

February 21, 2014

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

**Re: California Independent System Operator Corporation
Amendment to ISO Rate Schedule No. 73
Docket No. ER14-____-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) submits for filing and acceptance an amendment to the Implementation Agreement dated April 30, 2013, between the ISO and PacifiCorp (“Amendment”).¹ The Implementation Agreement sets forth the terms under which the ISO will timely configure its systems to incorporate PacifiCorp into the Energy Imbalance Market (“EIM”) and develop the market rules for the EIM, such that PacifiCorp and the ISO are prepared for an October 1, 2014 implementation date. Under the Implementation Agreement, PacifiCorp will compensate the ISO for its share of EIM implementation costs, including, system requirements, software design, and other technical interface specifications and configuration activities to provide energy imbalance service to PacifiCorp.² The mutually agreed to Amendment accounts for additional costs expected to be incurred by the ISO on behalf of PacifiCorp to include enhanced functionality associated with base schedule aggregation in the EIM design. The ISO requests that the Commission accept the Amendment effective April 23, 2014, so that the incorporation of PacifiCorp into the EIM on October 1, 2014 may include this additional functionality.

I. Background

The Implementation Agreement describes the terms and conditions under which the ISO will incorporate PacifiCorp into the EIM, including the mutually agreed to scope of work, fee, key milestones and associated milestone payment provisions. The Implementation Agreement requires both the ISO and PacifiCorp to complete a variety of project tasks necessary for the associated EIM

¹ The ISO submits the Amendment pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012).

² *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,298 (2013).

development and implementation by October 1, 2014. These tasks may be modified by mutual agreement of the parties.³

The Implementation Agreement specifies that PacifiCorp will pay a fixed implementation fee of \$2.1 million for the portion of the costs attributable to the ISO's incorporation of PacifiCorp into the EIM. The ISO will invoice PacifiCorp upon the completion of each of five (5) specific milestones, as specified in the Implementation Agreement.⁴ The Implementation Agreement also provides for adjustment of the fixed implementation fee by mutual agreement of the parties in the event the ISO's actual and projected costs exceed the implementation fee.

II. Base Schedule Aggregation Process

The EIM design requires participating balancing authorities to submit balanced hourly base schedules. These base schedules must account for all loads and resources within the balancing authority area, as well as interchange transactions, and are financially binding. During the ISO's stakeholder process to develop the EIM design, interested parties expressed concern about the collection of base schedule information from non-participating and participating resources, the analysis necessary to evaluate those schedules for potential congestion, the timely submission of the information to the ISO, and the associated costs to be incurred by participating balancing authorities to develop the necessary interfaces. More specifically, the requirement to submit a balanced base schedule would require a balancing authority to invest in new interfaces for non-participating and participating resources within its area and new applications to evaluate balance and feasibility of the base schedules prior to their submission to the ISO. In response, the ISO proposed to provide a more cost effective and efficient service to facilitate the submission of base schedules, compile the hourly resources plan, and achieve final approval of the resource plan by the participating balancing authority.

The ISO intends to add functionality to receive hourly resource base schedule information directly from participating and non-participating resources and perform the balancing and feasibility check. The ISO will then provide results back to the participating balancing authority that is responsible to make appropriate adjustments to the base schedule. This will allow a balancing authority participating in the EIM to identify and resolve unbalanced supply and demand or transmission flow overloads before the base schedule in the resource plan becomes financially binding. The scheduling coordinator for the balancing authority will remain responsible for communicating with resources in the balancing authority area it represents and for making changes to the base schedules as needed. The scheduling coordinator also remains responsible for

³ Implementation Agreement, Section 3.

⁴ Implementation Agreement, Section 4 and Exhibit A.

approving and communicating to the ISO the final hourly resource plan, including any required changes to base schedules necessary to resolve issues identified in the resource sufficiency evaluation.

Implementation of this additional functionality requires that the ISO develop a participating balancing authority branded user interface. The ISO will also store results of the pre-market base schedule balancing and feasibility evaluation power flow run results, and create web service payloads and reports for the relevant pre-market results. This functionality is referred to as base schedule aggregation.⁵

III. Implementation Fee Increase

Implementation of the base schedule aggregation functionality will require the ISO to incur \$462,800 in additional software development and configuration costs.⁶ Cost data supporting this rate increase is included in the table below, and further described in the declaration of Michael K. Epstein attached to this transmittal letter. The categories of costs below correspond to the category of costs that were identified in the underlying rate established by the Implementation Agreement.

Implementation Costs (in total dollars)	
Licenses	na
EMS system improvements	na
Data storage	na
Necessary hardware upgrades	na
Production software modifications	\$72,000
Network configuration and mapping	\$21,600
Integration	\$17,300
Testing	\$115,000
System performance tuning	\$71,100
Training and operations readiness	\$28,000
Project management and support	\$136,800
Total	\$462,800

⁵ The tariff changes to support the EIM, including the base schedule aggregation functionality, will be separately filed by the ISO on or about February 28, 2014. See [Draft Final Proposal for the Energy Imbalance Market](#) at pp. 32-33 (describing the base schedule aggregation functionality and process).

⁶ These costs represent a one-time cost incurred by the ISO and will not impact the implementation costs paid by other balancing authorities that may later join the EIM. Nonetheless, other balancing authorities that join the EIM will be required to pay their costs associated with the submission of base schedules to the ISO, regardless of whether they utilize the base schedule aggregation functionality. Interface requirements are inherent in the EIM design and each balancing authority will be responsible for its associated costs.

The additional functionality was included in the design at the request of stakeholders as an option for a participating balancing authority to submit base schedules to the ISO. PacifiCorp desires to take advantage of this design feature with respect to its incorporation into the EIM and has requested the ISO configure its systems accordingly. This functionality will provide an overall benefit to PacifiCorp and its customers by leveraging the ISO's existing technologies and expertise and reducing costs for PacifiCorp if it were required to design, configure and implement this functionality on its own. The ISO and PacifiCorp have mutually agreed to this rate increase, and the ISO requests that the Commission accept the Amendment as filed.

IV. Effective Date

The ISO requests that the Amendment be made effective on April 23, 2014, sixty-one days after the date of this filing.

V. Request for Waivers

The ISO submits that the filing also substantially complies with the requirements of section 35.13 of the Commission's rules, 18 C.F.R. § 35.13 (2013), applicable to filings of this type. The ISO respectfully requests waiver of any such requirement to the extent this filing does not satisfy that requirement. In particular, the ISO requests waiver of the requirement to submit Period 1 and Period 2 schedules, because the implementation fee is a one-time fee that is not based on historical data in Period 1 schedules or on the projections in Period 2 schedules. In either event, there is good cause to waive filing requirements that are not material to the Commission's consideration of the Amendment and the underlying rate in the Implementation Agreement has been accepted.

VI. Service

The ISO has served copies of this filing upon all parties in ER13-1372-000, 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) Amendment (Attachment A);
- (3) Amended Implementation Agreement, redline (Attachment B);
- (4) Amended Implementation Agreement, clean (Attachment C); and
- (5) Declaration of Michael K. Epstein, Director of Financial Planning (Attachment D).

VII. 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
E-mail: janders@caiso.com

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

VIII. Conclusion

The ISO respectfully requests that the Commission accept this filing and permit the Amendment of ISO Rate Schedule No. 73, to be effective April 23, 2014. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

By: /s/ John C. Anders

Roger E. Collanton
General Counsel
Sidney M. Davies
Assistant General Counsel
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250 Outcropping Way
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Attorneys for the California Independent
System Operator Corporation

Attachment A – Amendment

Rate Schedule No. 73

First Amendment to Energy Imbalance Market Implementation Agreement

California Independent System Operator Corporation

February 21, 2014

**ENERGY IMBALANCE MARKET
IMPLEMENTATION AGREEMENT
FIRST AMENDMENT**

This first amendment to the Implementation Agreement (“First Amendment”) is entered into by 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 First Amendment individually as a “Party” and, collectively, as the “Parties”.

