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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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FEDERAL ENERGY
REGULATORY COMMISSION

PacifiCorp	)	Docket No. ER07-882-000
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
PacifiCorp	)	Docket No. EL07-84-000
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
PacifiCorp	)	Docket No. ER07-1392-000
PacifiCorp	)	Docket No. ER08-143-000
Pacific Gas and Electric Company	)	Docket ~~No. ER08-___-000~~

OFFER OF SETTLEMENT AND STIPULATION AND APPENDICES

VOLUME 1 OF 2

Transmittal Letter
Explanatory Statement
Draft Letter Order
Offer of Settlement and Stipulation

Appendices 1 - 3

Dated: November 21, 2007

ATTORNEYS AT LAW

WRIGHT & TALISMAN, P.C.

1200 G Street, N.W.
Suite 600
Washington, D.C. 20005-3802
202-393-1200
FAX 202-393-1240
www.wrightlaw.com

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FEDERAL ENERGY
REGULATORY COMMISSION

Michael J. Thompson
Thompson@wrightlaw.com

ORIGINAL

November 21, 2007

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20427

Re: *PacifiCorp*, Docket Nos. ER07-882, *et al.*

Includes Request for Shortened Comment Period

Dear Ms. Bose:

Enclosed for filing pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602, are the original and 14 copies of an Offer of Settlement and Stipulation and its various Appendices ("Settlement"), including changes to Pacific Gas and Electric Company's ("PG&E") Transmission Owner ("TO") Tariff, which are proposed to resolve all issues pending in the following dockets: Docket Nos. ER07-882-000, ER07-967-000, EL07-84-000, ER07-1373-000, ER07-1392-000, ER08-143-000, and ER08-___-000.[1] This Settlement is submitted on behalf of PacifiCorp, PG&E, the California Independent System Operator Corporation ("CAISO"), the Transmission Agency of Northern California ("TANC"), Sacramento Municipal Utility District ("SMUD"), Powerex Corp. ("Powerex"), and PPM Energy, Inc. ("PPM") (collectively, "Parties," and individually, a "Party"). Upon the Commission's approval,

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[1] As more fully explained in the enclosed Offer of Settlement and Stipulation and accompanying Explanatory Statement, the proposed settlement includes provisions for changes to PG&E's TO Tariff to enable PG&E, upon approval of the proposed settlement, to include in its rates thereunder certain payments it will make to PacifiCorp in accordance with certain agreements that implement the settlement. It is the understanding of the parties proposing this settlement that these proposed changes to PG&E's TO Tariff will be the subject of a new, separate docket.

the Settlement will provide arrangements that will ensure, for a primary term of 20 years and subject to the terms of the Settlement and its implementing agreements, that coordinated operation, maintenance, and planning of the California-Oregon Intertie ("COI") facilities will continue.

The Settlement is comprised of the following:

- An "Offer of Settlement and Stipulation" ("Stipulation") and various agreements and other materials, all of which together comprise the settlement the Parties propose for the Commission's acceptance and approval; these component materials are:
    - Appendix 1 – Transmission Exchange Agreement among PacifiCorp, Pacific Gas and Electric Company, and the California Independent System Operator Corporation;
    - Appendix 2 – Agreement for Lease of Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company;
    - Appendix 3 – Operating Agreement between PacifiCorp and the California Independent System Operator Corporation;
    - Appendix 4 – Amended Owners Coordinated Operation Agreement Among Pacific Gas and Electric Company and Participants in the California-Oregon Transmission Project and Western Area Power Administration Governing the Coordinated Operation of the Pacific AC Intertie and the California-Oregon Transmission Project ("OCOA");
    - Appendix 5 – Amended California Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants in the California-Oregon Transmission Project, Western Area Power Administration, and California Independent System Operator Corporation ("COI-POA");
    - Appendix 6 – revised tariff sheets for inclusion in PG&E's TO Tariff (clean and redlined versions);
    - Appendix 7 – (a) three Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and Powerex, and (b) four Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and PPM Energy, Inc.;
    - Exhibit A - Cost support for PG&E's TO Tariff changes; and
    - Exhibit B – PG&E's notice to certain parties in Docket No. ER07- and ER08- regarding changes to PG&E TO Tariff rates as part of this Settlement.

- A separate Explanatory Statement, as required by Rule 602(c)(1)(ii); and

- A draft letter order approving the proposed settlement.

Designations of the indicated agreements and tariff sheets are provided on the Attachment to this transmittal. The Service Agreements between PacifiCorp and PPM, and between PacifiCorp and Powerex are unexecuted. However, there is no disagreement between the respective parties to those agreements regarding their terms and, after approval of the Settlement, the parties will submit a compliance filing to present fully executed versions of the Service Agreements.

The Amended OCOA and Amended COI-POA that are a part of this Settlement (Appendices 4 and 5, respectively) have not been executed by some of the California-Oregon Transmission Project ("COTP") Participants. The Parties do not anticipate objections to execution of the Amended OCOA or the Amended COI-POA by these COTP Participants. Rather, the non-signing COTP Participants have not individually been active intervenors in these dockets, including the OCOA docket, FERC Docket No. ER07-967, and have not participated in the settlement negotiations. TANC, the Project Manager for the COTP, has informed the other Parties offering the Settlement that it will discuss the execution of these agreements with the non-signing COTP Participants later this month. The Parties will seek to provide the additional signatures to the Commission by December 7, 2007.

Motion for Shortened Comment Period

The Parties request that the Settlement be approved without condition or modification and that it be made effective on January 1, 2008. This proposed effective date is necessary because the suspension of PacifiCorp's Notice of Termination filed in Docket No. ER07-882 expires on December 31, 2007, and the Commission stated that it would resolve before that date the issues it set for paper hearing in Docket Nos. ER07-882 and ER07-967 regarding proposed changes to the Owners Coordinated Operation Agreement.[2] The Settlement, if approved, will resolve all issues in the paper hearing, with respect to the Notice of Termination in Docket No. ER07-882, and in the other proceedings listed above in this transmittal, all of which have arisen from or are otherwise related to Docket Nos. ER07-882 and ER07-967.

To facilitate the Commission's prompt consideration of the proposed Settlement, the Parties hereby request that the time for comments and reply comments on this Offer of Settlement and Stipulation under the Commission's Rule 602(f) be shortened to require initial comments to be filed on or before November 29, 2007, and to require reply comments to be filed on or before December 3, 2007.

The Parties believe the shortened comment period is essential to ensure that the Commission has sufficient time to review and act on the proposed Settlement in a timely manner to avoid any disruption of arrangements for coordinated operation of the COI and

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2 *PacifiCorp*, 120 FERC ¶ 61,113, at P 35 & n.35 (2007).

related operational agreements. Further, the shortened comment period will not prejudice any affected party. The proposed Settlement is the result of extensive settlement discussions facilitated by Administrative Law Judge Carmen A. Cintron, acting as settlement judge. In addition to public notice in advance of the nine days of settlement conferences in these proceedings that were held at the Commission's offices, the Parties have distributed by electronic mail to all participants in the affected proceedings all communications regarding the settlement efforts, including all written settlement proposals, draft term sheets, draft settlement documents, and notices of conference calls. PG&E also has sent notice of the proposed Settlement to three entities[3] that are parties to PG&E's most recent TO Tariff rate case, which have not intervened in these proceedings. That notice informed those parties that approval of this Settlement will affect PG&E's TO Tariff rates.

Judge Cintron's Status Report to the Commission and the Chief Administrative Law Judge dated November 7, 2007, also noted that the Parties would seek a shortened comment period. As noted above, it is the Parties' belief that all participants in all of the affected proceedings either support or do not oppose the Settlement. Accordingly, the Parties believe that good cause exists for shortening the period for comments on the proposed Settlement as follows:

Initial Comments	**November 29, 2007**
Reply Comments	**December 3, 2007**

Requests for Waivers of Commission Regulations

The Parties wish to advise the Commission that the Offer of Settlement and Stipulation provides that approval of the proposed Settlement will constitute a waiver by the Commission, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, and as authorized by Section 205(d) of the FPA, 16 USC § 824d(d), of:

> (i) the minimum 60 day notice requirement of Section 205(d) of the FPA, 16 U.S.C. §842d(d), in order to make effective on January 1, 2008, this Settlement, the Transmission Exchange Agreement, the Agreement for Lease of Transmission Capacity, and PG&E's revised tariff sheets in Appendices 1, 2, and 6, respectively, of the Offer of Settlement and Stipulation;
>
> (ii) the maximum 120 day notice requirement of Section 35.3(a) of the Commission's regulations, 18 C.F.R. § 35.3(a) in order to make effective, on January 1, 2012, the Operating Agreement and PacifiCorp First Revised Service Agreement No. 357, PacifiCorp First Revised Service Agreement No. 358,

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[3] PG&E delivered this notice to the Energy Producers and Users Coalition, the Metropolitan Water District of Southern California, and the Six Cities (Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside).

PacifiCorp First Revised Service Agreement No. 359, PacifiCorp First Revised Service Agreement No. 360 (Appendix 3 and a portion of Appendix 7, respectively, of the Offer of Settlement and Stipulation); and to make effective on April 1, 2012, PacifiCorp First Revised Service Agreement No. 361, PacifiCorp First Revised Service Agreement No. 362, PacifiCorp First Revised Service Agreement No. 363 (remainder of Appendix 7 of the Offer of Settlement and Stipulation);

(iii) with respect to PG&E's revised tariff sheets in Appendix 6 of the Offer of Settlement and Stipulation, the filing requirements for changes in rate schedules in Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13; and

(iv) such other waiver(s) of the Commission's regulations, including 18 C.F.R. Part 35, as the Commission may deem necessary to effectuate all of the provisions of the Offer of Settlement and Stipulation, including those of the Appendices.

Supplemental Filing

PacifiCorp will need to make minor changes to its open access transmission tariff in order to incorporate certain scheduling timeline requirements and other terms of service included in the Settlement, as applicable to future transmission service provided into the California Independent System Operator balancing authority area. PacifiCorp will submit appropriate proposed modifications to its tariff after the Settlement is approved by the Commission.

Service

The undersigned certifies that copies of this filing have been served, in accordance with Rule 602(d), on all participants in the proceedings to be resolved and on all persons required to be served with the filings that initiated those respective proceedings.

Respectfully submitted,

Natalie L. Hocken
Vice President
and General Counsel
Matthew D. McVee
Legal Counsel
PacifiCorp

Michael J. Thompson
Andrew T. Swers
Wright & Talisman, P.C.

Attorneys for PacifiCorp

Mark Patrizio
Alyssa Koo
Attorneys for Pacific Gas and Electric Company

Wallace L. Duncan
Michael R. Postar
Duncan, Weinberg, Genzer & Pembroke, P.C.
Attorneys for the Transmission Agency of Northern California

Sean A. Atkins
Michael E. Ward
Alston & Bird LLP
Attorneys for the California Independent System Operator Corporation

Deanna E. King
Gunnar Birgisson
Tracy C. Davis
Bracewell & Giuliani LLP
Attorneys for Powerex Corp.

Donna J. Bobbish
Adam Wenner
Chadbourne & Parke LLP
Attorneys for PPM Energy, Inc.

Glen L. Ortman
Stinson Morrison Hecker LLP
Attorneys for the Sacramento Municipal Utilities District

Enclosures
cc w/encl.: The Honorable Carmen A. Cintron,
Administrative Law Judge, FERC
All parties of record in captioned dockets

DESIGNATIONS

Transmission Exchange Agreement among PacifiCorp, Pacific Gas and Electric Company, and the California Independent System Operator Corporation	PacifiCorp Original Rate Schedule FERC No. 608; PG&E Original Rate Schedule FERC No. 239; CAISO Original Rate Schedule FERC No. 66
Agreement for Lease of Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company	PacifiCorp Original Rate Schedule FERC No. 607; PG&E Original Rate Schedule FERC No. 240
Operating Agreement between PacifiCorp and the California Independent System Operator Corporation	PacifiCorp First Revised Rate Schedule FERC No. 606; CAISO First Revised Rate Schedule FERC No. 65
Amended Owners Coordinated Operations Agreement Among Pacific Gas and Electric Company and Participants in the California-Oregon Transmission Project and Western Area Power Administration Governing the Coordinated Operation of the Pacific AC Intertie and the California-Oregon Transmission Project	PG&E Substitute First Revised Rate Schedule FERC No. 229
Amended California Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants in the California-Oregon Transmission Project, Western Area Power Administration, and California Independent System Operator	CAISO First Revised Rate Schedule FERC No. 50
Revised tariff sheets for inclusion in PG&E's TO Tariff	Third Revised Sheet No. 12, Original Sheet No. 12a, Fourth Revised Sheet No. 17, Original Sheet No. 17a, Second Revised Sheet No. 26, Original Sheet No. 26a, Twentieth Revised Sheet No. 56, Original Sheet No. 56a, Tenth Revised Sheet No. 57, Nineteenth Revised Sheet No. 58, Twenty-Second Revised Sheet No. 59, Thirteenth Revised Sheet Nos. 60-62

DESIGNATIONS (cont'd)

Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and Powerex Corp.	PacifiCorp First Revised Service Agreement Nos. 361, 362, and 363
Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and PPM Energy, Inc.	PacifiCorp First Revised Service Agreement Nos. 357, 358, 359, and 360

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PacifiCorp	)	Docket No. ER07-882-000
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PacifiCorp	)	Docket No. EL07-84-000
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
PacifiCorp	)	Docket No. ER07-1392-000
PacifiCorp	)	Docket No. ER08-143-000
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

EXPLANATORY STATEMENT

The Settlement proposed here consists of eight inter-related components,[1] each of which must be accepted by the Federal Energy Regulatory Commission ("FERC" or "Commission") to preserve the compromises negotiated by the Parties.[2] These

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1 The Offer of Settlement and Stipulation and all of its Appendices, Docket Nos. ER07-882, *et al.* (collectively referred to as "Settlement").

2 The Parties offering this Settlement are: PacifiCorp, Pacific Gas and Electric Company ("PG&E"), the California Independent System Operator Corporation ("CAISO"), the Transmission Agency of Northern California ("TANC"), the Sacramento Municipal Utility District ("SMUD"), Powerex Corp. ("Powerex"), and PPM Energy, Inc. ("PPM") (collectively, "Parties" and individually, a "Party"). In addition, the following participants have authorized the Parties to state that they do not oppose this Settlement: FERC Trial Staff; the California Department of Water Resources, State Water Project ("SWP"); the California Public Utilities Commission ("CPUC"); the California Electricity Oversight Board ("CEOB"); Southern California Edison Company ("SCE"); San Diego Gas & Electric Company ("SDG&E"); Utah Associated Municipal Power Systems ("UAMPS"); Utah Municipal Power Agency ("UMPA"); Bonneville Power

components are: (1) the Offer of Settlement and Stipulation; (2) the Transmission Exchange Agreement ("TEA"); (3) the Agreement for Lease of Transmission Capacity ("Lease"); (4) the Operating Agreement ("OA") between PacifiCorp and the CAISO; (5) modifications to the principal agreements concerning coordinated operation, planning, and maintenance of the California-Oregon Intertie ("COI") facilities, the Owners Coordinated Operation Agreement ("OCOA") and the California-Oregon Intertie Path Operating Agreement ("COI-POA"); (6) changes to PG&E's Transmission Owner ("TO") Tariff to implement cost recovery for PG&E's payments to PacifiCorp under the Lease; (7) termination of Docket No. EL07-84; and (8) modifications to Transmission Service Agreements ("TSAs") filed by PacifiCorp in Docket No. ER07-1392. The Settlement is in the public interest because it preserves coordinated operation of the COI, while implementing a carefully crafted set of terms and agreements among the participants that resolve the difficult issues pending before the Commission in the captioned proceedings.

The Parties propose that the Settlement become effective on January 1, 2008.[3] As provided in Article XI of the Offer of Settlement and Stipulation, if the Commission

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Administration ("BPA") and Western Area Power Administration ("Western"). All participants in the captioned dockets have been advised of the numerous settlement conferences and conference calls among the participants, and all have been included in the distribution of draft settlement documents. PG&E sent notice of this pending Settlement to the Energy Producers and Users Coalition, the Metropolitan Water District of Southern California, and the Six Cities (Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside), which are parties to PG&E's most recent Transmission Owner ("TO") Tariff rate case, but which have not intervened in these proceedings. That notice informed those parties that approval of this Settlement will affect PG&E's TO Tariff Rates.

[3] The Operating Agreement and the Transmission Service Agreements become binding on the parties on January 1, 2008, but do not become effective until January 1, 2012.

conditions its approval of the settlement or requires modification of its terms, the Parties will confer and determine whether to accept the condition or modification or negotiate further to restore the balance of risks and benefits achieved in the Settlement. If the Parties cannot agree within fifteen days of the date of issuance of an order of the Commission, modifying or providing conditional approval of the Settlement, then the Settlement shall not become effective. The principal provisions of the Settlement and the appended agreements are explained below.

1. Offer of Settlement and Stipulation

The Offer of Settlement and Stipulation requires the Parties to enter into various agreements, and undertake various other obligations, to effectuate the Settlement. Each of the components required by the Offer of Settlement and Stipulation is described in detail *infra*. Nonetheless, the Offer of Settlement and Stipulation contains several important provisions, applicable to the parties to the agreements discussed herein, that are designed to preserve the balance of benefits and burdens memorialized by the Settlement, should various contingencies arise. A summary of the key provisions follows:

Article I sets forth the principles underlying the Offer of Settlement and Stipulation. Critically, Section 1.2 states that the Offer of Settlement and Stipulation, the agreements, and the appended, revised PG&E tariff sheets are each parts of an integrated package. Commission approval without condition or modification unacceptable to the Parties constitutes approval of all components of the Settlement package and terminates Docket Nos. ER07-882-000, ER07-967-000, EL07-84-000, ER07-1373-000, ER07-1392-000 and ER08-143-000.

Article II of the Offer of Settlement and Stipulation describes the terms of the TEA, described in greater detail in Subsection 2 *infra*. In addition, it states that

PacifiCorp and PG&E will negotiate for 12 months, beginning January 1, 2008, to attempt to agree to an exchange of ownership interests on the portions of the Pacific AC Intertie ("PACI") No. 2 between the Malin Substation and the Round Mountain Substation ("Malin-Round Mountain No. 2"). This exchange of ownership interests would result in PacifiCorp and PG&E obtaining (1) equal, joint ownership interests in the Malin-Round Mountain No. 2; (2) one half of the transfer capability of the line between Malin and Round Mountain; and (3) Bus Bar Rights commensurate with the bus bar rights obtained under the TEA.

Significantly, Article II provides that, if the TEA is terminated for any reason other than the effectiveness of an ownership exchange agreement, as described *supra*, certain core provisions of the TEA shall continue to apply for 20 years from the effective date of the TEA. These core terms are effectuated through the procedures set forth in Section 11.4 of the Offer of Settlement and Stipulation.

Article III of the Offer of Settlement and Stipulation outlines the Lease, which is described in greater detail in Subsection 3, *infra.*

Article IV describes the terms of the OA between PacifiCorp and the CAISO, described in Subsection 4. It includes a provision stating that, if the OA is terminated prior to the date 20 years from the effective date of the Settlement, except for termination under Section 3.2(b) of the OA, then certain core terms continue to apply through December 31, 2027. These core terms are effectuated through the procedures set forth in Section 11.4 of the Offer of Settlement and Stipulation.

Article V states that the terms of the OCOA and the COI-POA will be amended, as described in greater detail in Subsection 5.

Article VI details the cost recovery mechanism that PG&E will use to recover the cost of its payments to PacifiCorp under the Lease. This cost recovery mechanism is described *infra* in Subsection 6. The Commission's approval of this Settlement shall constitute a finding that recovery by PG&E of these payments is just and reasonable and in the public interest; that the rate recovery mechanism described in Section 6.2 of the Offer of Settlement and Stipulation is an appropriate and reasonable aspect of the overall settlement of this controversy, which the Commission finds to be just and reasonable and in the public interest; and that PG&E's recovery will not be subject to challenge in any subsequent Transmission Owner Tariff rate case.

Article VII obligates PacifiCorp to upgrade its series capacitors at Malin Substation by no later than December 31, 2012, subject to force majeure and other caveats. It also explains how any increased capacity resulting from this upgrade will be allocated.

Article VIII provides that the Commission, upon approval of this Settlement, will terminate Docket No. EL07-84-000, the docket it established for an investigation, pursuant to Federal Power Act ("FPA") Section 206, into PacifiCorp's Open Access Transmission Tariff ("OATT") rates.[4] PacifiCorp has agreed to file a general rate change under section 205 of the FPA by no later than June 1, 2011. All Parties retain the right to protest PacifiCorp's rates in such proceedings and to file complaints pursuant to FPA Section 206 challenging the rates.

Article IX provides that Powerex and PPM will retain their current queue contract rights and positions for their transmission service requests on PacifiCorp's Open Access

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[4] *See PacifiCorp*, 120 FERC ¶ 61,113 (2007).

Same-Time Transmission System ("OASIS"). PacifiCorp filed seven executed TSAs with Powerex and PPM in Docket No. ER07-1392. Each of those TSAs will be modified to provide for, among other things: (a) commencement of service on and after January 1, 2012; (b) a primary delivery point at Round Mountain; and (c) schedule adjustment restrictions consistent with the CAISO's Hour Ahead Scheduling Process (currently T-75 under Market Redesign and Technology Upgrade ("MRTU")), which may be different from the scheduling provisions in PacifiCorp's OATT.

By approving this settlement, the Commission accepts these amendments to the TSAs filed in Docket No. ER07-1392, including: (a) terms that do not conform to PacifiCorp's OATT; (b) the allocation between PPM and Powerex of the capacity available to PacifiCorp during the Lease up to the aggregate quantity for service for PPM and Powerex under the TSAs filed in Docket No. ER07-1392; and (c) waiver of any Commission regulation or PacifiCorp OATT provision that may be deemed necessary to permit service under the amended TSAs as described in Article IX of the Offer of Settlement and Stipulation.

Article X includes various provisions relating to the scope of the Settlement and states that the Commission's "public interest" standard applies to any non-unanimous changes.

