

January 24, 2013

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

**Re: California Independent System Operator Corporation  
Filing of ISO Rate Schedule No. 65  
Docket No. ER13-\_\_\_\_-000**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”)<sup>1</sup> submits for filing and acceptance the First Amended Operating Agreement between the ISO and PacifiCorp (“Amended Operating Agreement”).<sup>2</sup> The ISO and PacifiCorp originally filed the Operating Agreement as part of a November 2007 settlement among several parties, including PacifiCorp and the ISO, in Docket Nos. ER07-1373, *et al.* (“Settlement”).<sup>3</sup>

The Amended Operating Agreement provides for PacifiCorp and its customers to receive “option” congestion revenue rights for transactions scheduled at a specific ISO scheduling point as the sink. The option congestion revenue rights will provide compensation based on the difference between the

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff and in the Amended Operating Agreement set forth in this filing.

<sup>2</sup> The ISO submits the Amended Operating Agreement pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Commission’s regulations, 18 C.F.R. Part 35, and in compliance with Order No. 714, *Electronic Tariff Filings*, FERC Stats. & Regs. ¶ 31,276 (2009). PacifiCorp is expected to file a certificate of concurrence in accordance with the Commission’s regulations to amend its Operating Agreement on file as Second Revised Rate Schedule No. 606, as well as revise its Open Access Transmission Tariff filed as part of the November 2007 settlement described in this filing, to reflect the Amended Operating Agreement.

<sup>3</sup> The Commission approved the Settlement in *PacifiCorp, et al.*, 121 FERC ¶ 61,278 (2007).

prices at the sink and the source locations.<sup>4</sup> This treatment contrasts with the current approach, where the ISO honors existing transmission ownership rights by reversing all the congestion charges for their transactions (a process called the “perfect hedge”). Pursuant to the Amended Operating Agreement, this election will be entirely voluntary, *i.e.*, PacifiCorp and its customers may choose to continue to receive the perfect hedge, and all other aspects of the Settlement will remain in full force and effect. The ISO requests that the Commission accept the Amended Operating Agreement effective as of April 1, 2013.

## **I. Background**

### **A. The Settlement**

The Settlement resolved issues concerning the coordinated operation of the Pacific AC Intertie (“PACI”) following the termination of the Agreement for Use of Transmission Capacity (“Capacity Agreement”) among Pacific Power & Light Company,<sup>5</sup> Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) in 2007. The PACI comprises two parallel 500 kV AC lines that run from the Malin substation in Oregon to the Tesla substation owned by PG&E in central California, including various associated facilities (sometimes referred to as the “PACI No. 1” and PACI No. 2” lines). These two line segments of the PACI from the Malin substation to the Round Mountain substation, together with the northern portion of the California Oregon Transmission Project (“COTP”), a third 500 kV line that runs from the Captain Jack substation in Oregon to an interconnection with the Pacific AC Intertie near PG&E's Tesla substation, constitute the California Oregon Intertie.

PacifiCorp built and owns the 47 miles of the eastern segment of the PACI line from the Malin substation to Indian Spring. Under the Capacity Agreement, PacifiCorp had leased the full capacity of the PacifiCorp segment to PG&E. PG&E owns the eastern segment of the line from Indian Spring to the Round Mountain substation. The western segment from the Malin substation to the Round Mountain substation is owned by the Western Area Power Administration (“Western”). PG&E owns both segments of the PACI from the Round Mountain substation to the Tesla substation.

All of the PACI facilities owned by PG&E or leased to PG&E by PacifiCorp have been under the operational control of the ISO pursuant to the Transmission

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<sup>4</sup> The option congestion revenue rights will provide a positive revenue stream to the holder. This contrasts with “obligation” congestion revenue rights, which can provide either a positive or negative revenue stream to the holder.

<sup>5</sup> PacifiCorp is the successor to Pacific Power & Light Company.

Control Agreement since 1998. The ISO also has transmission rights on the portions owned by Western pursuant to the Transmission Exchange Agreement on file with the Commission.<sup>6</sup>

The ISO assumed the coordination role for the California Oregon Intertie when the ISO commenced operations in 1998, and continues to perform the path operator function on behalf of the owners pursuant to the California Oregon Intertie Path Operating Agreement.<sup>7</sup> As of 2007, the agreements under which the ISO performed that role, pursuant to their own terms, were to terminate with the termination of the Capacity Agreement.<sup>8</sup>

After PacifiCorp in early 2007 indicated its intention to terminate the Capacity Agreement and to withdraw the capacity from ISO operational control, the parties commenced various proceedings and negotiations regarding the related agreements and the future coordination of the California Oregon Intertie. In an order issued on July 30, 2007, the Commission initiated a paper hearing on operational, maintenance, and planning issues related to the necessary agreements.<sup>9</sup> On September 14, 2007, while the proceedings were pending, the ISO filed an operating agreement in unexecuted form to ensure the continued reliable operation of the California Oregon Intertie in the event that the Commission allowed the termination of the Capacity Agreement.

The Settlement resolved all pending issues concerning the PacifiCorp segment of the PACI through a series of agreements, including the Operating Agreement. Under the Settlement, PacifiCorp and PG&E exchanged capacity such that each would control one-half of the capacity on the eastern segment of the PACI for the entire distance from the Malin substation to the Round Mountain substation. For ten years, PacifiCorp would lease a portion of the capacity under its control to PG&E. The lease initially would include all of the capacity under PacifiCorp's control, but, beginning on January 1, 2012, the capacity would revert over a period of time to PacifiCorp. The capacity that has reverted to PacifiCorp's use is referred to as the "PacifiCorp Share" in the Operating Agreement. The Settlement requires the scheduling of all transactions using the PacifiCorp Share to be in accordance with the Operating Agreement.

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<sup>6</sup> See generally *Pacific Gas and Elec. Co.*, 109 FERC ¶ 61,255 (2004).

<sup>7</sup> See generally *PacifiCorp, et al.*, 137 FERC ¶ 61,151 (2011).

<sup>8</sup> The two agreements are the Owners' Coordinated Operations Agreement and the California-Oregon Intertie Path Operator Agreement. The ISO is a party to the latter, but not the former. The other parties to these agreements are PG&E, SCE, SDG&E, participants in the COTP, and Western.

<sup>9</sup> *PacifiCorp*, 120 FERC ¶ 61,113, at PP 9, 35 (2007).

As the balancing authority for the area including the PACI, the ISO is responsible for, *inter alia*, approving and confirming interchange schedules, directing resources to ensure balance in real-time, and implementing redispatch as necessary for congestion management. As capacity on the PACI reverted to PacifiCorp, however, it would no longer be under the ISO's operational control and the ISO would not have been able to perform these functions under its tariff authority. The Operating Agreement addresses that problem by providing the ISO with contractual authority to fulfill its responsibilities as the balancing authority, removing any need to make an impracticable revision of the balancing authority area boundary to exclude the PacifiCorp Share.

## **B. Development of the Amended Operating Agreement**

Service under the Operating Agreement to PacifiCorp and its customers commenced on January 1, 2012, consistent with the Settlement. In Spring 2012, one of PacifiCorp's customers attempted to schedule an import at the Malin substation and an export at the Round Mountain 230kV bus, which is a scheduling point between the ISO and Western. This schedule was related to another scheduled import at the Round Mountain 230kV bus to bring the energy back into the ISO. Western informed the ISO that this represented unauthorized use of Western's transmission system. In order to provide the ISO and PacifiCorp time to address this issue, Western agreed to make partial transmission between the Round Mountain 230kV bus and the Cottonwood 230 kV bus temporarily available to PacifiCorp and its customers, which was promptly made available under Western's OATT, allowing PacifiCorp and its customers to schedule an import into the ISO at Round Mountain in a manner acceptable to Western and consistent with generally acceptable scheduling practices. This temporary solution afforded PacifiCorp and the ISO the time necessary to reach the understanding reflected in the Amended Operating Agreement.

Subsequent discussions between the ISO and PacifiCorp revealed a potential disagreement regarding the permissibility of the initial series of transactions in question under the Operating Agreement. No question existed with respect to the temporary scheduling solution described above, but this temporary solution has not been considered optimal since it involves obtaining transmission service from Western.

The ISO believes that the Settlement and the Operating Agreement treats the PacifiCorp Share as a transmission ownership right for purposes of scheduling and settlement, consistent with the terms of the ISO tariff applicable to such transmission ownership rights.<sup>10</sup> The ISO tariff requires a schedule on a transmission ownership right to be a balanced self-schedule – *i.e.*, to include both a demand and supply bid, and thus to require both a source and a sink.

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<sup>10</sup> See generally ISO tariff section 17.

PacifiCorp, however, believes that the Settlement and the Operating Agreement provide users of the PacifiCorp Share the opportunity to transfer energy directly to the ISO controlled grid at Round Mountain, exempt from the requirement for a balanced self-schedule with a specific physical source and sink.

Rather than continue to disagree or to initiate a dispute, the parties concluded after additional discussions that the proposed amendment to the Operating Agreement could achieve the objectives of PacifiCorp and its customers without the need to formally resolve these differing interpretations of the Settlement and the Operating Agreement. The Amended Operating Agreement does not in any way change or interpret the underlying principles or agreements reached as part of the Settlement – it merely provides for an option which can be utilized in a manner which is not inconsistent with the Settlement. After the Amended Operating Agreement goes into effect, the services provided under the Settlement will remain available to PacifiCorp and its customers.

## **II. Description of the Amended Operating Agreement**

The Amended Operating Agreement revises the Operating Agreement in several respects. Under the Amended Operating Agreement, PacifiCorp or a purchaser from PacifiCorp (*i.e.*, a PacifiCorp transmission customer requesting transmission service between Malin and Round Mountain) may elect the optional treatment described below. This requires PacifiCorp or a purchaser from PacifiCorp to release a portion of the capacity reserved as PacifiCorp's Share of the PACI for use by the ISO, rather than having it treated as a transmission ownership right, in exchange for receiving option congestion revenue rights ("PacifiCorp CRRs"). Any schedules on the remaining portion of the PacifiCorp Share will continue to be treated as transactions using PacifiCorp's transmission ownership rights in accordance with the Operating Agreement and the ISO tariff.

The following summarizes the proposed procedures concerning PacifiCorp CRRs (see Section 7.2 of the Amended Operating Agreement):

- On a quarterly basis, prior to the ISO's congestion revenue rights auction period, PacifiCorp or its purchasers may instruct the ISO to release a quantity of the PacifiCorp Share held by PacifiCorp or its purchasers for use by the ISO. In exchange, PacifiCorp or its purchaser will receive an equivalent quantity of PacifiCorp CRRs.
- Timing of a release of the PacifiCorp Share must follow the congestion revenue rights timeline, and the amount must remain unchanged for the quarterly election.
- The PacifiCorp CRRs associated with the release of a portion of the capacity of the PacifiCorp Share will not be available to another purchaser or candidate CRR holder during the full period that the capacity has been

released. However, once the ISO issues the PacifiCorp CRRs, they may be transferred consistent with the ISO tariff provisions applicable to the secondary registration system during the period such rights have been released.

- The ISO will allocate the PacifiCorp CRRs to PacifiCorp or a customer of PacifiCorp, now a CRR holder, with the source at the Malin scheduling point or the Round Mountain scheduling point, and a sink at the Round Mountain scheduling point or the Malin scheduling point.
- The PacifiCorp Share shall be reduced by an amount of capacity equivalent to the quantity of PacifiCorp CRRs, and the ISO will update its Open Access Same-Time Information System ("OASIS") accordingly to include the released portion of the PacifiCorp Share as available for use, consistent with the ISO tariff, as new firm use.
- Schedules associated with the quantity of the PacifiCorp Share released in exchange for PacifiCorp CRRs will have the same priority as other schedule requests on unreserved capacity at the Malin or Round Mountain scheduling points.
- The ISO will settle PacifiCorp CRRs as option congestion revenue right payments when there is a congestion price difference in the day-ahead market between the source and the sink, regardless of whether PacifiCorp or the purchaser submits a schedule. The ISO will not provide congestion revenue right payments for real-time congestion differences between the source and the sink.
- In the event of a derate of the California Oregon Intertie, the quantity of congestion revenue shall be determined by PacifiCorp's pro-rata share of unreserved capacity on the PACI.
- An entity must register and qualify as a candidate congestion revenue rights holder in order to convert its rights on the PacifiCorp Share to PacifiCorp CRRs or to acquire PacifiCorp CRRs in the secondary registration system.