RECITALS

A. WHEREAS, the Implementation Agreement sets forth the terms upon which the ISO and PacifiCorp agreed to develop the Energy Imbalance Market (“EIM”);

B. WHEREAS, the Implementation Agreement recognizes and acknowledges that adjustments in the Project may be necessary, and that a mutually agreed to amendment between the Parties would be required to account for any associated increase in the ISO’s development costs to incorporate PacifiCorp into the EIM;

C. WHEREAS, the final EIM rules are expected to include additional functionality to facilitate the base schedule submission process, and is more fully described in the final EIM proposal as approved by the ISO governing board on November 7, 2013 (“Base Schedule Aggregation Functionality”);

D. WHEREAS, the Parties are entering into this First Amendment to set forth the terms upon which the ISO will configure its systems to incorporate the Base Schedule Aggregation Functionality;

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 to amend the Implementation Agreement as follows:

AMENDMENT

1. Effective Date.

a. This First Amendment shall become effective upon the date the First Amendment is accepted, approved or otherwise permitted to take effect by FERC, without condition or modification unsatisfactory to either Party (“First Amendment Effective Date”).

b. In the event FERC requires any modification to the First Amendment or imposes any other condition upon its acceptance or approval of the First Amendment, each Party shall have ten (10) days to notify the other Party that any such modification or condition is unacceptable to that Party. If no Party provides such notice, then the First Amendment, as modified or conditioned by FERC, shall

take effect as of the date determined under section 1(a). If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification; or (iii) enter into negotiations with respect to accommodation of such FERC order, provided however, if the Parties have not agreed to such an accommodation within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order and the Parties shall have no further rights and obligations under this First Amendment.

2. Amendment.

a. Section 3 of the Implementation Agreement, Implementation Scope and Schedule, shall include a new subsection as follows:

(e) The Parties shall update Exhibit A and the project management plan described therein with activities to the extent necessary to implement the Base Schedule Aggregation Functionality.

b. Section 4 of the Implementation Agreement, Implementation Charges, Invoicing, and Milestone Payments, shall include a new subsection as follows:

(i) The Implementation Fee shall be increased by \$462,800 to account for costs incurred by the ISO to implement the Base Schedule Aggregation Functionality. The ISO shall invoice the costs to implement the Base Schedule Aggregation Functionality to PacifiCorp equally among any milestone payments that have not been invoiced as of the First Amendment Effective Date. If all milestones have been invoiced prior to the First Amendment Effective Date, the ISO shall separately invoice PacifiCorp for this amount.

3. Entire Agreement.

This First Amendment constitutes the complete and final agreement of the Parties with respect to the purpose of this First Amendment as described in the Recitals hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter. Except as expressly modified in this First Amendment, the Implementation Agreement shall remain in full force and effect in accordance with its terms, and the unmodified provisions of the Implementation Agreement shall apply to any new rights and/or obligations established by this First Amendment.

4. Counterparts.

This First Amendment may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this First Amendment.

PACIFICORP

By: *Andrea Kelly*

Name: Andrea L. Kelly
Title: Senior Vice President, Strategic Business Performance
Date: _____

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: _____

Name: Petar Ristanovic
Title: Vice President, Technology
Date: _____

4. Counterparts.

This First Amendment may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this First Amendment.

PACIFICORP

By: _____

Name: Andrea L. Kelly
Title: Senior Vice President, Strategic Business Performance
Date: _____

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: *Petar Ristanovic*

Name: Petar Ristanovic
Title: Vice President, Technology
Date: 2/19/2014

Attachment B – Marked Tariff

Rate Schedule No. 73

First Amendment to Energy Imbalance Market Implementation Agreement

California Independent System Operator Corporation

February 21, 2014

**FIRST AMENDED ENERGY IMBALANCE MARKET
IMPLEMENTATION AGREEMENT**

This Implementation Agreement (“Agreement”) is entered into as of April 30, 2013, 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 Agreement individually as a “Party” and, collectively, as the “Parties”.

RECITALS

A. WHEREAS, PacifiCorp has determined there is an opportunity to secure benefits for PacifiCorp’s customers 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 and desires to participate in an energy imbalance market (“EIM”) that benefits its customers and could potentially be expanded to benefit other customers in the region;

B. WHEREAS, the ISO has determined there are benefits to ISO market participants 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, and desires to develop and operate the EIM by employing the systems and processes of the ISO’s existing imbalance energy market;

C. WHEREAS, the ISO will develop EIM market rules through a stakeholder process in which PacifiCorp will be a stakeholder with rights and responsibilities with respect to the EIM implementation as provided for in this Agreement.

D. WHEREAS, the Parties acknowledge that the rules and procedures governing the EIM must be set forth in the provisions of an ISO tariff filed with the Federal Energy Regulatory Commission (“FERC”), as well as corresponding revisions to PacifiCorp’s Open Access Transmission Tariff and the execution of associated service agreements, to implement the EIM;

E. WHEREAS, the Parties are entering into this Agreement to set forth the terms upon which the ISO will timely configure its systems to incorporate PacifiCorp into the EIM and develop the market rules for the EIM (“Project”) as contemplated by the Memorandum of Understanding dated February 12, 2013 (“MOU”), such that PacifiCorp and the ISO are prepared for an October 1, 2014 implementation of the Project (“Implementation Date”);

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:

AGREEMENT

1. Effective Date and Term.

(a) This Agreement shall become effective upon the date the Agreement is accepted, approved or otherwise permitted to take effect by FERC, without condition or modification unsatisfactory to either Party (“Effective Date”).

(b) In the event FERC requires any modification to the Agreement or imposes any other condition upon its acceptance or approval of the Agreement, each Party shall have ten (10) days to notify the other Party that any such modification or condition is unacceptable to that Party. If no Party provides such notice, then the Agreement, as modified or conditioned by FERC, shall take effect as of the date determined under section 1(a). If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification; or (iii) enter into negotiations with respect to accommodation of such FERC order, provided however, if the Parties have not agreed to such an accommodation within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order and the Parties shall have no further rights and obligations under this Agreement.

(c) The term of this Agreement (“Term”) shall commence on the Effective Date and shall terminate upon the earliest to occur of (1) the date FERC permits all necessary revisions to the ISO and PacifiCorp tariffs to take effect and the service agreements under such tariffs necessary for the commencement of the EIM have taken effect; (2) termination in accordance with Section 2 of this Agreement; or (3) such other date as mutually agreed to by the Parties (“Termination Date”).

(d) This Agreement shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect.

2. Termination.

(a) The Parties may mutually agree to terminate this Agreement in writing at any time. In addition, either Party may terminate this Agreement in its sole discretion after conclusion of the negotiation period in Section 2(b), as provided in Section 2(d) or 2(e) as applicable.

(b) If either the ISO or PacifiCorp seeks to terminate this agreement, it must first notify the other Party in writing of its intent to do so (“Notice of Intent to

Terminate”) and engage in thirty (30) days of good faith negotiations in an effort to resolve its concerns. If the Parties successfully resolve the concerns of the Party issuing the Notice of Intent to Terminate, the Party that issued such notice shall notify the other Party in writing of the withdrawal of such Notice (“Notice of Resolution”).

(c) At the time the Notice of Intent to Terminate is provided, or any time thereafter unless a Notice of Resolution is issued, PacifiCorp may provide written notice directing the ISO to suspend performance on any or all work on the Project for a specified period of time (“Notice to Suspend Work”). Upon receipt of a Notice to Suspend Work, the ISO shall: (1) discontinue work on the Project; (2) place no further orders with subcontractors related to the Project; (3) take commercially reasonable actions to suspend all orders and subcontracts; (4) protect and maintain the work on the Project; and (5) otherwise mitigate PacifiCorp’s costs and liabilities for the areas of work suspended. The ISO will not invoice PacifiCorp pursuant to Section 4(c) of this Agreement for any milestone payment following the issuance of a Notice to Suspend Work. To the extent a Notice of Resolution is issued pursuant to Section 2(b), the Notice to Suspend Work in effect at the time shall be deemed withdrawn and the ISO shall be entitled to invoice PacifiCorp for any milestone completed as specified in Section 4(c) of this Agreement and PacifiCorp shall pay such invoice pursuant to Section 4.

(d) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, the ISO may terminate this Agreement by providing written notice to PacifiCorp that it is terminating this Agreement (“Termination Notice”) effective immediately. The ISO may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject to modification only as described in Section 3(c); (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction; or (iii) if the ISO determines in its sole discretion that the Project is not likely to provide the benefits the ISO is seeking to obtain.

(e) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, PacifiCorp may terminate this Agreement by providing written notice to the ISO that it is terminating this Agreement (“Termination Notice”) effective immediately. PacifiCorp may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject only to modification only as described in Section 3(c); (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction; or (iii) if PacifiCorp determines in its sole discretion that the Project is not likely to provide the benefits PacifiCorp is seeking to obtain.

