to this Agreement for the Path Operator for COI.

4.314.32 Operational Transfer Capability Limit ("OTC"):

The amount as defined under that name in the WECC Reliability Criteria Agreement Annex A, as it may be amended or superseded. As of the Effective Date, this amount is the maximum value of the most critical system operating parameter(s) which meets: (a) pre-contingency criteria as determined by equipment loading capability and acceptable voltage conditions, (b) transient criteria as determined by equipment loading capability and acceptable voltage conditions, (c) transient performance criteria and (d) post-contingency loading and voltage criteria. The OTC for COI shall be the lesser of ASTC and the Transfer Capability of that path determined by the Pacific Northwest Path Operator. Where used in this Agreement without specific locational reference, OTC shall mean the OTC for COI unless otherwise noted.

4.324.33 Owner:

PG&E, PacifiCorp, each of the COTP Participants, and Western.

4.334.34 Owners Coordinated Operation Agreement (“OCOA”):

The contract among the Owners governing the coordinated operation of the Pacific AC Intertie and the California-Oregon Transmission Project, as it may be amended.

4.35 PACI-1:

The portion of the PACI consisting of the western 500-kV transmission line and associated facilities between COB and the COTP Terminus, which is owned by PG&E between Round Mountain and the COTP Terminus and by Western between Round Mountain and the Malin Substations.

4.36 PACI-2:

The portion of the PACI consisting of the eastern 500-kV transmission line and associated facilities between COB and the COTP Terminus, which is owned by PG&E between Indian Spring and the COTP Terminus and by PacifiCorp between Indian Spring and the Malin Substation near COB.

4.344.37 Pacific AC Intertie (“PACI”):

For purposes of this Agreement, that portion of the 500 kV AC Pacific Intertie located between COB and PG&E’s Tesla Substation, associated 500 kV facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the COTP Terminus, including lines, substations and associated facilities.

4.354.38 PACI-P:

~~For purposes of this Agreement, the~~ The portion of the PACI-1 owned by PG&E and located between Indian Spring and the COTP Terminus and the COTP Terminus and Round Mountain Substation together with the portion of the PACI-2 owned by PG&E and located between the COTP Terminus and Indian Spring in northern California.

4.39 PACI-PC:

The portion of the PACI-2 owned by PacifiCorp ~~between and located between Indian Spring in northern California and the Malin Substation and Indian Spring to which PG&E has rights~~ near COB and associated facilities.

4.364.40 PACI-W:

~~For purposes of this Agreement, the~~The portion of the PACI-1 owned by Western and located between the Malin and Round Mountain Substations.

4.374.41 Pacific DC Intertie (“PDCI”):

The ±500 kV direct current transmission line that includes, and is located between, the Celilo Converter Station in Oregon and the Sylmar Converter Station in California.

4.384.42 Pacific Intertie:

Those AC and DC facilities ~~described in the California Companies Pacific Intertie Agreement, dated August 25, 1966, among PG&E, Edison and SDG&E which terminated on July 31, 2007~~that are the PACI and PDCI.

4.394.43 Pacific Northwest Path Operator:

The entity, currently the Bonneville Power Administration (“Bonneville”), responsible for operating the electric transmission path and managing transfer capability north of COB corresponding to the COI south of COB.

4.404.44 Path Operator for COI:

The entity that performs the duties described in Section 8.3 herein.

4.414.45 Power Flow Reduction Measures

Actions taken to promptly and rapidly reduce power flow, including but not limited to: the circulation of power on the PDCI, the increase of generation within the ~~control area~~Control Area through changes initiated by a Control Area Operator that create counter flow, and Curtailments that result in immediate responses from the parties to scheduled transactions to change the amount of generation or load accordingly.

4.424.46 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety,

and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

4.434.47 Rated System Transfer Capability (“RSTC”):

The Non-Simultaneous Transfer Capability of the System across COI as determined by the ~~OCOA~~ Administrative Committee in accordance with Section 9 of the Second Amended OCOA.

4.444.48 Remedial Actions:

The automated actions taken under a Remedial Action Scheme, such as equipment insertion or removal and load or generation tripping.

4.454.49 Remedial Action Schemes (“RAS”):

The procedures that are required to maintain reliable operation of the System after a disturbance on the interconnected Electric Systems.

4.464.50 RSTC Share:

The allocation of RSTC to each of the three 500 kV lines comprising the PACI and COTP in accordance with Section 10 of the Second Amended OCOA.

4.474.51 Simultaneous Transfer Capability:

The capability or capacity of a transmission circuit or path, in megawatts, to transfer power reliably and in accordance with prescribed reliability criteria in concert with other interacting paths or circuits. It is normally defined by its interactive relationship in the form of nomograms with the flows on other transfer paths or circuits.

4.484.52 System:

The combined COTP, PACI-P,1 and PACI-W and COTP2.

4.494.53 Tesla ByPass:

The approximately 6.8 miles of double-circuit 500-kV facilities, together with associated 500-kV bus work and circuit breakers at the 500-kV Tracy Substation, which interconnect the COTP with the PACI-P1 and the PACI-2 at the COTP Terminus.