In addition, the Amended Operating Agreement updates other aspects of the Operating Agreement to be consistent with current requirements and practices, most notably with respect to termination of the Western Electricity Coordinating Council ("WECC") reliability agreements following the effective date of the WECC and North American Electric Reliability Corporation ("NERC") reliability standards. Of note, the parties removed all references to the WECC agreements concerning reliability because these agreements have been superseded by the WECC and NERC reliability standards now in effect. The parties have agreed to use best efforts, in consultation with PG&E, to address

any issues regarding responsibility for compliance with the reliability standards and to enter into any further agreement necessary to clarify such responsibility with respect to the PacifiCorp Share, although at this time the parties have not determined that any such further agreement is necessary.

The balance of the proposed changes reflected in the Amended Operating Agreement are non-substantive clean-up changes and not specifically discussed here.

### **III. Benefits of the Amended Operating Agreement and Next Steps**

The proposed revisions set forth in the Amended Operating Agreement benefit both parties (the ISO and PacifiCorp) and the ISO market generally. To the extent that PacifiCorp and/or its transmission customer(s) releases portions of the PacifiCorp Share for use by the ISO, ISO market participants will be able to schedule transactions and the ISO will be able to address congestion more efficiently and reliably. In return, electing PacifiCorp CRRs provides PacifiCorp and its purchasers with some congestion revenue as a potential hedge against congestion if they also are scheduling transactions with the ISO, but this is not necessarily required. Alternatively, they can continue to schedule transactions as a transmission ownership right if they want to receive the “perfect hedge” for balanced source and sink transactions. This is an efficient outcome that increases their flexibility without costs to others.

The Amended Operating Agreement will have no effect on the congestion revenues received by other congestion revenue rights holders on the PACI. This is because the PacifiCorp CRRs do not actually increase or decrease the total amount of capacity available at these scheduling points. The total amount of capacity that potentially could become PacifiCorp CRRs is equal to the total amount of capacity reserved for the PacifiCorp Share. The Amended Operating Agreement simply makes the available capacity easier to use by PacifiCorp, its customers, and the entire market. Moreover, the ISO has taken the further step of mitigating the potential opportunity to draw on the congestion revenue account under derated conditions on the intertie by derating the quantity of congestion revenue payments associated with PacifiCorp CRRs. The congestion revenues will always correlate to the actual quantity of capacity associated with the PacifiCorp CRRs, just as they do with respect to the PacifiCorp Share that has been derated.

The ISO recognizes that similar benefits could be made available to other transmission ownership rights holders in its markets if a similar approach is taken with regard to other transmission ownership rights. Accordingly, the ISO intends to consider whether to initiate a stakeholder effort that would propose changes to its tariff consistent with the provisions of the Amend Operating Agreement. The ISO will gauge stakeholder interest in this proposal as part of its stakeholder market initiative planning in 2013. The Amended Operating Agreement accounts

for the possibility that such a proposal may be considered in a stakeholder process and filed with and accepted by the Commission. Specifically, the Amended Operating Agreement provides that all PacifiCorp CRRs would automatically convert to ISO tariff-based treatment applicable to such similar rights to the extent that the ISO proposes such provisions and they are accepted by the Commission, as of the effective date of such a Commission order. In the meantime, however, because the Amended Operating Agreement will address an immediate need to accommodate PacifiCorp's customers and avoid potential disputes between the ISO and PacifiCorp, the Commission should permit the Amended Operating Agreement to become effective while the broader stakeholder consideration of this matter continues.

#### **IV. Effective Date**

The ISO requests that the Amended Operating Agreement be made effective on April 1, 2013, as stated in Section 3.1 of that agreement. The ISO intends to release into production the software changes needed to implement the PacifiCorp CRRs on March 27, 2013, in anticipation of an April 1, 2013 effective date. In addition, the ISO will accept requests from PacifiCorp and its customers in accordance with the Amended Operating Agreement such that the election discussed above could be made effective beginning with the second quarter of 2013. However, the ISO will not allow conversion of any portion of the PacifiCorp Share into a PacifiCorp CRR without Commission authorization. Thus, the ISO will ensure that releasing this software in the production environment and accepting election requests from PacifiCorp and its customers will have no adverse impact.

#### **V. Expenses**

No expense or cost associated with this filing has been alleged or judged in any judicial or administrative proceeding to be illegal, duplicative, unnecessary, or demonstratively the product of discriminatory employment practices.

#### **VI. Service**

The ISO has served copies of this filing upon all parties to the Settlement and the associated dockets, 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) Amended Operating Agreement (Attachment A); and

- (3) A black-lined version of the Amended Operating Agreement showing changes to the currently effective Operating Agreement (Attachment B).

## **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  
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\* 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 Amended Operating Agreement, ISO Rate Schedule No. 65, to be effective as of March 1, 2013. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

**By: /s/ John C. Anders**

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Attorneys for the California Independent  
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**Attachment A – Clean Tariff**  
**Rate Schedule 65 – First Amended Operating Agreement**  
**between the ISO and PacifiCorp**  
**California Independent System Operator**  
**January 24, 2013**

**CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION**

**AND**

**PACIFICORP**

**FIRST AMENDED OPERATING  
AGREEMENT**

## Amended Operating Agreement

**THIS AMENDED OPERATING AGREEMENT (“Agreement”)** is made this 11<sup>th</sup> day of January, 2013. This Agreement replaces the Agreement made the 21st day of November, 2007, and is entered into, by and between:

(1) **PacifiCorp**, having a registered or principal executive office at **825 N.E. Multnomah Street, Suite 1600, Portland, Oregon 97232**,

and

(2) **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 CAISO Governing Board may from time to time designate (the “CAISO”).

Whereas:

- A.** The PACI consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2. Both PacifiCorp and Pacific Gas and Electric Company (“PG&E”) own portions of the PACI No. 2 between the Malin Substation and the Round Mountain Substation (“Malin-Round Mountain No. 2”). The Malin-Round Mountain No. 2 extends 94 miles between the Malin Substation, owned by PacifiCorp and located in southern Oregon near the California-Oregon border, and the Round Mountain Substation, owned by PG&E and located in northern California. PacifiCorp owns the northern 47 mile segment of the Malin-Round Mountain No. 2 between Malin and Indian Spring. PG&E owns the southern 47 mile segment of the Malin-Round Mountain No. 2 between Indian Spring and Round Mountain.
- B.** PacifiCorp, the CAISO, PG&E, and other interested parties have entered into an Offer of Settlement and Stipulation (“Settlement”), which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission (“FERC”) in Docket Nos. ER07-882, *et al.* Pursuant to the Settlement, PacifiCorp, PG&E, and the CAISO have entered into a Transmission Exchange Agreement (“TEA”) and PacifiCorp and PG&E have entered into the Agreement for Lease of Transmission Capacity (“Lease”). Among other things the Settlement and the TEA provide that PacifiCorp, commencing January 1, 2012, and subject to the Lease, may offer transmission service under PacifiCorp’s Open Access Transmission Tariff (“OATT”) using a designated share of the capacity of the Malin-Round Mountain No. 2 (“PacifiCorp Share”). PacifiCorp has elected to operate the PacifiCorp Share within the CAISO Balancing Authority Area as a Non-Participating Transmission Owner (“Non-PTO”).

- C. The CAISO is the Balancing Authority for the entire Malin-Round Mountain No. 2, including PacifiCorp's facilities between Malin and Indian Spring.
- D. The Owners Coordinated Operation Agreement ("OCO") is an agreement among the parties with ownership rights on the PACI and the California-Oregon Transmission Project ("COTP") that, together with the California-Oregon Intertie Path Operating Agreement ("COI-POA"), governs coordinated operations of the PACI and COTP, collectively the "System."
- E. Section 8.2.1 of the OCOA requires each OCOA party to "make arrangements... for its facilities that are a part of the System to be operated within a NERC certified Control Area and make reasonable efforts to require the Control Area Operator to operate such facilities in conformance with [the OCOA]." Under revised North American Electric Reliability Corporation ("NERC") procedures, the role of the Control Area Operator for purposes of the OCOA is fulfilled by the Balancing Authority.
- F. Pursuant to the Settlement, PacifiCorp became a party to the OCOA effective January 1, 2012, and PacifiCorp must make the arrangements referenced in E above with the Balancing Authority for the Malin-Round Mountain No. 2, which is the CAISO.
- G. As the Balancing Authority for the Malin-Round Mountain No. 2, the CAISO needed scheduling, meter, and Outage information from PacifiCorp commencing January 1, 2012, to fulfill its Balancing Authority responsibilities. Because PacifiCorp will be a new Non-PTO transmission provider in the CAISO Balancing Authority Area, the CAISO has no existing agreements with PacifiCorp under which PacifiCorp is obligated to provide such information.
- H. The CAISO and PacifiCorp entered into the November 21, 2007, version of this Agreement consistent with the Settlement. The CAISO and PacifiCorp agree that, unless alternative arrangements are mutually agreed to by PacifiCorp and the CAISO, this Agreement will be needed even if the TEA is superseded by an agreement between PacifiCorp and PG&E to exchange ownership of portions of their respective interests in the Malin-Round Mountain No. 2 consistent with the Settlement.
- I. The CAISO and PacifiCorp have entered into this amendment to provide an option related to the scheduling of PacifiCorp's share of reserved transmission capacity that allows a holder of reserved transmission capacity to elect the perfect hedge afforded TOR holders or a congestion credit, provided the transmission capacity is released to the CAISO. The CAISO anticipates a stakeholder process to afford similar treatment to all TOR holders, and it is the intent of the Parties for the option afforded PacifiCorp under this Agreement to be superceded by the applicable CAISO Tariff provisions; provided, however, that any such applicable CAISO Tariff provisions are expected to afford PacifiCorp with rights that are substantially similar to what is agreed upon in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

**1. DEFINITIONS AND INTERPRETATION**

**1.1 Master Definitions Supplement.** Except as otherwise defined in Section 1.3 of this Agreement, all terms and expressions used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.

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

- (a) if and to the extent a matter is specifically addressed by a provision of this Agreement, the provision of this Agreement shall govern notwithstanding any inconsistent provisions of the CAISO Tariff;
- (b) if and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern;
- (c) the singular shall include the plural and vice versa;
- (d) the masculine shall include the feminine and neutral and vice versa;
- (e) "or" is used in the conjunctive sense;
- (f) "includes" or "including" shall incorporate "without limitation";
- (g) references to a Section or Schedule shall mean a Section or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (h) except as otherwise provided, a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
- (i) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
- (j) unless the context otherwise requires, any reference to a "person" includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
- (k) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (l) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and

- (m) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

**1.3 Special Agreement Definitions.** In addition to terms defined in the beginning of this Agreement and in Section 1.1 of this Agreement, for purposes of this Agreement the following terms shall have the meanings set forth below.

**Administrative Committee** means the committee described in Section 7 of the OCOA.

**Applicable Requirements** means, in relation to PacifiCorp's interest in the System, any applicable law or regulation; any standards, procedures or requirements of (i) NERC, (ii) WECC, (iii) the CAISO, as Balancing Authority, or (iv) any other person or entity or tariff or rate schedule that are legally binding on PacifiCorp's interest in the System, which may include operational control; in each case as amended from time to time and whether now existing or hereafter imposed or arising.

**Available System Transfer Capability ("ASTC")** means the portion of Rated System Transfer Capability ("RSTC") that is physically capable of transmitting power based on operating conditions, other than loop flow, existing at a given time as determined in accordance with Section 11.1 of the OCOA.

**Balancing Authority and Balancing Authority Area** have the meaning given them in the "Glossary of Terms Used in Reliability Standards" adopted by the North American Electric Reliability Corporation ("NERC") on November 1, 2006, and revised thereafter from time to time.