(f) In the event this Agreement is terminated by either or both of the Parties, this Agreement will become wholly void and of no further force and effect, without further action by either Party, and the liabilities and obligations of the Parties hereunder will terminate, and each Party shall be fully released and discharged from any liability or obligation under or resulting from this Agreement as of the date of the Termination Notice provided in Section 2(d) or 2(e), as applicable, notwithstanding the requirement for the ISO to submit the filing specified in Section 2(g). Notwithstanding the foregoing, the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as specified in Sections 5 and 6, and any milestone payment obligation pursuant to Section 4(c) that arose prior to the Termination Notice in accordance with Section 2(d) or 2(e) shall survive until satisfied or resolved in accordance with Section 11.

(g) The Parties acknowledge that the ISO is required to file a timely notice of termination with FERC. The Parties acknowledge and agree that the filing of the notice of termination by the ISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met, and the ISO files the notice of termination within ten (10) days after the Termination Notice has been provided by either the ISO in accordance with Section 2(d) or PacifiCorp in accordance with Section 2(e). This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

3. Implementation Scope and Schedule.

(a) The Parties shall complete the Project as described in Exhibit A , subject to modification only as described in Section 3(c) below.

(b) The Parties shall undertake the activities described in Exhibit A with the objective of completing the Project and implementing the EIM no later than the Implementation Date, subject to modification only as described in section 3(c) below.

(c) Either Party may propose a change in Exhibit A or the Implementation Date to the other Party to pursue the Project objectives in accordance with Section 14. If a Party proposes a change in Exhibit A or the Implementation Date, the Parties shall negotiate in good faith to attempt to reach agreement on the proposal and any necessary changes in Exhibit A and any other affected provision of this Agreement, provided that any change in Exhibit A or the Implementation Date must be mutually agreed to by the Parties. The agreement of the Parties to a change in Exhibit A or the Implementation Date shall be memorialized in a revision to Exhibit A, which will be binding on the Parties and shall be posted on the internet web sites of the ISO and PacifiCorp, without the need for execution of an amendment to this Agreement. Changes that require revision of any provision of this Agreement other than Exhibit A shall be reflected in an executed amendment to this Agreement and filed with FERC for acceptance.

(d) At least once per calendar month during the Term, the Parties' Designated Executives, or their designees, will meet telephonically or in person (at a mutually agreed to location) to discuss the continued appropriateness of Exhibit A to ensure that the Project can meet the Implementation Date. For purposes of this section, "Designated Executive" shall mean the individual identified in Section 8(g), or their designee or successor.

(e) The Parties shall update Exhibit A and the project management plan described therein with activities to the extent necessary to implement the Base Schedule Aggregation Functionality.

4. Implementation Charges, Invoicing and Milestone Payments.

(a) PacifiCorp shall pay the ISO a fixed fee of \$2.1 million for costs incurred by the ISO to implement the Project ("Implementation Fee"), subject to completion of the milestones specified in Section 4(c) and subject to adjustment only as described in Section 4(b).

(b) The Implementation Fee shall be subject to adjustment only by mutual agreement of the Parties in either of the following circumstances: (1) if the Parties agree to a change in Exhibit A or the Implementation Date in accordance with Section 3(c) and the Parties agree that an adjustment to the Implementation Fee is warranted in light of such change; or (2) the ISO provides notice to PacifiCorp that the sum of its actual costs through the date of such notice and its projected costs to accomplish the balance of the Project exceed the Implementation Fee.

(c) Upon completion of the milestones identified in Exhibit A, the ISO shall invoice PacifiCorp for the Implementation Fee as follows:

- i. \$500,000 twenty (20) days after the Effective Date as further described in Section 1 of this Agreement and Exhibit A as Milestone 1;
- ii. \$400,000 upon deployment into the ISO test environment of the full network model database that includes the topology of the PacifiCorp system as further described in Exhibit A as Milestone 2;
- iii. \$400,000 upon delivery to PacifiCorp of the EIM technical specifications and configuration guides as further described in Exhibit A as Milestone 3;
- iv. \$400,000 upon commencement of EIM market simulation as further described in Exhibit A as Milestone 4; and
- v. \$400,000 ten (10) days after the Implementation Date as further described in Exhibit A as Milestone 5.

(d) Following the completion of each milestone identified in Section 4(c)(i) through (v), the ISO will deliver to PacifiCorp an invoice which will show the amount due, together with reasonable documentation supporting the completion of the milestone being invoiced. PacifiCorp shall pay the invoice no later than forty-five (45) days after the date of receipt. Any milestone payment past due will accrue interest, per annum, calculated in accordance with the methodology specified for interest in the FERC regulations at 18 C.F.R. § 35.19a(a)(2)(iii) (the “FERC Methodology”).

(e) If a milestone has not been completed as described in 4(c)(i), (ii), (iii), (iv), or (v) and Exhibit A, as Exhibit A may have been modified in accordance with Section 3(c), the Parties shall negotiate in good faith an agreed upon change to Exhibit A consistent with Section 3(c) such that the timing of milestone payments in Section 4(c) can be adjusted to correspond to the updated Exhibit A.

(f) If PacifiCorp disputes any portion of any amount specified in an invoice delivered by the ISO, PacifiCorp shall pay its total amount of the invoice when due, and identify the disputed amount and state that the disputed amount is being paid under protest. Any disputed amount shall be resolved pursuant to the provisions of Section 11. If it is determined pursuant to Section 11 that an overpayment or underpayment has been made by PacifiCorp or any amount on an invoice is incorrect, then (i) in the case of any overpayment, the ISO shall promptly return the amount of the overpayment (or credit the amount of the overpayment on the next invoice) to PacifiCorp; and (ii) in the case of an underpayment, PacifiCorp shall promptly pay the amount of the underpayment to the ISO. Any overpayment or underpayment shall include interest for the period from the date of overpayment, underpayment, or incorrect allocation, until such amount has been paid or credited against a future invoice calculated in the manner prescribed for calculating interest in Section 4(d).

(g) All costs necessary to implement the Project not provided for in this Agreement shall be borne separately by each Party and recovered through rates as may be authorized by their respective regulatory authorities.

(h) All milestone payments required to be made under the terms of this Agreement shall be made to the account or accounts designated by the Party which the milestone payment is owed, by wire transfer (in immediately available funds in the lawful currency of the United States).

(i) The Implementation Fee shall be increased by \$462,800 to account for costs incurred by the ISO to implement the Base Schedule Aggregation Functionality. The ISO shall invoice the costs to implement the Base Schedule Aggregation Functionality to PacifiCorp equally among any milestone payments that have not been invoiced as of the First Amendment Effective Date. If all milestones have been invoiced prior to the First Amendment Effective Date, the ISO shall separately invoice PacifiCorp for this amount.

5. Confidentiality.

(a) All written or oral information received from another Party in connection with this Agreement (but not this Agreement after it is filed with FERC) necessary to complete the Project and marked or otherwise identified at the time of communication by such Party as containing information that Party considers commercially sensitive or confidential shall constitute “Confidential Information” subject to the terms and conditions herein.

(b) If PacifiCorp releases PacifiCorp’s Confidential Information in connection with the public EIM stakeholder process or a regulatory filing, or if the ISO releases the ISO’s Confidential Information in connection with the public EIM stakeholder process or a regulatory filing, then the information released shall no longer constitute Confidential Information. In addition, Confidential Information does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by either 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 5; (iv) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, for discussion at any stakeholder meetings or during the stakeholder process or with any regulatory authority; or (v) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, to allow for such disclosure and designation as non-confidential or public information on a case-by-case basis in accordance with Section 10 of this Agreement.

(c) 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 5 by such Party or a Party’s officers, employees, partners, representatives, advisors or agents.

(d) In the event that a Party becomes compelled by a court of competent jurisdiction or regulatory authority (by law, rule, regulation, order, deposition, interrogatory, request for documents, data request issued by a regulatory authority, subpoena, civil investigative demand or similar request or 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 5. 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.

