

## Interim Agreement Between PG&E, SMUD and ISO

This Agreement is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ and is entered into, by and between:

- (1) **PACIFIC GAS AND ELECTRIC COMPANY**, having a registered or principal executive office at 77 Beale Street, San Francisco, California 94177 (“PG&E”);
- (2) **SACRAMENTO MUNICIPAL UTILITY DISTRICT**, having a registered or principal executive office at 6201 S Street, Sacramento, California 95817-1899 (“SMUD”); and
- (3) **CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**, a California nonprofit public benefit Corporation having a principal executive office located at such place in the State of California as the ISO Governing Board may from time to time designate, initially 151 Blue Ravine Road, Folsom, California 95630 (“ISO”).

PG&E, SMUD and ISO are hereinafter referred to individually as “Party” and collectively as “Parties”.

Whereas:

- A. Responsibility for operating the control area has been relinquished by PG&E and others, and has been undertaken by the ISO.
- B. The ISO needs to know generation and demand information to reliably operate the ISO Control Area. This information must be input into the ISO’s scheduling interface to be most useful.
- C. PG&E agrees to schedule all of the COTP schedules that do not use ISO Controlled Grid facilities as a “proxy scheduling coordinator” provided that PG&E will not be liable for any Grid Management Charge associated with those schedules.
- D. PG&E has executed an Interconnection Agreement with SMUD, which must be honored and accommodated.
- E. SMUD has internal generation and demand. In addition, UC Davis Medical Center has made arrangements with the ISO to enable its Generating Unit, which is a Generating Unit internal to SMUD’s Service Area, to participate in the ISO’s Ancillary Services and Imbalance Energy markets as a Participating Generator. To properly maintain the reliability of the ISO Control Area, the ISO must know, for each Settlement Period, the amounts of the UC Davis Medical Center Generating Unit’s generation, as metered at SMUD’s Mid-City Substation, and the balance of SMUD’s total internal generation and total demand, in combination with any imports to or exports from the ISO Control Area, Western – SMUD schedules, and any Inter-Scheduling Coordinator Trades.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

## 1 DEFINITIONS

- 1.1 All terms and expressions used in this Agreement shall have the same meaning as those contained in the Master Definitions Supplement to the ISO Tariff.

In this Agreement the following terms shall have the meanings specified below:

“Adjusted Rancho Seco Logical Meter Reads” shall mean the meter reads for settlement of SMUD’s schedules pursuant to the calculation in Appendix B.

“COTP” shall mean the California Oregon Transmission Project.

“Generating Unit” shall have the same meaning as it does in the ISO Tariff.

“IA” shall mean the Interconnection Agreement executed between PG&E and SMUD dated August 29, 1990

“Interim Period” shall be the period defined in Section 2.1 of this Agreement.

“Lake SC” shall mean a Scheduling Coordinator appointed by SMUD for its new firm transmission uses which will be delivered to and from (imports and exports) the Lake Substation. Such Energy deliveries will be deemed delivered for settlement purposes of the Adjusted Rancho Seco Logical Meter Reads.

“RPTO” shall mean the Responsible Participating Transmission Owner Agreement between PG&E and the ISO.

“TANC” shall mean the Transmission Agency of Northern California.

“Western” shall mean the Western Area Power Administration – Sierra Nevada Region.

## 2 TERM AND TERMINATION

- 2.1 Each Party agrees to be bound by the terms of this Agreement for the Interim Period, which Interim Period shall be from March 31, 1998 until the earlier of: (1) FERC’s acceptance of an agreement, in a form acceptable to the Parties, which is incorporated into this Agreement as Appendix D; (2) SMUD’s becoming a Control Area operator or a Scheduling Coordinator for its own loads and resources; (3) the termination of SMUD’s IA with PG&E; or (4) the mutual agreement of the Parties. If this Agreement has not otherwise terminated by March 31, 2003, PG&E shall have the option to terminate its participation in this Agreement, on or after that date upon giving SMUD and the ISO 12 months advance written notice. PG&E and SMUD will use best efforts to negotiate a replacement agreement which will provide for PG&E continuing to perform its duties in Section 5.1.2 of this Agreement. If PG&E’s participation in this Agreement does terminate, SMUD will assume the PG&E obligations in Section 6.2 of the Agreement, and

the ISO will allow SMUD to perform those obligations. If SMUD elects to assume performance of the duties in Section 5.1.2 of this Agreement, PG&E will not object and the ISO will accommodate SMUD's performance under the same terms as provided to PG&E. Nothing in this termination language implies that any Party is relieved of any contract obligation it has either during the duration of the Interim Period or beyond.