Article XI states that the Settlement becomes effective when the Commission approves it in its entirety, including all of its components, without condition or modification. Significantly, Section 11.4 sets forth requirements applicable in the event that a party to the TEA or OA seeks termination of one of those agreements. These requirements are intended to ensure that the balance of benefits and burdens is maintained in the event of early termination of the TEA or OA.

2. Transmission Exchange Agreement

Under the TEA PacifiCorp and PG&E will exchange transmission capacity to provide each company with one half of the transmission capacity on the 500 kV, Malin-Round Mountain No. 2. The TEA will have a term of 20 years.[5] The CAISO is also a Party to the TEA because PG&E has turned over operational control of its facilities to the CAISO. The key provisions of the TEA are summarized as follows:

Section 4.2 of the TEA establishes its effective date as the later of January 1, 2008 or the date the Commission accepts the TEA and allows it to become effective without material change or condition unacceptable to any Party. It also establishes the TEA's 20-year term and provides for termination in certain enumerated circumstances.

Sections 5.1 and 5.2 of the TEA set forth the exchange of transmission capacity between PG&E and PacifiCorp. Section 5.3 states that any curtailments by the COI Path Operator, currently the CAISO, will be allocated pro rata between the PacifiCorp capacity and the PG&E capacity. Other provisions of Section 5 are terms regarding modifications of facilities and how any increase in the Rated Path Transfer Capability ("RPTC") of the Malin-Round Mountain No. 2 will be allocated between them, as well as the allocation of any reductions in the RPTC share or Available Path Transfer Capability ("APTC") share attributable to changes in applicable legal requirements or revisions to curtailment sharing arrangements. Sections 5.7 and 5.8 provide reciprocal obligations of PG&E and the CAISO, on one hand, and PacifiCorp, on the other hand, to make

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[5] The Settlement provides that PG&E and PacifiCorp will negotiate in good faith in 2008 to attempt to agree on an asset exchange, under which each company would own one-half of the Malin-Round Mountain No. 2. If completed, such an asset exchange would supersede the TEA.

reasonable efforts to maintain the amount of capacity available to each other at not less than the amounts respectively available to them on the Effective Date.

Section 5.9 of the TEA governs Bus Bar Rights for PacifiCorp and its customers at Round Mountain Substation. These Bus Bar Rights will permit the transmission of energy scheduled using capacity available for service under PacifiCorp's OATT between Malin and Round Mountain over the bus at Round Mountain Substation to and from Western's or other third parties' interconnected transmission systems. Use of PacifiCorp's Bus Bar Rights will be exempt from the CAISO's Congestion charges and transmission Access Charges ("TAC"). Section 5.9 also establishes various terms and conditions applicable to the use of the Bus Bar Rights. Section 5.10 establishes similar Bus Bar Rights, subject to similar terms and conditions, for PG&E (and, by derivation, the CAISO and CAISO transmission customers) to use the bus at the Malin Substation.

Section 6.1 states that nothing in the TEA will affect rates and charges paid by the Parties' transmission customers, unless otherwise expressly stated in the TEA. Section 6.2 provides that neither PacifiCorp nor PG&E shall be liable for any ancillary services or transmission losses related to any service using the other company's share of the Malin-Round Mountain No. 2 capacity.

Section 7 states that scheduling of all transactions using PacifiCorp Capacity shall be in accordance with the OA (discussed in Section 4, *infra*) and that PG&E shall not act as a Scheduling Coordinator or provide scheduling information for any service using the PacifiCorp Capacity.

Section 8 sets forth the rights and responsibilities of the parties regarding the facilities subject to the TEA. Section 8.3 governs responsibility for maintenance of the facilities. Section 8.5 provides that PacifiCorp will upgrade its series capacitors at the

Malin Substation by no later than December 31, 2012, subject to certain terms and conditions, and that any increased capacity resulting from the capacitor upgrade that is allocated to Malin-Round Mountain No. 2 will be divided equally between PacifiCorp and PG&E.

Section 9 states that the CAISO consents to any Encumbrance of PG&E's system that the exchange of capacity under the TEA may create within the meaning of Section 4.4.2 of the CAISO Transmission Control Agreement ("TCA"). The CAISO agrees to waive any applicable notice requirement and will update the relevant listing of Encumbrances in the TCA.

Section 10 governs the assignment of rights and obligations under the TEA.

Section 12 sets forth the circumstances in which the TEA may be terminated in the event of a default by a Party.

Section 13 governs the liability of the Parties to each other and cross-indemnities. In addition, it requires each Party to protect its facilities from damage due to electrical disturbances or faults caused by the operation, faulty operation, or non-operation of another Party's facilities, and absolves all Parties of liability for such damages.

Section 14 contains clauses governing force majeure and labor disputes.

Section 15 states that being a Party to the TEA does not constitute a dedication of facilities to the public or to any other Party or third party.

Section 16 includes clauses recognizing the Commission's regulatory authority over the TEA and governs changes to the TEA. Section 16.2 states that the CAISO, PacifiCorp, and PG&E waive their rights to file unilaterally with the Commission under FPA Sections 205 or 206 to change the TEA, unless such unilateral filing is specifically provided for in the TEA. Section 16.4 governs "Significant Regulatory Changes" or

changes in the transmission provider, and states that: (a) the Parties must jointly file changes required to conform to a FERC order; (b) changes in the transmission service provider, the functions of the Balancing Authority, or the scope of facilities under the operational authority of the CAISO are not "Significant Regulatory Changes" unless they can reasonably be expected to materially affect a Party's obligations or operations under the TEA; and (c) the Parties must use the dispute resolution procedure of the TEA to resolve any issues concerning amendments that must be filed to address Significant Regulatory Changes that cannot be resolved within 60 calendar days and that a Party may unilaterally file an amendment if such issues are not resolved within 90 calendar days before the Significant Regulatory Change is expected or scheduled to occur.

Section 17 governs dispute resolution and sets forth procedures for arbitration and mediation.

Section 19 states that federal law or the law of the State of California, as applicable, will govern the TEA.

3. Agreement for Lease of Transmission Capacity

Under the Lease, PacifiCorp will lease to PG&E portions of PacifiCorp's share of the Malin-Round Mountain No. 2 capacity (capacity that PacifiCorp owns or acquires under the TEA) for a term of 10 years. Any amount of PacifiCorp's share of the capacity that is not leased to PG&E will be available for transmission service under PacifiCorp's OATT. Over the term of the Lease, the amount of PacifiCorp capacity leased by PG&E will decline and PG&E's payments to PacifiCorp will decline correspondingly.

Section 2 of the Lease provides that, from January 1, 2008 through and including December 31, 2011, PacifiCorp will lease to PG&E 800 MW of southbound capacity and 612.5 MW of northbound capacity on the Malin-Round Mountain No. 2 between Malin

and Indian Spring. The amount of such capacity PacifiCorp will lease to PG&E thereafter will decrease according to the schedule set forth in the Lease. After December 31, 2017, PacifiCorp will no longer lease any Malin-Round Mountain No. 2 capacity to PG&E, and all of the capacity subject to the Lease will revert to PacifiCorp's control.

Section 3 of the Lease provides that, through December 31, 2011, PG&E will maintain, at its own expense, the entire Malin-Round Mountain No. 2. During that period, PacifiCorp will maintain related line terminal facilities at Malin Substation and must make all necessary capital replacements, as defined in the Lease, on the segment between Malin and Indian Spring of the Malin-Round Mountain No. 2.

Section 4 sets forth the payment obligations of PG&E in consideration for the lease of PacifiCorp capacity on Malin-Round Mountain No. 2. PG&E's obligation to pay will begin on the Effective Date of the Lease. Each payment will be due in twelve equal monthly installments, due and payable on the first day of each month, with the first payment due on February 1, 2008, and each subsequent payment due the first of each successive month. The final payment will be due on January 1, 2018.

Section 5 governs allocation of increased capacity derived from PacifiCorp's upgrade of series capacitors at Malin Substation. This section states that all such increased capacity (if any) that is allocated to Malin-Round Mountain No. 2, shall be allocated equally between PG&E and PacifiCorp under the TEA. The share of any increased capacity allocated to PacifiCorp under the TEA shall be leased to PG&E in calendar years 2008, 2009, 2010, and 2011. Beginning January 1, 2012, all such increased capacity (if any) will be owned, controlled, and available for use by PacifiCorp.

Section 6 governs liability and indemnification obligations between PacifiCorp and PG&E.

Section 7 governs force majeure events.

Section 8 governs the assignment of rights and obligations under the TEA.

Section 9 states that the Lease shall be effective on January 1, 2008 or such later date on which the Commission permits it to become effective and shall terminate on the earlier of December 31, 2017.

Section 11 includes clauses recognizing the Commission's regulatory authority over the Lease. Section 11(b) states that PacifiCorp and PG&E waive their rights to file unilaterally with the Commission under FPA sections 205 or 206 to change the Lease, unless such unilateral filing is specifically provided for in the Lease. Section 11 (c) states that the Lease does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. Section 11(d) governs "Significant Regulatory Changes" or changes in the transmission provider and states that: (a) the Parties must jointly file changes required to conform to a FERC order; (b) that changes in the transmission service provider, the functions of the Balancing Authorities, or the scope of facilities under the operational authority of the CAISO are not "Significant Regulatory Changes" unless they can reasonably be expected to materially affect a Party's obligations or operations under the Lease; and (c) that the Parties must use the dispute resolution procedure of the Lease to resolve any issues concerning amendments that must be filed to address Significant Regulatory Changes that cannot be resolved within 60 calendar days and that a Party may unilaterally file an amendment if such issues are not resolved within 90 calendar days.

Section 12 governs dispute resolution and sets forth procedures for arbitration and mediation.

Section 13 provides a "no exclusive remedy" provision.

Section 14 states that federal law or the law of the State of California, as applicable, govern the TEA.

4. The Operating Agreement Between PacifiCorp and the CAISO

Because PacifiCorp's share of the transmission capacity of the Malin-Round Mountain No. 2 on which it will sell transmission service under its OATT will remain within the CAISO's Balancing Authority Area and will be operated by PacifiCorp as a Non-Participating Transmission Owner, the Settlement includes an OA between the CAISO and PacifiCorp. The OA contains the following key provisions:

Section 2 states that the OA governs the "operational, scheduling, and Settlements requirements of the CAISO with respect to the capacity PacifiCorp controls on the Malin-Round Mountain No. 2. In addition, it states that the capacity PacifiCorp controls on the Malin-Round Mountain No. 2 will be a Transmission Ownership Right ("TOR") belonging to PacifiCorp.

Section 3 sets forth the term of the OA and provides for termination under certain enumerated circumstances.

Section 4 sets forth the operating requirements that the CAISO and PacifiCorp will fulfill. These include operating requests (Section 4.1), maintenance (Section 4.2), outages (Section 4.3), emergency response (Section 4.4), studies (Section 4.5), California-Oregon border schedules (Section 4.6), COI emergencies (Section 4.7), voltage control and reactive support (Section 4.8), removal from and restoration to service (Section 4.9), and Bus Bar Rights (Section 4.10).

Section 5 governs reliability management. It states that the reliability criteria of the Western Electricity Coordinating Council ("WECC") Reliability Criteria Agreement, or its successor agreement, will govern the operations under the OA.

Section 6 relates to costs, charges, and payment. It requires PacifiCorp to pay for its operating and maintenance costs associated with operating and maintaining its Electric System and absolves CAISO from any responsibility for such costs. This section also states that nothing in the OA is intended to affect rates and charges paid by transmission service customers to CAISO for use of the CAISO Controlled Grid.

In addition, this section enumerates the CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area, including CAISO Market charges (such as 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. Significantly, the OA memorializes the current versions of MRTU Tariff Sections 8.6.3 and 17.3.3(3) in Schedule 3 thereto, and requires the CAISO to apply the versions of Sections 8.6.3 and 17.3.3(3) of the CAISO Tariff as set forth in Schedule 3 of the OA to the PacifiCorp TOR for: (1) the use PacifiCorp-controlled capacity on the Malin-Round Mountain No. 2 to transfer energy to the CAISO Controlled Grid at Round Mountain; or (2) use of PacifiCorp-controlled capacity on the Malin-Round Mountain No. 2 to transfer energy across the bus at Round Mountain to the transmission system of Western or of any other transmission owner having interconnected facilities at Round Mountain that are not 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.

Section 6.4 provides that any changes the CAISO unilaterally proposes to the CAISO Tariff under FPA section 205 during the term of the OA will not be construed to alter the exemption from CAISO Congestion charges and transmission Access Charges related to the PacifiCorp TOR between Malin and Round Mountain.

Section 7 governs scheduling and unused capacity. It provides that: (a) nothing in the OA modifies the CAISO's operational control over PG&E-controlled capacity on the Malin-Round Mountain No. 2; and (b) scheduling of transactions on PacifiCorp-controlled Malin-Round Mountain No. 2 capacity will comply with the scheduling provisions of the CAISO Tariff and applicable CAISO procedures and timelines. After the deadline for schedule changes under the CAISO Hour-Ahead Scheduling Process has passed, the CAISO may use any unused PacifiCorp capacity on the Malin-Round Mountain No. 2 as necessary to maintain reliability of interconnected electric systems without charge. PacifiCorp's Scheduling Coordinator does not have the right to change schedules after the CAISO Hour-Ahead deadline or other applicable deadline has passed. If the CAISO Tariff is subsequently modified 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 deadline for successor hour-ahead process or hour-ahead market), the applicable deadline for PacifiCorp's Scheduling Coordinator to submit schedule changes will be the CAISO Tariff deadline for Balancing Authority Area interties that is closest to the operating hour.

Section 8 provides that the Parties will make reasonable efforts to settle disputes arising out of the OA and that, if a dispute cannot be settled, the Parties will adhere to the CAISO Alternate Dispute Resolution ("ADR") Procedures in Section 13 of the CAISO Tariff.

Sections 9 and 10 state that the provisions of Section 14 of the CAISO Tariff will govern liability under the OA and force majeure events.

Section 11 provides that Parties to the OA will not be deemed to have dedicated their Electric Systems to the public, any other Party, or any third party.

Section 12 recognizes the Commission's regulatory authority over the OA.

Section 13.4 states that the OA is governed by the laws of the State of California, except for conflicts of law.

5. Agreements Concerning COI Coordination

The Parties to the Settlement have agreed to amend the OCOA to remove SCE and SDG&E as Parties to the OCOA and to make other conforming changes that were proposed in Docket Nos. ER07-882 and ER07-967. Proposed revisions that were contested in the paper hearing in those dockets are not included. In all other respects, the terms of the currently-effective OCOA will remain the same, unless the Parties to the OCOA agree to further amendments in accordance with the terms of the agreement or as permitted by Sections 5.2, 5.3, and 5.4 of the Offer of Settlement and Stipulation. The Parties have agreed, however, that they will negotiate further amendments to the OCOA as provided in the Settlement and that there will be no change in the OCOA's provision for pro rata curtailments across the three COI transmission lines prior to when PacifiCorp has become a Party to the OCOA, the Parties to the OCOA may, pursuant to the terms of the OCOA, agree to an appropriate amendment to the curtailment provision. The

Settlement participants reserve their rights with respect to any such change in the curtailment provision.

In addition, the existing COI-POA will continue in effect unchanged, except for a few minor modifications to remove references to SCE and SDG&E and to recognize the effective date of these amendments, until the Parties agree to further amendments that include PacifiCorp as a party and such agreement is accepted by the Commission.

Section 5.3 provides that the parties to the OCOA and the COI-POA and PacifiCorp will, as agreed in the Offer of Settlement and Stipulation, begin good faith negotiations for the purposes of agreeing to a second amendment to the OCOA that will include PacifiCorp as a party and make other related and necessary changes by January 2009. The Offer of Settlement and Stipulation commits the Parties to execute a second amended OCOA and a second amended COI-POA by June 1, 2011, if the Parties can agree to such amendments.

6. PG&E Cost Recovery

As described in Article VI of the Offer of Settlement and Stipulation, the Parties have agreed that PG&E may recover in full in its jurisdictional transmission rates the cost of its payments to PacifiCorp under the Lease. This cost recovery includes payments to be made during 2008, which were not included in PG&E's revenue requirements in its pending rate proceedings in Docket Nos. ER06-1325-000 ("TO9") and ER07-1213-000 ("TO10"), as well as lease payments for 2009 through 2017. The Offer of Settlement and Stipulation provides that Commission approval of this Settlement shall constitute a finding that recovery by PG&E of these lease payments is just and reasonable and in the public interest. In addition, Commission approval of this Settlement also constitutes a finding that recovery of PG&E's payments under the Lease and the rate recovery

mechanism described in Section 6.2 of the Offer of Settlement and Stipulation and embodied in the tariff sheets in Appendix 6 are appropriate and reasonable aspects of the overall Settlement, which the Commission finds to be just and reasonable and in the public interest.

As set forth in Section 6.2 of the Offer of Settlement and Stipulation, PG&E will create a new rate schedule specifically to recover its Lease payments, as a separately stated "PacifiCorp Intertie Lease Revenue Requirement." The revenue requirement and rates set forth in that rate schedule will be separately stated and will be added to the otherwise accepted Transmission Revenue Requirements for purposes of CAISO TAC calculations for the period March 1, 2008 through February 28, 2009. Accordingly, the rate schedule will require modifications to Appendices I, II, and III of PG&E's TO Tariff. In addition, PG&E's retail rates for March 1, 2008 through February 28, 2009 will be the sum of the accepted TO9 and TO10 retail rates plus the retail rates designed to collect the PacifiCorp Intertie Lease Revenue Requirement.

For rates applicable after February 28, 2009, PG&E will include its payments to PacifiCorp in its cost of service based transmission revenue requirement in subsequent TO Tariff rate filings.

Approval of this Settlement would entail a Commission finding that PG&E's recovery of payments under the Lease and its rate recovery mechanism are just, reasonable, and in the public interest. Accordingly, the Settlement provides that such recovery will not be subject to challenge in any subsequent TO Tariff rate case in the event the Commission approves this Settlement.

I. RESPONSE TO REQUIREMENTS OF CHIEF ADMINISTRATIVE LAW JUDGE

The following provides the information required by the Chief Administrative Law Judge in his notice issued on October 15, 2003:

A. What Are the Issues Underlying the Settlement and What Are the Major Implications?

The issues underlying the Settlement are described above. The major implications include preservation of coordinated operation of the COI for the next 20 years; termination of the Capacity Agreement in accordance with its terms; the exchange of transmission capacity on the Malin-Round Mountain No. 2 between PG&E and PacifiCorp, which provides each company with rights to one half of the Malin-Round Mountain No. 2 capacity; and the introduction of service under PacifiCorp's OATT on the Malin-Round Mountain No. 2. This Settlement resolves issues set for paper hearing in Docket Nos. ER07-882 and ER07-967, and resolves numerous other disputed issues in the other captioned dockets. It also terminates Docket No. EL07-84, which the Commission has held in abeyance since its establishment in the July 30 Order, *Pacificorp* 120 FERC ¶ 61,113 (2007).

B. Do Any of These Issues Raise Policy Implications?

If this settlement is accepted without modification, it does not raise policy issues.

C. Will Other Pending Cases Be Affected?

While the new PG&E rate schedule for recovery of its payments to PacifiCorp under the Lease will impact PG&E's transmission rates, the Settlement does not affect PG&E's ongoing transmission rate case in Docket No. ER07-1213-000.

D. Does the Settlement Involve Issues of First Impression, or Are There Any Previous Reversals on the Issues Involved?

The Parties believe that this case does not involve issues of first impression. Also, the Parties are not aware of any reversals of prior precedent.

E. Is the Proceeding Subject to the Just and Reasonable Standard or Is There Mobile-Sierra Language Making It the Standard; i.e., the Applicable Standards of Review?

The applicable standard of review for Commission approval of this Settlement is generally whether the Settlement is just and reasonable, though certain terms of the Settlement provide that Commission approval will constitute a finding that the terms are just and reasonable and in the public interest.

CONCLUSION

This Settlement resolves multiple proceedings before the Commission and provides for the continued coordinated operation of the COI. The Settlement is the result of extensive negotiations among the intervenors in the affected dockets and involves difficult compromises by all active parties. Because the Settlement equitably resolves the issues in these proceedings and is fair and reasonable and in the public interest, it should be accepted by the Commission.

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

Draft Letter Order

November 21, 2007

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:56
FEDERAL ENERGY
REGULATORY COMMISSION

PROPOSED LETTER ORDER

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Docket Nos. ER07-882-000, *et. al.*

Michael J. Thompson
Andrew T. Swers
Wright & Talisman, P.C.
1200 G Street, N.W.
Suite 600
Washington, D.C. 20005

Gentlemen:

1. On November 21, 2007, on behalf of PacifiCorp, Pacific Gas and Electric Company ("PG&E"), the California Independent System Operator Corporation ("CAISO"), the Transmission Agency of Northern California ("TANC"), Sacramento Municipal Utility District ("SMUD"), Powerex Corp. ("Powerex"), and PPM Energy, Inc. ("PPM") (collectively, "the Parties") you filed an Offer of Settlement and Stipulation, including related, appended agreements and tariff sheets (collectively, "the Settlement"), to resolve all issues in the Commission's Docket Nos. ER07-882-000, ER07-976-000, EL07-84-000, ER07-1373-000, ER07-1392-000, ER08-143-000, and ER08-___-000. Pursuant to notice of a shortened period for comments under the Commission's Rule 602(f), comments on the proposed Settlement were filed by _____ on November 29, 2007. Reply comments were filed by _____ on December 3, 2007.

2. The Commission finds that the Settlement is in the public interest and it is hereby accepted in its entirety. This approval constitutes a finding (a) that recovery by PG&E of payments it will make to PacifiCorp pursuant to the Agreement for Lease of Transmission Capacity entered into as part of the Settlement (PG&E Original Rate Schedule FERC No. 240, PacifiCorp Original Rate Schedule FERC No. 607) is just and reasonable and in the public interest, and (b) that the rate recovery mechanism described in Section 6.2 of the Offer of Settlement and Stipulation, as set forth on the revised tariff sheets of PG&E's TO Tariff presented with the Settlement, is an appropriate and reasonable aspect of the overall settlement of this controversy, which the Commission finds to be just and reasonable and in the public interest, and recovery will not be subject to challenge in any subsequent TO Tariff rate case. Except as necessary to enforce the provisions of this Settlement pertaining to PG&E's recovery of its payments to PacifiCorp under the Agreement for Lease of Transmission Capacity, the Commission's acceptance of the settlement agreement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding, except to the extent otherwise provided in the approved Offer of Settlement and Stipulation.