4.504.54 Transfer Capability:

The amount of electric power, expressed in megawatts, that can be transferred in a designated direction on the System between the Pacific Northwest and California, as measured across COI, using the Transmission Network in a reliable manner and in accordance with Prudent Utility Practice and Applicable Requirements.

4.514.55 Transmission Agency of Northern California (“TANC”):

A joint powers agency authorized by Section 6502 of the California Government Code, and, as of the Effective Date, composed of the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah; the Plumas-Sierra Rural Electric Cooperative; the Sacramento Municipal Utility District; the Modesto Irrigation District; and the Turlock Irrigation District.

4.524.56 Transmission Network:

The interconnected Electric Systems represented in the power system studies of Transfer Capability, which include the System and the Electric Systems of all Parties and certain third parties, as represented in such rating or operating studies.

4.534.57 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

4.544.58 Uncontrollable Force:

Any cause beyond the control of a Party which renders it unable to perform an obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, volcanic activity, tornado, storm, drought, fire, pestilence, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, vandalism, strike, labor dispute, labor or material shortage, sabotage, terrorism, governmental priorities or restraint by court order or public authority and action or non-action by, or inability to obtain or maintain in effect any necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

4.59 Voting Representative:

A representative serving on the Administrative Committee or E&O Committee designated in accordance with Section 7 of the Second Amended OCOA as a Voting Representative. PG&E, Western, and the COTP Participants are represented on the Administrative Committee and the E&O Committee by Voting Representatives.

4.554.60 WECC:

The Western Electricity Coordinating Council or its successor.

4.564.61 Willful Action:

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

4.56.1.14.61.1.1 Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or

4.56.1.24.61.1.2 Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

4.56.24.61.2 The phrase “employees having management or administrative responsibility,” as used in Section 4.61.1, means the employees of a Party who have one or more of the functions of planning, organizing,

coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

~~4.56.34.61.3~~ Willful Action does not include any act or failure to act that is merely involuntary, accidental or negligent.

5 SCOPE OF AGREEMENT

This Agreement establishes the Owners' arrangement with the Path Operator for COI to ensure that the Owner's transmission capacity is available to the maximum extent practical consistent with the reliable operation of the COI. It is the intent of the Parties that the Path Operator for COI shall operate the COI to make available the greatest amount of Transfer Capability on the COI consistent with Prudent Utility Practice and existing conditions. In the case of any conflict between any tariff or rate schedule of the Path Operator for COI and this Agreement, this Agreement shall prevail.

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

~~Except for the amendments hereto, which~~ This Agreement shall become effective on January 1, ~~2008~~2012, or the date on which FERC permits the amendments to become effective without change or condition unacceptable to any Party, whichever comes later, ~~this Agreement became effective and has an Effective Date of January 1, 2005, and is binding upon and enforceable against each Party taking or providing service under this Agreement.~~

6.2 Term

This Agreement shall terminate on the earliest of:

(a) upon unanimous vote of the ~~Administrative Voting~~ Representatives of the Administrative Committee pursuant to Section 8.1.~~2.25~~ of the Second Amended OCOA, and such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement, following not less than 60 days' notice to the Path Operator for COI; or

(b) termination of the Second Amended OCOA; or

(c) the Path Operator for COI shall have the right to terminate upon one year's written notice, provided however, that such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement.

If this Agreement is terminated pursuant to this Section 6.2, then any Party that requires FERC authorization to terminate service under this Agreement promptly shall file a notice of termination with the FERC. If and when this Agreement terminates pursuant to this Section 6.2, then all Parties that do not require authorization from FERC to terminate providing any service under this Agreement shall cease both to provide and to take any service under this Agreement or any rate schedule resulting in whole or in part from this Agreement, regardless of any action or inaction by FERC as to any application by another Party to terminate service.

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties and the Path Operator for COI concerning administrative and technical matters that may arise in connection with this Agreement, the Administrative Committee and the E&O Committee shall meet, and shall invite the Path Operator for COI and, if applicable, the COI Control Area Operator(s) and the Pacific Northwest Path Operator to attend any such meeting to discuss and resolve any such administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by vote, which shall be a unanimous vote of all Voting Representatives of the respective committees unless the ~~Committee~~committee decides otherwise by unanimous vote of the Voting Representatives or unless otherwise specified in this Agreement. As a Voting Representative, PG&E is required to cast its vote in Administrative Committee and E&O Committee meetings in accordance with Appendix B of the Second Amended OCOA.

7.2 Duties of Administrative Committee

The Administrative Committee, as established in Section 7.2 of the Second Amended OCOA, shall:

- 7.2.1 Resolve issues among the Owners regarding the interpretation of this Agreement;
- 7.2.2 Resolve issues that could not be resolved by the E&O Representatives Committee;
- 7.2.3 Recommend amendments to the Agreement for consideration of the Parties; and
- 7.2.4 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

The E&O Committee, as established in Section 7.3 of the Second Amended OCOA shall:

- 7.3.1 Resolve issues and jointly develop operating procedures with the Path Operator for COI concerning the appropriate determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees.
- 7.3.2 Resolve issues concerning the Operating Procedures of the Path Operator for COI;
- 7.3.3 Propose, review and develop Operating Procedures used by the Path Operator for COI to perform its duties under Section 8 of this Agreement;
- 7.3.4 Review and comment upon operating procedures used by the Pacific Northwest Path Operator;
- 7.3.5 Refer issues that cannot be resolved by the E&O Committee to the Administrative Committee; and

7.3.6 Perform such other duties as may be assigned by the Administrative Committee or as may be designated in this Agreement.