**CAISO Tariff** means the transmission tariff of the CAISO on file with FERC as it may be amended from time to time, specifically including changes to the CAISO Tariff to implement the Market Redesign and Technology Upgrade ("MRTU"), as approved by FERC in FERC Docket Nos. ER06-615, ER07-1257, and other dockets related to MRTU.

**California-Oregon Border ("COB")** means the cut-plane where the COI crosses the border between the State of California and the State of Oregon, parallel to such border.

**California-Oregon Intertie ("COI")** means the two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation.

**California-Oregon Intertie Path Operating Agreement ("COI-POA")** means the agreement originally dated October 21, 2004, among Southern California Edison Company, PG&E, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western"), and the CAISO, and as amended and effective January 1, 2012.

**Coordinated Functional Registration Agreement** means an agreement for the allocation of responsibilities for compliance with the reliability standards adopted and/or approved by FERC, NERC, and WECC.

**COTP** means the California-Oregon Transmission Project, a 500-kV transmission line and associated facilities between the Captain Jack substation near COB and the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP's conductors extending from the Tracy Substation meet PG&E's conductors extending from PG&E's Tesla Substation.

**Curtailement** means a temporary reduction in schedules on the System in accordance with Section 11 of the OCOA.

**E&O Committee** means the body described in Section 7 of the OCOA.

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

**Indian Spring** means the point of change of ownership along the Malin-Round Mountain No. 2 between PG&E and PacifiCorp, between Round Mountain and Malin Substations.

**Lease** means the Lease between PacifiCorp and PG&E (PacifiCorp Rate Schedule FERC No. 607, Pacific Gas and Electric Company Rate Schedule FERC No. 240), effective January 1, 2008, under which PacifiCorp leases to PG&E portions of PacifiCorp's Malin-Round Mountain No. 2 capacity, including portions of its capacity acquired by exchange under the Transmission Exchange Agreement, effective January 1, 2008, among PacifiCorp, PG&E, and the CAISO.

**Malin-Round Mountain No. 2** means the portion of the PACI No. 2 owned by PacifiCorp between Malin Substation and Indian Spring and the portion of the PACI No. 2 owned by PG&E between Indian Spring and Round Mountain Substation.

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

**NERC** means the North American Electric Reliability Corporation or its successor.

**Non-Participating Transmission Owner ("Non-PTO")** means an entity owning transmission facilities within the CAISO Balancing Authority Area that is not a signatory to the Transmission Control Agreement.

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

**Open Access Transmission Tariff ("OATT")** means a tariff adopted pursuant to FERC Order Nos. 888 and 890.

**Owners Coordinated Operation Agreement ("OCA")** means the contract among the owners of the PACI and COTP transmission facilities governing the coordinated operation of the PACI and the COTP, as it may be amended.

**Pacific AC Intertie ("PACI")** means that portion of the 500 kV AC Pacific Northwest Pacific Southwest Intertie consisting of two 500 kV lines, the PACI No. 1 and the PACI No. 2 located between Malin Substation and PG&E's Tesla Substation, associated 500 kV facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP's conductors extending from the Tracy Substation meet PG&E's conductors extending from PG&E's Tesla Substation, including lines, substations, and associated facilities.

**PacifiCorp CRR** means the amount of the PacifiCorp TOR released to the CAISO market and eligible for a congestion credit as a Congestion Revenue Right consistent with the provision for CRR Options.

**PacifiCorp Share** means the Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and the TEA, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, the Lease, and the TEA, the PacifiCorp Share shall increase from 300 MW in 2012 to 800 MW in 2018 and subsequent years, as such share may be adjusted pursuant to those agreements to reflect increases in the capacity of the Malin-Round Mountain No. 2.

**PacifiCorp TOR** means the TOR established for PacifiCorp for the PacifiCorp Share, described in the attached Schedule 1.

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

**Party** means each of the signatories to this Agreement (PacifiCorp and the CAISO).

**Path Operator for COI** means the entity, currently the CAISO, selected pursuant to Section 8.1.2 of the OCOA, which performs the duties described in Section 8.1.6 of the OCOA.

**PG&E** means the Pacific Gas and Electric Company.

**Rated System Transfer Capability (“RSTC”)** means the Non-Simultaneous Transfer Capability of the System at COB as determined by the Administrative Committee in accordance with Section 9 of the OCOA.

**Requesting Entity** means, for PacifiCorp Bus Bar Rights, PacifiCorp, its Scheduling Coordinator, or any PacifiCorp customer requesting use of the PacifiCorp Bus Bar Rights granted to PacifiCorp at Round Mountain Substation. For PG&E Bus Bar Rights, a Requesting Entity is PG&E, the CAISO, or any customer of PG&E or the CAISO requesting the use of PG&E Bus Bar Rights for energy that is scheduled using PG&E’s capacity available for service under the CAISO’s Tariff or other transmission tariff applicable to transmission service using such PG&E capacity on the Malin-Round Mountain No. 2.

**Settlement** means the Offer of Settlement and Stipulation and all of its Appendices, Docket Nos. ER07-882, *et al.* as approved by the FERC.

**System** means the combined COTP and PACI (including the Malin-Round Mountain No. 2).

**Transmission Control Agreement** means CAISO FERC Electric Tariff No. 7, on file with FERC.

**Transmission Exchange Agreement (“TEA”)** means the agreement among PacifiCorp, the CAISO, and PG&E governing the use of transmission capacity on the Malin-Round Mountain No. 2 approved by FERC in Docket Nos. ER07-882, *et al* (PacifiCorp Rate Schedule FERC No. 608, CAISO Rate Schedule FERC No. 66, and PG&E Rate Schedule FERC No. 239).

**TOR** means a Transmission Ownership Right, which is an ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-PTO that has not executed the Transmission Control Agreement, which transmission facilities are not incorporated into the CAISO Controlled Grid.

**TOR Option CRR** means the equivalent of a PacifiCorp CRR as developed by the CAISO through its tariff stakeholder and board approval processes, and approved by FERC pursuant to a final order, by whatever name it may be designated in the CAISO Tariff.

**WECC** means the Western Electricity Coordinating Council.

## 2. SCOPE OF AGREEMENT

This Agreement governs the operational, scheduling, and Settlements requirements of the CAISO with respect to the PacifiCorp Share. The PacifiCorp Share shall be a TOR subject to the terms of this Agreement. For reliable operation of the Balancing Authority Area, the CAISO requires transmission operators and Scheduling Coordinators to provide schedules in accordance with the CAISO Tariff. PacifiCorp shall designate itself or another entity as a Scheduling Coordinator for this function.

### **3. TERM AND TERMINATION**

- 3.1 Term.** This Agreement shall become effective April 1, 2013, and shall continue in effect until December 31, 2027, unless the Parties agree by an amendment to extend the term or until termination under Section 3.2 of this Agreement.

This Agreement is expressly conditioned upon FERC acceptance, without any material change or new condition, of this Agreement.

- 3.2 Termination.** This Agreement may be terminated at the earliest of:

- (a) six months after mutual agreement of the Parties;
- (b) PacifiCorp's execution of the Transmission Control Agreement;
- (c) the termination of the OCOA or the COI-POA; or
- (d) in accordance with Sections 4.3 and 11.5 of the Settlement.

With respect to any notice of termination given pursuant to this Section, the CAISO or PacifiCorp must file a timely notice of termination with FERC or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met. This Agreement shall terminate upon acceptance by FERC of such a notice of termination. Any outstanding charges or settlements that arose under this Agreement shall survive until they are satisfied.

### **4. OPERATING REQUIREMENTS**

- 4.1 Operating Requests.** The CAISO shall respond to operating requests from the Path Operator for COI in a timely manner in accordance with the COI-POA and the CAISO Tariff unless specific threats to human safety or serious and imminent adverse impacts to reliability of the CAISO Balancing Authority Area would result.
- 4.2 Maintenance.** The CAISO shall coordinate maintenance schedules and operation of the System as may be required to: i) maintain the reliability of the interconnected Electric Systems, ii) minimize the total cost of maintenance, iii) reduce losses, iv) maintain voltage levels, v) minimize reactive interchange, and vi) minimize the magnitude and duration of reductions in ASTC.
- 4.3 Outages.** The CAISO shall coordinate and approve Outages that affect ASTC with appropriate parties, the Path Operator for COI, the Pacific Northwest Path Operator, and other entities to minimize adverse impacts to ASTC. All requests for Outages must be approved by the CAISO, which approval shall be granted in accordance with the CAISO Tariff. The CAISO shall coordinate the removal from, and restoration to, service for any facilities within the CAISO Balancing Authority Area that affect ASTC.

- 4.4 Emergency Response.** The CAISO shall initiate requests for emergency response procedures to isolate inoperable components of the System and to restore the remaining System facilities to service without undue delay.
- 4.5 Studies.** The CAISO shall, in coordination with other parties that choose to participate and as concurred by the Administrative Committee, prepare short-term operating studies, including contingency studies of potential Outages and disturbances, which affect ASTC and submit them upon request to the E&O Committee for review.
- 4.6 COB Schedules.** PacifiCorp's Scheduling Coordinator shall, as required, provide total schedules at COB to the CAISO for the PacifiCorp Share using PacifiCorp OATT service; and the CAISO shall provide such schedules to the Path Operator for COI. The CAISO, the Path Operator for COI, and PacifiCorp shall develop operating procedures to provide the timing and format in which schedules are given to the Path Operator for COI.
- 4.7 COI Emergencies.** The CAISO shall, in the event of and for the duration of a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as the CAISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force. Such action may include or result in, without limitation, Curtailments in accordance with Section 11 of the OCOA and directing the operation of System facilities in a manner that is reasonable and practical under the circumstances
- 4.8 Voltage Control and Reactive Support.** PacifiCorp shall make available to the CAISO and shall operate the voltage control and reactive facilities on its portion of the System to meet voltage control standards under Applicable Requirements and the CAISO Tariff. The CAISO shall coordinate the use of the available voltage control and reactive support devices to maintain the reliable operation of the System in accordance with Good Utility Practice.
- 4.9 Removal From and Restoration To Service.** PacifiCorp acting in coordination with the CAISO, in accordance with Section 9 of the CAISO Tariff, may remove from service, and following an Outage shall restore to service, all or part of its respective System facilities, provided that PacifiCorp may authorize PG&E to coordinate with the CAISO concerning the removal of PacifiCorp's System facilities from service in accordance with an operation and maintenance agreement between PacifiCorp and PG&E as contemplated in the Settlement Agreement.
- 4.10 Bus Bar Rights.** PacifiCorp shall have the right to offer, in connection with transmission service under its OATT, its capacity on the Malin-Round Mountain No. 2 between Malin and Round Mountain, to transfer energy, in quantities up to the equivalent of the capacity available to PacifiCorp to offer for service under its OATT in accordance with this Section 4 and subject to the TEA and the Lease, across the bus at the Round Mountain interconnection(s) between or among

PG&E, Western, and any other transmission owner that has interconnecting facilities at Round Mountain (“Bus Bar Rights”).

Any use by a Requesting Entity of PacifiCorp “Bus Bar Rights” may only apply to energy that is scheduled using PacifiCorp’s capacity available for service under PacifiCorp’s OATT between Malin and Round Mountain on the Malin-Round Mountain No. 2.

The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PG&E electric system at Round Mountain that uses the PacifiCorp “Bus Bar Rights” is subject to any applicable agreements and limitations relating to that interconnection, including the maximum transfer capability for the Round Mountain interconnection as established (or as may be established) pursuant to those agreements. These agreements include, without limitation, the CAISO-SMUD Interconnected Control Area Operating Agreement (“ICAOA”) and the Western-PG&E Parallel Operations Agreement (“WP-POA”). For example, in the event that a Requesting Entity requests service under Western’s OATT that requires use of PacifiCorp “Bus Bar Rights” between the Malin-Round Mountain No. 2 line and the Western system over the Round Mountain interconnection, and if such requested transmission service under Western’s OATT would exceed the maximum transfer capability for the Round Mountain interconnection as established (or as may be established) in accord with the WP-POA, or, to the extent applicable, the ICAOA, any studies (including system impact studies) required under Western’s OATT or other applicable agreements will be performed at that time.