(e) Notwithstanding the foregoing, the Parties acknowledge that they are required by law or regulation to report certain information that could embody Confidential Information from time to time, and may do so from time to time without providing prior notice to the other Party. Such reports may include models, filings, and reports of costs, general rate case filings, cost adjustment mechanisms, FERC-required reporting, investigations, annual state reports that include resources and loads, integrated resource planning reports, reports to entities such as FERC, the North American Electric Reliability Council (“NERC”), Western Electricity Coordinating Council (“WECC”), or similar or successor organizations, or similar or successor forms, filings, or reports, the specific names of which may vary by jurisdiction, along with supporting documentation. Additionally, in regulatory proceedings or investigations in all state and federal jurisdictions in which they may do business, the Parties will from time to time be required to produce Confidential Information, and may do so without prior notice using its business judgment in compliance with all of the foregoing and including the appropriate level of confidentiality for such disclosures in the normal course of business.

(f) 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.

(g) 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 Agreement.

(h) Nothing in this Agreement shall be deemed to restrict either Party from engaging with third parties with respect to any matter and for any reason, specifically including the EIM, provided Confidential Information is treated in accordance with this Section 5.

(i) This Section 5, Confidentiality, applies for two years (24 months) after the Termination Date.

6. Limitation of Liability; Indemnity.

(a) Each Party acknowledges and agrees that 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 enter into this Agreement, the other Party’s performance under this Agreement, or any other decision with respect to the Project or the EIM.

(b) Each Party shall indemnify, defend and hold harmless the other Party and its officers, directors, employees, agents, contractors and sub-contractors, from and against all third party claims, judgments, losses, liabilities, costs, expenses (including reasonable attorneys’ fees) and damages for personal injury, death or property damage, caused by the negligence or willful misconduct related to this Agreement or breach of this Agreement of the indemnifying Party, its officers, directors, agents, employees, contractors or sub-contractors, provided that this indemnification shall be only to the extent such personal injury, death or property damage is not attributable to the negligence or willful misconduct related to this Agreement or breach of this Agreement of the Party seeking indemnification, its officers, directors, agents, employees, contractors or sub-contractors. The indemnified Party shall give the other Party prompt notice of any such claim. The indemnifying Party, in consultation with the indemnified Party, shall have the right to choose competent counsel, control the conduct of any litigation or other proceeding, and settle any claim. The indemnified Party shall provide all documents and assistance reasonably requested by the indemnifying Party.

(c) The rights and obligations under this Section 6 shall survive the expiration and termination of this Agreement.

7. Representation and Warranties

(a) Representations and Warranties of PacifiCorp. PacifiCorp represents and warrants to the ISO as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations have been obtained by it prior to the date hereof in connection with the due execution and delivery of, and performance by it of its obligations under, this Agreement, have been duly obtained or made and are in full force and effect.

(b) Representations and Warranties of the ISO. ISO represents and warrants to PacifiCorp as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this

Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, regulatory authority, or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations have been obtained by it prior to the date hereof in connection with the due execution and delivery of, and performance by it of its obligations under, this Agreement, have been duly obtained or made and are in full force and effect.

8. General Provisions.

(a) This Agreement, including Exhibit A to this Agreement, 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 Agreement, including specifically the MOU, provided that nothing in this Agreement shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by any other agreement, statute or any other law or applicable court or regulatory decision.

(b) This Agreement may not be amended except in writing signed by both of the Parties; provided, however, the Parties may mutually agree to changes in Exhibit A in accordance with Section 3(c). This Agreement may be modified to include one or more additional parties upon mutual agreement, not to be unreasonably withheld or delayed, of the then-current Parties, if the new party agrees to fund their share of implementation costs in a manner similar to PacifiCorp.

(c) Any waiver by a Party to this Agreement of any provision or condition of this Agreement 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 Agreement 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 Agreement, 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 8(e) shall be null and void and shall have no force and effect.

(f) In the event that any provision of this Agreement is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this Agreement 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 Agreement 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 8(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: Vice President, Technology
E-mail: PRistanovic@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 Agreement 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 Agreement shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this Agreement 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.

(j) The decision to execute an EIM service agreement and participate in the EIM remains within the sole discretion of PacifiCorp and the decision whether to proceed with development of the EIM remains within the sole discretion of the ISO.

(k) Nothing in this Agreement shall preclude a Party from exercising any rights or taking any action (or having its affiliates take any action) with respect to any other project, including an energy imbalance market or similar project that may compete with the Project or the EIM.

(l) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply: (i) any reference in this Agreement 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 Agreement; (iii) all references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified; (iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement (including Exhibit A to this Agreement) 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 Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement 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 Agreement.

9. Governing Law; Venue. This Agreement 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 FERC, where subject to its jurisdiction, or in any Sacramento County state or Eastern District federal court located within the State of California. 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 Agreement.

10. Communication. The Parties shall develop a communication protocol for the dissemination of material information associated with the Project, which shall be approved by PacifiCorp and the ISO. Pursuant to the communication protocol, the individual identified in Section 8(g), or their designee or successor, shall provide reasonable advance notice to the other Party of planned press releases, public statements, and meetings with the public or governmental authorities in which material information concerning the Project will be shared. The Parties shall mutually consult with each other as provided in the communication protocol prior to making such public statements or disclosures; provided that nothing herein shall prevent, limit, or delay either Party from making any disclosure required by applicable law or regulation. In the event either Party engages in material unplanned communications about the Project that otherwise should have been subject to this Section and the communication protocol, such Party shall provide notice to the other Party as promptly as possible of the nature and content of such communication.

11. Dispute Resolution. Unless otherwise provided herein, each of the provisions of this Agreement shall be enforceable independently of any other provision of this Agreement and independent of any other claim or cause of action. In the event of any dispute arising under this Agreement, the Parties shall first attempt to resolve the matter through direct good faith negotiation between the Parties, including a full opportunity for escalation within the Parties' respective organizations. If the Parties are unable to resolve the issue within thirty (30) days after presentation of the dispute, then for matters subject to FERC jurisdiction either Party shall have the right to file a complaint under Section 206 of the Federal Power Act. For all other matters, 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 Agreement. 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 who 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.

12. Third Party Agreements. The Parties may engage in discussions with third parties, either jointly or unilaterally, to facilitate the Project or EIM implementation process. Each Party may enter into binding agreements or tariffs or modify existing agreements or tariffs with these third parties to implement the approved terms and conditions of the Project or EIM as necessary and appropriate.

13. Compliance. Each Party shall comply with all federal, state, local or municipal governmental authority; any governmental, quasi-governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, including FERC, NERC, WECC; or any court or governmental tribunal, in each case, having jurisdiction over either Party in connection with the execution, delivery and performance of its obligations under this Agreement. This Agreement is not intended to modify, change or otherwise amend the Parties' current functional responsibilities associated with compliance with WECC and NERC Reliability Standards; provided however, the Parties may enter into separate mutually agreed to arrangements to clarify roles and responsibilities associated with compliance with WECC and NERC Reliability Standards.

14. EIM Principles. The Parties recognize and acknowledge that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the EIM regulatory approval process, and analyses the Parties may perform or information the Parties receive or develop in the course of implementing the Project through the EIM stakeholder process or otherwise may require adjustments in the Project. Consistent with the foregoing, the Project shall nevertheless be implemented consistent with the following principles:

(a) The EIM market rules shall be contained in a discrete part of the ISO tariff to the extent this structure provides additional clarity to all EIM participants; provided, however, provisions generally applicable to the relationship between the ISO and market participants may be provided for by reference and applicable to EIM participants.

(b) Initial EIM governance and market rule oversight shall be consistent with existing ISO governance, allow for voluntary participation and expansion of participants and market activities, and evolve based on stakeholder feedback.

(c) The Parties shall consider whether and how to account for transmission service in the EIM stakeholder process.

(d) The EIM shall include an appropriate means to identify transactions that do not involve California resources or loads, or that otherwise occur outside the State of California, such that only the imbalance energy portion that is imported

into California would be subject to any laws, regulations or costs associated with a California specific greenhouse gas compliance obligation.

(f) The EIM shall be implemented in a manner that is compatible with the Northwest Power Pool reserve sharing program and other existing and emerging market initiatives, including FERC Order No. 764 (and its progeny).

(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 a FERC-accepted implementation agreement in a manner similar to PacifiCorp.

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

PACIFICORP

By: _____

Name: Andrea L. Kelly

Title: Senior Vice President, Strategic Business Performance

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: _____

Name: Karen Edson

Title: Vice President, Policy and Client Services

EXHIBIT A: PROJECT SCOPE AND SCHEDULE

The Project consists of the activities and delivery dates identified in this Exhibit A, implemented in accordance with the Agreement, including specifically the principles set forth in Section 14.

