

ENERGY IMBALANCE MARKET MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of February 12, 2013 ("Effective Date"), by and between PacifiCorp, an Oregon corporation ("PacifiCorp"), and the California Independent System Operator Corporation, a California nonprofit public benefit corporation ("ISO"). PacifiCorp and the ISO are sometimes referred to in this MOU individually as a "Party" and, collectively, as the "Parties".

RECITALS

- A. WHEREAS, PacifiCorp owns and operates facilities for the generation transmission, and distribution of electric power and energy in interstate commerce;
- B. WHEREAS, the ISO operates transmission facilities under its operational control and wholesale electricity markets, including an energy imbalance market, pursuant to its tariff on file with the Federal Energy Regulatory Commission ("FERC");
- C. WHEREAS, both Parties are committed to the development of relationships and opportunities focused on improving reliability and the efficiency of existing energy systems for the benefit of customers and stakeholders;
- D. WHEREAS, PacifiCorp desires to explore the feasibility, costs and benefits of participation in an energy imbalance market that can efficiently meet the needs of customers that rely on its transmission facilities and that could potentially be expanded to meet the needs of other customers ("EIM" or the "Project");
- E. WHEREAS, the ISO desires to explore the feasibility, costs and benefits of developing and operating the EIM in a manner that employs the systems and processes of the ISO's existing energy imbalance market to implement the Project;
- F. WHEREAS, the Parties acknowledge that the rules and procedures governing the Project's operation must be set forth in the provisions of a tariff filed with the FERC by the ISO, including corresponding revisions to PacifiCorp's tariff and that, prior to submission of the ISO tariff provisions, the ISO will consult with and obtain the views of stakeholders, including but not limited to, PacifiCorp;
- G. WHEREAS, the ISO will incur start-up costs associated with the Project, and PacifiCorp is willing to fund its share of such costs as separately agreed to pursuant to a definitive agreement mutually satisfactory to the Parties ("Implementation Agreement"); and

H. WHEREAS, the Parties are entering into this MOU to memorialize this understanding and set forth a process by which the Parties will negotiate terms and conditions of an Implementation Agreement, as more fully described in Exhibit A ("Principles") and Exhibit B ("Schedule"), and initiate an ISO stakeholder review and board approval process directed toward development of market rules for the Project consistent with the principles outlined in this MOU ("Stakeholder Process");

NOW THEREFORE, in consideration of the mutual covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Effective Date; Term.

(a) This MOU shall become effective on the Effective Date.

(b) The term of this MOU shall commence on the Effective Date and shall terminate upon the earliest date to occur of the following ("Termination Date"):

(i) The date that each of the Parties executes and delivers the Implementation Agreement, and such agreement is accepted by FERC without conditions or modifications unsatisfactory to either Party;

(ii) The date that either Party provides notice to the other Party that it has decided, in its sole and absolute discretion, not to proceed with the Project; or

(iii) The Parties fail to execute and deliver the Implementation Agreement on or before April 30, 2013, as such date may be extended by mutual written agreement of the Parties ("Target Date").

(c) This MOU shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in (i) Sections 5, 6(g), 7 and 9 shall survive the termination of this MOU and remain in full force and effect; provided further, that Section 4 shall survive the termination of this MOU and remain in full force and effect for two (2) years following the termination of this MOU.

2. Implementation Agreement and Stakeholder Process.

(a) During the term of this MOU, both Parties shall proceed diligently and in good faith to attempt to negotiate mutually satisfactory terms of the Implementation Agreement and all such other definitive agreements, documents and approvals necessary to fully document the transactions

contemplated by the Project and the Implementation Agreement by no later than the Target Date.

(b) The ISO will commence the Stakeholder Process no later than the Target Date, consistent with its current governance structure and approval processes.

(c) Each Party shall select a senior-level representative ("Representative") to be responsible for coordinating such Party's activities under this MOU. Each Party commits to provide its Representative with the support and resources necessary to further the purposes of this MOU. In no event shall the Representatives be permitted to amend the terms of this MOU, other than in accordance with Section 6(b).