7.4 E&O Representative Review

All matters pertaining to the duties of the Path Operator for COI and its performance thereof requiring action or resolution by the Administrative Committee pursuant to this Agreement shall be reviewed by the E&O Committee prior to referral to the Administrative Committee, unless otherwise agreed by the Administrative Committee.

7.5 Meetings

The Path Operator for COI may call a meeting of the Administrative Committee or the E&O Committee upon reasonable advance written notice to the Administrative or E&O Committee Representatives. A written agenda incorporating any items proposed by any Administrative or E&O Committee Representative shall be supplied for such meetings. Meetings may be conducted in person, by telephone, or by any other mutually agreed upon means. The Administrative Committee or the E&O Committee may invite others to participate in such meetings.

7.6 Expenses

Any reasonable expenses incurred by the Path Operator for COI to attend meetings of the Administrative Committee and E&O Committee as identified in this Section 7, and authorized by the Administrative Committee for recovery, shall be paid by the Owners under Section 8.4.

7.7 Operating Procedure Implementation

Any new procedure(s) or change to the existing Operating Procedures requested by the Path Operator for COI shall be brought before the E&O Committee for joint review and development prior to implementation of such new procedure. In the event that the Path Operator for COI must make an immediate decision that is not addressed in existing Operating Procedures, regarding a situation which the Path Operator for COI believes could result in an Operating Emergency, the Path Operator for COI may implement such new procedure(s), take such action(s) or make such determination as in its judgment is necessary in accordance with Prudent Utility Practice, Applicable Requirements and in

conformance with the provisions of this Agreement, *provided* that the Path Operator for COI must obtain E&O Committee approval for continued operation using such new or changed procedure(s) within 10 days of the changes being made, otherwise the Path Operator for COI shall cease utilizing the new procedure(s). E&O Committee approval shall be by unanimous vote ~~at a meeting that satisfies~~ of the ~~quorum requirements established by the OCOA Voting Representatives~~. Such E&O Committee approval may provide for an extension of the 10-day period of temporary implementation. The Path Operator for COI reserves the right to not implement any Operating Procedure that is not operationally feasible or conflicts with its legal obligations, reliability requirements, is inconsistent with NERC or WECC requirements, or threatens public health or safety. At least 10 days before consideration of any new or proposed non-emergency Operating Procedure by the E&O Committee which may be applicable to the Pacific Northwest Path Operator, the Path Operator for COI shall provide a copy of such new or proposed Operating procedure to the Pacific Northwest Path Operator for review and comment. Any emergency Operating Procedure shall be provided by the Path Operator for COI to the Pacific Northwest Path Operator as soon as possible prior to the E&O Committee approval.

8 SYSTEM OPERATION

8.1 COI Operating Procedures

The E&O Committee shall, as provided in Section 7.7 herein, establish and modify, as necessary, Operating Procedures required to implement this Agreement consistent with Prudent Utility Practice and Applicable Requirements. Such Operating Procedures shall, among other things, permit all affected entities with applicable transmission availability posting or service offer requirements to meet the timing requirements of such posting or service offer requirements. The COI Operating Procedures shall be binding upon the Parties and fully enforceable under this Agreement and may be changed from time to time by E&O Committee approval in accordance with Section 7.3 herein. Such revisions shall not be deemed to be an amendment to this Agreement. Nothing in this Agreement shall be deemed to require the scheduling of the transmission rights of a

Non-Participating Transmission Owner in accordance with the CAISO scheduling procedures applicable to the use of the CAISO Controlled Grid, as those two terms are defined in the CAISO tariff.

8.2 Unscheduled Flow Procedure

Operating Procedures for Unscheduled Flow shall require that Unscheduled Flow be deducted from OTC and ASTC only on a real-time basis, or for the hour-ahead pre-scheduling period, unless the E&O Committee establishes an alternate procedure. COI Operating Procedures shall be consistent with the WECC Unscheduled Flow Mitigation Plan.

8.3 Path Operator for COI Duties:

The Path Operator for COI shall, in accordance with Prudent Utility Practice and Applicable Requirements:

- 8.3.1 Determine OTC in coordination with the Pacific Northwest Path Operator and consistent with WECC seasonal studies performed by or on behalf of the Owners and in consideration of hydroelectric generation conditions in Northern California;
- 8.3.2 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with procedures developed pursuant to this Agreement, and allocate ASC to the PACI-~~P1~~, PACI-~~W2~~ and COTP in conformance with the Second Amended OCOA and the associated Operating Procedures established and approved by the E&O Committee;
- 8.3.3 To the extent feasible, determine and allocate ASTC among the Owners, based on operating conditions at or south of the Malin and Captain Jack ~~substations~~Substations, such that the ASTC allocated represents the total ASTC available, which amount may, at times, be different than the OTC, which value may be less than ASTC due to operating condition north of the Malin and Captain Jack