The Parties understand that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the regulatory approval process, and the activities of the Parties in implementing the Project may cause the Parties to determine that changes in the Project are necessary or desirable. Accordingly, this Exhibit A may be modified in accordance with Section 3(c) of the Agreement.

Each Party is responsible for performing a variety of tasks necessary to achieve the milestones on schedule and shall plan accordingly. The Parties shall communicate and coordinate as provided in the Agreement to support the planning and execution to complete the Project.

Project Scope and Milestones	Project Delivery Dates
<p>Detailed Project Management Plan – The Parties will develop and initiate a final project management plan that describes specific project tasks each Party must perform, delivery dates, project team members, meeting requirements, and a process for approving changes to support completion of the Project.</p>	May 31, 2013
<ul style="list-style-type: none"> • Milestone 1 – The Agreement must be made effective in accordance with Section 1 of the Agreement to complete this milestone. 	July 1, 2013
<p>Full Network Model Expansion – Full Network Model expansion for PacifiCorp and EMS/SCADA, including, proof of concept of export/import of EMS data; complete PACE and PACW model into the ISO test model; complete validation for all SCADA points from PacifiCorp; complete testing of the new market model; and validation of the Outage, State Estimator, Real Time Contingency Analysis, and Automatic Generation Control applications.</p>	November 22, 2013
<ul style="list-style-type: none"> • Milestone 2 - This milestone is completed upon the modeling PacifiCorp into the ISO Full Network Model through the EMS which will be deployed using the ISO's network and resource modeling process. 	December 6, 2013
<p>System Implementation Program Improvements – System requirements and software design, the execution of necessary software vendor contracts, technical interface specifications and configuration guides, and other related activities.</p>	April 1, 2014

<ul style="list-style-type: none"> • Milestone 3 - For PacifiCorp and the ISO to exchange production data (market inputs and outputs) and complete this milestone, the ISO will provide to PacifiCorp all final technical specifications for application program interface (API) specifications, metering specifications and settlement specifications. Final technical specifications related to some systems may be required earlier as provided in the project management plan. 	<p>April 8, 2014</p>
<p>Construction, Testing and Training in Preparation for Market Simulation - This task includes IT infrastructure upgrades, security testing, training simulators, and functional testing.</p>	<p>July 1, 2014</p>
<ul style="list-style-type: none"> • Milestone 4 - The EIM market simulation will allow PacifiCorp and the ISO to conduct specific market scenarios in a test environment prior to the production deployment to ensure that all system interfaces are functioning as expected and to produce simulated market results. To complete this milestone, the commencement of EIM simulation will signal that the PacifiCorp and the ISO have independently completed EIM system design, development and testing to participate in joint testing. 	<p>July 8, 2014</p>
<p>System Deployment and Go Live – Implementing the Project and going live will include resource registration, operating procedures and updates, execution of service agreements, completion of the policy and tariff stakeholder processes, applicable board approvals, the filing and acceptance of tariff changes with FERC, and the development of new and updated Business Practice Manuals.</p>	<p>September 30, 2014</p>
<ul style="list-style-type: none"> • Milestone 5 – This milestone is complete upon the first production energy imbalance market trade date. 	<p>October 1, 2014</p>

Attachment C – Clean Tariff

Rate Schedule No. 73

First Amendment to Energy Imbalance Market Implementation Agreement

California Independent System Operator Corporation

February 21, 2014

FIRST AMENDED ENERGY IMBALANCE MARKET IMPLEMENTATION AGREEMENT

This Implementation Agreement (“Agreement”) is entered into as of April 30, 2013, 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 Agreement individually as a “Party” and, collectively, as the “Parties”.

RECITALS

A. WHEREAS, PacifiCorp has determined there is an opportunity to secure benefits for PacifiCorp’s customers 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 and desires to participate in an energy imbalance market (“EIM”) that benefits its customers and could potentially be expanded to benefit other customers in the region;

B. WHEREAS, the ISO has determined there are benefits to ISO market participants 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, and desires to develop and operate the EIM by employing the systems and processes of the ISO’s existing imbalance energy market;

C. WHEREAS, the ISO will develop EIM market rules through a stakeholder process in which PacifiCorp will be a stakeholder with rights and responsibilities with respect to the EIM implementation as provided for in this Agreement.

D. WHEREAS, the Parties acknowledge that the rules and procedures governing the EIM must be set forth in the provisions of an ISO tariff filed with the Federal Energy Regulatory Commission (“FERC”), as well as corresponding revisions to PacifiCorp’s Open Access Transmission Tariff and the execution of associated service agreements, to implement the EIM;

E. WHEREAS, the Parties are entering into this Agreement to set forth the terms upon which the ISO will timely configure its systems to incorporate PacifiCorp into the EIM and develop the market rules for the EIM (“Project”) as contemplated by the Memorandum of Understanding dated February 12, 2013 (“MOU”), such that PacifiCorp and the ISO are prepared for an October 1, 2014 implementation of the Project (“Implementation Date”);

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:

AGREEMENT

1. Effective Date and Term.

(a) This Agreement shall become effective upon the date the Agreement is accepted, approved or otherwise permitted to take effect by FERC, without condition or modification unsatisfactory to either Party (“Effective Date”).

(b) In the event FERC requires any modification to the Agreement or imposes any other condition upon its acceptance or approval of the Agreement, each Party shall have ten (10) days to notify the other Party that any such modification or condition is unacceptable to that Party. If no Party provides such notice, then the Agreement, as modified or conditioned by FERC, shall take effect as of the date determined under section 1(a). If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification; or (iii) enter into negotiations with respect to accommodation of such FERC order, provided however, if the Parties have not agreed to such an accommodation within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order and the Parties shall have no further rights and obligations under this Agreement.

(c) The term of this Agreement (“Term”) shall commence on the Effective Date and shall terminate upon the earliest to occur of (1) the date FERC permits all necessary revisions to the ISO and PacifiCorp tariffs to take effect and the service agreements under such tariffs necessary for the commencement of the EIM have taken effect; (2) termination in accordance with Section 2 of this Agreement; or (3) such other date as mutually agreed to by the Parties (“Termination Date”).

(d) This Agreement shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect.

2. Termination.

(a) The Parties may mutually agree to terminate this Agreement in writing at any time. In addition, either Party may terminate this Agreement in its sole discretion after conclusion of the negotiation period in Section 2(b), as provided in Section 2(d) or 2(e) as applicable.

(b) If either the ISO or PacifiCorp seeks to terminate this agreement, it must first notify the other Party in writing of its intent to do so (“Notice of Intent to

Terminate”) and engage in thirty (30) days of good faith negotiations in an effort to resolve its concerns. If the Parties successfully resolve the concerns of the Party issuing the Notice of Intent to Terminate, the Party that issued such notice shall notify the other Party in writing of the withdrawal of such Notice (“Notice of Resolution”).

(c) At the time the Notice of Intent to Terminate is provided, or any time thereafter unless a Notice of Resolution is issued, PacifiCorp may provide written notice directing the ISO to suspend performance on any or all work on the Project for a specified period of time (“Notice to Suspend Work”). Upon receipt of a Notice to Suspend Work, the ISO shall: (1) discontinue work on the Project; (2) place no further orders with subcontractors related to the Project; (3) take commercially reasonable actions to suspend all orders and subcontracts; (4) protect and maintain the work on the Project; and (5) otherwise mitigate PacifiCorp’s costs and liabilities for the areas of work suspended. The ISO will not invoice PacifiCorp pursuant to Section 4(c) of this Agreement for any milestone payment following the issuance of a Notice to Suspend Work. To the extent a Notice of Resolution is issued pursuant to Section 2(b), the Notice to Suspend Work in effect at the time shall be deemed withdrawn and the ISO shall be entitled to invoice PacifiCorp for any milestone completed as specified in Section 4(c) of this Agreement and PacifiCorp shall pay such invoice pursuant to Section 4.

(d) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, the ISO may terminate this Agreement by providing written notice to PacifiCorp that it is terminating this Agreement (“Termination Notice”) effective immediately. The ISO may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject to modification only as described in Section 3(c); (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction; or (iii) if the ISO determines in its sole discretion that the Project is not likely to provide the benefits the ISO is seeking to obtain.