Any Requesting Entity or Requesting Entities that seek(s) transmission service that would involve transmitting energy between Balancing Authority Areas in excess of established transfer capability across an interconnection with the PG&E electric system at Round Mountain using the PacifiCorp “Bus Bar Rights” will pay for any necessary upgrades or mitigation of adverse impacts associated with accommodating the service in accord with then-effective, applicable agreements and/or tariffs.

If there is any inconsistency between this Operating Agreement and the applicable terms of the Western-SMUD Control Area Agreement, Western’s OATT, or any currently-existing FERC-approved agreements and tariffs, including but not limited to, the WP-POA, ICAOA, SMUD-PG&E Interconnection Agreement, the CAISO Tariff, and the PacifiCorp-PG&E Interconnection Agreement, including as such terms may be modified in the future, the terms of the other agreements will prevail to the extent of the inconsistency, except for terms expressly provided for in the Settlement.

## **5. RELIABILITY MANAGEMENT**

**5.1 Reliability Standards.** The CAISO and PacifiCorp are each registered with NERC as balancing authorities and transmission operators and are responsible for compliance with the associated reliability standards established, adopted, and/or approved by FERC, NERC, and WECC. The PacifiCorp Share relates to facilities owned by PacifiCorp as a Non-PTO in the CAISO Balancing Authority Area and PG&E as a Participating TO in the CAISO Balancing Authority Area. Accordingly, the Parties, in consultation with PG&E, shall use their best efforts to address any issues regarding responsibility for compliance with transmission operator-related reliability responsibilities applicable to the PacifiCorp Share within six (6) months after the Effective Date of this Agreement and, if necessary, enter into a Coordinated Functional Registration Agreement to be submitted to WECC or some other arrangement agreed to by the Parties. If either Party believes such an agreement is necessary but the Parties are unable to reach agreement, then that Party may pursue dispute resolution under this Agreement.

## **6. COSTS, CHARGES AND PAYMENT**

- 6.1 Operating and Maintenance Costs.** PacifiCorp shall be responsible for its operating and maintenance costs incurred in connection with operating and maintaining its Electric System and its ownership interest in the System. The CAISO shall not be responsible for paying any operating and maintenance charges from PacifiCorp for costs so incurred.
- 6.2 Charges Not Generally Affected.** Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of the CAISO for use of the CAISO Controlled Grid. Transmission service customers of the CAISO using the CAISO's markets or the CAISO Controlled Grid shall pay rates and charges in accordance with the CAISO Tariff. All schedules using PG&E's share of the Malin-Round Mountain No. 2 constitute use of the CAISO Controlled Grid. In addition, nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of PacifiCorp for use of the PacifiCorp Share of the Malin-Round Mountain No. 2. Transmission service customers of PacifiCorp using the PacifiCorp Share shall pay rates and charges in accordance with PacifiCorp's OATT.
- 6.3 CAISO Charges.** Except as otherwise provided in this Agreement, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for its transmission customers for schedules within the CAISO Balancing Authority Area shall include all CAISO Market charges (including Ancillary Service charges and Congestion charges), Grid Management Charges ("GMC"), and losses, as applicable to import and export schedules and Inter-SC Trades in accordance with the CAISO Tariff. Notwithstanding the foregoing and notwithstanding any revisions made to the CAISO Tariff after the Effective Date of this Agreement, the CAISO shall apply the versions of Sections 8.6.3 and 17.3.3(3) of the CAISO Tariff as set forth in Schedule 3 of this Agreement to the PacifiCorp TOR for: (1) the use of the PacifiCorp Share to transfer energy to or from the CAISO Controlled Grid at

Round Mountain, or (2) use of the PacifiCorp Share to transfer energy across the bus at the Round Mountain interconnection to or from the transmission system of Western or to or from the transmission system of any other transmission owner having interconnected facilities at Round Mountain that are not a part of the CAISO Controlled Grid. The CAISO shall not assess any charges that are not applicable to the PacifiCorp TOR to any entity that receives or delivers energy pursuant to import or export schedules using the PacifiCorp TOR on the other side of the Round Mountain bus via interconnected facilities that are not part of the CAISO Controlled Grid, provided that such entity neither receives from nor delivers to the CAISO Controlled Grid any portion of such energy. In no event shall this exemption from CAISO charges apply to transactions using Malin-Round Mountain No. 2 capacity in excess of the PacifiCorp Share or transactions using any portion of the PacifiCorp Share treated as a PacifiCorp CRR pursuant to the process described in Section 7.2 of this Agreement. Charges to PacifiCorp's Scheduling Coordinator or transmission customers for transmission losses related to use of the PacifiCorp Share shall be based on a calculation of losses on the 500 kV Malin-Round Mountain No. 2.

**6.4 Changes in Rates.** The CAISO waives its rights, for a period of 20 years from January 1, 2008, under Section 205 of the Federal Power Act, 16 U.S.C. § 824d, as amended, unilaterally to propose or make effective any changes to this Agreement that would alter the exemption from Congestion charges and other charges related to the PacifiCorp TOR between Malin and Round Mountain, as provided in Section 6.3 of this Agreement. The CAISO agrees that any changes, including changes in rates, the CAISO unilaterally proposes to the CAISO Tariff under Section 205 of the Federal Power Act during the period of 20 years from January 1, 2008, shall not be construed to alter or negate the exemption from Congestion charges and other charges related to the PacifiCorp TOR between Malin and Round Mountain, as provided in Section 6.3 of this Agreement. The CAISO further waives for the period of 20 years from January 1, 2008, the right to unilaterally propose or make effective any change to Schedule 1 or Schedule 3 of this Agreement. Except as provided in this Section 6.4, however, nothing contained in this Agreement shall be construed as affecting in any way the right of PacifiCorp or the CAISO unilaterally to make application to FERC for a change in rates under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder. Subject to the waivers set forth in this Section 6.4, the standard of review the Federal Energy Regulatory Commission shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 6.3 of this Agreement, either on the Commission's own motion or at the request of a Party or any other person, shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The term "rates" as used in the preceding sentence shall mean a statement of electric services provided in accordance with this Agreement, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts, including but not limited to this Agreement, which in any manner affect or relate to such services, rates

and charges. A change in rates may include, but not be limited to, changes in rates, charges and the underlying methodology by which such rates and charges are developed.

**6.5 Payment.** All payments to the CAISO will be made in accordance with the CAISO Tariff and the applicable Business Practice Manual.

## **7. SCHEDULING AND UNUSED CAPACITY**

**7.1 No Impact on CAISO Operational Control of PG&E Facilities.** The Parties agree that nothing in this Agreement diminishes or modifies the CAISO's Operational Control of the PG&E share of the Malin-Round Mountain No. 2.

**7.2 Scheduling.** PacifiCorp or its designated Scheduling Coordinator shall schedule with the CAISO all transactions on the PacifiCorp Share in accordance with the scheduling provisions of the CAISO Tariff, the applicable Business Practice Manual, CAISO scheduling process, CAISO procedures, and CAISO time lines. PacifiCorp's Scheduling Coordinator shall meet all requirements with respect to Scheduling Coordinators in the CAISO Tariff. All schedules submitted on the PacifiCorp Share shall be submitted into the CAISO market transmission reservation system ("SI" or "SIBR" as applicable) and shall be submitted by PacifiCorp's Scheduling Coordinator.

PacifiCorp and/or a purchaser may release a portion of PacifiCorp's Share from treatment as PacifiCorp TOR in exchange for PacifiCorp CRRs from the CAISO consistent with the following:

**7.2.1** On a quarterly basis, prior to the CAISO's CRR Auction period, PacifiCorp and/or purchasers may instruct CAISO to release a quantity of the PacifiCorp Share held by PacifiCorp or purchaser for use by the CAISO. The PacifiCorp Share shall not be released for CRR Allocation or CRR Auction for other CRR participants, other than those satisfying the requirements herein.

**7.2.2** Timing of a CRR Holder's release of the PacifiCorp Share must follow the CAISO's CRR Allocation timeline, with elections received by the CAISO at least ten (10) days before the published release date of the CRR Full Network Model for the CRR Allocation period associated with the release. The amount of PacifiCorp CRRs must remain unchanged for the quarter.

**7.2.3** The PacifiCorp Share converted to PacifiCorp CRRs will not be available to another purchaser or Candidate CRR Holder for the full period such rights have been released to the CAISO. However, once converted, PacifiCorp CRRs may be transferred consistent with the CAISO Tariff provisions associated with the Secondary Registration System for the full period such rights have been released to the CAISO.

- 7.2.4 PacifiCorp CRRs will be allocated to a CRR Holder with the source of Malin 500 kV or Round Mountain 500 kV ("Source") and a sink of Round Mountain 500 kV or Malin 500 kV ("Sink").
- 7.2.5 The PacifiCorp Share shall be reduced by the quantity of PacifiCorp CRRs held by CRR Holders following the quarterly election process. The PacifiCorp Share shall be adjusted by the CAISO systems and reflect only the remaining PacifiCorp TOR not converted to PacifiCorp CRRs. CAISO will update ASTC and its posting on its Open Access Same-Time Information System accordingly to include the released portion of the PacifiCorp Share. CAISO may use all of the released portion of the PacifiCorp Share in the Day-Ahead Market and Real Time Market and reflect as ASTC, consistent with the CAISO Tariff, as new firm use.
- 7.2.6 Schedules associated with the quantity of the PacifiCorp Share converted to PacifiCorp CRRs will have the same priority as other schedule requests on unreserved capacity at Malin.
- 7.2.7 PacifiCorp CRRs shall be settled as Option CRR payments for the released capacity when there is a congestion price difference in the Day Ahead Market between Source and Sink regardless of whether PacifiCorp or the purchaser schedules at Malin. No congestion settlement will be made for real-time congestion differences between Source and Sink.
- 7.2.8 In the event of a COI derate, the quantity of congestion revenue shall be determined by PacifiCorp's pro-rata share of unreserved capacity on the PACI.
- 7.2.9 All PacifiCorp CRRs will automatically convert to TOR Option CRRs upon the effective date of the CAISO Tariff amendment providing equivalent treatment to any TOR holder and no further PacifiCorp CRRs may be created pursuant to this Agreement. All conversions after the effective date of the CAISO Tariff amendment providing equivalent treatment to any TOR holder must follow the provisions of the CAISO tariff applicable to TOR Option CRRs.
- 7.2.10 An entity must register and qualify as a Candidate CRR Holder in order to convert its PacifiCorp Share to PacifiCorp CRRs or to acquire PacifiCorp CRRs in the Secondary Registration System.

**7.3 Unused Capacity.** After the deadline for schedule changes under the Hour Ahead Scheduling Process of the CAISO Tariff or other applicable deadline authorized pursuant to this Section 7.3 has passed, the CAISO may use any unused capacity on the PacifiCorp Share as necessary to maintain reliability of the interconnected Electric Systems without compensation to PacifiCorp. PacifiCorp's Scheduling Coordinator will not have the right to adjust schedules after the close of the deadline for schedules in the Hour-Ahead Scheduling

Process or other applicable deadline authorized pursuant to this Section 7.3. In the event that the CAISO Tariff is modified after the date of execution of this Agreement to permit schedule changes for Balancing Authority Area interties to be submitted after the deadline for schedule changes under the Hour Ahead Scheduling Process (or the deadline for a successor hour-ahead process or hour-ahead market), the applicable deadline for PacifiCorp's Scheduling Coordinator to adjust schedules on the PacifiCorp Share shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

## **8. DISPUTE RESOLUTION**

**8.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO Alternative Dispute Resolution ("ADR") Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement.

## **9. LIABILITY**

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

## **10. UNCONTROLLABLE FORCES**

**10.1 Uncontrollable Forces.** Section 14 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement.

## **11. NO DEDICATION OF FACILITIES**

**11.1 No Dedication of Facilities.** Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall at all times be, and remain in the exclusive ownership, possession, and control of, that Party and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession, or control of such Electric System.