~~substations~~Substations as determined by the Pacific Northwest Path Operator;

8.3.4 Provide timely communications to the COI Control Area Operators and the Pacific Northwest Path Operator concerning all matters required or desirable to communicate under this Agreement, other applicable agreements, Prudent Utility Practice and Applicable Requirements. Such communications shall meet the scheduling requirements of each of the Control Area Operators and shall include, but not be limited to, the following information:

8.3.4.1 OTC, ASTC, ASC, ASC Shares and any limitations thereon based on actual and estimated Unscheduled Flow, and applicable Nomograms;

8.3.4.2 Schedules exceeding ASC Share;

8.3.4.3 Its determination of the amount of Power Flow Reduction Measures;

8.3.4.4 Each COI Control Area Operator's share of responsibility for Power Flow Reduction Measures in accordance with applicable Operating Procedures.

8.3.5 Determine and give timely notice to all COI Control Area Operators of the need for and the amount of Power Flow Reduction Measures which amount shall be based on the need to respond to a real-time reduction in OTC and accommodate Unscheduled Flow during the applicable period of the use of Power Flow Reduction Measures so as to enable the Path Operator for COI to comply with WECC ~~Reliability Management System Agreement~~and NERC reliability standards, avoid sanctions ~~established in the~~for violations for any WECC ~~Reliability Criteria Agreement~~or NERC reliability standards, and comply with any other applicable power flow reduction obligations, and promptly advise the COI Control Area Operators to

take their share of such Power Flow Reduction Measures in the amounts in accordance with applicable Operating Procedures;

- 8.3.6 Monitor all Electric System conditions that may reasonably affect ASTC and ASC, including, but not limited to, the following:
 - 8.3.6.1 Operating status of 500 kV and 230 kV equipment and related power flows, Unscheduled Flow and voltages;
 - 8.3.6.2 Operating status of generators and related power flows and voltages; and
 - 8.3.6.3 RAS and telecommunications status and available remedial actions.
- 8.3.7 Establish ASTC and ASC in real time by monitoring flows and schedules at COI and power flows on other paths interacting with COI where Nomograms are used;
- 8.3.8 Prior to satisfaction of the requirements necessary to initiate coordinated operation of phase shifters and other flow control devices under the WECC Unscheduled Flow Mitigation Plan, and to the extent beneficial, operate flow control devices made available by one or more Parties in accordance with the instructions of the applicable Party. Such instructions shall be determined by the E&O Committee based on studies and shall address the amount and allocation of benefits due to the operation of such flow control devices, with due regard to the benefits provided by each Party making such devices available. Nothing in this Section 8.3.8 or any other provision of this Agreement shall be interpreted to require a Party, its Control Area Operator or the Path Operator for COI to violate the WECC Unscheduled Flow Mitigation Plan or operate phase shifters or other system elements for which such Party retains operational control in order to reduce Unscheduled Flow for the benefit of any other Party

prior to the initiation of the WECC Unscheduled Flow Mitigation Plan, as that plan may be amended or superseded;

8.3.9 Implement the WECC Unscheduled Flow Mitigation Plan;

~~8.3.10 Become and remain a party to the WECC Reliability Management System Agreement and the WECC Reliability Criteria Agreement;~~

~~8.3.11~~ 8.3.10 Perform or cause to be performed all things necessary to meet the criteria for path operation ~~specified in the Agreements referenced in Section 8.3.10 herein~~ including compliance with all applicable WECC and NERC reliability standards as they may be amended or superseded, as well as other duties applicable to path operation that may be required by the WECC or NERC through rules, standards or criteria;

~~8.3.12~~ 8.3.11 Make all reasonable efforts to maximize both OTC and ASC consistent with the obligations set forth in this Section 8 by, among other things, reviewing the equipment outage plans of the Parties and COI Control Area Operators and the Pacific Northwest Path Operator to the extent such outage plans affect OTC, and recommending changes to such outage plans to minimize reductions in OTC;

~~8.3.13~~ 8.3.12 Perform such other responsibilities and apply such policies and procedures as developed by the E&O Committee and approved by the Administrative Committee;

~~8.3.14~~ 8.3.13 In the event of, and for the duration of, an Operating Emergency or as a result of Uncontrollable Force, notify the applicable Control Area Operators of any limitations on OTC or ASC due to the Operating Emergency or Uncontrollable Force. Such recommendations may include or result in, without limitation, Power Flow Reduction Measures and requesting that COI Control Area Operators operate System facilities in compliance with this Agreement;

8.3.158.3.14 Maintain continuous, reliable communication with the applicable WECC Reliability Coordinator and promptly inform such Reliability Coordinator of all conditions or events required by WECC rules and procedures;

8.3.168.3.15 Operate, maintain and replace those facilities, and recruit, retain and develop sufficient trained and certified personnel, as necessary to reliably and efficiently perform all duties and functions required of the Path Operator for COI;

8.3.178.3.16 Perform all duties and functions of the Path Operator for COI for the benefit of all Owners without preference or discrimination and independently of, and without any preference or discrimination in relation to, any status, obligation or right of the Path Operator for COI as Control Area Operator, energy market participant, transmission service provider, electric or other utility, or government agency;