(d) Based on the information currently known to the Parties, the Parties propose that the Implementation Agreement would consider the principles attached hereto as Exhibit A ("Principles") and outline a scope of work with a target EIM implementation date of October 2014. The Principles set forth the Parties' current general understanding with respect to certain provisions of the Implementation Agreement, but do not represent a binding agreement or final contractual language or address every provision which the Parties may wish to incorporate into the Implementation Agreement. In addition and notwithstanding the foregoing, the Parties may choose to jointly develop and implement the Project through different structures pursuant to alternative agreements as may be agreed to by the Parties.

(e) The Principles also set forth the Parties' current general understanding with respect to many aspects of the Stakeholder Process, but are not intended to represent final tariff language or to address every provision which the ISO or PacifiCorp may wish to incorporate into its tariff provisions relating to EIM.

3. Nature of MOU. Neither this MOU nor the Principles is intended to include all of the essential terms of the transactions contemplated by this MOU (which will only be contained in the Implementation Agreement) and, accordingly, neither this MOU nor the Principles is intended to be a complete and binding agreement. No binding agreement will exist between the Parties with respect to the transactions to be included in the Implementation Agreement unless and until the Parties execute and deliver the Implementation Agreement, and such agreement is accepted by FERC without conditions or modifications unsatisfactory to either Party. Notwithstanding the foregoing, the Parties intend for Sections 4, 5, 6, 7, 8, and 9 of this MOU to be binding on the Parties as of the Effective Date.

4. Confidentiality.

(a) All written or oral information received from another Party in connection with this MOU (but not this MOU after the Effective Date) necessary to negotiate the Implementation Agreement shall constitute "Confidential Information" subject to the terms and conditions herein. Confidential Information does not include information that (i) becomes generally available to the public other than as a result of disclosure by such Party, its officers, directors, employees, agents, or representatives; (ii) is or becomes available to such Party on a non-confidential basis from other sources or their agents or representatives when such sources are not known by such Party to be prohibited from making the disclosure; (iii) is already known to such Party or has been independently acquired or developed by such Party without violating any of such Party's obligations under this Section 4 ; or (iv) is the subject of a mutual written agreement by the Parties to allow for such disclosure and designation as non-confidential or public information on a case-by-case basis in accordance with Section 8 of this MOU.

(b) The Confidential Information will be kept confidential by each Party and each Party agrees to protect the Confidential Information using the same degree of care, but no less than a reasonable degree of care, as a Party uses to protect its own confidential information of a like nature. Notwithstanding the preceding sentence, a Party may disclose the Confidential Information or portions thereof to those of such Party's officers, employees, partners, representatives, advisors, or agents who need to know such information for the purpose of analyzing or performing an obligation related to the Project. Notwithstanding the foregoing, a Party is not authorized to disclose such Confidential Information to any officers, employees, partners, representatives, advisors, or agents without (i) informing such officer, employee, partner, representative, advisor, or agent of the confidential nature of the Confidential Information and (ii) receiving the agreement of such officer, employee, partner, representative, advisor, or agent as to the confidentiality obligation herein. Each Party agrees to be responsible for any breach of this Section 4 by such Party or a Party's officers, employees, partners, representatives, advisors or agents.

(c) In the event that a Party becomes legally compelled (by law, rule, regulation, order, deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, such Party shall provide the other Party with prompt prior written notice of such requirement so that the other Party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Section 4. In the event that such protective order or other remedy is not obtained, or that such Party waives compliance with the provisions hereof, the Party compelled to disclose

shall (i) furnish only that portion of the Confidential Information which, in accordance with the advice of its own counsel (which may include internal counsel), is legally required to be furnished, and (ii) exercise reasonable efforts to obtain assurances that confidential treatment will be accorded the Confidential Information so furnished.

(d) Each Party is entitled to equitable relief, by injunction or otherwise, to enforce its rights under this provision to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.

(e) Upon written request by a Party, the other Party shall promptly return to the requesting Party or destroy all Confidential Information it received, including all copies of its analyses, compilations, studies or other documents prepared by or for it, that contain the Confidential Information in a manner that would allow its extraction or that would allow the identification of the requesting Party as the source of the Confidential Information or inputs to the analysis. Notwithstanding the foregoing, neither Party shall be required to destroy or alter any computer archival and backup tapes or archival and backup files (collectively, "Computer Tapes"), provided that such Computer Tapes shall be kept confidential in accordance with the terms of this MOU.