### **3 RELATIONSHIP TO OTHER CONTRACTS**

- 3.1 This Agreement does not supersede any provisions of the RPTO Agreement between PG&E and the ISO, nor any provisions of the SMUD IA between PG&E and SMUD. It is intended to define better the information needs for scheduling and settlements of the Parties and to accommodate SMUD operation, pursuant to the Federal Energy Regulatory Commission ("FERC") order on March 27, 1998 in Docket No. EC96-19-014 et al. and the Grid Management Charge Settlement in Docket No. 98-211-000 submitted by the ISO on April 7, 1998.

### **4 COSTS**

- 4.1 For at least the Interim Period, all of the SMUD generation and demand will be "net scheduled", as described in Section 5 below.
- 4.2 Imbalance Energy and Ancillary Services will be charged by the ISO to PG&E, as SMUD's Scheduling Coordinator for Existing Contracts pursuant to the RPTO Agreement. To the extent SMUD's Lake SC purchases such Imbalance Energy and/or Ancillary Services from the ISO, such charges will be determined in accordance with the ISO Tariff.
- 4.3 If FERC issues any rulings or orders with respect to issues included in this Agreement, including the Grid Management Charge settlement, other ISO charges and Scheduling Coordinator requirements, the impacted Parties agree to abide by such rulings or orders once they are final.
- 4.4 If SMUD has new transmission arrangements that require use of the ISO Controlled Grid, such uses will be scheduled by the Lake SC in accordance with the ISO Tariff and will incur all applicable ISO charges. PG&E undertakes no obligation herein to be the Scheduling Coordinator for such new transmission arrangements that require use of the ISO Controlled Grid.
- 4.5 [Any Imbalance Energy charges that result from transactions related to the UC Davis Medical Center Generating Unit, as metered at SMUD's Mid-City Substation, participating in the ISO's markets will be charged to the Scheduling Coordinator for the UC Davis Medical Center. The ISO will not assess any additional fees or additional charges to PG&E or SMUD as a result of participation by the UC Davis Medical Center Generating Unit in ISO markets.](#)

## 5 SMUD's OPERATING ARRANGEMENTS

- 5.1 SMUD generation and demand will be scheduled based on the following:
- 5.1.1 PG&E will provide the ISO with SMUD's net interchange volumes, reflecting the volumes at Rancho Seco, scheduled over PG&E transmission under Existing Contracts, pursuant to the RPTO Agreement.
  - 5.1.2 PG&E will schedule with the ISO all of SMUD's COTP imports into and exports out of the Western system at Captain Jack Substation<sup>1</sup> for delivery to and from SMUD. The ISO will issue PG&E a proxy scheduling coordinator identification (COTP ID). The schedules will be deemed delivered to or from Western and then to or from SMUD, and will be accounted for as described in Appendix B, attached to and incorporated into this Agreement by reference.
  - 5.1.3 SMUD - Western schedules will be deemed delivered, not scheduled with the ISO, at Hurley and Elverta, and information will be provided in accordance with Section 6 of this Agreement.
  - 5.1.4 SMUD will operate its native generation, [excluding the amount of the UC Davis Medical Center Generating Unit generation delivered to the ISO, as metered at SMUD's Mid-City Substation](#), to supply its native demand and meet its utility obligations in accordance with Section 4 of the SMUD IA with PG&E.
  - 5.1.5 As stated in the RPTO Agreement, PG&E may self-provide or purchase from the ISO its share of Ancillary Services for SMUD's total Load.
  - 5.1.6 ~~Any~~ Energy deliveries to and from SMUD from ~~and to~~ the ISO Controlled Grid not using Existing Contracts shall be scheduled by the Lake SC. [Schedules to the ISO scheduled by the Lake SC](#) ~~and~~ shall be deemed delivered. [The metered quantity of Energy produced by the UC Davis Medical Center Generating Unit, as metered at SMUD's Mid-City Substation, shall be added to the calculation of the Rancho Seco Logical Meter as shown in Appendix B.](#) A portion of SMUD's Demand ~~will~~ ~~may~~ be scheduled by and settled through the Lake SC, in accordance with the ISO Tariff. Such [Lake SC](#) schedules will be subject to all applicable ISO charges. ~~Additionally, such s~~Schedules of Energy [by the Lake SC](#) shall be netted against the Adjusted Rancho Seco Logical Meter Read for Imbalance Energy settlement, as shown in Appendix B. The Lake SC will be directly responsible to the ISO for all Ancillary Services associated with the load SMUD allocates to Lake SC deliveries. [The UC Davis Medical Center Generating Unit SC shall be directly responsible to the ISO for the amount of generation provided by the UC Davis Medical](#)

---

<sup>1</sup> Although the COTP is being scheduled at Captain Jack for purposes of the ISO, the coordinated curtailment provisions established in the Coordinated Operations Agreement (COA) and the Extra-High Voltage Agreement for the COTP and the Pacific AC Intertie are being honored.