(e) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, PacifiCorp may terminate this Agreement by providing written notice to the ISO that it is terminating this Agreement (“Termination Notice”) effective immediately. PacifiCorp may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject only to modification only as described in Section 3(c); (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction; or (iii) if PacifiCorp determines in its sole discretion that the Project is not likely to provide the benefits PacifiCorp is seeking to obtain.

(f) In the event this Agreement is terminated by either or both of the Parties, this Agreement will become wholly void and of no further force and effect, without further action by either Party, and the liabilities and obligations of the Parties hereunder will terminate, and each Party shall be fully released and discharged from any liability or obligation under or resulting from this Agreement as of the date of the Termination Notice provided in Section 2(d) or 2(e), as applicable, notwithstanding the requirement for the ISO to submit the filing specified in Section 2(g). Notwithstanding the foregoing, the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as specified in Sections 5 and 6, and any milestone payment obligation pursuant to Section 4(c) that arose prior to the Termination Notice in accordance with Section 2(d) or 2(e) shall survive until satisfied or resolved in accordance with Section 11.

(g) The Parties acknowledge that the ISO is required to file a timely notice of termination with FERC. The Parties acknowledge and agree that the filing of the notice of termination by the ISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met, and the ISO files the notice of termination within ten (10) days after the Termination Notice has been provided by either the ISO in accordance with Section 2(d) or PacifiCorp in accordance with Section 2(e). This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

3. Implementation Scope and Schedule.

(a) The Parties shall complete the Project as described in Exhibit A , subject to modification only as described in Section 3(c) below.

(b) The Parties shall undertake the activities described in Exhibit A with the objective of completing the Project and implementing the EIM no later than the Implementation Date, subject to modification only as described in section 3(c) below.

(c) Either Party may propose a change in Exhibit A or the Implementation Date to the other Party to pursue the Project objectives in accordance with Section 14. If a Party proposes a change in Exhibit A or the Implementation Date, the Parties shall negotiate in good faith to attempt to reach agreement on the proposal and any necessary changes in Exhibit A and any other affected provision of this Agreement, provided that any change in Exhibit A or the Implementation Date must be mutually agreed to by the Parties. The agreement of the Parties to a change in Exhibit A or the Implementation Date shall be memorialized in a revision to Exhibit A, which will be binding on the Parties and shall be posted on the internet web sites of the ISO and PacifiCorp, without the need for execution of an amendment to this Agreement. Changes that require revision of any provision of this Agreement other than Exhibit A shall be reflected in an executed amendment to this Agreement and filed with FERC for acceptance.

(d) At least once per calendar month during the Term, the Parties' Designated Executives, or their designees, will meet telephonically or in person (at a mutually agreed to location) to discuss the continued appropriateness of Exhibit A to ensure that the Project can meet the Implementation Date. For purposes of this section, "Designated Executive" shall mean the individual identified in Section 8(g), or their designee or successor.

(e) The Parties shall update Exhibit A and the project management plan described therein with activities to the extent necessary to implement the Base Schedule Aggregation Functionality.

4. Implementation Charges, Invoicing and Milestone Payments.

(a) PacifiCorp shall pay the ISO a fixed fee of \$2.1 million for costs incurred by the ISO to implement the Project ("Implementation Fee"), subject to completion of the milestones specified in Section 4(c) and subject to adjustment only as described in Section 4(b).

(b) The Implementation Fee shall be subject to adjustment only by mutual agreement of the Parties in either of the following circumstances: (1) if the Parties agree to a change in Exhibit A or the Implementation Date in accordance with Section 3(c) and the Parties agree that an adjustment to the Implementation Fee is warranted in light of such change; or (2) the ISO provides notice to PacifiCorp that the sum of its actual costs through the date of such notice and its projected costs to accomplish the balance of the Project exceed the Implementation Fee.

(c) Upon completion of the milestones identified in Exhibit A, the ISO shall invoice PacifiCorp for the Implementation Fee as follows:

- i. \$500,000 twenty (20) days after the Effective Date as further described in Section 1 of this Agreement and Exhibit A as Milestone 1;
- ii. \$400,000 upon deployment into the ISO test environment of the full network model database that includes the topology of the PacifiCorp system as further described in Exhibit A as Milestone 2;
- iii. \$400,000 upon delivery to PacifiCorp of the EIM technical specifications and configuration guides as further described in Exhibit A as Milestone 3;
- iv. \$400,000 upon commencement of EIM market simulation as further described in Exhibit A as Milestone 4; and
- v. \$400,000 ten (10) days after the Implementation Date as further described in Exhibit A as Milestone 5.

(d) Following the completion of each milestone identified in Section 4(c)(i) through (v), the ISO will deliver to PacifiCorp an invoice which will show the amount due, together with reasonable documentation supporting the completion of the milestone being invoiced. PacifiCorp shall pay the invoice no later than forty-five (45) days after the date of receipt. Any milestone payment past due will accrue interest, per annum, calculated in accordance with the methodology specified for interest in the FERC regulations at 18 C.F.R. § 35.19a(a)(2)(iii) (the “FERC Methodology”).

(e) If a milestone has not been completed as described in 4(c)(i), (ii), (iii), (iv), or (v) and Exhibit A, as Exhibit A may have been modified in accordance with Section 3(c), the Parties shall negotiate in good faith an agreed upon change to Exhibit A consistent with Section 3(c) such that the timing of milestone payments in Section 4(c) can be adjusted to correspond to the updated Exhibit A.

(f) If PacifiCorp disputes any portion of any amount specified in an invoice delivered by the ISO, PacifiCorp shall pay its total amount of the invoice when due, and identify the disputed amount and state that the disputed amount is being paid under protest. Any disputed amount shall be resolved pursuant to the provisions of Section 11. If it is determined pursuant to Section 11 that an overpayment or underpayment has been made by PacifiCorp or any amount on an invoice is incorrect, then (i) in the case of any overpayment, the ISO shall promptly return the amount of the overpayment (or credit the amount of the overpayment on the next invoice) to PacifiCorp; and (ii) in the case of an underpayment, PacifiCorp shall promptly pay the amount of the underpayment to the ISO. Any overpayment or underpayment shall include interest for the period from the date of overpayment, underpayment, or incorrect allocation, until such amount has been paid or credited against a future invoice calculated in the manner prescribed for calculating interest in Section 4(d).

(g) All costs necessary to implement the Project not provided for in this Agreement shall be borne separately by each Party and recovered through rates as may be authorized by their respective regulatory authorities.

(h) All milestone payments required to be made under the terms of this Agreement shall be made to the account or accounts designated by the Party which the milestone payment is owed, by wire transfer (in immediately available funds in the lawful currency of the United States).

(i) The Implementation Fee shall be increased by \$462,800 to account for costs incurred by the ISO to implement the Base Schedule Aggregation Functionality. The ISO shall invoice the costs to implement the Base Schedule Aggregation Functionality to PacifiCorp equally among any milestone payments that have not been invoiced as of the First Amendment Effective Date. If all milestones have been invoiced prior to the First Amendment Effective Date, the ISO shall separately invoice PacifiCorp for this amount.

5. Confidentiality.

(a) All written or oral information received from another Party in connection with this Agreement (but not this Agreement after it is filed with FERC) necessary to complete the Project and marked or otherwise identified at the time of communication by such Party as containing information that Party considers commercially sensitive or confidential shall constitute “Confidential Information” subject to the terms and conditions herein.

(b) If PacifiCorp releases PacifiCorp’s Confidential Information in connection with the public EIM stakeholder process or a regulatory filing, or if the ISO releases the ISO’s Confidential Information in connection with the public EIM stakeholder process or a regulatory filing, then the information released shall no longer constitute Confidential Information. In addition, Confidential Information does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by either 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 5; (iv) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, for discussion at any stakeholder meetings or during the stakeholder process or with any regulatory authority; or (v) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, to allow for such disclosure and designation as non-confidential or public information on a case-by-case basis in accordance with Section 10 of this Agreement.

(c) 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 5 by such Party or a Party’s officers, employees, partners, representatives, advisors or agents.

(d) In the event that a Party becomes compelled by a court of competent jurisdiction or regulatory authority (by law, rule, regulation, order, deposition, interrogatory, request for documents, data request issued by a regulatory authority, subpoena, civil investigative demand or similar request or 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 5. 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.