3. The designations of the rate schedules, tariff sheets, and service agreements submitted as parts of the Settlement are in compliance with Designation of Electric Rate Schedule Sheets, Order No. 614, 1996-2000 FERC Stats. & Regs., Regs. Preambles ¶ 31,096 (2000), and are accepted for filing as designated and made effective on the dates proposed, as shown on the enclosed list. The Commission grants waivers of section 35.3 and other portions of its regulations as necessary to permit such effective dates.

By direction of the Commission.

Secretary

Enclosure

cc: To All Parties

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DESIGNATIONS

Transmission Exchange Agreement among PacifiCorp, Pacific Gas and Electric Company, and the California Independent System Operator Corporation	PacifiCorp Original Rate Schedule FERC No. 608; PG&E Original Rate Schedule FERC No. 239; CAISO Original Rate Schedule FERC No. 66
Agreement for Lease of Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company	PacifiCorp Original Rate Schedule FERC No. 607; PG&E Original Rate Schedule FERC No. 240
Operating Agreement between PacifiCorp and the California Independent System Operator Corporation	PacifiCorp First Revised Rate Schedule FERC No. 606; CAISO First Revised Rate Schedule FERC No. 65
Amended Owners Coordinated Operations Agreement Among Pacific Gas and Electric Company and Participants in the California-Oregon Transmission Project and Western Area Power Administration Governing the Coordinated Operation of the Pacific AC Intertie and the California-Oregon Transmission Project	PG&E Substitute First Revised Rate Schedule FERC No. 229
Amended California Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants in the California-Oregon Transmission Project, Western Area Power Administration, and California Independent System Operator	CAISO First Revised Rate Schedule FERC No. 50
Revised tariff sheets for inclusion in PG&E's TO Tariff	Third Revised Sheet No. 12, Original Sheet No. 12a, Fourth Revised Sheet No. 17, Original Sheet No. 17a, Second Revised Sheet No. 26, Original Sheet No. 26a, Twentieth Revised Sheet No. 56, Original Sheet No. 56a, Tenth Revised Sheet No. 57, Nineteenth Revised Sheet No. 58, Twenty-Second Revised Sheet No. 59, Thirteenth Revised Sheet Nos. 60-62

DESIGNATIONS (cont'd)

Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and Powerex Corp.	PacifiCorp First Revised Service Agreement Nos. 361, 362, and 363
Revised Service Agreements For Long-Term Firm Point-To-Point Transmission Service between PacifiCorp and PPM Energy, Inc.	PacifiCorp First Revised Service Agreement Nos. 357, 358, 359, and 360

ORIGINAL

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

FILED
OFFICE OF THE
SECRETARY

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FEDERAL ENERGY
REGULATORY COMMISSION

PacifiCorp	)	Docket No. ER07-882-000
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
PacifiCorp	)	Docket No. EL07-84-000
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
PacifiCorp	)	Docket No. ER07-1392-000
PacifiCorp	)	Docket No. ER08-143-000
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

OFFER OF SETTLEMENT AND STIPULATION

PacifiCorp, Pacific Gas and Electric Company ("PG&E"), the California Independent System Operator Corporation ("CAISO"), the Transmission Agency of Northern California ("TANC"), Sacramento Municipal Utility District ("SMUD"), Powerex Corp. ("Powerex"), and PPM Energy, Inc. ("PPM") (collectively, "Parties," and individually, a "Party") hereby offer to each of the participants to the above-captioned proceedings, the following terms, conditions and stipulations of a settlement ("Settlement") that resolves all issues in the proceedings captioned above. All participants in the captioned dockets have been advised of the numerous settlement conferences and conference calls, and all have been included in distribution of draft

settlement documents.[1] Based on the indications of positions by those actively participating in settlement discussions, together with the absence of expressed opposition, the Parties believe that all participants in the captioned dockets either support or do not oppose this Settlement.[2]

BACKGROUND OF PROCEEDINGS

This Settlement is intended to resolve several proceedings related to a portion of the Pacific AC Intertie ("PACI") owned by PacifiCorp, as well as the arrangements governing control and coordinated operation, maintenance and planning of the PACI and the California-Oregon Transmission Project ("COTP"). The PACI consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2. Both PacifiCorp and 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

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1 Additionally, PG&E has sent notice of this pending Settlement to three parties, the Energy Producers and Users Coalition, the Metropolitan Water District of Southern California, and the Six Cities (Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside) who are parties to PG&E's most recent Transmission Owner ("TO") Tariff rate case, but who have not intervened in these proceedings. The notice informed those parties that approval of this Settlement will affect PG&E's TO Tariff rates.

2 The following participants have authorized the filing Parties to state that they do not oppose this Settlement: FERC Trial Staff; The Bonneville Power Administration; The California Department of Water Resources, State Water Project ("SWP"); the California Electricity Oversight Board ("CEOB"); the California Public Utilities Commission ("CPUC"); Utah Associated Municipal Power Systems ("UAMPS"); Utah Municipal Power Agency ("UMPA"); Western Area Power Administration ("Western"); Southern California Edison Company ("SCE"); and San Diego Gas & Electric Company ("SDG&E").

segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation.

The capacity of the PACI No. 2 line between Malin and Round Mountain is 1600 MW for southbound flow and 1225 MW for northbound flow as established pursuant to the Owners Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordination Council ("WECC") rating process. The portions of the PACI lines between Malin and Round Mountain Substations, together with the portion of the COTP, another 500 kV transmission line, extending from Captain Jack Substation in southern Oregon to the Olinda substation in northern California, constitute the California-Oregon Intertie ("COI"). The three COI lines "are operated in parallel, on a coordinated basis, as a single path."[3]

These proceedings commenced on May 10, 2007, when PacifiCorp filed in Docket No. ER07-882-000 a notice of termination, effective August 1, 2007, of the Agreement for Use of Transmission Capacity Among Pacific Power & Light Company,[4] PG&E, SCE, and SDG&E, dated August 1, 1967 (the "Capacity Agreement"). The Capacity Agreement, the stated term of which ended on July 31, 2007, provided PG&E, SDG&E, and SCE control over the entire capacity of PacifiCorp's segment of the PACI No. 2, both north-to-south and south-to-north, between the Malin Substation and Indian Spring. In exchange, the agreement provided for PG&E, SDG&E, and SCE to pay PacifiCorp $475,000 annually and for PG&E to operate and maintain PacifiCorp's line. In 1998, PG&E, SCE, and SDG&E turned over the operational control of their network

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3 *PacifiCorp*, 120 FERC ¶ 61,113, at P 3 (2007) ("July 30 Order").

4 PacifiCorp is the corporate successor to Pacific Power & Light Company.

transmission facilities, including their rights under the Capacity Agreement, to the CAISO. PacifiCorp stated in its termination filing that it intended to offer the capacity of its line for service under its open access transmission tariff ("OATT") at its existing tariff rate, commencing August 1, 2007, after termination of the Capacity Agreement.

Various participants moved to intervene in the proceeding, protested, or commented on the notice of termination, including PG&E, the CPUC, the CAISO, SMUD, TANC, and Western. Other participants supported termination of the Capacity Agreement and PacifiCorp's plan to offer OATT service on the Malin-Indian Spring line.

On May 31, 2007, PG&E filed in Docket ER07-967-000 proposed amendments to the OCOA. The OCOA is an agreement among the parties that own or control the capacity of the PACI and COTP facilities that provides for and governs coordinated operation, maintenance and planning of the PACI and COTP. PG&E's proposed amendments would remove a provision of the OCOA that provides for termination of that agreement upon termination of service under the Capacity Agreement and would amend the curtailment provisions of the OCOA to provide that, during the period when PacifiCorp is providing transmission service under its OATT, the COI Path Operator would curtail use of the PACI No. 2 prior to curtailing use of the portion of the PACI No. 1 that the CAISO controls.

Various participants moved to intervene, protested, or commented on PG&E's filing, including PacifiCorp, TANC, SMUD, Western, and others. PacifiCorp presented with its protest an alternative version of an amended OCOA that would include PacifiCorp as a party to the agreement and would provide PacifiCorp with voting participation on the governing committees established under the agreement, but which

would not alter the existing OCOA's provision for pro rata allocations of curtailments among the COI facilities.

The Federal Energy Regulatory Commission's ("Commission's") July 30 Order accepted and suspended for five months both PacifiCorp's notice of termination of the Capacity Agreement and PG&E's proposed, amended OCOA, subject to further order and the outcome of a paper hearing on issues regarding coordinated operation, maintenance, and planning under the OCOA. The Commission also initiated in Docket No. EL07-84-000 and held in abeyance, pending the outcome of the paper hearing, an investigation of PacifiCorp's system-wide transmission rates following the termination of the Capacity Agreement under Section 206 of the Federal Power Act ("FPA"), 16 U.S.C. § 824e.

Initial and reply briefs were filed in the paper hearing on September 13 and 28, 2007, respectively. The Commission has not yet issued an order addressing the paper hearing issues. This Settlement, if accepted by the Commission, resolves all of the currently outstanding issues between the Parties, as set forth below, that pertain to the PacifiCorp's segment of the PACI and moots the need for any Commission order on the paper hearing filings.

On September 14, 2007, the CAISO filed in Docket No. ER07-1373-000 an unexecuted, proposed Operating Agreement between itself and PacifiCorp, which it proposed to make effective on January 1, 2008, when PacifiCorp proposes to commence service on its Malin-Indian Spring line under its OATT. The CAISO's proposed Operating Agreement would govern the CAISO's relationship with PacifiCorp, as PacifiCorp's segment of the Malin-Round Mountain No. 2 will remain in the CAISO

Balancing Authority Area after the Capacity Agreement terminates, and would apply when PacifiCorp commenced providing service from Malin to Indian Spring under its own tariff.[5]

Among other terms, the CAISO's proposed Operating Agreement for PacifiCorp's line included provisions under which PacifiCorp, as Scheduling Coordinator for its segment of the Malin-Round Mountain No. 2 would be subject to several charges. These charges would include, according to the CAISO's proposal, the CAISO's transmission Access Charges ("TAC"), Grid Management Charges ("GMC"), transmission losses, and Congestion charges.

PacifiCorp filed a motion to reject the CAISO's proposed Operating Agreement and moved to intervene in Docket No. ER07-1373-000. PacifiCorp, as well as PPM and Powerex, two customers that requested service on PacifiCorp's segment of the Malin-Round Mountain No. 2, also challenged the CAISO's proposed assessment of Congestion charges on PacifiCorp's service from Malin to Indian Spring (which charges PacifiCorp would propose to pass on to its transmission customers that use the line) and certain other aspects of the CAISO's proposed Operating Agreement. Other parties, including PG&E, also intervened and protested in part and supported in part the CAISO's proposed Operating Agreement and the proposal to charge PacifiCorp and its customers for Congestion.

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5 PacifiCorp previously agreed to keep its line in the CAISO's NERC Balancing Authority (control) Area and to become a Scheduling Coordinator under the CAISO's OATT for purposes of scheduling service with the CAISO as Balancing Authority.

The Commission has not yet acted on the CAISO's proposed Operating Agreement. The Commission's approval of the Settlement will make it unnecessary for it to issue a ruling in Docket No. ER07-1373-000.

On September 21, 2007, PacifiCorp filed in Docket No. ER07-1392-000 seven executed, long-term transmission service agreements ("TSAs") for service under PacifiCorp's OATT on PacifiCorp's segment of the Malin-Round Mountain No. 2, commencing April 1, 2008. The seven TSAs, three with Powerex and four with PPM, contain non-conforming terms that provide the customers the right to seek termination of the agreements in the event that, *inter alia*, CAISO Congestion charges are determined to apply to the service under the agreements. All seven agreements were executed pursuant to and consistent with queue priorities of requests for service submitted by Powerex and PPM after PacifiCorp posted notice on its OASIS of the availability of service utilizing the capacity of the Malin-Indian Spring line. PG&E protested the TSAs, and SCE submitted unfavorable comments.

The Commission has not yet acted on the TSAs. Upon the Commission's acceptance, this Settlement negates the need for Commission action in Docket No. ER07-1392-000. The Settlement includes amended TSAs that are acceptable to all Parties.

On October 15 and 18, 2007, respectively, UAMPS and UMPA moved for leave to intervene out-of-time in Docket No. EL07-84-000. In orders issued on October 17 and 19, 2007, respectively, the Chief Administrative Law Judge granted the motions of UAMPS and UMPA to intervene.

On November 1, 2007, PacifiCorp filed in Docket No. ER08-143-000, pursuant to Section 205 of the FPA, an unexecuted, proposed Operating Agreement between itself

and the CAISO and an unexecuted, amended California-Oregon Intertie Path Operating Agreement ("COI-POA"). PacifiCorp proposed that both agreements become effective on January 1, 2008, upon the end of the five-month suspension of termination of the Capacity Agreement. PacifiCorp's transmittal noted the parties' agreement in principle to resolve the controversy arising from termination of the Capacity Agreement, as reported to the Commission in Administrative Law Judge Carmen A. Cintron's October 24, 2007 Status Report on settlement judge proceedings. PacifiCorp asked the Commission to defer the comment date on PacifiCorp's filing and to refrain from acting on the proposed agreements before December 10, 2007, in order to afford the parties sufficient time to complete the documentation and filing of their proposed settlement.

The Commission has not yet ruled on the unexecuted Operating Agreements filed by the CAISO and PacifiCorp or on the unexecuted, amended COI-POA. Again, this Settlement, if approved by the Commission, eliminates the need for the Commission to resolve the issues presented by the alternative Operating Agreements and the proposed, amended COI-POA, and will put in place operating arrangements that are acceptable to all of the parties to these proceedings.

Now, therefore, the following terms are proposed in settlement of the proceedings just described:

ARTICLE I

PRINCIPLES UNDERLYING THIS OFFER OF SETTLEMENT AND STIPULATION

1.1. This Offer of Settlement and Stipulation is contingent upon the Commission's approval of this Settlement and of all of the following:

a. Transmission Exchange Agreement Among PacifiCorp, the California Independent System Operator Corporation and Pacific Gas and Electric Company ("TEA"), contained in Appendix 1;

b. Agreement for Lease of Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company ("Lease"), contained in Appendix 2;

c. California Independent System Operator Corporation and PacifiCorp Operating Agreement ("OA"), contained in Appendix 3;

d. The amended Owners Coordinated Operations Agreement Among Pacific Gas and Electric Company and Participants in the California-Oregon Transmission Project and Western Area Power Administration Governing the Coordinated Operation of the Pacific AC Intertie and the California-Oregon Transmission Project, contained in Appendix 4;

e. The amended California-Oregon Intertie Path Operating Agreement Among Pacific Gas and Electric Company, Participants in the California-Oregon Transmission Project, Western Area Power Administration, and California Independent System Operator, contained in Appendix 5;

f. The proposed amendments to the PG&E TO Tariff contained in Appendix 6;[6] and

g. The amended Transmission Service Agreements between PacifiCorp and PPM Energy Inc., and between PacifiCorp and Powerex Corp., contained in Appendix 7.

1.2 This Offer of Settlement and Stipulation and the appended agreements and revised tariff sheets (collectively "Appendices") are each parts of this integrated and comprehensive Settlement. The Commission's approval of this Settlement without condition or modification (or with a condition or modification accepted by the Parties) shall constitute approval of the terms of this Offer of Settlement and Stipulation and of each of the Appendices, and shall terminate the Commission's Docket Nos. ER07-882-000, ER07-967-000, EL07-84-000, ER07-1373-000, ER07-1392-000, and ER08-143-000.

ARTICLE II

TRANSMISSION EXCHANGE AGREEMENT

2.1 PG&E and PacifiCorp shall exchange rights to secure for each one half of the capacity of the Malin-Round Mountain No. 2. Accordingly, PacifiCorp, PG&E, and the CAISO have executed the TEA, attached as Appendix 1 to this Settlement, to be

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6 Also submitted with this Offer of Settlement and Stipulation are two exhibits which do not require the Commission's approval. Exhibit A provides cost support for PG&E's TO Tariff amendments. Exhibit B is a copy of a notice PG&E provided to three entities that are parties to PG&E's most recent TO Tariff rate case, but which are not parties to the proceedings in which the Settlement is submitted.

effective upon this Settlement becoming effective in accordance with Article XI below. Subject to and in accordance with its terms, the TEA shall remain in effect for a period of 20 years from its effective date. The TEA is known as PacifiCorp Original Rate Schedule FERC No. 608, as PG&E Original Rate Schedule FERC No. 239, and as CAISO Original Rate Schedule FERC No. 66.

2.2 PacifiCorp shall have the right to offer, in connection with transmission service under its OATT, its capacity on the Malin-Round Mountain No. 2 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 the TEA and subject to the Lease described in Article III, 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 ("PacifiCorp Bus Bar Rights"), subject to the following conditions:

a. Any use by PacifiCorp, its Scheduling Coordinator, or any PacifiCorp customer (each 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.

b. 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. Those 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 the PacifiCorp Bus Bar Rights between the Malin-Round Mountain No. 2 and the Western system, which entails transmission of energy between Balancing Authority Areas 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.

c. Any Requesting Entity(ies) that seek(s) service using the PacifiCorp Bus Bar Rights which would entail transmission of energy between Balancing Authority Areas across an interconnection with the PG&E electric system at Round Mountain in quantities in excess of the existing transfer capability of such interconnection 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.

d. This Settlement and the grant of PacifiCorp Bus Bar Rights to PacifiCorp under this Settlement do not constitute or cause an Adverse Impact to Western's,

SMUD's, or PG&E's Electric Systems, as that term is defined under the WP-POA or the SMUD-PG&E Interconnection Agreement ("SMUD-PG&E IA"), provided that any future physical modification to the Parties' systems remains subject to the terms of the WP-POA and the SMUD-PG&E IA.

e. PacifiCorp agrees that this Settlement does not impose upon PG&E any obligation additional to or different from any obligation PG&E otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PacifiCorp to any action or agreement by PG&E to modify any obligation PG&E otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights.

f. In the case of any inconsistency between this Settlement and the applicable terms of the Western-SMUD Control Area Agreement, of the Western OATT, or of any currently-existing Commission-approved agreements and tariffs, including but not limited to the WP-POA, ICAOA, SMUD-PG&E IA, 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 over the Settlement to the extent of the inconsistency, except for terms expressly provided for in this Settlement.

g. Nothing in this Settlement provides PacifiCorp or Requesting Entities with any transmission service over Western's system. Any transmission service from Western must be requested under Western's OATT.

2.3 PG&E shall have the right to offer, in connection with transmission service under the CAISO Tariff (or the transmission service tariff of any successor transmission service provider), its capacity in 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 PG&E to offer for service under such tariff in accordance with the TEA and the Lease described in Article III, across the bus at the Malin interconnection(s) between or among PacifiCorp, Bonneville Power Administration, Portland General Electric Company, and any other transmission owner that has interconnecting facilities at Malin ("PG&E Bus Bar Rights"), subject to the following conditions:

a. Any use by PG&E, the CAISO, or any customer of PG&E or the CAISO (each a "Requesting Entity") of PG&E Bus Bar Rights may only apply to energy that is scheduled using PG&E's capacity available for service under the CAISO's OATT or other transmission tariff applicable to transmission service using such PG&E capacity between Malin and Round Mountain on the Malin-Round Mountain No. 2.

b. The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PacifiCorp electric system at Malin that uses the PG&E Bus Bar Rights is subject to any applicable agreements and limitations relating to that interconnection, including the maximum transfer capability for the Malin interconnection as

established (or as may be established) pursuant to these agreements. These agreements include, without limitation, the Intertie Agreement Between United States of America acting by and through the Bonneville Power Administration and Pacific Power & Light Company, PacifiCorp Rate Schedule FERC No. 327 ("Intertie Agreement"); the Amended and Restated AC Intertie Agreement between PacifiCorp and Bonneville Power Administration, PacifiCorp Rate Schedule FERC No. 368 ("Malin AC Intertie Agreement"); Agreement for the Construction and Operation of the Malin Substation among Bonneville Power Administration, PacifiCorp, Western Area Power Administration, and Portland General Electric Company, PacifiCorp Rate Schedule FERC No. 85 ("Malin C&O Agreement"); and PacifiCorp and California Independent System Operator Corporation Interconnected Control Area Operating Agreement, PacifiCorp Rate Schedule FERC No. 509 and CAISO Rate Schedule FERC No. 33.

c. Any Requesting Entity(ies) that seek(s) service using the PG&E Bus Bar Rights which would entail transmission of energy between Balancing Authority Areas across an interconnection with the PacifiCorp electric system at Malin in quantities in excess of the existing transfer capability of such interconnection 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.

d. PG&E agrees that this Settlement does not impose upon PacifiCorp any obligation additional to or different from any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the

Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PG&E to any action or agreement by PacifiCorp to modify any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights.

e. In the case of any inconsistency between this Settlement and the applicable terms of the Intertie Agreement, the Malin AC Intertie Agreement, the Malin C&O Agreement, the Bonneville Power Administration OATT, or of any currently-existing, Commission-approved agreements and tariffs, including but not limited to the Intertie Agreement, the Malin AC Intertie Agreement, and/or the Malin C&O 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 this Settlement.

2.4 PacifiCorp and PG&E shall engage in good faith negotiations for a period of not less than 12 months, commencing January 1, 2008, to attempt to reach agreement on an exchange of ownership interests in the Malin-Round Mountain No. 2 between Malin and Round Mountain, under which: (i) PG&E and PacifiCorp would each have equal joint ownership of the Malin-Round Mountain No. 2 facilities between Malin Substation and Round Mountain Substation; (ii) each party would be entitled to one half of the transfer capability of the line between Malin and Round Mountain; (iii) PacifiCorp's capacity between Malin and Round Mountain would include the same rights

as it will have under the TEA to transmit energy across the bus at Round Mountain into the transmission system of any transmission owner having interconnected facilities at Round Mountain; and (iv) PG&E's capacity between Malin and Round Mountain would include the same rights as it or the CAISO will have under the TEA to transmit energy across the bus at Malin into the transmission system of any transmission owner having interconnected facilities at Malin.