8.3.188.3.17 Comply with all requirements concerning standards of conduct under FERC Order No. 2004, as it may be amended or superseded, whether or not the Path Operator for COI is subject to FERC jurisdiction in regard to that regulation;

8.3.198.3.18 Enter into, maintain, amend and enforce agreements with COI Control Area Operators (i) necessary to perform obligations under this Agreement, including but not limited to those duties pursuant to Sections 8.3.4, 8.3.10, and 8.3.11, and (ii) that prohibit the application to the Parties of any requirement, rule, obligation, rate or charge in a tariff, rate schedule or other document issued or revised by any COI Control Area Operator without the written consent of the Administrative Committee;

8.3.208.3.19 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of

the COI and perform other obligations under this Agreement, which coordination shall be under a contract to the extent feasible; and

~~8.3.21~~8.3.20 The Path Operator for COI shall not have the authority to modify any term or condition of this Agreement, whether by course of conduct of any entity or otherwise, without the written agreement of all Parties.

8.4 Path Operator for COI Compensation

The Owners shall compensate the Path Operator for COI for services provided pursuant to Section 8.3 of this Agreement in accordance with the costs specified in Appendix B of this Agreement. The Path Operator for COI shall not impose any charge or rate under this Agreement for any service the CAISO renders to the Owners other than for services provided pursuant to this Agreement.

8.5 Owners' Obligations to Path Operator for COI:

Each Owner shall take, or cause its COI Control Area Operator to take, the following actions on a timely basis:

- 8.5.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI determines is reasonably needed to determine ASTC;
- 8.5.2 Provide outage schedules for equipment that may impact the rating of the COI when required by the Path Operator of COI;
- 8.5.3 Provide or make arrangements for the provision of reliable telecommunications facilities and service required to transmit real-time information, specified in Section 8.5.1, to the Path Operator for COI to enable the Path Operator for COI to comply with its obligations under Section 8.3; and

9 PAYMENT

The Path Operator for COI shall bill each Owner after the fact for Costs of the Path Operator for COI incurred to provide services under this Agreement each month by the 15th day of the following month as specified in Appendix B, in proportion to its rights to use RSTC. The Costs of the Path Operator for COI reflected in a bill for other than those reflected in Appendix B shall include only those costs approved in advance by the Administrative Committee.

9.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) via Fed wire or, at the election of the billed Party, to an escrow account via Fed wire in accordance with Section 9.47 (for disputed amounts). Payment of any bill must be received by the Party owed or deposited into the escrow account no later than 20 calendar days after delivery (such date, for purposes of this Section 9, is the "Payment Due Date").

9.2 Full Payment

Payments shall not be subject to any reduction, whether by offset or otherwise. No Party shall take any action that would disable itself from meeting, or jeopardize its ability to meet, its obligations under this Agreement including any obligation to pay money.

9.3 Late Payments

Bills that are not paid in full by the Payment Due Date shall accrue interest in accordance with Section 35.19a(a)(2) of FERC Regulations, 18 C.F.R. § 35.19a(a)(2), as they may be amended or superseded (for purposes of this Section 9, "Interest"). Interest shall accrue daily on the unpaid amount from the Payment Due Date until the date that full payment, including accrued Interest, is received by the Party owed.

9.4 Disputed Bills

9.4.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without

offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 9.74.2.

The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

9.4.2 Escrow Account: The escrow account established pursuant to Section 9.74.1 shall be with an escrow agent selected by the paying owing Party and approved in advance by the Party owed in a form acceptable to the Party owed. The instructions given to the escrow agent shall include an express obligation on the escrow agent's part to release sufficient funds from the account, including Interest that has accrued on the account, to pay in full to the Party owed one of the following amounts (plus accumulated Interest on that amount), as applicable: (1) the amount originally billed; (2) an alternative amount agreed upon by the disputing Parties; or (3) the amount determined by FERC or other tribunal of competent jurisdiction to be due to the Party owed but unpaid by the disputing Party. The disputing Party shall pay all costs and penalties that may be associated with withdrawing funds to pay the Party owed. Any funds remaining in the escrow account after payment to the Party owed, including accumulated Interest on those remaining funds, shall be returned to the owing Party.

10 ASSIGNMENT

A Party may assign its rights and obligations under this Agreement to another person with the consent of the other Parties, which consent shall not be unreasonably withheld. The assignee shall expressly assume in writing the duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect. To the extent directed by Congress, Western may assign any right or interest under this Agreement that it may have without the consent of any Party, subject to the assumption obligation in this Section 10.

11 LIABILITY

11.1 Scope of Liability

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

11.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose electric customer shall make a claim or bring an action against such other Party for

any death, injury, loss or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees and agents from and against any liability for such death, injury, loss or damage; provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party which cannot lawfully indemnify pursuant to this Section 11.2. The term “electric customer” shall mean any electric customer to which no power or energy is delivered for resale.

11.3 Protection of Facilities

Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty operation or non-operation of any other Party’s facilities, and no other Party shall be liable for any damages so caused.