(e) Notwithstanding the foregoing, the Parties acknowledge that they are required by law or regulation to report certain information that could embody Confidential Information from time to time, and may do so from time to time without providing prior notice to the other Party. Such reports may include models, filings, and reports of costs, general rate case filings, cost adjustment mechanisms, FERC-required reporting, investigations, annual state reports that include resources and loads, integrated resource planning reports, reports to entities such as FERC, the North American Electric Reliability Council (“NERC”), Western Electricity Coordinating Council (“WECC”), or similar or successor organizations, or similar or successor forms, filings, or reports, the specific names of which may vary by jurisdiction, along with supporting documentation. Additionally, in regulatory proceedings or investigations in all state and federal jurisdictions in which they may do business, the Parties will from time to time be required to produce Confidential Information, and may do so without prior notice using its business judgment in compliance with all of the foregoing and including the appropriate level of confidentiality for such disclosures in the normal course of business.

(f) 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.

(g) 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 Agreement.

(h) Nothing in this Agreement shall be deemed to restrict either Party from engaging with third parties with respect to any matter and for any reason, specifically including the EIM, provided Confidential Information is treated in accordance with this Section 5.

(i) This Section 5, Confidentiality, applies for two years (24 months) after the Termination Date.

6. Limitation of Liability; Indemnity.

(a) Each Party acknowledges and agrees that 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 enter into this Agreement, the other Party’s performance under this Agreement, or any other decision with respect to the Project or the EIM.

(b) Each Party shall indemnify, defend and hold harmless the other Party and its officers, directors, employees, agents, contractors and sub-contractors, from and against all third party claims, judgments, losses, liabilities, costs, expenses (including reasonable attorneys’ fees) and damages for personal injury, death or property damage, caused by the negligence or willful misconduct related to this Agreement or breach of this Agreement of the indemnifying Party, its officers, directors, agents, employees, contractors or sub-contractors, provided that this indemnification shall be only to the extent such personal injury, death or property damage is not attributable to the negligence or willful misconduct related to this Agreement or breach of this Agreement of the Party seeking indemnification, its officers, directors, agents, employees, contractors or sub-contractors. The indemnified Party shall give the other Party prompt notice of any such claim. The indemnifying Party, in consultation with the indemnified Party, shall have the right to choose competent counsel, control the conduct of any litigation or other proceeding, and settle any claim. The indemnified Party shall provide all documents and assistance reasonably requested by the indemnifying Party.

(c) The rights and obligations under this Section 6 shall survive the expiration and termination of this Agreement.

7. Representation and Warranties

(a) Representations and Warranties of PacifiCorp. PacifiCorp represents and warrants to the ISO as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations have been obtained by it prior to the date hereof in connection with the due execution and delivery of, and performance by it of its obligations under, this Agreement, have been duly obtained or made and are in full force and effect.

(b) Representations and Warranties of the ISO. ISO represents and warrants to PacifiCorp as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this

Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, regulatory authority, or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations have been obtained by it prior to the date hereof in connection with the due execution and delivery of, and performance by it of its obligations under, this Agreement, have been duly obtained or made and are in full force and effect.

8. General Provisions.

(a) This Agreement, including Exhibit A to this Agreement, 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 Agreement, including specifically the MOU, provided that nothing in this Agreement shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by any other agreement, statute or any other law or applicable court or regulatory decision.

(b) This Agreement may not be amended except in writing signed by both of the Parties; provided, however, the Parties may mutually agree to changes in Exhibit A in accordance with Section 3(c). This Agreement may be modified to include one or more additional parties upon mutual agreement, not to be unreasonably withheld or delayed, of the then-current Parties, if the new party agrees to fund their share of implementation costs in a manner similar to PacifiCorp.

(c) Any waiver by a Party to this Agreement of any provision or condition of this Agreement 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 Agreement 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 Agreement, 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 8(e) shall be null and void and shall have no force and effect.

(f) In the event that any provision of this Agreement is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this Agreement 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 Agreement 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 8(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: Vice President, Technology
E-mail: PRistanovic@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 Agreement 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 Agreement shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this Agreement 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.

(j) The decision to execute an EIM service agreement and participate in the EIM remains within the sole discretion of PacifiCorp and the decision whether to proceed with development of the EIM remains within the sole discretion of the ISO.

(k) Nothing in this Agreement shall preclude a Party from exercising any rights or taking any action (or having its affiliates take any action) with respect to any other project, including an energy imbalance market or similar project that may compete with the Project or the EIM.

(l) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply: (i) any reference in this Agreement 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 Agreement; (iii) all references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified; (iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement (including Exhibit A to this Agreement) 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 Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement 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 Agreement.

9. Governing Law; Venue. This Agreement 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 FERC, where subject to its jurisdiction, or in any Sacramento County state or Eastern District federal court located within the State of California. 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 Agreement.

10. Communication. The Parties shall develop a communication protocol for the dissemination of material information associated with the Project, which shall be approved by PacifiCorp and the ISO. Pursuant to the communication protocol, the individual identified in Section 8(g), or their designee or successor, shall provide reasonable advance notice to the other Party of planned press releases, public statements, and meetings with the public or governmental authorities in which material information concerning the Project will be shared. The Parties shall mutually consult with each other as provided in the communication protocol prior to making such public statements or disclosures; provided that nothing herein shall prevent, limit, or delay either Party from making any disclosure required by applicable law or regulation. In the event either Party engages in material unplanned communications about the Project that otherwise should have been subject to this Section and the communication protocol, such Party shall provide notice to the other Party as promptly as possible of the nature and content of such communication.

11. Dispute Resolution. Unless otherwise provided herein, each of the provisions of this Agreement shall be enforceable independently of any other provision of this Agreement and independent of any other claim or cause of action. In the event of any dispute arising under this Agreement, the Parties shall first attempt to resolve the matter through direct good faith negotiation between the Parties, including a full opportunity for escalation within the Parties' respective organizations. If the Parties are unable to resolve the issue within thirty (30) days after presentation of the dispute, then for matters subject to FERC jurisdiction either Party shall have the right to file a complaint under Section 206 of the Federal Power Act. For all other matters, 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 Agreement. 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 who 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.

12. Third Party Agreements. The Parties may engage in discussions with third parties, either jointly or unilaterally, to facilitate the Project or EIM implementation process. Each Party may enter into binding agreements or tariffs or modify existing agreements or tariffs with these third parties to implement the approved terms and conditions of the Project or EIM as necessary and appropriate.

13. Compliance. Each Party shall comply with all federal, state, local or municipal governmental authority; any governmental, quasi-governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, including FERC, NERC, WECC; or any court or governmental tribunal, in each case, having jurisdiction over either Party in connection with the execution, delivery and performance of its obligations under this Agreement. This Agreement is not intended to modify, change or otherwise amend the Parties' current functional responsibilities associated with compliance with WECC and NERC Reliability Standards; provided however, the Parties may enter into separate mutually agreed to arrangements to clarify roles and responsibilities associated with compliance with WECC and NERC Reliability Standards.

14. EIM Principles. The Parties recognize and acknowledge that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the EIM regulatory approval process, and analyses the Parties may perform or information the Parties receive or develop in the course of implementing the Project through the EIM stakeholder process or otherwise may require adjustments in the Project. Consistent with the foregoing, the Project shall nevertheless be implemented consistent with the following principles:

(a) The EIM market rules shall be contained in a discrete part of the ISO tariff to the extent this structure provides additional clarity to all EIM participants; provided, however, provisions generally applicable to the relationship between the ISO and market participants may be provided for by reference and applicable to EIM participants.

(b) Initial EIM governance and market rule oversight shall be consistent with existing ISO governance, allow for voluntary participation and expansion of participants and market activities, and evolve based on stakeholder feedback.

(c) The Parties shall consider whether and how to account for transmission service in the EIM stakeholder process.

(d) The EIM shall include an appropriate means to identify transactions that do not involve California resources or loads, or that otherwise occur outside the State of California, such that only the imbalance energy portion that is imported

into California would be subject to any laws, regulations or costs associated with a California specific greenhouse gas compliance obligation.

(f) The EIM shall be implemented in a manner that is compatible with the Northwest Power Pool reserve sharing program and other existing and emerging market initiatives, including FERC Order No. 764 (and its progeny).

(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 a FERC-accepted implementation agreement in a manner similar to PacifiCorp.

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

PACIFICORP

By: _____

Name: Andrea L. Kelly

Title: Senior Vice President, Strategic Business Performance

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By: _____

Name: Karen Edson

Title: Vice President, Policy and Client Services

EXHIBIT A: PROJECT SCOPE AND SCHEDULE

The Project consists of the activities and delivery dates identified in this Exhibit A, implemented in accordance with the Agreement, including specifically the principles set forth in Section 14.