2.5 The effectiveness of any ownership exchange agreement that PacifiCorp and PG&E may reach as described in Section 2.4 shall be subject to all regulatory approvals required of either PG&E or PacifiCorp. Upon becoming effective, such an ownership exchange agreement shall supersede the TEA. Accordingly, all references hereafter in this Settlement to the TEA shall be construed to refer also or instead, as applicable, to an ownership exchange agreement that has superseded the TEA.

2.6 **a.** PG&E shall continue to maintain the Malin-Indian Spring segment of the Malin-Round Mountain No. 2 at its own expense during the period through and including December 31, 2011. Commencing January 1, 2012, PG&E shall provide such maintenance under the terms of a maintenance agreement to be negotiated between PG&E and PacifiCorp, under which PG&E shall be compensated by PacifiCorp for its maintenance of the Malin-Round Mountain No. 2 in proportion to the portion of the line's capacity that is allocated to PacifiCorp in accordance with the TEA and the Lease. PacifiCorp shall continue to be responsible for capital replacements on its owned portion of the line and for maintenance of the line terminal facilities and the series capacitor bank at Malin Substation, consistent with the parties' existing practice.

b. In the absence of an additional, separate agreement governing maintenance responsibilities between PacifiCorp and PG&E, maintenance responsibilities from and after January 1, 2012, will be as follows: (1) PG&E shall maintain or cause to be maintained, the Indian Spring to Round Mountain segment of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Round Mountain Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time; (2) PacifiCorp shall maintain or cause to be maintained the Malin to Indian Spring segment of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Malin Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or capital replacements on such line or the related terminal facilities at the Malin and/or Round Mountain Substations, such curtailment or interruptions shall be arranged as far in advance as may be practicable by mutual agreement of the parties, and the party responsible under this arrangement for such maintenance or capital replacements shall coordinate with and obtain any necessary approvals from the appropriate transmission operator prior to performing such maintenance or making capital replacements. The party responsible under this arrangement for such maintenance or capital replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

2.7 Subject to the terms of Section 11.4, in the event the TEA is terminated, for any reason other than the effectiveness of an ownership exchange agreement between PacifiCorp and PG&E that supersedes the TEA as described in Sections 2.4 and 2.5 of this Settlement, prior to the date that is 20 years from the effective date of the TEA, then notwithstanding anything to the contrary in this Settlement or in the TEA, and for the period from the date of termination of the TEA through and including the date that is 20 years from the effective date of the TEA, the following shall apply:

a. subject to the Lease, PacifiCorp and PG&E shall each have rights to one-half of the capacity of the Malin-Round Mountain No. 2, provided, however, that this paragraph (a) shall be superseded by, and on the effective date of, an ownership exchange agreement between PacifiCorp and PG&E as described in Sections 2.4 and 2.5 of this Settlement;

b. PacifiCorp shall continue to have PacifiCorp Bus Bar Rights at Round Mountain in accordance with the terms stated in Section 2.2 of this Settlement;

c. PG&E shall continue to have PG&E Bus Bar Rights at Malin in accordance with the terms stated in Section 2.3 of this Settlement;

d. in the absence of a separate, applicable agreement between PG&E and PacifiCorp, the terms of Section 8.3 of the TEA regarding the parties' respective maintenance responsibilities shall continue to apply; and

e. the terms of Section 8.5 of the TEA regarding upgrading of PacifiCorp's series capacitors at Malin and the allocation between PacifiCorp and PG&E of any resulting increase in transmission capacity that is allocated to the Malin-Round Mountain No. 2 shall remain in effect.

ARTICLE III

AGREEMENT FOR LEASE OF PACIFICORP'S CAPACITY

3.1 PG&E shall lease from PacifiCorp portions of the capacity of the Malin-Round Mountain No. 2 that PacifiCorp owns or will acquire pursuant to the TEA. To implement this arrangement, PacifiCorp and PG&E have executed the Lease, attached as Appendix 2 to this Settlement, to be effective upon this Settlement becoming effective in accordance with Article XI below. Subject to and in accordance with its terms, the Lease shall remain in effect for a period of ten (10) years from its effective date. The Lease is designated as PacifiCorp Original Rate Schedule FERC No. 607 and PG&E Original Rate Schedule FERC No. 240.

3.2 The Lease contains the following provisions:

a. Beginning January 1, 2008, through and including December 31, 2011, PG&E will lease from PacifiCorp 800 MW of north to south capacity and 612.5 MW of south to north capacity for $20 million per year;

b. Beginning January 1, 2012 through and including December 31, 2012, PG&E will lease from PacifiCorp 500 MW of north to south capacity and 382.8 MW of south to north capacity for $16.5 million;

c. Beginning January 1, 2013 through and including December 31, 2016, PG&E will lease from PacifiCorp 400 MW of north to south capacity and 306.25 MW of south to north capacity for $14.5 million per year; and

d. Beginning January 1, 2017 through and including December 31, 2017, PG&E will lease from PacifiCorp 300 MW of north to south capacity and 229.7 MW of south to north capacity for $12.5 million.

3.3 PG&E shall pay PacifiCorp in accordance with the terms of the Lease for the capacity PG&E leases thereunder. PG&E shall be entitled to recover its payments through its transmission rates in accordance with Article VI below.

ARTICLE IV

OPERATING AGREEMENT

4.1 PacifiCorp's portion of the transmission capacity of the Malin-Round Mountain No. 2 shall be in the CAISO's Balancing Authority Area and shall be operated by the CAISO as Balancing Authority. Accordingly, PacifiCorp and the CAISO have executed the OA attached as Appendix 3 to this Settlement, to be binding upon the Parties as of the date this Settlement becomes effective in accordance with Article XI below, and to become effective as of January 1, 2012. The OA is designated as PacifiCorp Substitute Original Rate Schedule FERC No. 606 and CAISO Substitute Original Rate Schedule FERC No. 65.

4.2 The OA incorporates the applicable terms regarding PacifiCorp's Bus Bar Rights set forth in Section 2.2 above.

4.3 The CAISO shall have the right, subject to applicable laws and regulations, to seek termination of the OA in the event of a material change in the structure of operational relationships on the PACI, including but not limited to the termination of the Transmission Exchange Agreement among Western, the CAISO, and PG&E, PG&E Rate Schedule FERC No. 231 and CAISO Rate Schedule FERC No. 51.

4.4 Subject to the terms of Section 11.4, except for termination under Section 3.2(b) of the Operating Agreement, in the event the Operating Agreement is terminated prior to the date that is 20 years from the effective date of the Settlement, then

notwithstanding anything to the contrary in this Settlement or in the Operating Agreement, and for the period from the date of termination of the Operating Agreement through and including December 31, 2027, the following shall apply:

a. PacifiCorp's Transmission Ownership Right ("TOR") for the PacifiCorp Share (as defined in Section 1.3 of the OA), as stated in Schedule 1 of the OA, shall remain in effect;

b. **(i)** Except as otherwise provided in this Settlement, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for its transmission customers for schedules within the CAISO Balancing Authority Area on the Malin-Round Mountain No. 2 shall include all CAISO Market charges (including Ancillary Service charges and Congestion 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 the OA to the PacifiCorp TOR for: (1) the use of the PacifiCorp Share[7] 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

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7 PacifiCorp Share is defined in the OA as "the Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Offer of Settlement and Stipulation and TEA, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Offer of Settlement and Stipulation, Lease, and 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

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. 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 Malin-Round Mountain No. 2;[8]

(ii) 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 in any agreement that replaces the OA any provision 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 4.4.b(i) of this Settlement. The CAISO agrees that any changes, including changes in rates, the CAISO unilaterally proposes to the

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those agreements to reflect increases in the capacity of the Malin-Round Mountain No. 2."

8 This provision is based on and intended to be consistent with Section 6.3 of the Operating Agreement.

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 4.4(b)(i) of this Settlement. The CAISO will continue to waive the right to unilaterally propose or make effective in any agreement that replaces the OA any provision that would alter Schedule 1 or Schedule 3 of the OA for a 20 year term from January 1, 2008. Except as provided in this Section 4.4(b)(ii), however, nothing contained in this Settlement 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 4.4(b)(ii), the standard of review the Commission shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 4.4 of this Offer of Settlement and Stipulation, 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 the OA, rates and charges for, or in accordance with, those services, and all classifications, practices, rules, regulations, or contracts, including but not limited to the OA, 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;[9]

c. PacifiCorp shall continue to have PacifiCorp Bus Bar Rights at Round Mountain in accordance with the terms stated in Section 2.2 of this Settlement;

d. PG&E shall continue to have PG&E Bus Bar Rights at Malin in accordance with the terms stated in Section 2.3 of this Settlement;

e. **(i.)** 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, 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;

(ii.) 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 4.4(e) 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.

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9 This provision is based on and intended to be consistent with Section 6.4 of the Operating Agreement.

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 4.4(e). 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; and

f. The PacifiCorp Share shall remain in the CAISO Balancing Authority Area and on and after January 1, 2012, and PacifiCorp shall remain a party to the OCOA and COI-POA, or successor agreements.

ARTICLE V

AGREEMENTS CONCERNING COI COORDINATION

5.1 The OCOA and the COI-POA shall be amended as shown in Appendices 4 and 5, respectively. In all other respects, however, the terms of the currently effective OCOA and COI-POA shall be unchanged until and unless modified as described in Sections 5.2, 5.3, and 5.4 below. Accordingly, PG&E, Western, and the COTP Participants have executed the Amended Owners Coordinated Operation Agreement ("Amended OCOA") and the same parties, together with the CAISO, have executed the Amended California-Oregon Intertie Path Operating Agreement ("Amended COI-POA"),

attached, respectively, as Appendices 4 and 5 to this Offer of Settlement and Stipulation, to be effective upon this Settlement becoming effective in accordance with Article XI below. The Amended OCOA is known as PG&E Rate Schedule FERC No. 229 and the Amended COI-POA is known as CAISO Rate Schedule FERC No. 50.

5.2 The Amended OCOA and the Amended COI-POA will both continue in effect, subject to amendment consistent with their terms, until amendments to both agreements that include PacifiCorp as a party are negotiated and approved by the Commission. The Parties agree that the amended agreements including PacifiCorp as a party must be approved and made effective not later than January 1, 2012.

5.3 The parties to the OCOA and COI-POA and PacifiCorp (1) shall commence good faith negotiations in an attempt to agree to further amendments to the OCOA and the COI-POA to include PacifiCorp as a party to each agreement and to make other, related and necessary changes no later than January 1, 2009, and (2) shall execute the further amended OCOA and further amended COI-POA by June 1, 2011. If mutual agreement cannot be reached, PacifiCorp or any party to the OCOA or the COI-POA has the right to unilaterally propose amendments to the OCOA or the COI-POA to become effective January 1, 2012, and to request that FERC resolve the disputed issues among the affected parties. Except as provided in Section 5.4, nothing in this Settlement shall prevent the existing parties to the OCOA or the COI-POA from making further amendments to those agreements in accordance with the terms thereof, or shall prejudice any party's arguments on the appropriate OCOA governance structure. The current OCOA governance provisions shall continue in effect until a further amended agreement is executed and becomes effective.

5.4 Notwithstanding anything to the contrary in this Settlement, the allocation of curtailments on the COI among the Malin-Round Mountain Nos. 1 and 2, and the 500 kV Captain Jack to Olinda segment of the COTP line, shall be on a pro rata basis, using the same curtailment provision as contained in the currently effective OCOA (PG&E Substitute Original Rate Schedule FERC No. 229), provided that, after PacifiCorp has become a party to the OCOA, the parties to the OCOA, pursuant to the terms of the OCOA, may agree to an appropriate amendment to that curtailment provision. The participants to this Settlement reserve their rights with respect to any such change.

5.5 Nothing in this Settlement shall preclude the parties to the OCOA from choosing a new COI Path Operator or the CAISO from withdrawing as the COI Path Operator under the COI-POA.

ARTICLE VI

PG&E COST RECOVERY

6.1 PG&E shall be authorized to recover in full in its jurisdictional transmission rates its payments to PacifiCorp under the Lease. PG&E's cost recovery shall include recovery of its payments during 2008, which were not included in PG&E's revenue requirements in its rate change proceedings in Docket Nos. ER06-1325-000 ("TO9") and ER07-1213-000 ("TO10"), as well as lease payments for 2009 through 2017. The Commission's approval of this Settlement shall constitute a finding (a) that recovery by PG&E of these payments is just and reasonable and in the public interest, and (b) that the rate recovery mechanism described in Section 6.2 is an appropriate and reasonable aspect of the overall settlement of this controversy, which the Commission finds to be just and reasonable and in the public interest.

6.2 PG&E shall create a new rate schedule designed specifically to recover PG&E's payments to PacifiCorp for the period between January 1, 2008, and February 28, 2009. The revenue requirement and rates reflected in that rate schedule will be separately stated and will be added to the Transmission Revenue Requirements and rates in PG&E's Transmission Owner ("TO") Tariff. Specifically, the new rate schedule shall comply with the following:

a. PG&E shall include, in Appendix I of its TO Tariff, a separately stated revenue requirement equal to its payments to PacifiCorp under this Settlement from January 1, 2008, through February 28, 2009 (PacifiCorp Intertie Lease Revenue Requirement). The PacifiCorp Intertie Lease Revenue Requirement will be recovered, between March 1, 2008, and February 28, 2009, in a separately stated PacifiCorp Intertie Lease Revenue Requirement to be included in Appendix II of PG&E's TO Tariff for use in the calculation of wholesale transmission rates and separately stated PacifiCorp Intertie Lease End-Use Customer Rates to be included in Appendix III of PG&E's TO Tariff.

b. PG&E's TO Tariff will be amended to state that the separately stated PacifiCorp Intertie Lease Revenue Requirement will be added to PG&E's otherwise accepted Transmission Revenue Requirements for purposes of CAISO TAC rate calculations for the period March 1, 2008, through February 28, 2009. The PacifiCorp Intertie Lease Revenue Requirement will be allocated between the revenue requirements for Existing High Voltage Facilities and New High Voltage Facilities in the same manner as PG&E's TO10 High Voltage Transmission Revenue Requirement has been allocated.

c. PG&E's retail rates to be collected between March 1, 2008, and February 28, 2009, for transmission service will be equal to the sum of the otherwise accepted TO10 retail rates, plus the retail rates designed to collect the PacifiCorp Intertie Lease Revenue Requirement.

6.3 For rates applicable after February 28, 2009, PG&E will include its payments to PacifiCorp in its cost of service based Transmission Revenue Requirement in subsequent TO Tariff rate filings.

6.4 Because PG&E's recovery of its payments to PacifiCorp under the Lease will be determined to be just, reasonable, and in the public interest, in accordance with the Commission's approval of this Settlement, that recovery will not be subject to challenge in any subsequent TO Tariff rate case. Except as provided in this Article VI, nothing in this Settlement shall be construed to limit or preclude in any manner any Party's or participant's rights to present any arguments or take any positions in any other proceeding, including but not limited to proceedings involving PG&E's and the CAISO's revenue requirements.

ARTICLE VII

CAPACITOR UPGRADES AT MALIN

7.1 PacifiCorp agrees to upgrade its series capacitors at Malin by no later than December 31, 2012, subject to force majeure or Uncontrollable Force, unless PacifiCorp's accomplishment of this obligation is precluded by failure of equipment suppliers to deliver equipment timely ordered by PacifiCorp, or outages for installation of the capacitors are delayed due to a request of the CAISO or a party to the OCOA, providing either of these circumstances (or combinations thereof) is beyond PacifiCorp's

control, and provided further that PacifiCorp proceeds to complete its obligation as soon as practicable after any such circumstance is resolved.

7.2 Any increase in the rated capacity of the COI resulting from PacifiCorp's upgrade of its series capacitors at Malin shall be allocated in accordance with Section 12.6 of the current OCOA (PG&E Substitute Original Rate Schedule FERC No. 229), with the increased Rated System Transfer Capability to be shared equally among the Malin-Round Mountain Nos. 1 and 2 and the 500 kV Captain Jack to Olinda segment of the COTP line.

7.3 Increased transmission capacity (if any) resulting from PacifiCorp's upgrade of its Malin series capacitors that is allocated to the Malin-Round Mountain No. 2 shall be divided equally between PG&E and PacifiCorp. On and after January 1, 2012, any such increased capacity that is allocated to PacifiCorp shall be available for service under PacifiCorp's OATT. In calendar years 2008, 2009, 2010, and 2011, all such increased capacity (if any) shall be added to the capacity leased to PG&E under this Settlement and the Lease at no additional charge.

ARTICLE VIII

TERMINATION OF DOCKET NO. EL07-84

8.1 Upon approval of this Settlement and subject to the other terms of this Article VIII, Docket No. EL07-84-000 shall be terminated.

8.2 PacifiCorp shall file a general rate change for its system-wide transmission service rates under Section 205 of the FPA no later than June 1, 2011, provided, however, that PacifiCorp shall not file any proposed changes to its Transmission Service and Operating Agreements with UAMPS and UMPA prior to June 1, 2011, except as

mutually agreed by the parties to their respective Transmission Service and Operating Agreements. Except as specifically provided in the preceding sentence, all parties retain their rights under the FPA with respect to PacifiCorp's transmission rates and any proposed transmission rate changes.

8.3 PacifiCorp shall flow back to its retail customers the revenues it receives with respect to the Malin-Round Mountain No. 2 in accordance with state regulatory commission ratemaking policy and precedent. In any FERC proceeding concerning PacifiCorp's transmission service rates, costs and revenues will be allocated among all transmission customers in accordance with Commission policy and precedent.

ARTICLE IX

PACIFICORP TRANSMISSION SERVICE AGREEMENTS WITH POWEREX AND PPM

9.1 Except as modified in accordance with this Offer of Settlement and Stipulation, Powerex shall retain its current queue positions and contractual rights for service under PacifiCorp's OATT for the following completed transmission service requests: PacifiCorp's OASIS requests 452886, 452887, and 452888.

9.2 Except as modified as part of this Offer of Settlement and Stipulation, PPM shall retain its current queue positions and contractual rights for service under PacifiCorp's OATT for the following completed transmission service requests: PacifiCorp's OASIS requests 452882, 452883, 452884, and 452885.

9.3 Each of the executed transmission service agreements for service on PacifiCorp's segment of the Malin-Round Mountain No. 2 that is pending in Docket No. ER07-1392-000 shall be amended consistent with the terms of this Settlement, including, but not limited to, modifications to provide for commencement of service on dates on and

after January 1, 2012, to establish a primary delivery point at Round Mountain, and to provide for schedule adjustment restrictions consistent with the CAISO's Hour-Ahead Scheduling Process (currently at T-75 under MRTU), which may not conform to PacifiCorp's OATT. The Commission's approval of this Settlement shall constitute approval of the amended transmission service agreements ("Amended TSAs") between PacifiCorp and Powerex, and between PacifiCorp and PPM, which are included in Appendix 7, including:

a. the terms of such agreements that do not conform to the terms of PacifiCorp's OATT in order to comply with CAISO requirements related to this service, with each such agreement to become effective as indicated in Section 9.3.1 below;

b. the allocation between PPM and Powerex for service under the Amended TSAs of the capacity available to PacifiCorp to provide service under its OATT during the term of the Lease, up to the aggregate quantity of service for PPM and Powerex under the TSAs filed in Docket No. ER07-1392-000 on September 21, 2007; and

c. waiver of all Commission regulations and/or PacifiCorp OATT provisions which are or may be deemed necessary to permit service under the Amended TSAs in accordance with their terms and the terms of this Settlement.

9.3.1 The Amended TSAs are designated and shall have effective dates as follows:

Powerex Service Agreements

PacifiCorp First Revised Service Agreement No. 361 – effective on April 1, 2012.

PacifiCorp First Revised Service Agreement No. 362 – effective on April 1, 2012.

PacifiCorp First Revised Service Agreement No. 363 – effective on April 1, 2012.

PPM Service Agreements

PacifiCorp First Revised Service Agreement No. 357 – effective on January 1, 2012.

PacifiCorp First Revised Service Agreement No. 358 – effective on January 1, 2012.

PacifiCorp First Revised Service Agreement No. 359 – effective on January 1, 2012.

PacifiCorp First Revised Service Agreement No. 360 – effective on January 1, 2012.

9.4 The following service requests of customers of PacifiCorp relating to service affecting the Malin to California path and that remain pending in PacifiCorp's queue on the effective date of this Settlement shall retain their current queue positions consistent with the terms of this Settlement and the effective dates and terms of service for such agreements shall be modified as follows:

Powerex

AREF	Amended Start Date	Amended End Date
417614	2018-01-01	2023-01-01
417702	2018-01-01	2023-01-01
421615	2018-01-01	2023-01-01
421616	2018-01-01	2023-01-01
421617	2018-01-01	2023-01-01
424140	2018-04-01	2023-04-01
424146	2018-04-01	2023-04-01
427103	2018-04-01	2023-04-01
427104	2018-04-01	2023-04-01
427105	2018-04-01	2023-04-01
428908	2018-04-01	2023-04-01
428909	2018-04-01	2023-04-01
428910	2018-04-01	2023-04-01

PPM

AREF	Amended Start Date	Amended End Date
417112	2017-01-01	2023-01-01
417114	2018-01-01	2024-01-01
417116	2018-01-01	2024-01-01
417118	2018-01-01	2024-01-01
424565	2018-01-01	2028-01-01
424568	2018-01-01	2028-01-01
424571	2018-01-01	2028-01-01
424573	2018-01-01	2028-01-01
424576	2018-01-01	2028-01-01
424581	2018-04-01	2023-04-01
424583	2018-04-01	2023-04-01

PacifiCorp Merchant

PacifiCorp's OASIS requests 428070, 428071, 428096, 428101, and 428102, each with an amended start date of January 1, 2018, and an emended end date of December 31, 2018.