5. Limitation of Liability; Indemnity.

(a) Each Party acknowledges and agrees that (i) the other Party's decision to proceed with the Implementation Agreement, and the decision to proceed with the Project, and any other decision with respect to the Implementation Agreement or the Project, is within the other Party's sole and absolute discretion and that the other Party may terminate this MOU at any time for any reason whatsoever or for no reason; and (ii) the other Party shall not be liable to it for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to the other Party's decision to terminate this MOU, the other Party's performance under this MOU, or any other decision with respect to proceeding or not proceeding with the Implementation Agreement or the Project.

(b) The rights and obligations under this Section 5 shall survive the expiration and termination of this MOU (but shall be superseded by, and of no further force and effect upon the execution of, the Implementation Agreement).

6. General Provisions.

(a) This MOU represents the entire agreement between the Parties and supersedes any prior written or oral agreements or understandings between the Parties relating to the subject matter of this MOU, provided that nothing in this MOU shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by agreement, statute or any other law or applicable court or regulatory decision.

(b) This MOU may not be amended except in writing signed by both of the Parties; provided, however, the Parties may mutually agree to changes in the Exhibits without such changes constituting an amendment to this MOU.

(c) Any waiver on the part of a Party to this MOU of any provision or condition of this MOU must be in writing signed by each Party to be bound by such waiver, shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

(d) This MOU is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.

(e) Neither Party shall have the right to assign its interest in this MOU, including its rights, duties, and obligations hereunder, without the prior written consent of the other Party, which consent may be withheld by the other Party in its sole and absolute discretion. Any assignment made in violation of the terms of this Section 6(e) shall be null and void and shall have no force and effect.

(f) In the event that any provision of this MOU is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this MOU shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law, and such invalid or unenforceable provision shall be replaced by the Parties with a provision that is valid and enforceable and that comes closest to expressing the Parties' intention with respect to such invalid or unenforceable provision.

(g) Whenever this MOU requires or provides that (i) a notice be given by a Party to the other Party or (ii) a Party's action requires the approval or consent of the other Party, such notice, consent or approval shall be given in writing and shall be given by personal delivery, by recognized overnight courier service, email or by certified mail (return receipt requested), postage prepaid, to the recipient thereof at the address given for such Party as set forth below, or to such other address as may be designated

by notice given by any Party to the other Party in accordance with the provisions of this Section 6(g):

If to PacifiCorp:

PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
Attention: Senior Vice President, Strategic Business Performance
E-mail: Andrea.Kelly@PacifiCorp.com

If to the ISO:

California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Attention: Director, Strategic Alliances
E-mail: DFuller@caiso.com

Each notice, consent or approval shall be conclusively deemed to have been given (i) on the day of the actual delivery thereof, if given by personal delivery, email or overnight delivery, or (ii) date of delivery shown on the receipt, if given by certified mail (return receipt requested).

(h) This MOU may be executed in one or more counterparts (including by facsimile or a scanned image), each of which when so executed shall be deemed to be an original, and all of which shall together constitute one and the same instrument.

(i) Nothing contained in this MOU shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this MOU be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party. Nothing herein shall preclude a Party from taking any action (or having its affiliates take any action) with respect to any other project, including any such project that may compete with or be similar in kind to the Project.

(j) Unless otherwise expressly provided, for purposes of this MOU, the following rules of interpretation shall apply: (i) any reference in this MOU to gender includes all genders, and the meaning of defined terms applies to both the singular and the plural of those terms; (ii) the insertion of headings are for convenience of reference only and do not affect, and will not be utilized in construing or interpreting, this MOU; (iii) all references in this MOU to any "Section" are to the corresponding Section of this MOU unless otherwise specified; (iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this MOU (including the Exhibits to this

MOU) as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires; (v) the word "including" or any variation thereof means "including, without limitation" and does not limit any general statement that it follows to the specific or similar items or matters immediately following it; and (vi) the Parties have participated jointly in the negotiation and drafting of this MOU and, in the event an ambiguity or question of intent or interpretation arises, this MOU shall be construed as jointly drafted by the Parties and no presumption or burden of proof favoring or disfavoring any Party will exist or arise by virtue of the authorship of any provision of this MOU.