12 UNCONTROLLABLE FORCE

12.1 No Default

No Party shall be considered to be in default in the performance of any obligation under this Agreement, other than an obligation to pay money, when a failure of performance is due to an Uncontrollable Force.

12.2 No Settlement Obligation

Nothing in this Agreement shall be construed to require a Party to settle any strike or labor dispute in which it may be involved.

12.3 Notice and Removal Obligation

In the event a Party is rendered unable to fulfill any of its obligations under this Agreement by reason of an Uncontrollable Force, such Party shall give prompt written notice of such fact to the other Parties and shall seek to remove such inability with all reasonable dispatch.

13 NO DEDICATION OF FACILITIES

Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall, at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

14 REGULATORY AUTHORITY

14.1 FERC Jurisdiction

This agreement is subject to acceptance for filing by, and the regulatory jurisdiction of, FERC.

14.2 Changes in Rates

Nothing contained herein shall be construed as affecting in any way the right of a Party furnishing services in accordance with this Agreement unilaterally to make application to FERC for a change in rates under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgate thereunder, nor shall it affect the right of any Party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act. The term "rates" as used herein shall mean a statement of electric services as provided in accordance with this Agreement, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts, including but not limited to this Agreement, which in any manner affect or relate to such services, rates, and charges. A change in rates may include, but not be limited to, changes in rates, charges, and the underlying methodology by which such rates and charges are developed. The Parties agree that not less than 60 days prior to the filing of any change in rates under this Agreement the Parties will commence negotiations regarding such proposed change in rates.

15 DISPUTE RESOLUTION

15.1 Disputes generally.

The Parties shall use good faith efforts to settle promptly all disputes arising under this Agreement. In the event that a dispute, including a billing dispute or a dispute regarding the interpretation of this Agreement, is not settled by good faith efforts within a reasonable time, the Parties involved in the dispute may agree to arbitrate the dispute. Any such arbitration shall be binding as to result on those Parties. Absent an agreement to arbitrate, a Party may pursue any legal, equitable or regulatory right or remedy available to it for the resolution of the dispute.

15.2 Technical Disputes.

If a dispute arises between the Path Operator for COI and one or more Owners concerning matters under this Agreement within the scope of the Administrative Committee or the E&O Committee, or concerning a decision of either committee, then, before resolving the dispute under this Section 15, the involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive of similar authority from each Party involved in the dispute or his or her designated representative. Within 20 calendar days after delivery by the Party seeking dispute resolution of notice to each other Party, the executives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then any Party involved in the dispute may initiate mediation or may initiate formal dispute resolution under this Section 15. If the other involved Parties agree to mediation, then the involved Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 days.

15.3 Rules.

All negotiations, settlement conferences, compromise discussions and any mediation conducted pursuant to this Section 15 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating

in dispute resolution under this Agreement. Each involved Party shall pay the share of the costs of any mediation in accordance with the agreement of the involved Parties to engage in mediation. Nothing in this Section 15 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

16 NO EXCLUSIVE REMEDY

Subject to the provisions of Section 14, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

17 GOVERNING LAW

This Agreement is made and entered into in the State of California. Interpretation of this Agreement, and performance and enforcement thereof, shall be determined in accordance with California law or federal law as applicable.

18 NON-WAIVER

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

19 NOTICES

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. By notice to all Parties, any Party may revise the person designated to receive notices. Such revision shall not constitute an amendment to this Agreement.

20 NO THIRD PARTY BENEFICIARIES

No right or obligation contained in this Agreement shall inure to the benefit of any person or entity which is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

21 RELATIONSHIP OF THE PARTIES

21.1 Except as otherwise provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not joint or collective. It is the intent of the Parties not to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, or with regard to, any Party.

21.2 Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement. No Party or group of Parties shall be under the control of or shall be deemed to control any other Party or Parties.

21.3 No Party shall be the agent of, or have the right or power to bind another Party without its written consent, except as expressly provided for in this Agreement.

22 TITLES

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 rates, terms or conditions of this Agreement.

23 NO PRECEDENTS

Nothing contained in this Agreement shall be construed to establish any precedent for any other rate schedule or agreement or to grant any right to or impose any obligation on any Party beyond the scope and terms of this Agreement. No Party, by entering into this Agreement, holds itself out to furnish like or similar service to any other person or entity.

The voting provisions in this Agreement shall be non-precedential with respect to any future proceedings and shall not be deemed to bind any Party to this agreement in any future proceeding, except in a proceeding to enforce the voting provisions of this Agreement.

24 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

24.1 Adverse Determination

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

24.2 Expansion Of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be interpreted, modified, or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur significant new or different obligations to another Party or to third parties not contemplated

by this Agreement, or to forego any right under this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties shall attempt to renegotiate in good faith the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated by the Parties at the time this Agreement was made.

24.3 Renegotiation

If, within three months after an order or decision as described in Sections 24.1 and 24.2, the Parties either: (i) do not agree that a renegotiation is feasible or necessary; or (ii) cannot agree to amend or supersede this Agreement, then (a) any Party may initiate dispute resolution in accordance with Section 15; (b) any Party subject to Section 205 of the Federal Power Act may unilaterally file with the FERC an amendment to this Agreement or a replacement agreement; or (c) any Party may take any action before the FERC or elsewhere that it deems appropriate, including filing under Section 206 of the Federal Power Act. As used in this Section 24, the term “Agreement” includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

25 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 full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 25 shall limit the rights of any Party under Section 24.