9.5 Within twenty days of the date that the Commission issues an order approving this Settlement without modification or condition (or with modification or conditions agreed to by all Parties), PacifiCorp will file the executed amended TSAs with

the Commission as a compliance filing, and the participants agree not to protest such compliance filing.

9.6 PacifiCorp shall include in any future transmission service agreements for service between Malin and Round Mountain, non-conforming (relative to PacifiCorp's OATT) provisions for schedule adjustment restrictions consistent with the Hour-Ahead Scheduling Process under the CAISO's Tariff, provided, however, that this obligation shall end simultaneously with the later of termination of the CAISO's waiver under Section 6.4 of the OA or termination of a corresponding provision of a replacement agreement.

9.7 To the extent, if any, that the capacity available to PacifiCorp to provide service under its OATT during the term of the Lease exceeds the aggregate quantity of service to be provided pursuant to the Amended TSAs, such capacity shall be allocated between Powerex and PPM as agreed by and among them and PacifiCorp, until (i) 800 MW of capacity between Malin and Round Mountain, plus any incremental capacity associated with the Malin series capacitor upgrades as described in the TEA, is available to PacifiCorp following termination of the Lease, or (ii) all current requests by PacifiCorp's customers for service commencing at Malin under PacifiCorp's OATT are satisfied, whichever comes first.

9.8 Notwithstanding the terms of this Settlement and attached agreements, all Parties retain their rights to protest amendments to the TSAs made to implement the substitute Point of Delivery at Indian Spring.

ARTICLE X

SCOPE OF SETTLEMENT

10.1 Except as necessary to enforce the provisions of Article VI of this Settlement, this Settlement shall not constitute a settlement of any other pending or future dockets, and shall be non-precedential with respect to any future proceedings, and the terms of this Settlement may not be referred to in any future proceedings or deemed to bind any settling party in any future proceeding, except in any proceeding to enforce this Settlement.

10.2 It is specifically understood and agreed that this Settlement represents a negotiated compromise resolution in the public interest with respect to the various matters agreed to herein, which resolution shall be binding on the participants and their successors and/or assignees. Support of or acquiescence in this Settlement shall not be deemed in any respect to constitute an admission by any participant that any allegation or contention made by any participant in the affected proceedings is true or valid. No participant or affiliate of any participant shall be deemed to have approved, accepted, agreed to, or consented to any fact, concept, theory, rate methodology, principle or method relating to jurisdiction, prudence, reasonable cost of service, cost classification, cost allocation, rate design, tariff provisions, or other matters underlying or purported to underlie any of the resolutions of the issues provided in this Settlement. No participant is waiving its litigation rights and positions in the event the Settlement does not become effective.

10.3 It is specifically understood and agreed that this Settlement is an integrated settlement, the various parts of which are not severable without upsetting the

balance of consideration achieved among the Parties. The Parties shall not be bound to any undertaking pursuant to this Settlement unless the Settlement becomes effective pursuant to the terms of Article XI.

10.4 The Commission's approval of this Settlement shall not constitute approval of, or precedent regarding, any principle or issue in these proceedings. The resolution of any matter in this Settlement shall not be deemed to be a "settled practice" as that term was interpreted and applied in *Public Service Commission of the State of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), and this Settlement's resolution of any issue thus shall not of itself be the basis for any decision with regard to the burden of proof in any future litigation regarding such issue. Notwithstanding the foregoing, the terms of this Section shall not apply to Article VI.

10.5 Except as otherwise expressly provided in this Offer of Settlement and Stipulation and/or in any of the Appendices, nothing in this Settlement shall be construed as affecting in any way any public utility's right unilaterally to make application to the Commission for a change in rates, terms and conditions under Section 205 of the FPA and pursuant to the Commission's regulations promulgated thereunder, and nothing in this Settlement shall be construed as restricting any other rights of any participant under the FPA, including rights under Section 206.

10.6 Except as otherwise specifically provided in Sections 5.2, 5.3, and 5.4, after this Settlement becomes effective as provided in Article XI, it is the Parties' intention that no change to any then-effective provision of this Settlement proposed with less than unanimous consent of the Parties or *sua sponte* by the Commission, shall become effective unless the Commission finds that the contested provision to be contrary

to the "public interest" as determined by the Supreme Court in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and as may be further interpreted by the Supreme Court.

ARTICLE XI

APPROVAL, EFFECTIVE DATE, TERM, AND PRESERVATION OF SETTLEMENT

11.1 This Settlement shall become effective when the Commission approves or accepts the Settlement in its entirety, including each of the Appendices, without condition or modification. Unless the Commission requires otherwise, this Settlement and the Appendices (with the exception of any Appendix that itself provides differently) shall be made effective on the later of January 1, 2008, or other date as specified by the Commission and shall remain effective for a period of twenty (20) years.

11.2 In the event the Commission conditions its approval of this Settlement or seeks to require modification of any of the terms of this Settlement (a "Conditional Approval Order"), the Parties shall confer and either shall accept the condition or modification, or shall negotiate in good faith, if necessary, to restore the balance of risks and benefits reflected in this Settlement as proposed. Any such renegotiated settlement agreement shall be properly filed with, and shall be subject to the approval of, the Commission in accordance with its applicable regulations. If no agreement can be reached within fifteen (15) days of the date of issuance of the Conditional Approval Order, and unless all Parties agree to extend the time period for such negotiations, this Settlement shall terminate.

11.3 The Commission's order approving this Settlement and all Appendices without condition or modification (or with a condition or modification accepted by the Parties) shall constitute:

a. a waiver, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, and as authorized by Section 205(d) of the FPA, 16 U.S.C. § 824d(d), of:

(i.) the minimum 60 day notice requirement of Section 205(d) of the FPA, 16 U.S.C. § 842d(d), in order to make effective on January 1, 2008, this Settlement, the TEA, the Lease and PG&E's revised tariff sheets in Appendices 1, 2, and 6, respectively;

(ii.) the maximum 120 day notice requirement of Section 35.3(a) of the Commission's regulations, 18 C.F.R. § 35.3(a) in order to make effective, on January 1, 2012, the OA and PacifiCorp First Revised Service Agreement No. 357, PacifiCorp First Revised Service Agreement No. 358, PacifiCorp First Revised Service Agreement No. 359, PacifiCorp First Revised Service Agreement No. 360, and on April 1, 2012, PacifiCorp First Revised Service Agreement No. 361, PacifiCorp First Revised Service Agreement No. 362, PacifiCorp First Revised Service Agreement No. 363;

(iii.) with respect to PG&E's revised tariff sheets in Appendix 6, the filing requirements for changes in rate schedules in Section 35.13 of the Commission's regulations, 18 C.F.R. § 35.13; and

(iv.) such other waiver(s) of the Commission's regulations, including 18 C.F.R. part 35, as the Commission may deem necessary to effectuate all of the provisions of this Settlement, including those of the Appendices;

b. the final disposition of all outstanding issues in the proceedings identified in the caption of this Settlement; and

c. the resolution of any issues in other proceedings made subject to resolution of any of the issues in the captioned proceedings that are resolved by this Settlement.

11.4 In the event a party to the TEA or the OA wishes to seek termination of such agreement, such party (hereafter in this Section, "the terminating party") shall not file a notice of termination of the agreement without first complying with the terms of this Section.

11.4.1 At least 90 days prior to filing a notice of termination of the affected agreement with the Commission, the terminating party shall notify the other party(ies) to the agreement of its intention to seek termination and shall enter into good faith negotiations with the other party(ies) with the objective of reaching a mutually agreeable amended or replacement agreement. Such an amended or replacement agreement shall incorporate, in the case of an amendment to or replacement for the TEA, the terms described in Section 2.7 of this Settlement, or, in the case of an amendment to or replacement for the OA, the terms described in Section 4.4 of this Settlement.

11.4.2 In the event the parties reach a mutually agreed amended or replacement agreement, the terminating party, or the affected parties jointly, shall file it with

the Commission at the same time that the terminating party files its notice of termination of the affected agreement. The parties shall propose the same effective date for the notice of termination and for the proposed amended or replacement agreement.

11.4.3 In the event the parties do not reach a mutually agreed, amended or replacement agreement, the terminating party shall proceed as follows:

a. Concurrently with filing its notice of termination of the affected agreement with the Commission, the terminating party shall file unilaterally a proposed, amended or replacement agreement or other arrangements;

b. the terminating party's proposed, amended or replacement agreement or other arrangements shall incorporate, in the case of an amendment to or replacement for the TEA, the terms described in Section 2.7 of this Settlement, or, in the case of an amendment to or replacement for the Operating Agreement, the terms described in Section 4.4 of this Settlement; and

c. the terminating party shall propose that such proposed, amended or replacement agreement or other arrangements become effective upon the effective date of the terminating party's notice of termination.

11.4.4 All Parties shall have the right to protest any notice of termination of, and/or any proposed amendment to or replacement for, the TEA or the OA, to the extent that such notice or related filing does not, in the view of such Party, comply with the terms of this Section 11.4.

11.4.5 Any party seeking to terminate the TEA or the OA also shall comply with the termination provisions of the TEA or the OA as applicable. Nothing in this Section 11.4 shall be construed to provide any party with rights to terminate the TEA or the OA that are not otherwise provided under the TEA, the OA, or this Settlement.

11.5 Nothing in this Settlement or the attached Agreements shall be construed to limit or modify PG&E's rights under the Transmission Control Agreement ("TCA"), CAISO FERC Electric Tariff No. 7 Second Replacement Transmission Control Agreement, including the right to withdraw from the TCA. If PG&E issues a notice of withdrawal from the TCA, then the Parties agree to negotiate replacement arrangements to preserve the balance of benefits and burdens of this Settlement and attached Agreements, provided that, to the extent the CAISO cannot perform any of its obligations under the OA, the TEA or the Settlement due to PG&E withdrawing from the TCA, the CAISO may terminate the impacted agreements without such termination being subject to Section 4.4 of this Settlement and without the CAISO being subject to Section 2.7 of this Settlement. If the Commission does not approve a replacement arrangement, then any Party may seek termination of the Settlement and attached Agreements. The right to seek termination of the Settlement and the attached Agreements will apply also if the Parties fail to reach an agreement within 365 days after the date of PG&E's notice of withdrawal from the TCA.

Respectfully submitted,

[remainder of page intentionally left blank; signature pages follow]

List of Acronyms and Definitions

ADR	Alternative Dispute Resolution
Amended COI-POA	Amended California-Oregon Intertie Path Operating Agreement
Amended TSAs	Amended transmission service agreements
Appendices	Appended agreements and revised tariff sheets to this Settlement
APTC	Available Path Transfer Capability
ASC	Available Scheduling Capability
ASTC	Available System Transfer Capability
BPA	Bonneville Power Administration
CAISO	California Independent System Operator Corporation
Capacity Agreement	Agreement for Use of Transmission Capacity Among Pacific Power & Light Company, PG&E, SCE, and SDG&E, dated August 1, 1967
CFR	Code of Federal Regulations
COB	California-Oregon Border
COI	California-Oregon Intertie
COI-POA	California-Oregon Intertie Path Operating Agreement
Commission or FERC	Federal Energy Regulatory Commission
COTP	California-Oregon Transmission Project
CPUC	California Public Utilities Commission
FPA	Federal Power Act
GMC	grid management charge
ICAOA	Interconnected Control Area Operating Agreement
Intertie Agreement	Intertie Agreement Between United States of America acting by and through the Bonneville Power Administration and Pacific Power & Light Company, PacifiCorp Rate Schedule FERC No. 327
July 30 Order	*PacifiCorp*, 120 FERC ¶ 61,113 (2007)
Lease	Agreement for Lease of Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company
Malin AC Intertie Agreement	Amended and Restated AC Intertie Agreement between PacifiCorp and Bonneville Power Administration, PacifiCorp Rate Schedule FERC No. 368
Malin C&O Agreement	Agreement for the Construction and Operation of the Malin Substation among Bonneville Power Administration, PacifiCorp, Western Area Power Administration, and Portland General Electric Company, PacifiCorp Rate Schedule FERC No. 85

Malin-Round Mountain No. 2	Portion of the PACI No. 2 owned by PG&E and located between Indian Spring and the Round Mountain Substation and the portion of the PACI No. 2 owned by PacifiCorp between Malin Substation and Indian Spring
MRTU	Market Redesign and Technology Upgrade
NERC	North American Electric Reliability Corporation
Non-PTO	Non-Participating Transmission Owner
OA	Operating Agreement
OATT	Open Access Transmission Tariff
OCOA	Owners Coordinated Operation Agreement
OTC	Operational Transfer Capability Limit
PACI	Pacific AC Intertie
PacifiCorp Bus Bar Rights	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
PacifiCorp Increment	The share of any increased capacity allocated to PacifiCorp under the TEA
PacifiCorp Share	The Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and this Agreement, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, Lease, and this Agreement, 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.
PG&E	Pacific Gas and Electric Company
PG&E Bus Bar Rights	PG&E shall have the right to offer, in connection with transmission service under the CAISO Tariff (or the transmission service tariff of any successor transmission provider), its capacity in the Malin-Round Mountain No. 2, to transfer energy, in quantities up to the equivalent of the capacity available to PG&E to offer for service under such tariff in accordance with this Agreement and the Lease, across the bus at the Malin interconnection(s) between or among PacifiCorp, Bonneville Power Administration, Portland General Electric Company, and any other transmission owner that has interconnecting facilities at Malin

PPM	PPM Energy, Inc.
Powerex	Powerex Corp.
PTO	Participating Transmission Owner
RMS	Reliability Management System
Requesting Entity	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.
RPTC	Rated Path Transfer Capability
RSTC	Rated System Transfer Capability
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
Settlement	Offer of Settlement and Stipulation including its various Appendices
SI or SIBR	CAISO market transmission reservation system
SMUD	Sacramento Municipal Utility District
SMUD-PG&E IA	SMUD-PG&E Interconnection Agreement
SWP	State Water Project
TAC	transmission Access Charge
TANC	Transmission Agency of Northern California
TCA	Transmission Control Agreement
TEA	Transmission Exchange Agreement
TSAs	transmission service agreements
TO	Transmission Owner
TO9	Docket No. ER06-1325-000
TO10	Docket No. ER07-1213-000
TOR	Transmission Ownership Right
TSP	Transmission Service Provider
UAMPS	Utah Associated Municipal Power Systems
UMPA	Utah Municipal Power Agency
Western	Western Area Power Authority
WECC	Western Electricity Coordination Council
WP-POA	Western-PG&E Parallel Operations Agreement

Respectfully submitted,

PacifiCorp

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: November 19, 2007

Pacific Gas and Electric Company

By: _____

Name: _____

Title: _____

Date: _____

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Respectfully submitted,

PacifiCorp

By: _____

Name: _____

Title: _____

Date: _____

Pacific Gas and Electric Company

By: _____

Name: Edward A. Salas

Title: Senior Vice-President, Engineering and Operations

Date: November 20, 2007

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Respectfully submitted,

PacifiCorp

By: _____

Name: _____

Title: _____

Date: _____

Pacific Gas and Electric Company

By: _____

Name: _____

Title: _____

Date: _____

California Independent System Operator Corporation

By: _____

Name: Jim Detmers

Title: Vice President, Operations

Date: 11/20/07

Transmission Agency of Northern California

By: 

Name: Wallace L. Duncan

Title: TANC Special Counsel

Date: November 20, 2007

Sacramento Municipal Utility District

By: _____

Name: _____

Title: _____

Date: _____

Transmission Agency of Northern California

By: _____

Name: _____

Title: _____

Date: _____

Sacramento Municipal Utility District

By: James R. Shetler

Name: James R. Shetler

Title: Assistant General Manager, Energy Supply

Date: November 20, 2007

Powerex Corp.

By: Teresa Conway

Name: Teresa Conway

Title: CEO, Powerex Corp.

Date: Nov 19/07

PPM Energy Inc.

By: _____

Name: _____

Title: _____

Date: _____

Powerex Corporation

By: _____

Name: _____

Title: _____

Date: _____

Approved as to form

PPM Energy Inc.

By: _____

Name: Terry L. Hudgens

Title: President & CEO

Date: 11-20-07

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

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REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 1

TRANSMISSION EXCHANGE AGREEMENT

PacifiCorp Original Rate Schedule FERC No. 608

November 21, 2007

Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

Transmission Exchange Agreement

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TABLE OF ACRONYMS AND ABBREVIATIONS

Agreement:	This Transmission Exchange Agreement
ASC:	Available Scheduling Capability
APTC:	Available Path Transfer Capability
COB:	California-Oregon Border
COI:	California-Oregon Intertie
COTP:	California-Oregon Transmission Project
FERC:	Federal Energy Regulatory Commission or its regulatory successor
Lease:	The Agreement to Lease Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company
NERC:	North American Electric Reliability Corporation or its successor
OA:	Operating Agreement between PacifiCorp and the California Independent System Operator Corporation
OCOA:	Owners Coordinated Operation Agreement
PACI:	Pacific AC Intertie
PG&E:	Pacific Gas and Electric Company
RPTC:	Rated Path Transfer Capability
TCA:	Transmission Control Agreement
Western:	Western Area Power Administration
WECC:	Western Electricity Coordinating Council or its successor

Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

1. **PARTIES**

This Transmission Exchange Agreement ("Agreement") is made and entered into, as of the signature date below, by and among PacifiCorp, Pacific Gas and Electric Company ("PG&E"), and the California Independent System Operator Corporation ("CAISO"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

2. **RECITALS**

This Agreement is made with reference to the following facts:

2.1 The Pacific AC Intertie ("PACI") consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2.

2.2 Both PacifiCorp and 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 Malin Substation and Round Mountain Substation. PacifiCorp owns the northern 47-mile segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation and has turned over operational control of the facilities to the CAISO.

2.3 Currently, the capacity of the Malin-Round Mountain No. 2 is 1600 MW for southbound flow and 1225 MW for northbound flow, as established pursuant to the Owners Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordination Council ("WECC") rating process. North of Indian Spring, extending to Malin Substation, PacifiCorp owns the entire capacity of the Malin-Round Mountain No. 2. South of Indian Spring, extending to Round Mountain Substation, PG&E owns the entire capacity of the Malin-Round Mountain No. 2.

2.4 PG&E is a Participating Transmission Owner ("PTO") in the CAISO. The CAISO operates PG&E's segment of the Malin-Round Mountain No. 2 pursuant to the CAISO's Transmission Control Agreement ("TCA") (CAISO FERC Electric Tariff No. 7, Second Replacement Transmission Control Agreement) and provides transmission service pursuant to the CAISO Tariff. PacifiCorp is Non-Participating Transmission Owner ("Non-PTO") in the CAISO's Balancing Authority Area. PacifiCorp offers service on its facilities pursuant to PacifiCorp's Open Access Transmission Tariff ("OATT") (PacifiCorp FERC Electric Tariff Seventh Revised Volume No. 11) PacifiCorp and the CAISO have executed an Operating Agreement to be effective January 1, 2012.

2.5 Through this Agreement, PacifiCorp, and PG&E desire to exchange capacity on each of their respective segments of the Malin-Round Mountain No. 2. PacifiCorp desires to provide PG&E with one-half of PacifiCorp's capacity, both northbound and southbound, between the Malin Substation and Indian Spring. In exchange, PG&E desires to provide PacifiCorp with one-half of its capacity, both northbound and southbound, between Indian Spring and Round Mountain Substation.

2.6 This Agreement represents one part of an Offer of Settlement and Stipulation, including its various Appendices, ("Settlement") resolving issues before the Federal Energy Regulatory Commission ("FERC") in its Docket No. ER07-882 and related proceedings.

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

3. DEFINITIONS

Whenever used in this Agreement, the following terms, when initially capitalized, shall have the meanings set forth in this Section 3. The singular of any definition shall include the plural and the plural shall include the singular. A Table of Acronyms and Abbreviations, incorporated by reference in this Section 3, follows the Table of Contents.

3.1 Applicable Requirements:

All applicable laws or regulations, and all standards, procedures, or requirements of (i) North American Electric Reliability Corporation ("NERC"), (ii) WECC, or (iii) any other person, entity, contract, tariff, or rate schedule, that are legally binding on a Party's use of or interest in the transmission facilities used to provide service under this Agreement, which interest may include operational control, as amended from time to time and whether now existing or hereafter imposed or arising.

3.2 Available Scheduling Capability ("ASC"):

The amount of Available Path Transfer Capability ("APTC") that can be scheduled as adjusted for any Unscheduled Flow and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.3 ASC Share:

The allocation of ASC to an entity with rights to use APTC on a Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an ASC Share resulting from such an allocation, then its ASC Share for purposes of this Agreement shall be its ASC under Prudent Utility Practice.

3.4 Available Path Transfer Capability:

The portion of Rated Path Transfer Capability ("RPTC") that is physically capable of transmitting power based on operating conditions of or affecting a Path, other than Unscheduled Flow, existing at a given time and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.5 Balancing Authority:

The entity assigned to perform the balancing function for a Balancing Authority Area, in accordance with applicable NERC criteria and standards. A Balancing Authority is also known as a Control Area Operator.

3.6 Balancing Authority Area:

An area comprised of an Electric System or Electric Systems to which a common automatic generation control scheme is applied, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Balancing Authority Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves, all in accordance with Prudent Utility Practice. A Balancing Authority must be certified by WECC and operate in conformance with Applicable Requirements. A Balancing Authority Area is also known as a Control Area.

3.7 CAISO Controlled Grid:

The system of transmission lines and associated facilities that have been placed under the CAISO's operational control in accordance with the TCA.

3.8 CAISO Tariff:

The current effective California Independent System Operator Corporation FERC Electric Tariff, as it may be amended or superseded from time to time.

3.9 California-Oregon Border ("COB"):

The cut-plane where the facilities constituting the California-Oregon Intertie cross the border between the state of California and the state of Oregon, parallel to such border.

3.10 California-Oregon Intertie ("COI"):

The two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation and associated facilities, when operated as a coordinated three-line system with a single RPTC and obligations to share curtailments among the three lines.

3.11 Cost:

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

3.12 Effective Date:

The date on which this Agreement becomes effective, as specified in Section 4.1.