Center Generating Unit, as metered at SMUD's Mid-City Substation. Lake SC These deliveries ~~will then~~ shall be deemed to be firm purchases ~~which do not impact~~ for purposes of determining SMUD's reserve requirement per the IA. Because Lake SC schedules will be deemed delivered, they will not incur Imbalance Energy charges. Schedules to the ISO from the UC Davis Medical Center Generating Unit, as metered at SMUD's Mid-City Substation, will incur Imbalance Energy charges in accordance with the ISO Tariff and are the responsibility of the Scheduling Coordinator for the UC Davis Medical Center Generating Unit. The remaining SMUD's system imbalances will be settled between PG&E and SMUD pursuant to the IA, and between the ISO and PG&E pursuant to the RPTO Agreement.

- 5.1.7 The ISO will accommodate the provisions of this Agreement as the ISO Control Area Operator.

## **6 INFORMATION**

- 6.1 The ISO requires information identified in Section 5 and in Appendix A (attached to and incorporated into this Agreement by reference) to: operate the ISO Control Area reliably, calculate the correct Ancillary Services requirement for the ISO Control Area, and provide sufficient information to properly settle and bill all Scheduling Coordinators. For initial operations, the ISO agrees that information identified in Section 5 and Appendix A is sufficient for such purposes. All of the information provided by PG&E below, in the format agreed to in Appendix A, shall be forwarded to the ISO. Such information will be accurate to the best of each Party's knowledge without manipulation other than adjustments provided in this Agreement. The Parties may change the identified information from time to time based on operating experience by mutual agreement of the Parties. Information to be provided will include:
- 6.2 SMUD will provide for each hour in each day to PG&E, and PG&E will, in turn, provide to the ISO:
- 6.2.1 Estimated total SMUD gross (native) load. The load will be segmented into the load met by WAPA schedules for each hour; internal load met by generation for each hour; load met by deliveries to and from the Lake SC that require use of the ISO Controlled Grid for each hour; and any remaining load that will be met by delivery at Rancho Seco for each hour.
- 6.2.2 Total loaded SMUD generation.
- 6.2.3 Total SMUD imports at the WAPA interconnection.
- 6.2.4 Total SMUD exports at the WAPA interconnection.
- 6.3 PG&E will also provide to the ISO:

- 6.3.1 Total imports at the PG&E interconnection at Rancho Seco, to be provided via WEnet.
- 6.3.2 Total exports at the PG&E interconnection at Rancho Seco, to be provided via WEnet.
- 6.3.3 Total Operating Reserves, which will be separated by PG&E into (i) Operating Reserve requirements for the SMUD Load scheduled through WEnet by PG&E and (ii) the Operating Reserve requirements for the load information provided through the information process.
- 6.4 SMUD shall provide the above-specified information to PG&E by 1 p.m. each day for the next day, in accordance with SMUD's IA, and in the format set out in Appendix A. Appendix A may be changed by mutual written agreement of the Parties. PG&E shall send the information to the ISO via e-mail at [ssupv@caiso.com](mailto:ssupv@caiso.com), in the format set out in Appendix A, by approximately 2:30 p.m. for the next day's schedules.
- 6.5 SMUD and PG&E shall share information in accordance with SMUD's IA.
- 6.6 SMUD, on behalf of the UC Davis Medical Center, will provide or cause to be provided to the ISO energy control center via a dedicated communication link, the instantaneous metered quantities of generation MW and MVAR, as metered at SMUD's Mid-City Substation, in a form suitable for the ISO's Energy Management System.

## 7 METERING

- 7.1 Settlement between the ISO and PG&E, as SMUD's Scheduling Coordinator, will be based on values derived from readings at the Adjusted Rancho Seco Logical Meter Read, calculated in accordance with Appendix B. For the ISO's settlement purposes, Imbalances at Rancho Seco will be the obligation of PG&E, as SMUD's Scheduling Coordinator, pursuant to the RPTO Agreement.

## 8 ULTIMATE SOLUTION

- 8.1 The Parties agree that this Agreement is the first step in a solution which requires that: (a) all contract rights are honored and accommodated; and (b) all generation and demand is scheduled and input through the ISO's scheduling interface using the standard ISO templates and, to the extent possible, by the ISO timelines. The Parties agree to exercise good faith in an effort to agree upon and implement, as soon as practicable, a scheduling and settlement process that meets these criteria which will be included as Appendix D to this Agreement.