## **12. REGULATORY AUTHORITY**

- 12.1 FERC Jurisdiction.** This Agreement is subject to acceptance for filing by, and the regulatory jurisdiction of, FERC.
- 12.2** Nothing contained herein shall be construed as affecting in any way the right of any party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act ("FPA") and pursuant to the FERC's Rules and Regulations promulgated thereunder.
- 12.3** Nothing contained herein shall be construed as affecting in any way the right of the CAISO unilaterally to make application to FERC for a change in the terms and conditions of this Agreement under Section 205 of the FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder in the event that PacifiCorp terminates its obligations under the OCOA or the COI-POA, but the OCOA and the COI-POA otherwise remain in full force and effect.

## **13. MISCELLANEOUS**

- 13.1 Assignments.** Either Party may assign or transfer any or all of its rights or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.
- 13.2 Notices.** Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.
- 13.3 Waivers.** Any waivers at any time by either Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.
- 13.3.1 Dispute Resolution.** 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 negotiation between the representatives of the parties. If the representatives are unable to resolve the issue within ten (10) days after presentation of the dispute, then:

- (1) 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.
- (2) 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 agree to resolve the issue as provided in Section 8.1 of this Agreement.

**13.4 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 CAISO ADR Procedures do not apply shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before FERC.

**13.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement

**13.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.

**13.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

**13.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments shall not take effect until FERC has accepted such amendments for filing and made them effective.

**13.9 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.

**IN WITNESS WHEREOF,** the Parties have caused this Agreement to be executed by their respective authorized officials.

**California Independent System Operator Corporation:**

By:  \_\_\_\_\_

Name: Eric Schmitt

Title: Vice President, Operations

Date: January 11, 2013 \_\_\_\_\_

**PacifiCorp:**

By: \_\_\_\_\_

Name: Natalie L. Hocken

Title: Senior Vice President, PacifiCorp Transmission and System Operations

Date: \_\_\_\_\_

**13.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments shall not take effect until FERC has accepted such amendments for filing and made them effective.

**13.9 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.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed by their respective authorized officials.

**California Independent System Operator Corporation:**

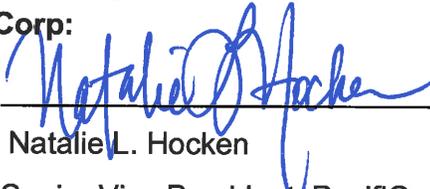
By: \_\_\_\_\_

Name: Eric Schmitt

Title: Vice President, Operations

Date: \_\_\_\_\_

**PacifiCorp:**

By:  \_\_\_\_\_

Name: Natalie L. Hocken

Title: Senior Vice President, PacifiCorp Transmission and System Operations

Date: 1/9/13 \_\_\_\_\_

**SCHEDULE 1**  
**PACIFICORP TRANSMISSION OWNERSHIP RIGHT**

The PacifiCorp Share, i.e., the portion of the Malin-Round Mountain No. 2, currently rated at 1600 MW for north to south flow and 1225 MW for south to north flow as established pursuant to the OCOA and the WECC rating process, available to PacifiCorp, pursuant to the Settlement and TEA, and subject to the Lease, to provide transmission service under the PacifiCorp OATT.

**SCHEDULE 2  
NOTICES**

**PacifiCorp**

Name of Primary Representative: Rick Vail  
Title: Vice President, Transmission  
Address: 825 NE Multnomah, Suite 1600  
City/State/Zip Code: Portland, OR 97232  
Email Address: kenneth.houston@pacificorp.com  
Phone: (503) 813-6721  
Fax No: (503) 813-5767

Name of Alternative Representative: Shay LaBray  
Title: Manager, Contract Administration  
Address: 825 NE Multnomah, Suite 1600  
City/State/Zip Code: Portland, OR 97232  
Email Address: shayleah.labray@pacificorp.com  
Phone: (503) 813-6176  
Fax No: (503) 813-5767

## CAISO

Name of Primary Representative: Roni L. Reese  
Title: Senior Contracts Analyst  
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Name of Alternative Representative: Debi Le Vine  
Title: Director, Infrastructure Contracts and Management  
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### **SCHEDULE 3 INCORPORATED CAISO TARIFF PROVISIONS**

Below is the text of two CAISO Tariff provisions, incorporated herein by Section 6.3. This text was taken from the CAISO's Market Redesign and Technology Upgrade Tariff.

#### **8.6.3 Services Which May Be Self-Provided.**

The CAISO shall permit Scheduling Coordinators to self-provide the following Ancillary Services:

- (a) Regulation Up;
- (b) Regulation Down;
- (c) Spinning Reserve; and
- (d) Non-Spinning Reserve.

Submissions to Self Provide Regulation Up and Regulation Down capacity will be rejected if Energy Bid provided in the submission is outside of the resource's regulating range. The CAISO may from time to time add other Ancillary Services to this list as it considers appropriate.

#### **17.3.3 Treatment of Valid TOR Self-Schedules**

The resulting valid TOR Self-Schedules shall have the following Settlement treatment:

\* \* \*

(3) The CAISO will assess only charges applicable to Ancillary Services, Imbalance Energy, and Transmission Losses for the use of a TOR and will not assess charges for neutrality, UFE, transmission Access Charges, Minimum Load Costs, or other charges that might otherwise be applicable to the Demand or exports served solely over the TOR. The CAISO will assess charges applicable to Ancillary Services for the use of a TOR only to the extent that the CAISO must procure Ancillary Services for the TOR holder because Ancillary Services are not self-provided by the TOR holder. The CAISO will assess charges applicable to Imbalance Energy for the use of a TOR only if the CAISO must procure Imbalance Energy for the TOR holder.

**Attachment B – Marked Tariff**  
**Rate Schedule 65 – First Amended Operating Agreement**  
**between the ISO and PacifiCorp**  
**California Independent System Operator**  
**January 24, 2013**

**CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION**

**AND**

**PACIFICORP**

**FIRST AMENDED OPERATING  
AGREEMENT**

## **Amended Operating Agreement**

**THIS AMENDED OPERATING AGREEMENT** ~~is made this~~ (“**Agreement**”) ~~is made this~~ day of January, 2013. This Agreement replaces the Agreement made the 21st day of November, 2007, and is entered into, by and between:

(1) **PacifiCorp**, having a registered or principal executive office at **825 N.E. Multnomah Street, Suite 1600, Portland, Oregon 97232**,

and

(2) **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 CAISO Governing Board may from time to time designate (the “CAISO”).

Whereas:

- A.** The PACI consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2. Both PacifiCorp and Pacific Gas and Electric Company (“PG&E”) own portions of the PACI No. 2 between the Malin Substation and the Round Mountain Substation (“Malin-Round Mountain No. 2”). The Malin-Round Mountain No. 2 extends 94 miles between the Malin Substation, owned by PacifiCorp and located in southern Oregon near the California-Oregon border, and the Round Mountain Substation, owned by PG&E and located in northern California. PacifiCorp owns the northern 47 -mile segment of the Malin-Round Mountain No. 2 between Malin and Indian Spring. PG&E owns the southern 47 mile segment of the Malin-Round Mountain No. 2 between Indian Spring and Round Mountain.
- B.** PacifiCorp, the CAISO, PG&E, and other interested parties have entered into an Offer of Settlement and Stipulation (“**Settlement**”), which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission (“**FERC**”) in Docket Nos. ER07-882, *et al.* Pursuant to the Settlement, PacifiCorp, PG&E, and the CAISO have entered into a Transmission Exchange Agreement (“TEA”) and PacifiCorp and PG&E have entered into the Agreement for Lease of Transmission Capacity (“Lease”). Among other things, the Settlement and the TEA provide that PacifiCorp, commencing in January 1, 2012, and subject to the Lease, may offer transmission service under ~~the PacifiCorp~~ PacifiCorp’s Open Access Transmission Tariff (“OATT”) using a designated share of the capacity of the Malin-Round Mountain No. 2 (“PacifiCorp Share”). PacifiCorp has elected to operate the PacifiCorp Share within the CAISO Balancing Authority Area as a Non-Participating Transmission Owner (“Non-PTO”).

- C. The CAISO is the Balancing Authority for the entire Malin-Round Mountain No. 2, including PacifiCorp's facilities between Malin and Indian Spring.
- D. The Owners Coordinated Operation Agreement ("OCOA") is an agreement among the parties with ownership rights on the PACI and the California-Oregon Transmission Project ("COTP") that, together with the California-Oregon Intertie Path Operating Agreement ("COI-POA"), governs coordinated operations of the PACI and COTP, collectively the "System."
- E. Section 8.2.1 of the OCOA requires each OCOA party to "make arrangements... for its facilities that are a part of the System to be operated within a NERC certified Control Area and make reasonable efforts to require the Control Area Operator to operate such facilities in conformance with [the OCOA]." Under revised North American Electric Reliability Corporation ("NERC") procedures, the role of the Control Area Operator for purposes of the OCOA is fulfilled by the Balancing Authority.
- F. Pursuant to the Settlement, PacifiCorp ~~shall become~~became a party to the OCOA effective January 1, 2012, and PacifiCorp must make the arrangements referenced in E above with the Balancing Authority for the Malin-Round Mountain No. 2, which is the CAISO.
- G. As the Balancing Authority for the Malin-Round Mountain No. 2, the CAISO ~~needs~~needed scheduling, meter, and Outage information from PacifiCorp commencing ~~in~~January 1, 2012, to fulfill its Balancing Authority responsibilities. Because PacifiCorp will be a new Non-PTO transmission provider in the CAISO Balancing Authority Area, the CAISO has no existing agreements with PacifiCorp under which PacifiCorp is obligated to provide such information.
- H. The CAISO and PacifiCorp ~~are entering~~entered into the November 21, 2007, version of this Agreement consistent with the Settlement. The CAISO and PacifiCorp agree that, unless alternative arrangements are mutually agreed to by PacifiCorp and the CAISO, this Agreement will be needed even if the TEA is superseded by an agreement between PacifiCorp and PG&E to exchange ownership of portions of their respective interests in the Malin-Round Mountain No. 2 consistent with the Settlement.
- I. The CAISO and PacifiCorp have entered into this amendment to provide an option related to the scheduling of PacifiCorp's share of reserved transmission capacity that allows a holder of reserved transmission capacity to elect the perfect hedge afforded TOR holders or a congestion credit, provided the transmission capacity is released to the CAISO. The CAISO anticipates a stakeholder process to afford similar treatment to all TOR holders, and it is the intent of the Parties for the option afforded PacifiCorp under this Agreement to be superceded by the applicable CAISO Tariff provisions; provided, however, that any such applicable CAISO Tariff provisions are expected to afford PacifiCorp with rights that are substantially similar to what is agreed upon in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants set forth herein, **THE PARTIES AGREE** as follows:

## **1. DEFINITIONS AND INTERPRETATION**

**1.1 Master Definitions Supplement.** Except as otherwise defined in Section 1.3 of this Agreement, all terms and expressions used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement to the CAISO Tariff.

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

- (a) if and to the extent a matter is specifically addressed by a provision of this Agreement, the provision of this Agreement shall govern notwithstanding any inconsistent provisions of the CAISO Tariff;
- (b) if and to the extent this Agreement provides that a matter shall be determined in accordance with the applicable provisions of the CAISO Tariff, the applicable provisions of the CAISO Tariff shall govern;
- (c) the singular shall include the plural and vice versa;
- (d) the masculine shall include the feminine and neutral and vice versa;
- (e) “or” is used in the conjunctive sense;
- (f) “includes” or “including” shall incorporate “without limitation”;
- (g) references to a Section or Schedule shall mean a Section or a Schedule of this Agreement, as the case may be, unless the context otherwise requires;
- (h) except as otherwise provided, a reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented, or restated through the date as of which such reference is made;
- (i) unless the context otherwise requires, references to any law shall be deemed references to such law as it may be amended, replaced, or restated from time to time;
- (j) unless the context otherwise requires, any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, or other entity, in each case whether or not having separate legal personality;
- (k) unless the context otherwise requires, any reference to a Party includes a reference to its permitted successors and assigns;
- (l) any reference to a day, week, month, or year is to a calendar day, week, month, or year; and

- (m) the captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the terms and conditions of this Agreement.

**1.3 Special Agreement Definitions.** In addition to terms defined in the beginning of this Agreement and in Section 1.1 of this Agreement, for purposes of this Agreement the following terms shall have the meanings set forth below.