7. Governing Law; Venue. This MOU shall be governed by, and construed and interpreted in accordance with, the laws of the State of California without regard to its principles of conflicts of laws. Venue for any action hereunder shall be proper in any state or federal court located within the State of California or, where subject to its jurisdiction, FERC. Each Party waives to the fullest extent permitted by law, any right it may have to contest venue and a right to trial by jury in respect of any suit, action, claim or proceeding relating to this MOU.

8. Communication. The Parties shall mutually agree to the timing and content of any planned press release, public statement or meeting with the public or governmental authorities regarding the Project, subject to the terms and conditions of Section 4 herein. It is also understood the EIM will be implemented through the Stakeholder Process and that process will be open to the public.

9. Dispute Resolution. Unless otherwise provided herein, each of the provisions of this MOU shall be enforceable independently of any other provision of this MOU and independent of any other claim or cause of action. In the event of any dispute arising under this MOU, the Parties shall first attempt to resolve the matter through direct negotiation between the Representatives of the Parties. If the Representatives are unable to resolve the issue within ten (10) days after presentation of the dispute, then:

(a) To the fullest extent permitted by law, each of the Parties hereto waives any right it may have to a trial by jury in respect of litigation directly or indirectly arising out of, under or in connection with this MOU. Each Party further waives any right to consolidate, or to request the consolidation of, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.

(b) If a waiver of jury trial is deemed by any court of competent jurisdiction to not be enforceable for any reason, then to the fullest extent permitted by law, each of the Parties hereto agrees to binding arbitration. Such arbitration shall be in accordance with the rules and procedures of the American Arbitration Association (AAA). Notwithstanding any AAA rules and procedures or any other provisions or any state or federal laws, the Parties agree that the arbitrators shall not consider or award punitive

damages as a remedy. Upon request by either Party, AAA shall provide the Parties a list of arbitrators each of whom have experience and expertise with respect to construction. Upon each of the Parties receipt of such list, each Party shall have ten (10) days to select an arbitrator. The two selected arbitrators shall then select a third arbitrator within thirty (30) days from the date the initial two arbitrators were selected and the matter subject to arbitration shall be arbitrated within sixty (60) days after the selection of the third arbitrator.

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IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this Memorandum of Understanding as of the date first above written.

PACIFICORP

By: 

Name: Gregory E. Abel

Title: Chairman and Chief Executive Officer

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: 

Name: Stephen Berberich

Title: President and Chief Executive Officer

EXHIBIT A

PRINCIPLES

The Parties' present understanding with respect to the Project is reflected in the following Principles. The Parties shall endeavor in good faith to address the Principles in the Implementation Agreement, as applicable, and the ISO shall endeavor in good faith to reflect the Principles in the market rules governing the Project, subject to input provided during the Stakeholder Process and regulatory review. The Parties understand that development of the Project, input provided during the Stakeholder Process, conditions imposed in connection with regulatory review of the Project and other circumstances may require changes in the Principles. Accordingly, the Principles are non-binding and subject to the outcome of the Parties' negotiations of the Implementation Agreement and of the Stakeholder Process, as more fully explained in Sections 2 and 3 of the MOU.

- (a) PacifiCorp has determined there is an opportunity to secure economic benefits for PacifiCorp's customers in the near-term through improved dispatch and operation of PacifiCorp's generation fleet and through the efficient use and continued reliable operation of existing and future transmission facilities.
- (b) The ISO has determined there are benefits to ISO market participants in the near term through greater access to energy imbalance resources in real-time and through the efficient use and reliable operation of the transmission facilities and markets operated by the ISO.
- (c) EIM implementation shall be compatible with existing and emerging market initiatives, such as the Northwest Power Pool reserve sharing program and FERC Order No. 764 (and its progeny), among others.
- (d) The EIM shall be informed by the proposal the ISO submitted to the Public Utility Commissions' Energy Imbalance Market group on March 29, 2012, adapted as appropriate to the circumstances of the Project.
- (e) The ISO shall develop the market rules applicable to the Project through the Stakeholder Process; PacifiCorp shall be a stakeholder in that process with rights and responsibilities with respect to the EIM implementation as provided for in the Implementation Agreement.
- (f) The ISO's up front implementation costs associated with PacifiCorp shall be accounted for based on cost causation and paid for by PacifiCorp pursuant to the Implementation Agreement; the ISO shall recover ongoing EIM administrative costs and any implementation costs of the Project not accounted for in the Implementation Agreement or through other implementation agreements through a rate filed with FERC.