## 9 DISPUTE RESOLUTION

- 9.1 The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the ISO ADR Procedures set forth in Section 13 of the ISO Tariff, which is incorporated by reference into this Agreement, except that references to the ISO Tariff

shall be read as references to this Agreement. Disputes between PG&E and SMUD that do not involve the ISO will be settled in accordance with Section 8 of the IA.

## **10 REPRESENTATIONS AND WARRANTIES**

- 10.1 Each Party represents and warrants that the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate and/or governmental actions, to the extent required by law.

## **11 LIABILITY AND INDEMNIFICATION**

- 11.1 The provisions of Section 14 of the ISO Tariff will apply to each Party's liability arising under this Agreement, except that all references in Section 14 of the ISO Tariff to the ISO Tariff shall be read as references to this Agreement. SMUD's and PG&E's liability to the ISO under this Agreement will be limited to the failure to provide information as specified in this Agreement. The liability of SMUD and PG&E to each other will be governed by Section 10.13 and 10.15 of the IA.

## **12 UNCONTROLLABLE FORCES**

- 12.1 Section 15 of the ISO Tariff shall be incorporated by reference into this Agreement except that all references in such Section 15 to the ISO Tariff shall be read as references to this Agreement for the ISO and PG&E. Issues relating to Uncontrollable Forces requirements as between PG&E and SMUD will be governed by Section 10.22 of the IA.

## **13 MISCELLANEOUS**

- 13.1 Notices: Any notice, demand or request, which may be given to or made upon any Party regarding this Agreement, shall be made in accordance with Section 20.1 of the ISO Tariff. A Party must update the information in Appendix C, attached to and incorporated into this Agreement by reference, as such information changes as soon as possible. Such changes shall not constitute an amendment to this Agreement.
- 13.2 Waivers: Any waiver, at any time, by any Party, of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay in the exercise of a right under this Agreement, short of the statutory period of limitations in asserting or enforcing such right, shall not constitute or be deemed a waiver of such right.
- 13.3 Governing Law and Forum: This Agreement shall be deemed to be a contract made under, and for all purposes shall be governed by and construed in accordance with, the laws of the State of California, except its conflict of law provisions. The Parties irrevocably consent that any legal action or proceeding arising under or relating to this Agreement to which the ISO ADR Procedures do not apply shall be brought, as appropriate, in any of

the following forums: any court of the State of California, any federal court of the United States of America located in the State of California or, where subject to its primary or exclusive jurisdiction, before the Federal Energy Regulatory Commission.

- 13.4 Consistency with Federal Laws and Regulations: This Agreement shall incorporate by reference Section 20.8 of the ISO Tariff as if the references to the ISO Tariff were referring to this Agreement.
- 13.5 Merger: This Agreement, including Appendices A through C, constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior understandings, whether written or oral, with respect to such subject matter.
- 13.6 Section Headings: Section headings provided in this Agreement are for ease of reading and are not meant to interpret the text in the Section
- 13.7 Amendments: This Agreement and the Schedules attached hereto may be amended from time to time by mutual agreement of the Parties in writing. Amendments that are subject to FERC filing requirements shall not take effect until FERC has accepted such amendments for filing.
- 13.8 Counterparts: This Agreement may be executed in one or more counterparts at different times, each of which shall be regarded as an original and all of which, taken together, shall constitute one and the same Agreement.
- 13.9 Unilateral Filings: No Party shall have rights, pursuant to Section 205 of the Federal Power Act, to seek unilateral changes to this Agreement. The Parties however, reserve their rights under Section 206 of the Federal Power Act; provided, however, that nothing in this sentence shall be deemed to authorize a Section 206 filing relating to or impacting SMUD's rights and obligations established under other contracts.



**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be duly executed on behalf of each by and through their authorized representatives as of the date first above written.