3.13 Electric Customer:

Any electricity customer to which no power or energy is delivered for resale.

3.14 Electric System:

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

3.15 Federal Energy Regulatory Commission ("FERC"):

The Federal Energy Regulatory Commission or its regulatory successor agency or authority.

3.16 Federal Power Act ("FPA"):

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

wholesale of electric power and energy in interstate commerce, codified at 16 U.S.C. §§ 824 *et seq.*

3.17 Lease:

The Agreement for Lease of Transmission Capacity (Pacific Gas and Electric Company Rate Schedule FERC No. 240 and PacifiCorp Rate Schedule FERC No. 607) between PacifiCorp and PG&E, 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 this Agreement.

3.18 Malin-Round Mountain No. 1:

The portion of the PACI No. 1 owned by Western and located between Malin and Round Mountain Substations.

3.19 Malin-Round Mountain No. 2:

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

3.20 Modification:

The connection of generating facilities, loads, substation equipment, or transmission lines to, or modifications of, any portion of a Party's Electric System, which may include improvements, additions, extensions, expansions, replacements, substitutions, or removals.

3.21 NERC:

The North American Electric Reliability Corporation or its successor.

3.22 Non-Simultaneous Transfer Capability:

An electric power transfer rating developed for a Path using power system study assumptions that did not take into consideration transfers on one or more interacting Paths at the maximum Transfer Capability for such Path(s) for the period being studied.

3.23 Operating Agreement ("OA"):

The Operating Agreement between the CAISO and PacifiCorp (CAISO Rate Schedule FERC No. 65 and PacifiCorp Rate Schedule FERC No. 606), effective January 1, 2012, as it may be amended from time to time.

3.24 Operational Transfer Capability Limit ("OTC"):

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

3.25 Owners Coordinated Operation Agreement ("OCOA"):

The Owners Coordinated Operation Agreement among PG&E, the Participants in the California-Oregon Transmission Project ("COTP"), and Western Area Power Administration

("Western"), as amended effective January 1, 2008, and as further amended from time to time thereafter (PG&E Rate Schedule FERC No. 229).

3.26 Pacific AC Intertie ("PACI"):

For purposes of this Agreement, that portion of the Pacific Northwest-Pacific Southwest Intertie located between Malin Substation and PG&E's Tesla Substation consisting of AC facilities, associated 500 kV AC facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the terminus of the COTP.

3.27 PacifiCorp Capacity:

PacifiCorp's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.28 PacifiCorp Share:

The Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and this Agreement, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, Lease, and this Agreement, 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.

3.29 Parties:

The signatories of this Agreement: PacifiCorp, PG&E, and the CAISO.

3.30 Path:

A transmission line or a group of transmission lines, substations, and associated facilities, such as the COI. For purposes of this Agreement, a Path may be all or a portion of a WECC identified path described in the then current WECC Path Rating Catalogue or its successor.

3.31 Path Operator:

The entity that operates a Path directly interconnected with another Balancing Authority Area, such as the COI, with duties including, but not limited to, managing the OTC and ASC of that Path. A Path Operator may also be the Balancing Authority of the Balancing Authority Area in which some or all of such transmission facilities are included. If a Path consists of more than one transmission line and the entire group of lines is not included in one Balancing Authority Area, then, unless otherwise provided under Applicable Requirements, the Path Operator also coordinates scheduling and power flow management by the Balancing Authorities whose Balancing Authority Area include facilities of the Path.

3.32 Path Operator for COI:

The entity responsible for performing Path Operator duties for COI. The CAISO is the COI Path Operator on the Effective Date.

3.33 PG&E Capacity:

PG&E's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.34 Prudent Utility Practice:

The practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to

the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

3.35 Rated Path Transfer Capability ("RPTC"):

The Non-Simultaneous Transfer Capability of a Path such as COI, determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.36 Requesting Entity:

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.

3.37 RPTC Share:

For a Path such as COI, the allocation of RPTC to each entity with rights to use Transfer Capability on the Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an RPTC Share resulting from such an allocation, then its RPTC Share for purposes of this Agreement shall be its RPTC.

3.38 Scheduling Coordinator:

An entity certified by the CAISO pursuant to the CAISO Tariff for the purposes of undertaking functions specified in the CAISO Tariff.

3.39 Settlement:

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

3.40 Significant Regulatory Change:

A "Significant Regulatory Change" under Section 16 occurs if FERC, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Wyoming Public Service Commission, or any other agency, officer, or court having jurisdiction, a state legislature or the United States Congress, issues an order or decision or enacts a law that significantly interferes with the ability of a Party to perform any of its obligations or obtain any of its rights under this Agreement.

3.41 Transfer Capability:

The amount of electric power, expressed in megawatts, that can be transferred in a designated direction on a Path, determined under Prudent Utility Practice.

3.42 Transmission Ownership Right ("TOR"):

An ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-PTO that has not executed the TCA, which transmission facilities are not incorporated into the CAISO Controlled Grid.

3.43 Transmission Service Provider ("TSP"):

An entity in operational control of transmission facilities it owns or operates, and which provides transmission service to itself or third parties using those facilities.

3.44 Uncontrollable Force:

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

3.45 Unscheduled Flow:

The power flow on a Path minus the algebraic sum of each of the transactions scheduled across the same Path by those entities delivering and receiving such energy.

3.46 WECC:

The Western Electricity Coordinating Council or its successor.

3.47 Willful Action:

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

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

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

3.47.2 The phrase "employees having management or administrative responsibility," as used in this Section 3.48.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

4. EFFECTIVE DATE AND TERM

4.1 Effective Date

The Effective Date of this Agreement shall be the latest of January 1, 2008, or the date on which FERC accepts this Agreement for filing and permits it to be placed into effect without material change or material new condition unacceptable to any Party.

This Agreement is expressly conditioned upon FERC's acceptance, without any material change or new condition, of this Agreement and of the Settlement of which it is a component. Each Party shall work diligently to obtain timely acceptance by FERC of the Settlement and of this Agreement and all of its provisions without change or new condition. If FERC makes any material change in this Agreement or imposes a material new condition of this Agreement that is unacceptable to any Party, the Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such material change or material new condition.

4.2 Term

This Agreement shall terminate on the earliest of:

(a) 20 years after the Effective Date unless the Parties agree by an amendment to extend the term;

(b) upon the Effective Date of an asset exchange agreement between PacifiCorp and PG&E, under which PacifiCorp and PG&E shall each have equal joint ownership of the transmission facilities constituting the Malin-Round Mountain No. 2; or

(c) the Effective Date of a notice of termination provided by any Party pursuant to Section 4.3, Section 12, or Section 26.3.

If this Agreement is terminated pursuant to this Section 4.2, then any Party that is required to file a notice of termination with FERC shall do so in a timely manner. No Party shall protest or seek a suspension or other delay of the effectiveness of termination in accordance with subsections (a) or (b) of this Section.

4.3 Termination of the PacifiCorp – CAISO Operating Agreement

In the event the CAISO or PacifiCorp provides notice of intention to seek to terminate the OA without a mutually agreed replacement agreement approved by the Commission, then any Party shall have the right to seek termination of this Agreement.

5. TRANSMISSION EXCHANGE

5.1 PacifiCorp Transmission Capacity Exchanged to PG&E

PacifiCorp shall provide PG&E with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PacifiCorp between the connections with third-party systems at Malin Substation and Indian Spring, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.10.

5.2 PG&E Transmission Capacity Exchanged to PacifiCorp

PG&E shall provide PacifiCorp with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PG&E between Indian Spring and the connection with third-party systems at Round Mountain Substation, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.9.

5.3 Operating Curtailments

In the event the Path Operator for COI, pursuant to its Applicable Requirements, reduces the COI OTC, then the PacifiCorp Capacity and the PG&E Capacity shall be curtailed pro rata.

5.4 Effect of Modifications on Exchange Service

If a Modification is proposed that increases the RPTC of the Malin-Round Mountain No. 2, PacifiCorp and PG&E must agree to implement the Modification. Except as and only to the extent otherwise provided in this Agreement or the Lease, PG&E and PacifiCorp shall be entitled to any additional RPTC on the Malin-Round Mountain No. 2 derived from the Modification in proportion to their contribution to the Cost of implementing such Modification.

If the Malin-Round Mountain No. 2 RPTC Share is increased without any Modification, or is decreased due to an event other than a Modification by an owner of COI facilities, such as changes in reliability criteria or actions by a non-COI facility owner, then both the PacifiCorp Capacity and the PG&E Capacity shall be increased or decreased, respectively, pro rata to the change in such RPTC Share. If a seasonal COI OTC greater than the COI RPTC is approved by WECC, then the Malin-Round Mountain No. 2 RPTC Share shall be deemed for purposes of this Agreement for that season to have increased by the same amount as the increase, if any, in the Malin-Round Mountain No. 2 OTC allocation.

5.5 Effect on Exchange Service of Other Changes

Unless otherwise agreed by PacifiCorp and PG&E in writing, any reduction in Malin-Round Mountain No. 2 RPTC Share or share of APTC resulting from a change to Applicable Requirements shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.6 Effect of Reductions in Transfer Capability

Any reduction in the Malin-Round Mountain No. 2 RPTC Share or revisions in the curtailment sharing adjustments for the Malin-Round Mountain No. 2 APTC that reduce the

Malin-Round Mountain No. 2 APTC compared with the result of previous curtailment sharing arrangements, shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.7 Obligation to Maintain Transfer Capability

PG&E and the CAISO, as TSP for PG&E, shall make all reasonable efforts to maintain the amount of the PacifiCorp Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice. PacifiCorp shall make all reasonable efforts to maintain the amount of the PG&E Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice.

5.8 No Service Provided

By entering into this Agreement no Party intends, undertakes or shall be obligated to provide any transmission service to a Party or to provide any service to a third party, including but not limited to transmission, distribution, interconnection, energy, power or ancillary service. Any and all arrangements for transmission service involving other PacifiCorp, PG&E, or CAISO controlled transmission facilities must be arranged under a separate contract or tariff.

5.9 PacifiCorp Bus Bar Rights

(a) 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 5 and subject to 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 ("PacifiCorp Bus Bar Rights").

(b) (i) 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 on Malin-Round Mountain No. 2 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 the OA 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. 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 Malin-Round Mountain No. 2.[1]

(ii) The CAISO waives its rights, for a period of 20 years from January 1, 2008, under Section 205 of the FPA, 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 5.9(b)(i) 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 FPA 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 5.9(b)(i) of this Agreement. The CAISO further waives the right to unilaterally propose or make effective any change

[1] This provision is based on and intended to be consistent with Section 6.3 of the Operating Agreement.

to Schedule 1 or Schedule 3 of the OA. Except as provided in this Section 5.9(b)(ii), 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 FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. Subject to the waivers set forth in this Section 5.9(b)(ii), the standard of review the FERC shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 5.9(b)(i) of this Agreement, either on the FERC'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.[2]

(c) 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 Round Mountain No. 2

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[2] This provision is based on and intended to be consistent with Section 6.4 of the Operating Agreement.

(d) 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-Sacramento Municipal Utility District ("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 and the Western system, which entails transmission of energy between Balancing Authority Areas, 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.

(e) 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.

(f) The Parties agree that this Agreement and the grant of PacifiCorp Bus Bar Rights to PacifiCorp under this Agreement does not constitute or cause an Adverse Impact to Western's, SMUD's, or PG&E's Electric Systems, as that term is defined under the WP-POA or the SMUD-PG&E Interconnection Agreement ("SMUD-PG&E IA"), provided that any future physical modification to the Parties' systems remains subject to the terms of the WP-POA and the SMUD-PG&E IA.

(g) PacifiCorp agrees that this Agreement does not impose upon PG&E any obligation additional to or different from any obligation PG&E otherwise has when the Agreement becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PacifiCorp to any action or agreement by PG&E to modify any obligation PG&E otherwise has when the Offer of Settlement and Stipulation in Docket Nos. ER07-882 *et al.* becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights.

(h) If there is any inconsistency between this Agreement and the applicable terms of the Western-SMUD Control Area Agreement, of the Western OATT, or of any currently-existing FERC-approved agreements and tariffs, including, but not limited to, the WP-POA, ICAOA, SMUD-PG&E IA, 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.

(i) Nothing in this Agreement provides PacifiCorp or Requesting Entities with any transmission service over Western's system. Any transmission service from Western must be requested under Western's OATT.

5.10 PG&E Bus Bar Rights

PG&E shall have the right to offer, in connection with transmission service under the CAISO Tariff (or the transmission service tariff of any successor transmission provider), its capacity in the Malin-Round Mountain No. 2, to transfer energy, in quantities up to the equivalent of the capacity available to PG&E to offer for service under such tariff in accordance with this Agreement and the Lease, across the bus at the Malin interconnection(s) between or among PacifiCorp, Bonneville Power Administration, Portland General Electric Company, and any other transmission owner that has interconnecting facilities at Malin ("PG&E Bus Bar Rights").

(a) Any use by PG&E, the CAISO, or any customer of PG&E or the CAISO (each a "Requesting Entity") of PG&E Bus Bar Rights may only apply to 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.

(b) The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin that uses PG&E Bus Bar Rights is subject to any applicable agreements and limitations relating to that interconnection, including the maximum Transfer Capability for the Malin interconnection as established (or as may be established) pursuant to these agreements. These agreements include, without limitation, the Intertie Agreement Between United States of America acting by and through the Bonneville Power Adminstration and Pacific Power & Light Company, PacifiCorp Rate Schedule FERC No. 327 ("Intertie Agreement"); the Amended and Restated AC Intertie Agreement between PacifiCorp and Bonneville Power Administration, Pacificorp Rate Schedule FERC No. 368 ("Malin AC Intertie Agreement"); Agreement for the Construction and Operation of the Malin Substation among Bonneville Power Administration, PacifiCorp, Western Area Power Administration, and Portland General Electric Company, PacifiCorp Rate Schedule FERC No. 85 ("Malin C&O Agreement").

(c) Any Requesting Entity(ies) that seek(s) service using PG&E Bus Bar Rights which would entail transmission of energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin in quantities in excess of the existing Transfer Capability of such interconnection 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.

(d) PG&E agrees that this Settlement does not impose upon PacifiCorp any obligation additional to or different from any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PG&E to any action or agreement by PacifiCorp to modify any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights.

(e) In the case of any inconsistency between this Settlement and the applicable terms of the Intertie Agreement, the Malin AC Intertie Agreement, the Malin C&O Agreement, the Bonneville Power Administration OATT, or of any currently-existing, FERC-approved agreements and tariffs, including but not limited to the Intertie Agreement, the Malin AC Intertie Agreement, and/or the Malin C&O 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 this Settlement.

6. CHARGES AND REVENUES

6.1 Charges Not Generally Affected

Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of PacifiCorp, PG&E, or the CAISO other than as expressly provided in this Agreement. No Cost incurred by any Path Operator in the performance of its duties shall be payable under this Agreement.

6.2 Ancillary Services and Transmission Losses

PacifiCorp shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PG&E Capacity. PG&E shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PacifiCorp Capacity.

7. SCHEDULING

7.1 Scheduling Requirements

Scheduling of all transactions using the PacifiCorp Capacity shall be in accordance with the OA and the Scheduling Coordinator Agreement between PacifiCorp and the CAISO.

7.2 PG&E Scheduling Coordinator Obligations

PG&E shall not be or act as the Scheduling Coordinator or otherwise provide scheduling information for any service using the PacifiCorp Capacity.

8. FACILITY RIGHTS AND RESPONSIBILITIES

8.1 Facility Connection, Continuity, and Cost Settlement

No Party shall disconnect, remove, or allow to degrade or cease operating any facility owned or maintained by a Party that is necessary to support RPTC or APTC of the Malin-Round Mountain No. 2 without the written consent of the other Parties, except for routine maintenance and as otherwise consistent with Applicable Requirements.

8.2 Facility Ownership

For the term of this Agreement, PacifiCorp shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities between Malin Substation and Indian Spring and PG&E shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities

between Indian Spring and the Round Mountain Substation, except to the extent such interests change as a result of Modifications in accordance with this Agreement or any other agreement between PG&E and PacifiCorp.

8.3 Maintenance Responsibilities

Maintenance responsibilities through December 31, 2011, will be governed by the Lease between PacifiCorp and PG&E.

In the absence of an additional separate agreement governing maintenance responsibilities, between PacifiCorp and PG&E, maintenance responsibilities from and after January 1, 2012, will be as follows: (1) PG&E shall maintain or cause to be maintained, the segment between Indian Spring and Round Mountain of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Round Mountain Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time; (2) PacifiCorp shall maintain or cause to be maintained the segment between Malin and Indian Spring of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Malin Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or capital replacements on such line or the related terminal facilities at the Malin and/or Round Mountain Substations, such curtailment or interruptions shall be arranged for as far in advance as may be practicable by mutual agreement of the Parties, and the Party responsible under this Agreement for such maintenance or capital

replacements shall coordinate with and obtain any necessary approvals from the appropriate transmission operator prior to performing such maintenance or making capital replacements. The Party responsible under this Agreement for such maintenance or capital replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

8.4 Modifications at Substations

If either PG&E or PacifiCorp gives the other Party notice of any Modification, other than replacement, of equipment or facilities on the Malin-Round Mountain No. 2 at Malin Substation or Round Mountain Substation, then PG&E and PacifiCorp promptly shall consult with each other and the CAISO prior to undertaking any such action. Such consultation is intended to ensure the continued reliable maintenance and operation of the Parties' transmission systems, to coordinate any Modifications and to agree to any changes in or additions to ownership interests that may result. If PG&E and PacifiCorp are unable to promptly reach agreement on such Modification, then, notwithstanding any other provision of this Agreement, either Party may file with FERC under the FPA to resolve the dispute, including determining the Cost responsibility for such work, the resulting ownership of such Modifications, and any change in ownership of other equipment or facilities.

8.5 Malin Series Capacitors

Notwithstanding any other terms of this Agreement regarding Modifications:

(a) PacifiCorp agrees to upgrade its series capacitors at Malin by no later than December 31, 2012, subject to force majeure or Uncontrollable Force, unless PacifiCorp's accomplishment of this obligation is precluded by failure of equipment suppliers to deliver equipment timely ordered by PacifiCorp, or outages for installation of the capacitors are delayed

due to a request of the CAISO or a party to the OCOA, providing either of these circumstances (or combinations thereof) is beyond PacifiCorp's control, and provided further that PacifiCorp proceeds to complete its obligation as soon as practicable after any such constraint is resolved; and

(b) increased transmission capacity (if any) resulting from PacifiCorp's upgrade of its Malin series capacitors that is allocated to the Malin-Round Mountain No. 2 shall be divided equally between PG&E and PacifiCorp.

9. CAISO CONSENT TO ENCUMBRANCE

To the extent the exchange of capacity under this Agreement may constitute an Encumbrance affecting PG&E's facilities under Section 4.4.3 of the TCA, the CAISO consents to the creation of such Encumbrance. The CAISO hereby waives any notice requirement of the TCA regarding the creation of such Encumbrance. Upon the effectiveness of this Agreement, the CAISO will seek to amend Appendix B of the TCA between PG&E and the CAISO to include this Encumbrance.

10. ASSIGNMENT

A Party may assign or delegate its rights and obligations under this Agreement to another person only with the consent of the other Parties, which consent shall not be unreasonably withheld, and any attempt to assign or delegate without such consent shall be void, provided that the other Parties' consent shall not be required for an assignment in connection with regulatory order by the FERC or applicable state agency with jurisdiction over this Agreement. The assignee shall expressly assume in writing all duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the

assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 calendar days following the assignment, then any such purported assignment shall be of no force or effect.

11. CONSTRUCTION OF THE AGREEMENT

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party.

12. TERMINATION FOR DEFAULT

If any Party breaches a material obligation under this Agreement, such breach shall constitute an event of default. If any Party defaults under this Agreement, another Party may terminate this Agreement, provided that prior to such termination the other Parties must provide all other Parties with written notice stating: 1) the Party's intent to terminate; 2) the date of such intended termination; 3) the specific grounds for termination; 4) specific actions the defaulting Party must take to cure the default, if any; and 5) a reasonable period of time, which shall not be less than 6 business days, within which the defaulting Party may take action to cure the default and avoid termination, provided there is any action which can be taken to cure the default. Termination of this Agreement by any Party shall not become effective until FERC has so authorized. Application of dispute resolution pursuant to Section 16 with regard to separate disputes shall not be deemed to limit the right to terminate this Agreement under this Section 12.

13. LIABILITY

13.1 Scope of Liability

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

13.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose Electric Customer shall make a claim or bring an action against such other Party for any death, injury, loss, or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees, and agents from and against any liability for such death, injury, loss, or damage,

provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party when that other Party cannot lawfully indemnify a Party under this Section.

13.3 Protection of Facilities

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

14. UNCONTROLLABLE FORCE

14.1 No Default

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

14.2 No Settlement Obligation

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

14.3 Notice and Removal Obligation

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

15. 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 or any portion thereof.

16. REGULATORY AUTHORITY

16.1 FERC Jurisdiction

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

16.2 Changes in Terms and Conditions

The CAISO, PacifiCorp, and PG&E waive their rights to file unilaterally with FERC under FPA Sections 205 or 206 to add, modify, or negate, any term or condition of this Agreement, except as provided in Sections 16.4.4.2 and 16.4.4.3. Except as specified in this Section 16, its subsections, and Section 26.3, nothing in this Agreement shall be construed as affecting in any way a Party's rights to make filings unilaterally with FERC under Sections 205 or 206 of the FPA or the regulations promulgated thereunder.

16.3 Changes in Rates

This Agreement does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. Subject to the provisions of the Lease, all rates for service utilizing the PacifiCorp Capacity are governed by PacifiCorp's OATT. All rates for service utilizing the PG&E Capacity are governed by the CAISO Tariff, or, if PG&E withdraws from the CAISO during the term of this Agreement, any applicable PG&E tariff or successor TSP tariff.