The Parties understand that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the regulatory approval process, and the activities of the Parties in implementing the Project may cause the Parties to determine that changes in the Project are necessary or desirable. Accordingly, this Exhibit A may be modified in accordance with Section 3(c) of the Agreement.

Each Party is responsible for performing a variety of tasks necessary to achieve the milestones on schedule and shall plan accordingly. The Parties shall communicate and coordinate as provided in the Agreement to support the planning and execution to complete the Project.

Project Scope and Milestones	Project Delivery Dates
<p>Detailed Project Management Plan – The Parties will develop and initiate a final project management plan that describes specific project tasks each Party must perform, delivery dates, project team members, meeting requirements, and a process for approving changes to support completion of the Project.</p>	May 31, 2013
<ul style="list-style-type: none"> • Milestone 1 – The Agreement must be made effective in accordance with Section 1 of the Agreement to complete this milestone. 	July 1, 2013
<p>Full Network Model Expansion – Full Network Model expansion for PacifiCorp and EMS/SCADA, including, proof of concept of export/import of EMS data; complete PACE and PACW model into the ISO test model; complete validation for all SCADA points from PacifiCorp; complete testing of the new market model; and validation of the Outage, State Estimator, Real Time Contingency Analysis, and Automatic Generation Control applications.</p>	November 22, 2013
<ul style="list-style-type: none"> • Milestone 2 - This milestone is completed upon the modeling PacifiCorp into the ISO Full Network Model through the EMS which will be deployed using the ISO's network and resource modeling process. 	December 6, 2013
<p>System Implementation Program Improvements – System requirements and software design, the execution of necessary software vendor contracts, technical interface specifications and configuration guides, and other related activities.</p>	April 1, 2014

<ul style="list-style-type: none"> • Milestone 3 - For PacifiCorp and the ISO to exchange production data (market inputs and outputs) and complete this milestone, the ISO will provide to PacifiCorp all final technical specifications for application program interface (API) specifications, metering specifications and settlement specifications. Final technical specifications related to some systems may be required earlier as provided in the project management plan. 	<p>April 8, 2014</p>
<p>Construction, Testing and Training in Preparation for Market Simulation - This task includes IT infrastructure upgrades, security testing, training simulators, and functional testing.</p>	<p>July 1, 2014</p>
<ul style="list-style-type: none"> • Milestone 4 - The EIM market simulation will allow PacifiCorp and the ISO to conduct specific market scenarios in a test environment prior to the production deployment to ensure that all system interfaces are functioning as expected and to produce simulated market results. To complete this milestone, the commencement of EIM simulation will signal that the PacifiCorp and the ISO have independently completed EIM system design, development and testing to participate in joint testing. 	<p>July 8, 2014</p>
<p>System Deployment and Go Live – Implementing the Project and going live will include resource registration, operating procedures and updates, execution of service agreements, completion of the policy and tariff stakeholder processes, applicable board approvals, the filing and acceptance of tariff changes with FERC, and the development of new and updated Business Practice Manuals.</p>	<p>September 30, 2014</p>
<ul style="list-style-type: none"> • Milestone 5 – This milestone is complete upon the first production energy imbalance market trade date. 	<p>October 1, 2014</p>

Attachment D – Epstein Declaration

Rate Schedule No. 73

First Amendment to Energy Imbalance Market Implementation Agreement

California Independent System Operator Corporation

February 21, 2014

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER14 ____-000
Operator Corporation)**

**DECLARATION OF MICHAEL K. EPSTEIN
ON BEHALF OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I, Michael K. Epstein, state as follows:

1. I am employed as Director of Financial Planning for the California Independent System Operator Corporation (the "ISO"). My business address is 250 Outcropping Way, Folsom, California 95630. I am responsible for the ISO's budget preparation and management; long term planning; accounting for the FERC refund case; market cash settlements; and audit coordination for all the ISO's settlement and operations activities. As part of my duties at the ISO, I oversee the development of the ISO's grid management charge.

2. I received both an MBA and a BA with a major in accounting from the University of Southern California in Los Angeles, California. Prior to my current position, I was the Controller of the ISO from 1997 - 2009. From 1994 – 1997, I was Vice President (Finance) of Siskon Gold Corporation, a publicly-traded mining company located in Grass Valley, California. From 1989 -1994, I was Controller of the Grupe Company, a privately held diversified real estate company located in Stockton, California. From

- 1985-1989, I was Controller of Brush Creek Mining and Development Company located in Auburn, California. Prior to that, I was a Certified Public Accountant in the practice of public accounting with both local and international accounting firms.
3. The purpose of my declaration is to provide cost support for a proposed increase to the implementation fee that the ISO will invoice PacifiCorp pursuant to the proposed Implementation Agreement amendment that the ISO is filing today. The increase covers the addition of a base schedule aggregation functionality that is being added to the energy imbalance market design.

The Implementation Fee

4. The current implementation fee is based on the ISO's estimate of the costs specific to incorporating PacifiCorp into an energy imbalance market that could ultimately accommodate the entire Western Electricity Coordinating Council ("WECC"), should the WECC utilities all choose to participate, as more fully explained in my declaration filed in Docket No. ER13-1387-000. The total development costs for the energy imbalance market have been estimated to be \$18.3 million. PacifiCorp agreed to pay \$2.1 million, which reflects its share of the total costs for the energy imbalance market, but did not originally include the base schedule aggregation functionality. This functionality was approved as part of the final energy imbalance market design, and the parties have agreed to

include this additional functionality, after negotiation, filing and acceptance of the Implementation Agreement.

5. As explained below, the ISO estimates that the total cost for the base scheduled aggregation functionality would be \$462,800.
6. These costs correspond to seven of the eleven components identified as part of the total energy imbalance market development costs: licenses, \$0; energy management system upgrades, \$0; data storage, \$0; hardware upgrades, \$0; production software modification, \$72,000; network configuration and mapping, \$21,600; integration, \$17,300; testing, \$115,000; system performance tuning, \$71,100; training and operations readiness, \$28,000; and project management and support, \$136,800.

Network Configuration and Mapping, Integration, System Performance Tuning.

7. The ISO will need to (1) configure network models (\$21,600), (2) integrate system interfaces to enable data exchange between systems to meet business and system requirements (\$17,300), and (3) measure and analyze performance in a non-production environment and mitigate any identified performance issues to ensure that production performance is as expected (\$71,100).
8. The ISO project management team determined the costs of these activities in consultation with the relevant directors and managers of the affected departments by estimating the level of effort required based on an extrapolation from the level of effort necessary for similar past activities. The staff consulted has extensive experience in estimating costs in this

area. In particular, the ISO in 2009 completed a \$200 million implementation of a new market design and annually thereafter has carried out software implementation, modification and redesign projects averaging about \$20 million each.

Production Software Modification and Testing

9. The ISO will also require production software modifications to support new inputs and outputs associated with the base schedule aggregation functionality (\$72,000).
10. Following the system integration described above, the ISO will need to conduct testing to ensure that it meets all energy imbalance market business and system requirements (\$115,000).
11. The ISO project management team determined the costs of these activities in consultation with the relevant directors and managers of the affected departments by estimating the resources (contractors and consultants) needed based on an extrapolation from the resources that the ISO has required for recent software changes and modifications. As described above, the staff consulted has extensive experience in estimating costs in this area.

Training and Operations Readiness, and Project Management and Support

12. Training and operations readiness is required to ensure effective operations after implementation (\$28,000).
13. Project management is required to complete and implement the modifications(\$136,800)

14. Similarly to the process for other cost categories, ISO project management personnel determined the costs of these activities in consultation with the relevant directors and managers of the affected disciplines by estimating the level of effort required based on an extrapolation from the level of effort necessary for similar past activities. As described in paragraphs 8 and 11 above, the staff consulted has extensive experience in estimating costs in this area.

Derivation and Allocation

15. Having determined that the total cost of implementing the base schedule aggregation functionality would be \$462,800, the ISO and PacifiCorp have agreed to include this cost pursuant to the Implementation Agreement so that the functionality will be available to PacifiCorp and its customers at the start of the energy imbalance market on October 1, 2014.

I hereby certify under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief:

Executed on: February 21, 2014



Michael K. Epstein