26 PRESERVATION OF OBLIGATIONS

Upon termination of this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

27 INTEGRATION OF AGREEMENT

This Agreement constitutes the complete and final expression of the rights and obligations of the Parties in connection with the subject matter of this Agreement and is intended as a complete and exclusive statement of the terms of their agreement which supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, communications and contracts which may have been made in connection with the subject matter of this Agreement.

28 APPENDICES INCORPORATED

All appendices to this Agreement are attached to this Agreement and are incorporated by reference as if herein fully set forth.

29 JUDGMENTS AND DETERMINATIONS

When the terms of this Agreement provide that an action may or must be taken, or that the existence of a condition may be established, based on a judgment or determination of a Party, such action or judgment shall be exercised or such determination shall be made in good faith and where applicable in accordance with Prudent Utility Practice and shall not be arbitrary or capricious.

30 FEDERAL PROVISIONS

30.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the

other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

30.2 Officials Not to Benefit

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

30.3 Covenant Against Contingent Fees

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

30.4 Contract Work Hours and Safety Standards

This Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C. ~~A. 329 (1986)~~, § 3701, is subject to the provisions of the Act, 40 U.S.C. ~~A. 327-333 (1986)~~, §§ 3701-3708, as amended and supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

30.5 Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 43 Fed. Reg. 46501 (1978), which provides, among other things, that PG&E will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in this Agreement.

30.6 Use of Convict Labor

The Parties agree not to employ any person undergoing sentence of imprisonment in performing obligations under this Agreement except as provided by 18 U.S.C. ~~4082~~§ 3622 (c)-(2), as amended and supplemented, and Executive Order 11755, December 29, 1973, as amended and supplemented.

31 SUCCESSOR IN INTEREST:

Each successor in interest to any right, title, interest in or use of the ASC Share of any Party shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement. Any transfer limited to the operational control of a Party's right or interest in the System is not intended to create a successor in interest unless the transfer is permanent and irrevocable.

32 AMENDMENTS

No amendment, waiver, or modification to this Agreement shall be enforceable unless it is (1) reduced to writing and executed by all of the Parties, and (2) submitted to and made effective by FERC. Nothing in this Section 32 shall limit a Party's rights under Section 14.2.

33 SIGNATURES; EXECUTION IN COUNTERPARTS:

Each signatory to this Agreement represents that he or she has been duly authorized to enter into this Agreement on behalf of the Party for whom he or she signs. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the Parties have affixed their signatures as of the date(s) set forth below.

California Independent System Operator Corporation

By: _____

Name: ~~Randal T. Abernathy~~ Stephen Berberich _____

Title: ~~Vice-President,~~ Market Service and Chief Executive Officer _____

Date: _____

Transmission Agency of Northern California

(on behalf of the COTP Participants)

By: _____

Name: James W. Beck _____

Title: General Manager _____

Date: _____

Western Area Power Administration

By: _____

Name: ~~Tom Carter~~ Peter S. Garris _____

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: _____

Name: ~~Edward A. Salas~~ Geisha Williams _____

Title: ~~Senior Executive~~ Vice President – ~~Engineering and Electric~~ Operations _____

Date: _____

~~City of Vernon~~

PacifiCorp

By: _____

Name: John Cupparo _____

Title: Vice President, Transmission _____

Date: _____

City of Redding

By: _____

Name: James C. Feider _____

Title: Director, Electric Department _____

Date: _____

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

San Juan Suburban Water District

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A
Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

California Independent System Operator Corporation

~~Mr. Randall T. Abernathy~~

~~Vice President Service~~

~~151 Blue Ravine Road~~

~~Stephen Berberich~~

~~President and Chief Executive Officer~~

~~250 Outcropping Way~~

~~Folsom, CA 95630~~

~~Carmichael Water District~~

~~Mr. Steve Nugent~~

~~General Manager~~

~~7837 Fair Oaks Boulevard~~

~~Carmichael, CA 95608~~

Pacific Gas and Electric Company

~~Jeffrey D. Butler~~

~~Senior Geisha Williams~~

~~Executive Vice President — Transmission and Distribution Electrical Operations~~

~~77 Beale Street, Mail Code B32~~

~~San Francisco, CA 94105~~

~~San Juan Suburban Water District~~

~~Transmission Agency of Northern California~~

~~Mr. Shauna Loranee James W. Beck~~

~~General Manager~~

~~9935 Auburn Folsom Road~~

~~Granite Bay P.O. Box 15129~~

~~Sacramento, CA 95746 95851-0129~~

~~PacifiCorp~~

~~Mr. John Cupparo~~

~~Senior VP Transmission Agency Of Northern California~~

~~Mr. James C. Feider~~

~~3100 Zinfandel, 825 NE Multnomah, St., Suite 600 1600~~

~~Rancho Cordova, CA 95670~~

~~City of Redding~~

~~Mr. James C. Feider~~

~~777 Cypress Avenue~~

~~Redding, CA 96049 6071~~

~~City Of Vernon~~

~~Mr. Bruce V. Malkenhorst~~
~~4305 Santa Fe Avenue~~
~~Vernon, CA 90058~~
Portland, OR 97232

Western Area Power Administration
Mr. ~~Tom Carter~~Peter S. Garris
Operations Manager, Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, CA 95630

APPENDIX B

Owners' Cost Shares

APPENDIX B

OWNERS' COST SHARES

Annual Costs of the Path Operator of COI: \$ 2,000,000.00

I. Billing

1) The Path Operator for COI will bill the Owner by the 15th day of each month for the previous month's service. The bills shall be sent via electronic mail with a copy sent via first-class United States Mail.