16.4 Significant Regulatory Change or Change in Transmission Provider

16.4.1 Conformance

This Agreement shall be modified to conform to any final order issued by the FERC that directly addresses a provision or provisions of this Agreement. Unless otherwise provided by FERC, such conforming changes shall be jointly filed with FERC by the Parties; and such conformance shall be prospective only and shall not affect any rights or obligations of any Party that have accrued as of the date of the order requiring conformance under the terms of this Agreement.

16.4.2 Notification

If, at any time during the term of this Agreement, any Party becomes aware of a Significant Regulatory Change (whether actual or proposed), including any conformance under Section 16.4.1 above, such Party shall provide notice to the other Parties no later than 15 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Parties may include a proposal that the Parties

meet as provided in Section 16.4.4 below in order to negotiate an appropriate amendment to this Agreement.

16.4.3 Change in Functions or Scope

The Parties recognize that there may be a change in the TSP, the functions of the Balancing Authority, or a change in the scope of the facilities under the operational authority of the CAISO. Such a change shall not be deemed to be a Significant Regulatory Change unless the change may reasonably be expected to materially affect any Party's obligations or operations under this Agreement.

16.4.4 Amendment of Agreement

16.4.4.1 Following notification under Section 16.4.2, the Parties shall meet to discuss whether an amendment to this Agreement is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this Agreement to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 16.4.2.

16.4.4.2 If the Parties agree that such an amendment to this Agreement is necessary, they shall proceed to negotiate such amendment in good faith. If the Parties have not reached agreement within 60 calendar days of the date of the first meeting, any unresolved issues shall be resolved through the dispute resolution procedures set forth in Section 17. Notwithstanding the above or any other provisions of this Agreement, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur then, with respect to the unresolved issues, any Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC pursuant to Section 205 or 206

of the FPA, and any Party may exercise its rights under the FPA to protest or oppose such filing.

16.4.4.3 If the Parties cannot agree that an amendment to this Agreement is necessary to allow this Agreement to accommodate the Significant Regulatory Change, any Party may submit such dispute to dispute resolution proceedings pursuant to Section 17, provided, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur, then a Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC as set forth in the paragraph above.

16.4.4.4 Nothing in this Section 16.4 shall be deemed to limit a Party's right to make changes pursuant to the other provisions of this Section 16 or any other provisions of this Agreement.

17. DISPUTE RESOLUTION

17.1 Manner of Resolution

17.1.1 Disputes Gener ally

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

17.1.2 Technical Disputes

The involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive with authority to resolve the dispute from each

Party involved in the dispute or his or her designated representative. Within 20 calendar days after delivery by the Party seeking dispute resolution of notice to the other Party, the executives or designated representatives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary, but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then either Party may initiate mediation or may initiate formal dispute resolution under Section 17.1.1. If the other Party agrees to mediation, then the Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 calendar days.

17.1.3 Scheduling Coordinator Disputes

Resolution of all matters arising from PacifiCorp or its designee's actions as Scheduling Coordinator for the PacifiCorp Capacity pursuant to Section 5.2 shall be resolved in accordance with the Scheduling Coordinator Agreement between the CAISO and PacifiCorp or its designee, as applicable.

17.2 Rules

All negotiations, settlement conferences, compromise discussions, and any arbitration or mediation conducted pursuant to this Section 17 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each Party shall share the costs of any arbitration or mediation in accordance with the agreement of the Parties to engage in arbitration or mediation. Nothing in this Section 17 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

18. **NO EXCLUSIVE REMEDY**

Subject to the provisions of Section 17, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

19. **GOVERNING LAW**

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

20. **NON-WAIVER**

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

21. **NOTICES**

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or

made if delivered in person or sent by first class United States mail, postage prepaid by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. Changes to Appendix A shall not be deemed an amendment to this Agreement.

22. **NO THIRD PARTY BENEFICIARIES**

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

23. **RELATIONSHIP OF THE PARTIES**

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

23.2 Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

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

24. **TITLES**

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

25. **NO PRECEDENTS**

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

26. **ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS**

26.1 Adverse Determination

Notwithstanding Section 27 of this Agreement, if, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

26.2 Expansion of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be

interpreted, modified or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur significant new or different obligations to another Party or to third parties not contemplated by this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties promptly and in good faith shall attempt to renegotiate the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated on the Effective Date.

26.3 Rights After Adverse Determination or Expansion of Obligations

The Parties shall negotiate in accordance with Section 26.1 or 26.2 for at least 60 calendar days. After that period, if the Parties either cannot agree that renegotiation is feasible or cannot agree to amend this Agreement, then: (a) any Party may initiate dispute resolution in accordance with Section 17; or (b) any Party may terminate this Agreement with one year's advance notice to the other Parties. As used in this Section 26, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

27. SEVERABILITY

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

affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination, unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 27 shall limit the rights of any Party under Section 26.

28. PRESERVATION OF OBLIGATIONS

Upon termination of this Agreement or a Party's status under this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

29. INTEGRATION OF AGREEMENT

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

30. APPENDICES INCORPORATED

All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

31. **JUDGMENTS AND DETERMINATIONS**

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

32. **SUCCESSOR IN INTEREST**

Each successor in interest to any right or obligation of a Party under this Agreement shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement.

33. **SIGNATURES; EXECUTION IN COUNTERPARTS**

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

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: November 20, 2007

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission
Date: November 20, 2007

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President – Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: _____
Name: James W Detmers
Title: VP Operations
Date: 11/20/07

APPENDIX A

ADDRESSES FOR NOTICES

Pacific Gas and Electric Company
Steve Metague
Director, Electric Transmission Rates
77 Beale Street, Mail Code B13L
San Francisco, CA 94105
Tel: (415) 973-6545
Fax: (415) 973-9174
SJMd@pge.com

PacifiCorp
Kenneth Houston
Director, Transmission Services
825 NE Multnomah, Suite 1600
Portland, OR 97232
Tel.: (503) 813-6712
Fax: (503) 813-5767
Kenneth.Houston@PacifiCorp.com

PacifiCorp
Natalie L. Hocken
Vice President & General Counsel
825 NE Multnomah, Suite 2000
Portland, OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7262
Natalie.Hocken@PacifiCorp.com

The California Independent System Operator Corporation
Jim Detmers
Vice President, Operations
CAISO
P.O. Box 639014
Folsom, CA 95763-9014
Tel.: (916) 351-4400
Fax: (916) 351-2350
jdetmers@caiso.com

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

APPENDIX 1

TRANSMISSION EXCHANGE AGREEMENT

CAISO Original Rate Schedule FERC No. 66

November 21, 2007

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:56
FEDERAL ENERGY
REGULATORY COMMISSION

Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

Transmission Exchange Agreement

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TABLE OF ACRONYMS AND ABBREVIATIONS

Agreement:	This Transmission Exchange Agreement
ASC:	Available Scheduling Capability
APTC:	Available Path Transfer Capability
COB:	California-Oregon Border
COI:	California-Oregon Intertie
COTP:	California-Oregon Transmission Project
FERC:	Federal Energy Regulatory Commission or its regulatory successor
Lease:	The Agreement to Lease Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company
NERC:	North American Electric Reliability Corporation or its successor
OA:	Operating Agreement between PacifiCorp and the California Independent System Operator Corporation
OCOA:	Owners Coordinated Operation Agreement
PACI:	Pacific AC Intertie
PG&E:	Pacific Gas and Electric Company
RPTC:	Rated Path Transfer Capability
TCA:	Transmission Control Agreement
Western:	Western Area Power Administration
WECC:	Western Electricity Coordinating Council or its successor

Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

1. **PARTIES**

This Transmission Exchange Agreement ("Agreement") is made and entered into, as of the signature date below, by and among PacifiCorp, Pacific Gas and Electric Company ("PG&E"), and the California Independent System Operator Corporation ("CAISO"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

2. **RECITALS**

This Agreement is made with reference to the following facts:

2.1 The Pacific AC Intertie ("PACI") consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2.

2.2 Both PacifiCorp and 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 Malin Substation and Round Mountain Substation. PacifiCorp owns the northern 47-mile segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation and has turned over operational control of the facilities to the CAISO.

2.3 Currently, the capacity of the Malin-Round Mountain No. 2 is 1600 MW for southbound flow and 1225 MW for northbound flow, as established pursuant to the Owners Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordination Council ("WECC") rating process. North of Indian Spring, extending to Malin Substation, PacifiCorp owns the entire capacity of the Malin-Round Mountain No. 2. South of Indian Spring, extending to Round Mountain Substation, PG&E owns the entire capacity of the Malin-Round Mountain No. 2.

2.4 PG&E is a Participating Transmission Owner ("PTO") in the CAISO. The CAISO operates PG&E's segment of the Malin-Round Mountain No. 2 pursuant to the CAISO's Transmission Control Agreement ("TCA") (CAISO FERC Electric Tariff No. 7, Second Replacement Transmission Control Agreement) and provides transmission service pursuant to the CAISO Tariff. PacifiCorp is Non-Participating Transmission Owner ("Non-PTO") in the CAISO's Balancing Authority Area. PacifiCorp offers service on its facilities pursuant to PacifiCorp's Open Access Transmission Tariff ("OATT") (PacifiCorp FERC Electric Tariff Seventh Revised Volume No. 11) PacifiCorp and the CAISO have executed an Operating Agreement to be effective January 1, 2012.

2.5 Through this Agreement, PacifiCorp, and PG&E desire to exchange capacity on each of their respective segments of the Malin-Round Mountain No. 2. PacifiCorp desires to provide PG&E with one-half of PacifiCorp's capacity, both northbound and southbound, between the Malin Substation and Indian Spring. In exchange, PG&E desires to provide PacifiCorp with one-half of its capacity, both northbound and southbound, between Indian Spring and Round Mountain Substation.

2.6 This Agreement represents one part of an Offer of Settlement and Stipulation, including its various Appendices, ("Settlement") resolving issues before the Federal Energy Regulatory Commission ("FERC") in its Docket No. ER07-882 and related proceedings.

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

3. DEFINITIONS

Whenever used in this Agreement, the following terms, when initially capitalized, shall have the meanings set forth in this Section 3. The singular of any definition shall include the plural and the plural shall include the singular. A Table of Acronyms and Abbreviations, incorporated by reference in this Section 3, follows the Table of Contents.

3.1 Applicable Requirements:

All applicable laws or regulations, and all standards, procedures, or requirements of (i) North American Electric Reliability Corporation ("NERC"), (ii) WECC, or (iii) any other person, entity, contract, tariff, or rate schedule, that are legally binding on a Party's use of or interest in the transmission facilities used to provide service under this Agreement, which interest may include operational control, as amended from time to time and whether now existing or hereafter imposed or arising.

3.2 Available Scheduling Capability ("ASC"):

The amount of Available Path Transfer Capability ("APTC") that can be scheduled as adjusted for any Unscheduled Flow and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.3 ASC Share:

The allocation of ASC to an entity with rights to use APTC on a Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an ASC Share resulting from such an allocation, then its ASC Share for purposes of this Agreement shall be its ASC under Prudent Utility Practice.

3.4 Available Path Transfer Capability:

The portion of Rated Path Transfer Capability ("RPTC") that is physically capable of transmitting power based on operating conditions of or affecting a Path, other than Unscheduled Flow, existing at a given time and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.5 Balancing Authority:

The entity assigned to perform the balancing function for a Balancing Authority Area, in accordance with applicable NERC criteria and standards. A Balancing Authority is also known as a Control Area Operator.

3.6 Balancing Authority Area:

An area comprised of an Electric System or Electric Systems to which a common automatic generation control scheme is applied, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Balancing Authority Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves, all in accordance with Prudent Utility Practice. A Balancing Authority must be certified by WECC and operate in conformance with Applicable Requirements. A Balancing Authority Area is also known as a Control Area.

3.7 CAISO Controlled Grid:

The system of transmission lines and associated facilities that have been placed under the CAISO's operational control in accordance with the TCA.

3.8 CAISO Tariff:

The current effective California Independent System Operator Corporation FERC Electric Tariff, as it may be amended or superseded from time to time.

3.9 California-Oregon Border ("COB"):

The cut-plane where the facilities constituting the California-Oregon Intertie cross the border between the state of California and the state of Oregon, parallel to such border.

3.10 California-Oregon Intertie ("COI"):

The two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation and associated facilities, when operated as a coordinated three-line system with a single RPTC and obligations to share curtailments among the three lines.

3.11 Cost:

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

3.12 Effective Date:

The date on which this Agreement becomes effective, as specified in Section 4.1.

3.13 Electric Customer:

Any electricity customer to which no power or energy is delivered for resale.

3.14 Electric System:

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

3.15 Federal Energy Regulatory Commission ("FERC"):

The Federal Energy Regulatory Commission or its regulatory successor agency or authority.

3.16 Federal Power Act ("FPA"):

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

wholesale of electric power and energy in interstate commerce, codified at 16 U.S.C. §§ 824 *et seq.*

3.17 Lease:

The Agreement for Lease of Transmission Capacity (Pacific Gas and Electric Company Rate Schedule FERC No. 240 and PacifiCorp Rate Schedule FERC No. 607) between PacifiCorp and PG&E, 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 this Agreement.

3.18 Malin-Round Mountain No. 1:

The portion of the PACI No. 1 owned by Western and located between Malin and Round Mountain Substations.

3.19 Malin-Round Mountain No. 2:

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

3.20 Modification:

The connection of generating facilities, loads, substation equipment, or transmission lines to, or modifications of, any portion of a Party's Electric System, which may include improvements, additions, extensions, expansions, replacements, substitutions, or removals.

3.21 NERC:

The North American Electric Reliability Corporation or its successor.

3.22 Non-Simultaneous Transfer Capability:

An electric power transfer rating developed for a Path using power system study assumptions that did not take into consideration transfers on one or more interacting Paths at the maximum Transfer Capability for such Path(s) for the period being studied.

3.23 Operating Agreement ("OA"):

The Operating Agreement between the CAISO and PacifiCorp (CAISO Rate Schedule FERC No. 65 and PacifiCorp Rate Schedule FERC No. 606), effective January 1, 2012, as it may be amended from time to time.

3.24 Operational Transfer Capability Limit ("OTC"):

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

3.25 Owners Coordinated Operation Agreement ("OCOA"):

The Owners Coordinated Operation Agreement among PG&E, the Participants in the California-Oregon Transmission Project ("COTP"), and Western Area Power Administration

("Western"), as amended effective January 1, 2008, and as further amended from time to time thereafter (PG&E Rate Schedule FERC No. 229).

3.26 Pacific AC Intertie ("PACI"):

For purposes of this Agreement, that portion of the Pacific Northwest-Pacific Southwest Intertie located between Malin Substation and PG&E's Tesla Substation consisting of AC facilities, associated 500 kV AC facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the terminus of the COTP.

3.27 PacifiCorp Capacity:

PacifiCorp's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.28 PacifiCorp Share:

The Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and this Agreement, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, Lease, and this Agreement, 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.

3.29 Parties:

The signatories of this Agreement: PacifiCorp, PG&E, and the CAISO.

3.30 Path:

A transmission line or a group of transmission lines, substations, and associated facilities, such as the COI. For purposes of this Agreement, a Path may be all or a portion of a WECC identified path described in the then current WECC Path Rating Catalogue or its successor.

3.31 Path Operator:

The entity that operates a Path directly interconnected with another Balancing Authority Area, such as the COI, with duties including, but not limited to, managing the OTC and ASC of that Path. A Path Operator may also be the Balancing Authority of the Balancing Authority Area in which some or all of such transmission facilities are included. If a Path consists of more than one transmission line and the entire group of lines is not included in one Balancing Authority Area, then, unless otherwise provided under Applicable Requirements, the Path Operator also coordinates scheduling and power flow management by the Balancing Authorities whose Balancing Authority Area include facilities of the Path.

3.32 Path Operator for COI:

The entity responsible for performing Path Operator duties for COI. The CAISO is the COI Path Operator on the Effective Date.

3.33 PG&E Capacity:

PG&E's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.34 Prudent Utility Practice:

The practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to

the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

3.35 Rated Path Transfer Capability ("RPTC"):

The Non-Simultaneous Transfer Capability of a Path such as COI, determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.36 Requesting Entity:

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.

3.37 RPTC Share:

For a Path such as COI, the allocation of RPTC to each entity with rights to use Transfer Capability on the Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an RPTC Share resulting from such an allocation, then its RPTC Share for purposes of this Agreement shall be its RPTC.

3.38 Scheduling Coordinator:

An entity certified by the CAISO pursuant to the CAISO Tariff for the purposes of undertaking functions specified in the CAISO Tariff.

3.39 Settlement:

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

3.40 Significant Regulatory Change:

A "Significant Regulatory Change" under Section 16 occurs if FERC, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Wyoming Public Service Commission, or any other agency, officer, or court having jurisdiction, a state legislature or the United States Congress, issues an order or decision or enacts a law that significantly interferes with the ability of a Party to perform any of its obligations or obtain any of its rights under this Agreement.

3.41 Transfer Capability:

The amount of electric power, expressed in megawatts, that can be transferred in a designated direction on a Path, determined under Prudent Utility Practice.

3.42 Transmission Ownership Right ("TOR"):

An ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-PTO that has not executed the TCA, which transmission facilities are not incorporated into the CAISO Controlled Grid.

3.43 Transmission Service Provider ("TSP"):

An entity in operational control of transmission facilities it owns or operates, and which provides transmission service to itself or third parties using those facilities.

3.44 Uncontrollable Force:

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

3.45 Unscheduled Flow:

The power flow on a Path minus the algebraic sum of each of the transactions scheduled across the same Path by those entities delivering and receiving such energy.

3.46 WECC:

The Western Electricity Coordinating Council or its successor.

3.47 Willful Action:

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

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

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

3.47.2 The phrase "employees having management or administrative responsibility," as used in this Section 3.48.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

4. EFFECTIVE DATE AND TERM

4.1 Effective Date

The Effective Date of this Agreement shall be the latest of January 1, 2008, or the date on which FERC accepts this Agreement for filing and permits it to be placed into effect without material change or material new condition unacceptable to any Party.

This Agreement is expressly conditioned upon FERC's acceptance, without any material change or new condition, of this Agreement and of the Settlement of which it is a component. Each Party shall work diligently to obtain timely acceptance by FERC of the Settlement and of this Agreement and all of its provisions without change or new condition. If FERC makes any material change in this Agreement or imposes a material new condition of this Agreement that is unacceptable to any Party, the Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such material change or material new condition.

4.2 Term

This Agreement shall terminate on the earliest of:

(a) 20 years after the Effective Date unless the Parties agree by an amendment to extend the term;

(b) upon the Effective Date of an asset exchange agreement between PacifiCorp and PG&E, under which PacifiCorp and PG&E shall each have equal joint ownership of the transmission facilities constituting the Malin-Round Mountain No. 2; or

(c) the Effective Date of a notice of termination provided by any Party pursuant to Section 4.3, Section 12, or Section 26.3.

If this Agreement is terminated pursuant to this Section 4.2, then any Party that is required to file a notice of termination with FERC shall do so in a timely manner. No Party shall protest or seek a suspension or other delay of the effectiveness of termination in accordance with subsections (a) or (b) of this Section.

4.3 Termination of the PacifiCorp – CAISO Operating Agreement

In the event the CAISO or PacifiCorp provides notice of intention to seek to terminate the OA without a mutually agreed replacement agreement approved by the Commission, then any Party shall have the right to seek termination of this Agreement.

5. TRANSMISSION EXCHANGE

5.1 PacifiCorp Transmission Capacity Exchanged to PG&E

PacifiCorp shall provide PG&E with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PacifiCorp between the connections with third-party systems at Malin Substation and Indian Spring, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.10.

5.2 PG&E Transmission Capacity Exchanged to PacifiCorp

PG&E shall provide PacifiCorp with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PG&E between Indian Spring and the connection with third-party systems at Round Mountain Substation, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.9.

5.3 Operating Curtailments

In the event the Path Operator for COI, pursuant to its Applicable Requirements, reduces the COI OTC, then the PacifiCorp Capacity and the PG&E Capacity shall be curtailed pro rata.

5.4 Effect of Modifications on Exchange Service

If a Modification is proposed that increases the RPTC of the Malin-Round Mountain No. 2, PacifiCorp and PG&E must agree to implement the Modification. Except as and only to the extent otherwise provided in this Agreement or the Lease, PG&E and PacifiCorp shall be entitled to any additional RPTC on the Malin-Round Mountain No. 2 derived from the Modification in proportion to their contribution to the Cost of implementing such Modification.

If the Malin-Round Mountain No. 2 RPTC Share is increased without any Modification, or is decreased due to an event other than a Modification by an owner of COI facilities, such as changes in reliability criteria or actions by a non-COI facility owner, then both the PacifiCorp Capacity and the PG&E Capacity shall be increased or decreased, respectively, pro rata to the change in such RPTC Share. If a seasonal COI OTC greater than the COI RPTC is approved by WECC, then the Malin-Round Mountain No. 2 RPTC Share shall be deemed for purposes of this Agreement for that season to have increased by the same amount as the increase, if any, in the Malin-Round Mountain No. 2 OTC allocation.

5.5 Effect on Exchange Service of Other Changes

Unless otherwise agreed by PacifiCorp and PG&E in writing, any reduction in Malin-Round Mountain No. 2 RPTC Share or share of APTC resulting from a change to Applicable Requirements shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.6 Effect of Reductions in Transfer Capability

Any reduction in the Malin-Round Mountain No. 2 RPTC Share or revisions in the curtailment sharing adjustments for the Malin-Round Mountain No. 2 APTC that reduce the

Malin-Round Mountain No. 2 APTC compared with the result of previous curtailment sharing arrangements, shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.7 Obligation to Maintain Transfer Capability

PG&E and the CAISO, as TSP for PG&E, shall make all reasonable efforts to maintain the amount of the PacifiCorp Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice. PacifiCorp shall make all reasonable efforts to maintain the amount of the PG&E Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice.

5.8 No Service Provided

By entering into this Agreement no Party intends, undertakes or shall be obligated to provide any transmission service to a Party or to provide any service to a third party, including but not limited to transmission, distribution, interconnection, energy, power or ancillary service. Any and all arrangements for transmission service involving other PacifiCorp, PG&E, or CAISO controlled transmission facilities must be arranged under a separate contract or tariff.