**Administrative Committee** means the committee described in Section 7 of the OCOA.

**Applicable Requirements** means, in relation to PacifiCorp's interest in the System, any applicable law or regulation; any standards, procedures or requirements of (i) NERC, (ii) WECC, (iii) the CAISO, as Balancing Authority, or (iv) any other person or entity or tariff or rate schedule that are legally binding on PacifiCorp's interest in the System, which may include operational control; in each case as amended from time to time and whether now existing or hereafter imposed or arising.

**Available System Transfer Capability ("ASTC")** means the portion of Rated System Transfer Capability ("RSTC") that is physically capable of transmitting power based on operating conditions, other than loop flow, existing at a given time as determined in accordance with Section 11.1 of the OCOA.

**Balancing Authority and Balancing Authority Area** have the meaning given them in the "Glossary of Terms Used in Reliability Standards" adopted by the North American Electric Reliability Corporation ("NERC") on November 1, 2006, and revised thereafter from time to time.

**CAISO Tariff** means the transmission tariff of the CAISO on file with ~~the Federal Energy Regulatory Commission ("FERC")~~ as they it may be amended from time to time, specifically including changes to the CAISO Tariff to implement the Market Redesign and Technology Upgrade ("MRTU"), as ~~may be~~ approved by FERC in FERC Docket Nos. ER06-615, ER07-1257, and other dockets related to MRTU.

**California-Oregon Border ("COB")** means the cut-plane where the COI crosses the border between the State of California and the State of Oregon, parallel to such border.

**California-Oregon Intertie ("COI")** means the two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation.

**California-Oregon Intertie Path Operating Agreement ("COI-POA")** means the agreement originally dated October 21, 2004, among Southern California Edison Company, ~~Pacific Gas and Electric Company~~ PG&E, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western"), and the CAISO, and as ~~it may be~~ amended and effective January 1, 2012.

**Coordinated Functional Registration Agreement** means an agreement for the allocation of responsibilities for compliance with the reliability standards adopted and/or approved by FERC, NERC, and WECC.

**COTP** means the California-Oregon Transmission Project, a 500-kV transmission line and associated facilities between the Captain Jack substation near COB and the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP's conductors extending from the Tracy Substation meet PG&E's conductors extending from PG&E's Tesla Substation.

**Curtailment** means a temporary reduction in schedules on the System in accordance with Section 11 of the OCOA.

**E&O Committee** means the body described in Section 7 of the OCOA.

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

**Indian Spring** means the point of change of ownership along the Malin-Round Mountain No. 2 between PG&E and PacifiCorp, between Round Mountain and Malin Substations.

**Lease** means the Lease between PacifiCorp and PG&E (PacifiCorp Rate Schedule FERC No. 607, Pacific Gas and Electric Company Rate Schedule FERC No. 240), effective January 1, 2008, under which PacifiCorp leases to PG&E portions of PacifiCorp's Malin-Round Mountain No. 2 capacity, including portions of its capacity acquired by exchange under the Transmission Exchange Agreement, effective January 1, 2008, among PacifiCorp, PG&E, and the CAISO.

**Malin-Round Mountain No. 2** means the portion of the PACI No. 2 owned by PacifiCorp between Malin Substation and Indian Spring and the portion of the PACI No. 2 owned by PG&E between Indian Spring and Round Mountain Substation.

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

**NERC** means the North American Electric Reliability Corporation or its successor.

**Non-Participating Transmission Owner ("Non-PTO")** means an entity owning transmission facilities within the CAISO Balancing Authority Area that is not a signatory to the Transmission Control Agreement.

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

**Open Access Transmission Tariff ("OATT")** means a tariff adopted pursuant to FERC Order Nos. 888 and 890.

**Owners Coordinated Operation Agreement ("OCA")** means the contract among the owners of the PACI and COTP transmission facilities governing the coordinated operation of the PACI and the COTP, as it may be amended.

**Pacific AC Intertie ("PACI")** means that portion of the 500 kV AC Pacific Northwest Pacific Southwest Intertie consisting of two 500 kV lines, the PACI No. 1 and the PACI No. 2 located between Malin Substation and PG&E's Tesla Substation, associated 500 kV facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the eastern boundary of the existing right-of-way of the Tesla-Tracy 500 kV transmission line, at which the COTP's conductors extending from the Tracy Substation meet PG&E's conductors extending from PG&E's Tesla Substation, including lines, substations, and associated facilities.

**PacifiCorp CRR means the amount of the PacifiCorp TOR released to the CAISO market and eligible for a congestion credit as a Congestion Revenue Right consistent with the provision for CRR Options.**

**PacifiCorp Share** means the Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and the TEA, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, the Lease, and the TEA, the PacifiCorp Share shall increase from 300 MW in 2012 to 800 MW in 2018 and subsequent years, as such share may be adjusted pursuant to those agreements to reflect increases in the capacity of the Malin-Round Mountain No. 2.

**PacifiCorp TOR** means the TOR established for PacifiCorp for the PacifiCorp Share, described in the attached Schedule 1.

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

**Party** means each of the signatories to this Agreement (PacifiCorp and the CAISO).

**Path Operator for COI** means the entity, currently the CAISO, selected pursuant to Section 8.1.2 of the OCOA, which performs the duties described in Section 8.1.6 of the OCOA.

**PG&E** means the Pacific Gas and Electric Company.

**Rated System Transfer Capability (“RSTC”)** means the Non-Simultaneous Transfer Capability of the System at COB as determined by the Administrative Committee in accordance with Section 9 of the OCOA.

~~**Reliability Management System (“RMS”)** means the contractual reliability management program implemented through the WECC Reliability Criteria Agreement or its successor agreement and arrangement, the WECC RMS Agreement, this Agreement, and any similar contractual arrangement.~~

~~**Reliability Standards Agreement** means an agreement for the allocation of responsibilities for compliance with the mandatory Reliability Standards adopted by FERC, NERC, and WECC.~~

**Requesting Entity** means, for PacifiCorp Bus Bar Rights, ~~a Requesting Entity is~~ PacifiCorp, its Scheduling Coordinator, or any PacifiCorp customer requesting use of the PacifiCorp Bus Bar Rights granted to PacifiCorp at Round Mountain Substation. For PG&E Bus Bar Rights, a Requesting Entity is PG&E, the CAISO, or any customer of PG&E or the CAISO requesting the use of PG&E Bus Bar Rights for energy that is scheduled using PG&E’s capacity available for service under the CAISO’s Tariff or other transmission tariff applicable to transmission service using such PG&E capacity on the Malin-Round Mountain No. 2.

**Settlement** means the Offer of Settlement and Stipulation and all of its Appendices, Docket Nos. ER07-882, *et al.* as approved by the FERC.

**System** means the combined COTP and PACI (including the Malin-Round Mountain No. 2).

**Transmission Control Agreement** means CAISO FERC Electric Tariff No. 7, on file with FERC.

**Transmission Exchange Agreement (“TEA”)** means the agreement among PacifiCorp, the CAISO, and PG&E governing the use of transmission capacity on the Malin-Round Mountain No. 2 approved by ~~the Federal Energy Regulatory Commission~~ FERC in Docket Nos. ER07-882, *et al* (PacifiCorp Rate Schedule FERC No. 608, CAISO Rate Schedule FERC No. 66, and ~~Pacific Gas and Electric Company~~ PG&E Rate Schedule FERC No. 239).

**TOR** means a Transmission Ownership Right, which is an ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-PTO that has not executed the Transmission Control Agreement, which transmission facilities are not incorporated into the CAISO Controlled Grid.

**TOR Option CRR** means the equivalent of a PacifiCorp CRR as developed by the CAISO through its tariff stakeholder and board approval processes, and approved by FERC pursuant to a final order, by whatever name it may be designated in the CAISO Tariff.

**WECC** means the Western ~~Electric~~Electricity Coordinating Council.

~~**WECC Reliability Criteria Agreement** means the agreement dated June 18, 1999 among the WECC and certain of its member transmission operators, as such may be amended from time to time.~~

~~WECC RMS Agreement means the Reliability Management System Agreement between the WECC and the CAISO requiring the CAISO to comply with the reliability criteria contained in the WECC Reliability Criteria Agreement or its successor agreement or arrangement, as such may be amended from time to time.~~

## 2. SCOPE OF AGREEMENT

This Agreement governs the operational, scheduling, and Settlements requirements of the CAISO with respect to the PacifiCorp Share. The PacifiCorp Share shall be a TOR subject to the terms of this Agreement. For reliable operation of the Balancing Authority Area, the CAISO requires transmission operators and Scheduling Coordinators to provide schedules in accordance with the CAISO Tariff. PacifiCorp shall designate itself or another entity as a Scheduling Coordinator for this function.

## 3. TERM AND TERMINATION

- 3.1 **Term.** This Agreement shall ~~be binding upon the signature of the Parties to this Agreement and shall~~ become effective ~~as of the later of i) January 1, 2012, or ii) the date this Agreement, and amendments to the OCOA and the COI-POA making PacifiCorp a party to the OCOA and the COI-POA, are accepted for filing and made effective by FERC April 1, 2013,~~ and shall continue in effect until December 31, 2027, unless the Parties agree by an amendment to extend the term or until termination under Section 3.2 of this Agreement.

This Agreement is expressly conditioned upon FERC acceptance, without any material change or new condition, of this Agreement ~~and of the Settlement Agreement of which it is a component.~~

- 3.2 **Termination.** This Agreement may be terminated at the earliest of:

- (a) six months after mutual agreement of the Parties;
- (b) PacifiCorp's execution of the Transmission Control Agreement;
- (c) the termination of the OCOA or the COI-POA; or
- (d) in accordance with Sections 4.3 and 11.5 of the ~~Offer of Settlement and Stipulation.~~

With respect to any notice of termination given pursuant to this Section, the CAISO or PacifiCorp must file a timely notice of termination with FERC or must otherwise comply with the requirements of FERC Order No. 2001 and related FERC orders. The filing of the notice of termination will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met. This Agreement shall terminate upon acceptance by FERC of such a notice of termination, ~~if filed with FERC, or if terminated in~~

~~accordance with the requirements of FERC Order No. 2001 and related FERC orders, at such time as prescribed thereunder.~~ Any outstanding charges or settlements that arose under this Agreement shall survive until they are satisfied.

#### 4. OPERATING REQUIREMENTS

- 4.1 Operating Requests.** The CAISO shall respond to operating requests from the Path Operator for COI in a timely manner in accordance with the COI-POA and the CAISO Tariff unless specific threats to human safety or serious and imminent adverse impacts to reliability of the CAISO Balancing Authority Area would result.
- 4.2 Maintenance.** The CAISO shall coordinate maintenance schedules and operation of the System as may be required to: i) maintain the reliability of the interconnected Electric Systems, ii) minimize the total cost of maintenance, iii) reduce losses, iv) maintain voltage levels, v) minimize reactive interchange, and vi) minimize the magnitude and duration of reductions in ASTC.
- 4.3 Outages.** The CAISO shall coordinate and approve Outages that affect ASTC with appropriate parties, the Path Operator for COI, the Pacific Northwest Path Operator, and other entities to minimize adverse impacts to ASTC. All requests for Outages must be approved by the CAISO, which approval shall be granted in accordance with the CAISO Tariff. The CAISO shall coordinate the removal from, and restoration to, service for any facilities within the CAISO Balancing Authority Area that affect ASTC.
- 4.4 Emergency Response.** The CAISO shall initiate requests for emergency response procedures to isolate inoperable components of the System and to restore the remaining System facilities to service without undue delay.
- 4.5 Studies.** The CAISO shall, in coordination with other parties that choose to participate, and as concurred by the Administrative Committee, prepare short-term operating studies, including contingency studies of potential Outages and disturbances, which affect ASTC and submit them upon request to the E&O Committee for review.
- 4.6 COB Schedules.** PacifiCorp's Scheduling Coordinator shall, as required, provide total schedules at COB to the CAISO for the PacifiCorp Share using PacifiCorp OATT service, and the CAISO shall provide such schedules to the Path Operator for COI. The CAISO, the Path Operator for COI, and PacifiCorp shall develop operating procedures to provide the timing and format in which schedules are given to the Path Operator for COI.
- 4.7 COI Emergencies.** The CAISO shall, in the event of, and for the duration of, a System Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Good Utility Practice as the CAISO determines necessary to mitigate or eliminate the System Emergency or Uncontrollable Force. Such action may include or result in, without limitation, Curtailments in

accordance with Section 11 of the OCOA and directing the operation of System facilities in a manner that is reasonable and practical under the circumstances.