- (g) Other entities may participate in the EIM within a timeframe to be determined by the ISO if they agree to fund their share of implementation costs pursuant to an implementation agreement in a manner similar to PacifiCorp.
- (h) Ongoing EIM business relationships between the ISO and participants, including PacifiCorp, shall be developed through the Stakeholder Process and established by the EIM tariff rules and associated EIM service agreements.
- (i) The Implementation Agreement shall terminate concurrently with the effective date of the EIM service agreement(s) between the ISO and PacifiCorp, as well as any similar implementation agreement between the ISO and other EIM participants, except for any provisions thereof that the Parties agree should survive such termination.
- (j) The initial EIM governance framework shall be consistent with the existing ISO governance, allow for voluntary participation and expansion of participants and market activities, and may evolve based on stakeholder feedback.
- (k) There shall be no modification of the Parties' respective functional responsibilities associated with reliability standards compliance; however, an agreement to clarify respective roles and responsibilities under certain circumstances may be appropriate.
- (l) EIM participants shall determine in the Stakeholder Process whether and how to account for transmission service, and the ISO ongoing administrative charge for settlement of such rates shall be determined based on cost causation.

EXHIBIT B

Stakeholder Process Draft Milestone Schedule

Milestone	Activity	Date
Execute MOU	Public release of the executed MOU	Feb 12, 2013
Stakeholder Feedback on MOU	The ISO and PacifiCorp present and receive stakeholder feedback on MOU	Feb 12 - Mar 8, 2013
ISO Board Authorization	The ISO presents the MOU to its governing board and requests authorization to enter into the Implementation Agreement and initiate an EIM stakeholder process, consistent with the Principles	Mar 20 - 21, 2013
EIM Stakeholder Process	Initiation of EIM stakeholder process for all participants	Apr 2013
Implementation Agreement Execution and Filing with FERC	The Parties will negotiate and execute the Implementation Agreement consistent with the MOU, and file with FERC	Apr 30, 2013
Implementation Agreement Effective	Implementation Agreement effective based on FERC acceptance, including first payment to the ISO for start-up costs	Jun 30, 2013
ISO Board Approval	Stakeholder process for EIM is concluded, final EIM proposal is presented to the ISO governing board for approval	Sept - Dec 2013
EIM Tariffs Filed with FERC	The ISO and PacifiCorp file respective tariff changes with FERC at least 120 days before go-live	Jan - Apr 2014
Go-Live	EIM market opens to initial participation	Oct 2014

Project Draft Milestone Schedule

Milestone	Activity	Date
Initial Resource and Contract Analysis—Phase 1	Joint analysis of existing resources, transmission assets, and existing contracts with particular focus on contracts that interconnect PacifiCorp and the ISO	Feb - Apr 2013
Initial Technical Requirements and Market Design Review	Joint analysis of technical requirements, market design, and resources	Feb - Apr 2013
Initial Participation Requirements for Third-Party Generator Owners	Assessment/determination of participation requirements for PacifiCorp-system third-party generator owners and load serving entities, informed by outreach and engagement	Feb - Apr 2013
Resource/Contract Analysis	Joint analysis of existing resources, transmission	Jul - Oct 2013

Phase 2	assets, and existing contracts	
Modeling Work	Modeling work performed by the ISO for full network model expansion, EMS model update, state estimator work, and market model update	Feb 2013 - Mar 2014
Final EIM Tariff Development	The ISO prepares tariff based on board approval; PacifiCorp prepares and internally approves corresponding tariff changes	Jan – Apr 2014
Settlement Development (includes requirements, design, software development and testing)	Development of settlement system modifications to accommodate EIM	Jul 2013 - Jul 2014
User Interface Development (includes requirements, design, software development and testing)	Development of user interfaces for ISO operators and EIM participants	Jul - Jul 2014
Finalize Contracts	Execute all enabling contracts to support EIM participation	May - Jun 2014
Market Simulation	Conduct market simulation using models updated for PacifiCorp	Aug - Sep 2014