2) The Owner shall pay monthly:
Owners' Cost Share * (\$166,667)

3) Each Owner shall provide the Path Operator for COI the following billing information and notify the Path Operator for COI of any changes to its information at least one billing cycle prior to the change:

Contact name

Billing address

Billing telephone number

Billing electronic mail address

II. Cost Sharing Percentages 2012

Owner	PATH		COTP	Owners' Cost Share (Percentage of COI)
	PACI - P ₁	PACI - W ₂		
<u>PG&E</u>	<u>0.0000%</u>	<u>81.2500%</u>	<u>2.0625%</u>	<u>27.7708%</u>
<u>PG&E PacifiCorp</u>	100 <u>0.0000%</u>	0.0000 <u>18.7500%</u>	2.0625 <u>0.0000%</u>	34.0208% <u>6.2500%</u>
Western	0 <u>100.0000%</u>	100 <u>0.0000%</u>	<u>9.3750%</u>	<u>36.4583%</u>
TANC	<u>0.0000%</u>	<u>0.0000%</u>	79.3022 <u>86.8519%</u>	26.4341% <u>28.9507%</u>
<u>Vernon</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>7.5497%</u>	<u>2.5166%</u>
Redding	<u>0.0000%</u>	<u>0.0000%</u>	<u>1.5856%</u>	<u>0.5285%</u>
Carmichael	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>
San Juan	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages 2013 through 2016

<u>Owner</u>	<u>PATH¹</u>			<u>Owners' Cost Share (Percentage of COI)</u>
	<u>PACI-1</u>	<u>PACI - 2</u>	<u>COTP</u>	
<u>PG&E</u>	<u>0.0000%</u>	<u>75.0000%</u>	<u>2.0625%</u>	<u>25.6874%</u>
<u>PacifiCorp</u>	<u>0.0000%</u>	<u>25.0000%</u>	<u>0.0000%</u>	<u>8.3334%</u>
<u>Western</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>9.3750%</u>	<u>36.4583%</u>
<u>TANC</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>86.8519%</u>	<u>28.9507%</u>
<u>Redding</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>1.5856%</u>	<u>0.5285%</u>
<u>Carmichael</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>
<u>San Juan</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages 2017

<u>Owner</u>	<u>PATH¹</u>			<u>Owners' Cost Share</u> <u>(Percentage of COI)</u>
	<u>PACI-1</u>	<u>PACI - 2</u>	<u>COTP</u>	
<u>PG&E</u>	<u>0.0000%</u>	<u>68.7500%</u>	<u>2.0625%</u>	<u>23.6041%</u>
<u>PacifiCorp</u>	<u>0.0000%</u>	<u>31.2500%</u>	<u>0.0000%</u>	<u>10.4167%</u>
<u>Western</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>9.3750%</u>	<u>36.4583%</u>
<u>TANC</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>86.8519%</u>	<u>28.9507%</u>
<u>Redding</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>1.5856%</u>	<u>0.5285%</u>
<u>Carmichael</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>
<u>San Juan</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>

¹ The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.

II. Cost Sharing Percentages 2018 and Thereafter¹

<u>Owner</u>	<u>PATH²</u>			<u>Owners' Cost Share (Percentage of COI)</u>
	<u>PACI-1</u>	<u>PACI-2</u>	<u>COTP</u>	
<u>PG&E</u>	<u>0.0000%</u>	<u>50.0000%</u>	<u>2.0625%</u>	<u>17.3541%</u>
<u>PacifiCorp</u>	<u>0.0000%</u>	<u>50.0000%</u>	<u>0.0000%</u>	<u>16.6667%</u>
<u>Western</u>	<u>100.0000%</u>	<u>0.0000%</u>	<u>9.3750%</u>	<u>36.4583%</u>
<u>TANC</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>86.8519%</u>	<u>28.9507%</u>
<u>Redding</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>1.5856%</u>	<u>0.5285%</u>
<u>Carmichael</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>
<u>San Juan</u>	<u>0.0000%</u>	<u>0.0000%</u>	<u>0.0625%</u>	<u>0.0208%</u>

1 For PG&E and PacifiCorp, the Owners' Cost Share percentages for 2018 and thereafter will remain in place as long as the Transmission Exchange Agreement between these two companies remains in effect. If the Transmission Exchange Agreement is terminated, PG&E and PacifiCorp agree to negotiate new, applicable Cost Share percentages.

2 The Path percentages reflect the Owners' transmission rights to the portions of the specified lines within the COI.