**California Independent System Operator:**

By: \_\_\_\_\_  
Name  
\_\_\_\_\_ Date  
Title

**Pacific Gas and Electric Company:**

By: \_\_\_\_\_  
Name  
\_\_\_\_\_ Date  
Title

**Sacramento Municipal Utility District:**

By: \_\_\_\_\_  
Name  
\_\_\_\_\_ Date  
Title

**APPENDIX A**  
**OPERATIONAL DATA FOR TRADING DAY**  
 (suggested format)

Hour-Ending	100	200	300	400	500	600	700	800	900	1000	1100	1200
<b>Total Load</b>												
<b>Total Generation Internal Generation</b>												
<b>Total Operating Reserves WEnet Schedule Other Schedule</b>												
<b>Net "Bubble" imports [imports(+)/ exports(-)] Western CVP Schedules COTP Schedules Rancho Seco Schedules<sup>2</sup></b>												

Hour-Ending	1300	1400	1500	1600	1700	1800	1900	2000	2100	2200	2300	2400	Day Totals
<b>Total Load</b>													
<b>Total Generation Internal Generation</b>													
<b>Total Operating Reserves WEnet Schedule Other Schedule</b>													
<b>Net "Bubble" imports [imports(+)/ exports(-)] Western CVP Schedules COTP Schedules Rancho Seco Schedules<sup>3</sup></b>													

<sup>2</sup> Includes SMUD's external generation in PG&E's area.

## APPENDIX B CALCULATION OF SETTLEMENT

### SMUD Scheduling:

The SMUD is modeled by the ISO as the scheduled amounts of net generation (SMUD Gr<sub>S</sub>) or net demand (SMUD Lr<sub>S</sub>) at SMUD's Adjusted Rancho Seco Logical Meter Read. This will result in a net import or export for settlement purposes at Rancho Seco for SMUD.

### SMUD Settlements:

SMUD's logical (effective) meter at Rancho Seco (LM<sub>RS</sub>) is the sum of the meters, which define SMUD's service region perimeter or "bubble", for each Settlement Period, at Rancho Seco and Lake, adjusted for parallel flow at Elverta, and Hurley as follows:

Meters – Actual meter reads

$$M_{RS} = RS + LK + EL + HU + \text{UCMC}$$

RS = Rancho Seco actual meter reads for Settlement Period i

LK = Lake actual meter reads for Settlement Period i

EL = Elverta actual meter reads for Settlement Period i

HU = Hurley actual meter reads for Settlement Period i

UCMC = The metered quantity of generation from the UC Davis Medical Center Generating Unit as metered at SMUD's Mid-City Substation at 115 kV.

The actual meter read sign convention for direction of flow is as follows: Imports into the SMUD Service Region and the UC Davis Medical Center Generating Unit generation, as metered at SMUD's Mid-City Substation, are negative (-) and Exports from the SMUD Service Region are positive (+).

Adjusted Rancho Seco Logical Meter Read:

The Logical meter read at Rancho Seco must be adjusted (Adjusted Rancho Seco Logical Meter Read) for settlement purposes to reflect only the scheduled "net" generation (export) or Load

(import) at Rancho Seco and be consistent with the SMUD-PG&E Existing Contract. The Adjusted Rancho Seco Logical Meter Read is calculated as follows:

$$LM_{RS} \text{ adjusted} = M_{RS} - A + B + C$$

A = Schedules from entities (imports) with direct connections to non-ISO grid (i.e. transactions that use COTP or Western transmission facilities including COTP scheduled imports and Western 2948A schedules)

B = Schedules to entities (exports) with direct connections to non-ISO grid (i.e. transactions that use COTP or Western transmission)

C = Energy schedules to and from the Lake SC, imports are negative (-) and exports are positive (+).

The Adjusted Rancho Seco Logical Meter Read is compared to the scheduled “net” generation or demand at the Rancho Seco interchange takeout point as defined by the PG&E-SMUD IA under the RPTO.

**APPENDIX C  
NOTICES**

**PG&E:**

Name of Primary Representative: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip Code \_\_\_\_\_  
Email address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

Name of Alternative Representative: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip Code \_\_\_\_\_  
Email address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

**SMUD:**Name of Primary  
Representative:

---

Title:

---

Address:

---

City/State/Zip Code

---

Email address:

---

Phone:

---

Fax:

---

Name of Alternative  
Representative:

---

Title:

---

Address:

---

City/State/Zip Code

---

Email address:

---

Phone:

---

Fax:

---

**ISO:**

Name of Primary Representative: Byron Woertz  
Title: Director of Client Relations  
Address: 151 Blue Ravine Road  
City/State/Zip Code: Folsom, California 95630  
Email address: bwoertz@caiso.com  
Phone: (916) 351-4446  
Fax: (916) 351-2263

Name of Alternative Representative: Deborah A. Le Vine  
Title: Director of Contracts and Compliance  
Address: 151 Blue Ravine Road  
City/State/Zip Code: Folsom, California 95630  
Email address: dlevine@caiso.com  
Phone: (916) 351-2144  
Fax: (916) 351-2487

**APPENDIX D  
FINAL SOLUTION**

Document from Section 8.