- 4.8 Voltage Control and Reactive Support.** PacifiCorp shall make available to the CAISO and shall operate the voltage control and reactive facilities on its portion of the System to meet voltage control standards under Applicable Requirements and the CAISO Tariff. The CAISO shall coordinate the use of the available voltage control and reactive support devices to maintain the reliable operation of the System in accordance with Good Utility Practice.
- 4.9 Removal From and Restoration To Service.** PacifiCorp acting in coordination with the CAISO, in accordance with Section 9 of the CAISO Tariff, may remove from service, and following an Outage shall restore to service, all or part of its respective System facilities, provided that PacifiCorp may authorize PG&E to coordinate with the CAISO concerning the removal of PacifiCorp's System facilities from service in accordance with an operation and maintenance agreement between PacifiCorp and PG&E as contemplated in the Settlement Agreement.
- 4.10 Bus Bar Rights.** PacifiCorp shall have the right to offer, in connection with transmission service under its OATT, its capacity on the Malin-Round Mountain No. 2 between Malin and Round Mountain, to transfer energy, in quantities up to the equivalent of the capacity available to PacifiCorp to offer for service under its OATT in accordance with this Section 4 and subject to the TEA and the Lease, across the bus at the Round Mountain interconnection(s) between or among PG&E, Western, and any other transmission owner that has interconnecting facilities at Round Mountain ("Bus Bar Rights").

Any use by a Requesting Entity of PacifiCorp "Bus Bar Rights" may only apply to energy that is scheduled using PacifiCorp's capacity available for service under PacifiCorp's OATT between Malin and Round Mountain on the Malin-Round Mountain No. 2.

The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PG&E electric system at Round Mountain that uses the PacifiCorp "Bus Bar Rights" is subject to any applicable agreements and limitations relating to that interconnection, including the maximum transfer capability for the Round Mountain interconnection as established (or as may be established) pursuant to those agreements. These agreements include, without limitation, the CAISO-SMUD Interconnected Control Area Operating Agreement ("ICAOA") and the Western-PG&E Parallel Operations Agreement ("WP-POA"). For example, in the event that a Requesting Entity requests service under Western's OATT that requires use of PacifiCorp "Bus Bar Rights" between the Malin-Round Mountain No. 2 line and the Western system over the Round Mountain interconnection, and if such requested transmission service under Western's OATT would exceed the maximum transfer capability for the Round Mountain interconnection as established (or as may be established) in accord with the WP-POA, or, to the

extent applicable, the ICAOA, any studies (including system impact studies) required under Western's OATT or other applicable agreements will be performed at that time.

Any Requesting Entity or Requesting Entities that seek(s) transmission service that would involve transmitting energy between Balancing Authority Areas in excess of established transfer capability across an interconnection with the PG&E electric system at Round Mountain using the PacifiCorp "Bus Bar Rights" will pay for any necessary upgrades or mitigation of adverse impacts associated with accommodating the service in accord with then-effective, applicable agreements and/or tariffs.

If there is any inconsistency between this Operating Agreement and the applicable terms of the Western-SMUD Control Area Agreement, ~~the Western~~Western's OATT, or any currently-existing FERC-approved agreements and tariffs, including but not limited to, the WP-POA, ICAOA, SMUD-PG&E Interconnection Agreement, the CAISO Tariff, and the PacifiCorp-PG&E Interconnection Agreement, including as such terms may be modified in the future, the terms of the other agreements will prevail to the extent of the inconsistency, except for terms expressly provided for in the Settlement.

## 5. RELIABILITY MANAGEMENT

**5.1 Reliability Standards.** The CAISO and PacifiCorp are each registered with NERC as balancing authorities and transmission operators and are responsible for compliance with the associated reliability standards established, adopted, and/or approved by FERC, NERC, and WECC. The PacifiCorp Share relates to facilities owned by PacifiCorp as a Non-PTO in the CAISO Balancing Authority Area and PG&E as a Participating TO in the CAISO Balancing Authority Area. Accordingly, the Parties, in consultation with PG&E, shall use their best efforts to address any issues regarding responsibility for compliance with transmission operator-related reliability responsibilities applicable to the PacifiCorp Share within six (6) months after the Effective Date of this Agreement and, if necessary, enter into a Coordinated Functional Registration Agreement to be submitted to WECC or some other arrangement agreed to by the Parties. If either Party believes such an agreement is necessary but the Parties are unable to reach agreement, then that Party may pursue dispute resolution under this Agreement.

**5.1 ~~Purpose.~~** ~~In order to maintain the reliable operation of the transmission grid, the WECC Reliability Criteria Agreement or its successor agreement or arrangement, sets forth reliability criteria adopted by the WECC with which PacifiCorp and the CAISO shall be required to comply.~~

**5.2 ~~Compliance.~~** ~~Section III.K to Annex A of the WECC Reliability Criteria Agreement or its successor agreement or arrangement, provides for Qualified Path Unscheduled Flow Relief and the System is a qualified path. PacifiCorp and the CAISO shall comply with the requirements of the WECC Reliability Criteria Agreement or its successor agreement and arrangement, and, in the event of failure to comply, each Party agrees to be subject to the sanctions~~

~~applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WECC Reliability Criteria Agreement or its successor agreement and arrangement. Moreover, if PacifiCorp is not directly sanctioned and the CAISO is sanctioned on behalf of PacifiCorp, PacifiCorp agrees to reimburse the CAISO for its proportionate share of such sanction.~~

~~**5.3 — Publication.** PacifiCorp consents to the release by the WECC of information related to PacifiCorp's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement or its successor agreement and arrangement.~~

~~**5.4 — Reserved Rights.** Nothing in the WECC RMS Agreement or the WECC Reliability Criteria Agreement or its successor agreement and arrangement shall affect the right of the CAISO, subject to any necessary regulatory approval, to take such other measures to maintain reliability which the CAISO may otherwise be entitled to take.~~

~~**5.5 — Reliability Standards.** PacifiCorp, as a Non-PTO, shall execute a Reliability Standards Agreement including all of the substantive terms and conditions of any such CAISO pro forma Reliability Standards Agreement for Participating Transmission Owners or other Market Participants as FERC may approve.~~

## **6. COSTS, CHARGES AND PAYMENT**

**6.1 Operating and Maintenance Costs.** PacifiCorp shall be responsible for its operating and maintenance costs incurred in connection with operating and maintaining its Electric System and its ownership interest in the System. The CAISO shall not be responsible for paying any operating and maintenance charges from PacifiCorp for costs so incurred.

**6.2 Charges Not Generally Affected.** Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of the CAISO for use of the CAISO Controlled Grid. Transmission service customers of the CAISO using the CAISO's markets or the CAISO Controlled Grid shall pay rates and charges in accordance with the CAISO Tariff. All schedules using PG&E's share of the Malin-Round Mountain No. 2 constitute use of the CAISO Controlled Grid. In addition, nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of PacifiCorp for use of the PacifiCorp Share of the Malin-Round Mountain No. 2. Transmission service customers of PacifiCorp using the PacifiCorp Share shall pay rates and charges in accordance with PacifiCorp's OATT.

**6.3 CAISO Charges.** Except as otherwise provided in this Agreement, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for its transmission customers for schedules within the CAISO Balancing Authority Area shall include all CAISO Market charges (including Ancillary Service charges and Congestion charges), Grid Management Charges ("GMC"), and losses, as applicable to

import and export schedules and Inter-SC Trades in accordance with the CAISO Tariff. Notwithstanding the foregoing and notwithstanding any revisions made to the CAISO Tariff after the Effective Date of this Agreement, the CAISO shall apply the versions of Sections 8.6.3 and 17.3.3(3) of the CAISO Tariff as set forth in Schedule 3 of this Agreement to the PacifiCorp TOR for: (1) the use of the PacifiCorp Share to transfer energy to or from the CAISO Controlled Grid at Round Mountain, or (2) use of the PacifiCorp Share to transfer energy across the bus at the Round Mountain interconnection to or from the transmission system of Western or to or from the transmission system of any other transmission owner having interconnected facilities at Round Mountain that are not a part of the CAISO Controlled Grid. The CAISO shall not assess any charges that are not applicable to the PacifiCorp TOR to any entity that receives or delivers energy pursuant to import or export schedules using the PacifiCorp TOR on the other side of the Round Mountain bus via interconnected facilities that are not part of the CAISO Controlled Grid, provided that such entity neither receives from nor delivers to the CAISO Controlled Grid any portion of such energy. In no event shall this exemption from CAISO charges apply to transactions using Malin-Round Mountain No. 2 capacity in excess of the PacifiCorp Share or transactions using any portion of the PacifiCorp Share treated as a PacifiCorp CRR pursuant to the process described in Section 7.2 of this Agreement. Charges to PacifiCorp's Scheduling Coordinator or transmission customers for transmission losses related to use of the PacifiCorp Share shall be based on a calculation of losses on the 500 kV Malin-Round Mountain No. 2.

- 6.4 Changes in Rates.** The CAISO waives its rights, for a period of 20 years from January 1, 2008, under Section 205 of the Federal Power Act, 16 U.S.C. § 824d, as amended, unilaterally to propose or make effective any changes to this Agreement that would alter the exemption from Congestion charges and other charges related to the PacifiCorp TOR between Malin and Round Mountain, as provided in Section 6.3 of this Agreement. The CAISO agrees that any changes, including changes in rates, the CAISO unilaterally proposes to the CAISO Tariff under Section 205 of the Federal Power Act during the period of 20 years from January 1, 2008, shall not be construed to alter or negate the exemption from Congestion charges and other charges related to the PacifiCorp TOR between Malin and Round Mountain, as provided in Section 6.3 of this Agreement. The CAISO further waives for the period of 20 years from January 1, 2008, the right to unilaterally propose or make effective any change to Schedule 1 or Schedule 3 of this Agreement. Except as provided in this Section 6.4, however, nothing contained in this Agreement shall be construed as affecting in any way the right of PacifiCorp or the CAISO unilaterally to make application to FERC for a change in rates under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder. Subject to the waivers set forth in this Section 6.4, the standard of review the Federal Energy Regulatory Commission shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 6.3 of this Agreement, either on the Commission's own motion or at the request of a Party or any other person, shall

be the “just and reasonable” standard of review rather than the “public interest” standard of review. The term “rates” as used in the preceding sentence shall mean a statement of electric services provided in accordance with this Agreement, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts, including but not limited to this Agreement, which in any manner affect or relate to such services, rates and charges. A change in rates may include, but not be limited to, changes in rates, charges and the underlying methodology by which such rates and charges are developed.

**6.5 Payment.** All payments to the CAISO will be made in accordance with the CAISO Tariff and the applicable Business Practice Manual.

## **7. SCHEDULING AND UNUSED CAPACITY**

**7.1 No Impact on CAISO Operational Control of PG&E Facilities.** The Parties agree that nothing in this Agreement diminishes or modifies the CAISO's Operational Control of the PG&E share of the Malin-Round Mountain No. 2.

**7.2 Scheduling.** PacifiCorp or its designated Scheduling Coordinator shall schedule with the CAISO all transactions on the PacifiCorp Share in accordance with the scheduling provisions of the CAISO Tariff, the applicable Business Practice Manual, CAISO scheduling process, CAISO procedures, and CAISO time lines. PacifiCorp's Scheduling Coordinator shall meet all requirements with respect to Scheduling Coordinators in the CAISO Tariff. All schedules submitted on the PacifiCorp Share shall be submitted into the CAISO market transmission reservation system (“SI” or “SIBR” as applicable) and shall be submitted by PacifiCorp's Scheduling Coordinator.

PacifiCorp and/or a purchaser may release a portion of PacifiCorp's Share from treatment as PacifiCorp TOR in exchange for PacifiCorp CRRs from the CAISO consistent with the following:

7.2.1 On a quarterly basis, prior to the CAISO's CRR Auction period, PacifiCorp and/or purchasers may instruct CAISO to release a quantity of the PacifiCorp Share held by PacifiCorp or purchaser for use by the CAISO. The PacifiCorp Share shall not be released for CRR Allocation or CRR Auction for other CRR participants, other than those satisfying the requirements herein.

7.2.2 Timing of a CRR Holder's release of the PacifiCorp Share must follow the CAISO's CRR Allocation timeline, with elections received by the CAISO at least ten (10) days before the published release date of the CRR Full Network Model for the CRR Allocation period associated with the release. The amount of PacifiCorp CRRs must remain unchanged for the quarter.

7.2.3 The PacifiCorp Share converted to PacifiCorp CRRs will not be available to another purchaser or Candidate CRR Holder for the full period such

rights have been released to the CAISO. However, once converted, PacifiCorp CRRs may be transferred consistent with the CAISO Tariff provisions associated with the Secondary Registration System for the full period such rights have been released to the CAISO.

- 7.2.4 PacifiCorp CRRs will be allocated to a CRR Holder with the source of Malin 500 kV or Round Mountain 500 kV (“Source”) and a sink of Round Mountain 500 kV or Malin 500 kV (“Sink”).
- 7.2.5 The PacifiCorp Share shall be reduced by the quantity of PacifiCorp CRRs held by CRR Holders following the quarterly election process. The PacifiCorp Share shall be adjusted by the CAISO systems and reflect only the remaining PacifiCorp TOR not converted to PacifiCorp CRRs. CAISO will update ASTC and its posting on its Open Access Same-Time Information System accordingly to include the released portion of the PacifiCorp Share. CAISO may use all of the released portion of the PacifiCorp Share in the Day-Ahead Market and Real Time Market and reflect as ASTC, consistent with the CAISO Tariff, as new firm use.
- 7.2.6 Schedules associated with the quantity of the PacifiCorp Share converted to PacifiCorp CRRs will have the same priority as other schedule requests on unreserved capacity at Malin.
- 7.2.7 PacifiCorp CRRs shall be settled as Option CRR payments for the released capacity when there is a congestion price difference in the Day Ahead Market between Source and Sink regardless of whether PacifiCorp or the purchaser schedules at Malin. No congestion settlement will be made for real-time congestion differences between Source and Sink.
- 7.2.8 In the event of a COI derate, the quantity of congestion revenue shall be determined by PacifiCorp’s pro-rata share of unreserved capacity on the PACI.
- 7.2.9 All PacifiCorp CRRs will automatically convert to TOR Option CRRs upon the effective date of the CAISO Tariff amendment providing equivalent treatment to any TOR holder and no further PacifiCorp CRRs may be created pursuant to this Agreement. All conversions after the effective date of the CAISO Tariff amendment providing equivalent treatment to any TOR holder must follow the provisions of the CAISO tariff applicable to TOR Option CRRs.
- 7.2.10 An entity must register and qualify as a Candidate CRR Holder in order to convert its PacifiCorp Share to PacifiCorp CRRs or to acquire PacifiCorp CRRs in the Secondary Registration System.

**7.3 Unused Capacity.** After the deadline for schedule changes under the Hour Ahead Scheduling Process of the CAISO Tariff or other applicable deadline

authorized pursuant to this Section 7.3 has passed, the CAISO may use any unused capacity on the PacifiCorp Share as necessary to maintain reliability of the interconnected Electric Systems without compensation to PacifiCorp. PacifiCorp's Scheduling Coordinator will not have the right to adjust schedules after the close of the deadline for schedules in the Hour-Ahead Scheduling Process or other applicable deadline authorized pursuant to this Section 7.3. In the event that the CAISO Tariff is modified after the date of execution of this Agreement to permit schedule changes for Balancing Authority Area interties to be submitted after the deadline for schedule changes under the Hour Ahead Scheduling Process (or the deadline for a successor hour-ahead process or hour-ahead market), the applicable deadline for PacifiCorp's Scheduling Coordinator to adjust schedules on the PacifiCorp Share shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

## **8. DISPUTE RESOLUTION**

**8.1 Dispute Resolution.** The Parties shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. In the event any dispute is not settled, the Parties shall adhere to the CAISO Alternative Dispute Resolution ("ADR") Procedures set forth in Section 13 of the CAISO Tariff, which is incorporated by reference, except that any reference in Section 13 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement.

## **9. LIABILITY**

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

## **10. UNCONTROLLABLE FORCES**

**10.1 Uncontrollable Forces.** Section 14 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section 14 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement.

## **11. NO DEDICATION OF FACILITIES**

**11.1 No Dedication of Facilities.** Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's

obligations under this Agreement. The Electric System of a Party shall at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession, or control of such Electric System.

## 12. REGULATORY AUTHORITY

**12.1 FERC Jurisdiction.** This Agreement is subject to acceptance for filing by, and the regulatory jurisdiction of, FERC.

**12.2** Nothing contained herein shall be construed as affecting in any way the right of any party taking service under this Agreement to file a complaint under Section 206 of the Federal Power Act ("~~FPA~~") and pursuant to the FERC's Rules and Regulations promulgated thereunder.

**12.3** Nothing contained herein shall be construed as affecting in any way the right of the CAISO unilaterally to make application to FERC for a change in the terms and conditions of this Agreement under Section 205 of the ~~Federal Power Act~~FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder in the event that PacifiCorp terminates its obligations under the OCOA or the COI-POA, but the OCOA and the COI-POA otherwise remain in full force and effect.

## 13. MISCELLANEOUS

**13.1 Assignments.** Either Party may assign or transfer any or all of its rights or obligations under this Agreement with the other Party's prior written consent in accordance with Section 22.2 of the CAISO Tariff. Such consent shall not be unreasonably withheld. Any such transfer or assignment shall be conditioned upon the successor in interest accepting the rights or obligations under this Agreement as if said successor in interest was an original Party to this Agreement.

**13.2 Notices.** Any notice, demand, or request which may be given to or made upon either Party regarding this Agreement shall be made in accordance with Section 22.4 of the CAISO Tariff, provided that all references in Section 22.4 of the CAISO Tariff to Market Participants shall be read as a reference to PacifiCorp and references to the CAISO Tariff shall be read as references to this Agreement, and unless otherwise stated or agreed shall be made to the representative of the other Party indicated in Schedule 2. A Party must update the information in Schedule 2 of this Agreement as information changes. Such changes shall not constitute an amendment to this Agreement.

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

enforcing any right under this Agreement shall not constitute or be deemed a waiver of such right.

**13.3.1 Dispute Resolution.** 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 negotiation between the representatives of the parties. If the representatives are unable to resolve the issue within ten (10) days after presentation of the dispute, then:

(1) 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.

(2) 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 agree to resolve the issue as provided in Section 8.1 of this Agreement.

**13.4 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 CAISO ADR Procedures do not apply shall be brought in any of the following forums, as appropriate: any court of the State of California, any federal court of the United States of America located in the State of California, or, where subject to its jurisdiction, before ~~the~~ Federal Energy Regulatory Commission FERC.

**13.5 Consistency with Federal Laws and Regulations.** This Agreement shall incorporate by reference Section 22.9 of the CAISO Tariff as if the references to the CAISO Tariff were referring to this Agreement.

**13.6 Merger.** This Agreement constitutes the complete and final agreement of the Parties with respect to the subject matter hereto and supersedes all prior agreements, whether written or oral, with respect to such subject matter.

**13.7 Severability.** If any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity, or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent, or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant, or condition shall remain in force and effect to the maximum extent permitted by

law, and all other terms, covenants, and conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

**13.8 Amendments.** This Agreement and the Schedules attached hereto may be amended from time to time by the mutual agreement of the Parties in writing. Amendments shall not take effect until FERC has accepted such amendments for filing and made them effective.

**13.9 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.

**IN WITNESS WHEREOF,** the Parties have caused this Agreement to be executed by their respective authorized officials.

**California Independent System Operator Corporation:**

By: \_\_\_\_\_

Name: ~~Jim Detmers~~ Eric Schmitt

Title: Vice President, Operations

Date: \_\_\_\_\_

**PacifiCorp:**

By: \_\_\_\_\_

Name: ~~John Cuppare~~ Natalie L. Hocken

Title: Senior Vice President, PacifiCorp Transmission and System Operations

Date: \_\_\_\_\_

**SCHEDULE 1**  
**PACIFICORP TRANSMISSION OWNERSHIP RIGHT**

The PacifiCorp Share, i.e., the portion of the Malin-Round Mountain No. 2, currently rated at 1600 MW for north to south flow and 1225 MW for south to north flow as established pursuant to the OCOA and the WECC rating process, available to PacifiCorp, pursuant to the Settlement and TEA, and subject to the Lease, to provide transmission service under the PacifiCorp OATT.

**SCHEDULE 2  
NOTICES**

**PacifiCorp**

Name of Primary  
Representative:

~~Kenneth Houston~~Rick Vail

Title:

~~Director~~Vice President, Transmission

Address:

825 NE Multnomah, Suite 1600

City/State/Zip Code:

Portland, OR 97232

Email Address:

kenneth.houston@pacificorp.com

Phone:

(503) 813-6721

Fax No:

(503) 813-5767

Name of Alternative  
Representative:

~~James Tanneberger~~Shay LaBray

Title:

Manager, Contract Administration

Address:

825 NE Multnomah, Suite 1600

City/State/Zip Code:

Portland, OR 97232

Email Address:

~~james.tanneberger~~shayleah.labray@pacificorp.com

Phone:

(503) 813-~~6138~~6176

Fax No:

(503) 813-5767

## CAISO

Name of Primary  
Representative:

Roni L. Reese

Title:

Senior Contracts Analyst

Address:

~~151 Blue Ravine Road~~250 Outcropping Way

City/State/Zip Code:

Folsom, CA 95630

Email Address:

~~rreeseregulatorycontracts~~@caiso.com

Phone:

(916) 608-7027

Fax No.:

(916) 608-7292

Name of Alternative  
Representative:

~~Philip D. Pettingill~~Debi Le Vine

Title:

~~Manager of~~Director, Infrastructure ~~Policy & Contract~~  
~~Negotiation~~Contracts and Management

Address:

~~151 Blue Ravine Road~~250 Outcropping Way

City/State/Zip Code:

Folsom, CA 95630

Email Address:

~~ppettingill~~dlevine@caiso.com

Phone:

(916) 608-~~7244~~2144

FAX NO.:

(916) 608-7292

### **SCHEDULE 3 INCORPORATED CAISO TARIFF PROVISIONS**

Below is the text of two CAISO Tariff provisions, incorporated herein by Section 6.3. This text was taken from the CAISO's Market Redesign and Technology Upgrade Tariff.

#### **8.6.3 Services Which May Be Self-Provided.**

The CAISO shall permit Scheduling Coordinators to self-provide the following Ancillary Services:

- (a) Regulation Up;
- (b) Regulation Down;
- (c) Spinning Reserve; and
- (d) Non-Spinning Reserve.

Submissions to Self Provide Regulation Up and Regulation Down capacity will be rejected if Energy Bid provided in the submission is outside of the resource's regulating range. The CAISO may from time to time add other Ancillary Services to this list as it considers appropriate.

#### **17.3.3 Treatment of Valid TOR Self-Schedules**

The resulting valid TOR Self-Schedules shall have the following Settlement treatment:

\* \* \*

(3) The CAISO will assess only charges applicable to Ancillary Services, Imbalance Energy, and Transmission Losses for the use of a TOR and will not assess charges for neutrality, UFE, transmission Access Charges, Minimum Load Costs, or other charges that might otherwise be applicable to the Demand or exports served solely over the TOR. The CAISO will assess charges applicable to Ancillary Services for the use of a TOR only to the extent that the CAISO must procure Ancillary Services for the TOR holder because Ancillary Services are not self-provided by the TOR holder. The CAISO will assess charges applicable to Imbalance Energy for the use of a TOR only if the CAISO must procure Imbalance Energy for the TOR holder.