5.9 PacifiCorp Bus Bar Rights

(a) 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 5 and subject to 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 ("PacifiCorp Bus Bar Rights").

(b) (i) 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 on Malin-Round Mountain No. 2 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 the OA 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. 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 Malin-Round Mountain No. 2.[1]

(ii) The CAISO waives its rights, for a period of 20 years from January 1, 2008, under Section 205 of the FPA, 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 5.9(b)(i) 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 FPA 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 5.9(b)(i) of this Agreement. The CAISO further waives the right to unilaterally propose or make effective any change

[1] This provision is based on and intended to be consistent with Section 6.3 of the Operating Agreement.

to Schedule 1 or Schedule 3 of the OA. Except as provided in this Section 5.9(b)(ii), 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 FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. Subject to the waivers set forth in this Section 5.9(b)(ii), the standard of review the FERC shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 5.9(b)(i) of this Agreement, either on the FERC'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.[2]

(c) 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 Round Mountain No. 2

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[2] This provision is based on and intended to be consistent with Section 6.4 of the Operating Agreement.

(d) 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-Sacramento Municipal Utility District ("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 and the Western system, which entails transmission of energy between Balancing Authority Areas, 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.

(e) 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.

(f) The Parties agree that this Agreement and the grant of PacifiCorp Bus Bar Rights to PacifiCorp under this Agreement does not constitute or cause an Adverse Impact to Western's, SMUD's, or PG&E's Electric Systems, as that term is defined under the WP-POA or the SMUD-PG&E Interconnection Agreement ("SMUD-PG&E IA"), provided that any future physical modification to the Parties' systems remains subject to the terms of the WP-POA and the SMUD-PG&E IA.

(g) PacifiCorp agrees that this Agreement does not impose upon PG&E any obligation additional to or different from any obligation PG&E otherwise has when the Agreement becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PacifiCorp to any action or agreement by PG&E to modify any obligation PG&E otherwise has when the Offer of Settlement and Stipulation in Docket Nos. ER07-882 *et al.* becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights.

(h) If there is any inconsistency between this Agreement and the applicable terms of the Western-SMUD Control Area Agreement, of the Western OATT, or of any currently-existing FERC-approved agreements and tariffs, including, but not limited to, the WP-POA, ICAOA, SMUD-PG&E IA, 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.

(i) Nothing in this Agreement provides PacifiCorp or Requesting Entities with any transmission service over Western's system. Any transmission service from Western must be requested under Western's OATT.

5.10 PG&E Bus Bar Rights

PG&E shall have the right to offer, in connection with transmission service under the CAISO Tariff (or the transmission service tariff of any successor transmission provider), its capacity in the Malin-Round Mountain No. 2, to transfer energy, in quantities up to the equivalent of the capacity available to PG&E to offer for service under such tariff in accordance with this Agreement and the Lease, across the bus at the Malin interconnection(s) between or among PacifiCorp, Bonneville Power Administration, Portland General Electric Company, and any other transmission owner that has interconnecting facilities at Malin ("PG&E Bus Bar Rights").

(a) Any use by PG&E, the CAISO, or any customer of PG&E or the CAISO (each a "Requesting Entity") of PG&E Bus Bar Rights may only apply to 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.

(b) The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin that uses PG&E Bus Bar Rights is subject to any applicable agreements and limitations relating to that interconnection, including the maximum Transfer Capability for the Malin interconnection as established (or as may be established) pursuant to these agreements. These agreements include, without limitation, the Intertie Agreement Between United States of America acting by and through the Bonneville Power Adminstration and Pacific Power & Light Company, PacifiCorp Rate Schedule FERC No. 327 ("Intertie Agreement"); the Amended and Restated AC Intertie Agreement between PacifiCorp and Bonneville Power Administration, Pacificorp Rate Schedule FERC No. 368 ("Malin AC Intertie Agreement"); Agreement for the Construction and Operation of the Malin Substation among Bonneville Power Administration, PacifiCorp, Western Area Power Administration, and Portland General Electric Company, PacifiCorp Rate Schedule FERC No. 85 ("Malin C&O Agreement").

(c) Any Requesting Entity(ies) that seek(s) service using PG&E Bus Bar Rights which would entail transmission of energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin in quantities in excess of the existing Transfer Capability of such interconnection 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.

(d) PG&E agrees that this Settlement does not impose upon PacifiCorp any obligation additional to or different from any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PG&E to any action or agreement by PacifiCorp to modify any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights.

(e) In the case of any inconsistency between this Settlement and the applicable terms of the Intertie Agreement, the Malin AC Intertie Agreement, the Malin C&O Agreement, the Bonneville Power Administration OATT, or of any currently-existing, FERC-approved agreements and tariffs, including but not limited to the Intertie Agreement, the Malin AC Intertie Agreement, and/or the Malin C&O 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 this Settlement.

6. CHARGES AND REVENUES

6.1 Charges Not Generally Affected

Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of PacifiCorp, PG&E, or the CAISO other than as expressly provided in this Agreement. No Cost incurred by any Path Operator in the performance of its duties shall be payable under this Agreement.

6.2 Ancillary Services and Transmission Losses

PacifiCorp shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PG&E Capacity. PG&E shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PacifiCorp Capacity.

7. SCHEDULING

7.1 Scheduling Requirements

Scheduling of all transactions using the PacifiCorp Capacity shall be in accordance with the OA and the Scheduling Coordinator Agreement between PacifiCorp and the CAISO.

7.2 PG&E Scheduling Coordinator Obligations

PG&E shall not be or act as the Scheduling Coordinator or otherwise provide scheduling information for any service using the PacifiCorp Capacity.

8. FACILITY RIGHTS AND RESPONSIBILITIES

8.1 Facility Connection, Continuity, and Cost Settlement

No Party shall disconnect, remove, or allow to degrade or cease operating any facility owned or maintained by a Party that is necessary to support RPTC or APTC of the Malin-Round Mountain No. 2 without the written consent of the other Parties, except for routine maintenance and as otherwise consistent with Applicable Requirements.

8.2 Facility Ownership

For the term of this Agreement, PacifiCorp shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities between Malin Substation and Indian Spring and PG&E shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities

between Indian Spring and the Round Mountain Substation, except to the extent such interests change as a result of Modifications in accordance with this Agreement or any other agreement between PG&E and PacifiCorp.

8.3 Maintenance Responsibilities

Maintenance responsibilities through December 31, 2011, will be governed by the Lease between PacifiCorp and PG&E.

In the absence of an additional separate agreement governing maintenance responsibilities, between PacifiCorp and PG&E, maintenance responsibilities from and after January 1, 2012, will be as follows: (1) PG&E shall maintain or cause to be maintained, the segment between Indian Spring and Round Mountain of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Round Mountain Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time; (2) PacifiCorp shall maintain or cause to be maintained the segment between Malin and Indian Spring of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Malin Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or capital replacements on such line or the related terminal facilities at the Malin and/or Round Mountain Substations, such curtailment or interruptions shall be arranged for as far in advance as may be practicable by mutual agreement of the Parties, and the Party responsible under this Agreement for such maintenance or capital

replacements shall coordinate with and obtain any necessary approvals from the appropriate transmission operator prior to performing such maintenance or making capital replacements. The Party responsible under this Agreement for such maintenance or capital replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

8.4 Modifications at Substations

If either PG&E or PacifiCorp gives the other Party notice of any Modification, other than replacement, of equipment or facilities on the Malin-Round Mountain No. 2 at Malin Substation or Round Mountain Substation, then PG&E and PacifiCorp promptly shall consult with each other and the CAISO prior to undertaking any such action. Such consultation is intended to ensure the continued reliable maintenance and operation of the Parties' transmission systems, to coordinate any Modifications and to agree to any changes in or additions to ownership interests that may result. If PG&E and PacifiCorp are unable to promptly reach agreement on such Modification, then, notwithstanding any other provision of this Agreement, either Party may file with FERC under the FPA to resolve the dispute, including determining the Cost responsibility for such work, the resulting ownership of such Modifications, and any change in ownership of other equipment or facilities.

8.5 Malin Series Capacitors

Notwithstanding any other terms of this Agreement regarding Modifications:

(a) PacifiCorp agrees to upgrade its series capacitors at Malin by no later than December 31, 2012, subject to force majeure or Uncontrollable Force, unless PacifiCorp's accomplishment of this obligation is precluded by failure of equipment suppliers to deliver equipment timely ordered by PacifiCorp, or outages for installation of the capacitors are delayed

due to a request of the CAISO or a party to the OCOA, providing either of these circumstances (or combinations thereof) is beyond PacifiCorp's control, and provided further that PacifiCorp proceeds to complete its obligation as soon as practicable after any such constraint is resolved; and

(b) increased transmission capacity (if any) resulting from PacifiCorp's upgrade of its Malin series capacitors that is allocated to the Malin-Round Mountain No. 2 shall be divided equally between PG&E and PacifiCorp.

9. CAISO CONSENT TO ENCUMBRANCE

To the extent the exchange of capacity under this Agreement may constitute an Encumbrance affecting PG&E's facilities under Section 4.4.3 of the TCA, the CAISO consents to the creation of such Encumbrance. The CAISO hereby waives any notice requirement of the TCA regarding the creation of such Encumbrance. Upon the effectiveness of this Agreement, the CAISO will seek to amend Appendix B of the TCA between PG&E and the CAISO to include this Encumbrance.

10. ASSIGNMENT

A Party may assign or delegate its rights and obligations under this Agreement to another person only with the consent of the other Parties, which consent shall not be unreasonably withheld, and any attempt to assign or delegate without such consent shall be void, provided that the other Parties' consent shall not be required for an assignment in connection with regulatory order by the FERC or applicable state agency with jurisdiction over this Agreement. The assignee shall expressly assume in writing all duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the

assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 calendar days following the assignment, then any such purported assignment shall be of no force or effect.

11. CONSTRUCTION OF THE AGREEMENT

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party.

12. TERMINATION FOR DEFAULT

If any Party breaches a material obligation under this Agreement, such breach shall constitute an event of default. If any Party defaults under this Agreement, another Party may terminate this Agreement, provided that prior to such termination the other Parties must provide all other Parties with written notice stating: 1) the Party's intent to terminate; 2) the date of such intended termination; 3) the specific grounds for termination; 4) specific actions the defaulting Party must take to cure the default, if any; and 5) a reasonable period of time, which shall not be less than 6 business days, within which the defaulting Party may take action to cure the default and avoid termination, provided there is any action which can be taken to cure the default. Termination of this Agreement by any Party shall not become effective until FERC has so authorized. Application of dispute resolution pursuant to Section 16 with regard to separate disputes shall not be deemed to limit the right to terminate this Agreement under this Section 12.

13. LIABILITY

13.1 Scope of Liability

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

13.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose Electric Customer shall make a claim or bring an action against such other Party for any death, injury, loss, or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees, and agents from and against any liability for such death, injury, loss, or damage,

provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party when that other Party cannot lawfully indemnify a Party under this Section.

13.3 Protection of Facilities

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

14. UNCONTROLLABLE FORCE

14.1 No Default

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

14.2 No Settlement Obligation

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

14.3 Notice and Removal Obligation

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

15. 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 or any portion thereof.

16. REGULATORY AUTHORITY

16.1 FERC Jurisdiction

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

16.2 Changes in Terms and Conditions

The CAISO, PacifiCorp, and PG&E waive their rights to file unilaterally with FERC under FPA Sections 205 or 206 to add, modify, or negate, any term or condition of this Agreement, except as provided in Sections 16.4.4.2 and 16.4.4.3. Except as specified in this Section 16, its subsections, and Section 26.3, nothing in this Agreement shall be construed as affecting in any way a Party's rights to make filings unilaterally with FERC under Sections 205 or 206 of the FPA or the regulations promulgated thereunder.

16.3 Changes in Rates

This Agreement does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. Subject to the provisions of the Lease, all rates for service utilizing the PacifiCorp Capacity are governed by PacifiCorp's OATT. All rates for service utilizing the PG&E Capacity are governed by the CAISO Tariff, or, if PG&E withdraws from the CAISO during the term of this Agreement, any applicable PG&E tariff or successor TSP tariff.

16.4 Significant Regulatory Change or Change in Transmission Provider

16.4.1 Conformance

This Agreement shall be modified to conform to any final order issued by the FERC that directly addresses a provision or provisions of this Agreement. Unless otherwise provided by FERC, such conforming changes shall be jointly filed with FERC by the Parties; and such conformance shall be prospective only and shall not affect any rights or obligations of any Party that have accrued as of the date of the order requiring conformance under the terms of this Agreement.

16.4.2 Notification

If, at any time during the term of this Agreement, any Party becomes aware of a Significant Regulatory Change (whether actual or proposed), including any conformance under Section 16.4.1 above, such Party shall provide notice to the other Parties no later than 15 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Parties may include a proposal that the Parties

meet as provided in Section 16.4.4 below in order to negotiate an appropriate amendment to this Agreement.

16.4.3 Change in Functions or Scope

The Parties recognize that there may be a change in the TSP, the functions of the Balancing Authority, or a change in the scope of the facilities under the operational authority of the CAISO. Such a change shall not be deemed to be a Significant Regulatory Change unless the change may reasonably be expected to materially affect any Party's obligations or operations under this Agreement.

16.4.4 Amendment of A greement

16.4.4.1 Following notification under Section 16.4.2, the Parties shall meet to discuss whether an amendment to this Agreement is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this Agreement to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 16.4.2.

16.4.4.2 If the Parties agree that such an amendment to this Agreement is necessary, they shall proceed to negotiate such amendment in good faith. If the Parties have not reached agreement within 60 calendar days of the date of the first meeting, any unresolved issues shall be resolved through the dispute resolution procedures set forth in Section 17. Notwithstanding the above or any other provisions of this Agreement, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur then, with respect to the unresolved issues, any Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC pursuant to Section 205 or 206

of the FPA, and any Party may exercise its rights under the FPA to protest or oppose such filing.

16.4.4.3 If the Parties cannot agree that an amendment to this Agreement is necessary to allow this Agreement to accommodate the Significant Regulatory Change, any Party may submit such dispute to dispute resolution proceedings pursuant to Section 17, provided, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur, then a Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC as set forth in the paragraph above.

16.4.4.4 Nothing in this Section 16.4 shall be deemed to limit a Party's right to make changes pursuant to the other provisions of this Section 16 or any other provisions of this Agreement.

17. DISPUTE RESOLUTION

17.1 Manner of Resolution

17.1.1 Disputes Gener ally

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

17.1.2 Techn ical Disputes

The involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive with authority to resolve the dispute from each

Party involved in the dispute or his or her designated representative. Within 20 calendar days after delivery by the Party seeking dispute resolution of notice to the other Party, the executives or designated representatives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary, but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then either Party may initiate mediation or may initiate formal dispute resolution under Section 17.1.1. If the other Party agrees to mediation, then the Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 calendar days.

17.1.3 Scheduling Co ordinator Disputes

Resolution of all matters arising from PacifiCorp or its designee's actions as Scheduling Coordinator for the PacifiCorp Capacity pursuant to Section 5.2 shall be resolved in accordance with the Scheduling Coordinator Agreement between the CAISO and PacifiCorp or its designee, as applicable.

17.2 Rules

All negotiations, settlement conferences, compromise discussions, and any arbitration or mediation conducted pursuant to this Section 17 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each Party shall share the costs of any arbitration or mediation in accordance with the agreement of the Parties to engage in arbitration or mediation. Nothing in this Section 17 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

18. **NO EXCLUSIVE REMEDY**

Subject to the provisions of Section 17, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

19. **GOVERNING LAW**

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

20. **NON-WAIVER**

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

21. **NOTICES**

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or

made if delivered in person or sent by first class United States mail, postage prepaid by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. Changes to Appendix A shall not be deemed an amendment to this Agreement.

22. NO THIRD PARTY BENEFICIARIES

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

23. RELATIONSHIP OF THE PARTIES

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

23.2 Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

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

24. **TITLES**

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

25. **NO PRECEDENTS**

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

26. **ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS**

26.1 Adverse Determination

Notwithstanding Section 27 of this Agreement, if, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

26.2 Expansion of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be

interpreted, modified or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur significant new or different obligations to another Party or to third parties not contemplated by this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties promptly and in good faith shall attempt to renegotiate the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated on the Effective Date.

26.3 Rights After Adverse Determination or Expansion of Obligations

The Parties shall negotiate in accordance with Section 26.1 or 26.2 for at least 60 calendar days. After that period, if the Parties either cannot agree that renegotiation is feasible or cannot agree to amend this Agreement, then: (a) any Party may initiate dispute resolution in accordance with Section 17; or (b) any Party may terminate this Agreement with one year's advance notice to the other Parties. As used in this Section 26, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

27. SEVERABILITY

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

affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination, unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 27 shall limit the rights of any Party under Section 26.

28. PRESERVATION OF OBLIGATIONS

Upon termination of this Agreement or a Party's status under this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

29. INTEGRATION OF AGREEMENT

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

30. APPENDICES INCORPORATED

All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

31. JUDGMENTS AND DETERMINATIONS

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

32. SUCCESSOR IN INTEREST

Each successor in interest to any right or obligation of a Party under this Agreement shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement.

33. SIGNATURES; EXECUTION IN COUNTERPARTS

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

APPENDIX A

ADDRESSES FOR NOTICES

Pacific Gas and Electric Company
Steve Metague
Director, Electric Transmission Rates
77 Beale Street, Mail Code B13L
San Francisco, CA 94105
Tel: (415) 973-6545
Fax: (415) 973-9174
SJMd@pge.com

PacifiCorp
Kenneth Houston
Director, Transmission Services
825 NE Multnomah, Suite 1600
Portland, OR 97232
Tel.: (503) 813-6712
Fax: (503) 813-5767
Kenneth.Houston@PacifiCorp.com

PacifiCorp
Natalie L. Hocken
Vice President & General Counsel
825 NE Multnomah, Suite 2000
Portland, OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7262
Natalie.Hocken@PacifiCorp.com

The California Independent System Operator Corporation
Jim Detmers
Vice President, Operations
CAISO
P.O. Box 639014
Folsom, CA 95763-9014
Tel.: (916) 351-4400
Fax: (916) 351-2350
jdetmers@caiso.com

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: November 20, 2007

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission
Date: November 20, 2007

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

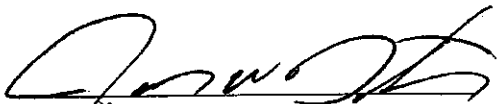
Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: 
Name: JAMES W DETMERS
Title: VP OPERATIONS
Date: 11/20/07

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

APPENDIX 1

TRANSMISSION EXCHANGE AGREEMENT

PG&E Original Rate Schedule FERC No. 239

November 21, 2007

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Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

Transmission Exchange Agreement

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TABLE OF ACRONYMS AND ABBREVIATIONS

Agreement:	This Transmission Exchange Agreement
ASC:	Available Scheduling Capability
APTC:	Available Path Transfer Capability
COB:	California-Oregon Border
COI:	California-Oregon Intertie
COTP:	California-Oregon Transmission Project
FERC:	Federal Energy Regulatory Commission or its regulatory successor
Lease:	The Agreement to Lease Transmission Capacity between PacifiCorp and Pacific Gas and Electric Company
NERC:	North American Electric Reliability Corporation or its successor
OA:	Operating Agreement between PacifiCorp and the California Independent System Operator Corporation
OCOA:	Owners Coordinated Operation Agreement
PACI:	Pacific AC Intertie
PG&E:	Pacific Gas and Electric Company
RPTC:	Rated Path Transfer Capability
TCA:	Transmission Control Agreement
Western:	Western Area Power Administration
WECC:	Western Electricity Coordinating Council or its successor

Transmission Exchange Agreement

Among

PacifiCorp

The California Independent System Operator Corporation

And

Pacific Gas and Electric Company

1. **PARTIES**

This Transmission Exchange Agreement ("Agreement") is made and entered into, as of the signature date below, by and among PacifiCorp, Pacific Gas and Electric Company ("PG&E"), and the California Independent System Operator Corporation ("CAISO"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

2. **RECITALS**

This Agreement is made with reference to the following facts:

2.1 The Pacific AC Intertie ("PACI") consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2.

2.2 Both PacifiCorp and 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 Malin Substation and Round Mountain Substation. PacifiCorp owns the northern 47-mile segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation and has turned over operational control of the facilities to the CAISO.

2.3 Currently, the capacity of the Malin-Round Mountain No. 2 is 1600 MW for southbound flow and 1225 MW for northbound flow, as established pursuant to the Owners Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordination Council ("WECC") rating process. North of Indian Spring, extending to Malin Substation, PacifiCorp owns the entire capacity of the Malin-Round Mountain No. 2. South of Indian Spring, extending to Round Mountain Substation, PG&E owns the entire capacity of the Malin-Round Mountain No. 2.

2.4 PG&E is a Participating Transmission Owner ("PTO") in the CAISO. The CAISO operates PG&E's segment of the Malin-Round Mountain No. 2 pursuant to the CAISO's Transmission Control Agreement ("TCA") (CAISO FERC Electric Tariff No. 7, Second Replacement Transmission Control Agreement) and provides transmission service pursuant to the CAISO Tariff. PacifiCorp is Non-Participating Transmission Owner ("Non-PTO") in the CAISO's Balancing Authority Area. PacifiCorp offers service on its facilities pursuant to PacifiCorp's Open Access Transmission Tariff ("OATT") (PacifiCorp FERC Electric Tariff Seventh Revised Volume No. 11) PacifiCorp and the CAISO have executed an Operating Agreement to be effective January 1, 2012.

2.5 Through this Agreement, PacifiCorp, and PG&E desire to exchange capacity on each of their respective segments of the Malin-Round Mountain No. 2. PacifiCorp desires to provide PG&E with one-half of PacifiCorp's capacity, both northbound and southbound, between the Malin Substation and Indian Spring. In exchange, PG&E desires to provide PacifiCorp with one-half of its capacity, both northbound and southbound, between Indian Spring and Round Mountain Substation.

2.6 This Agreement represents one part of an Offer of Settlement and Stipulation, including its various Appendices, ("Settlement") resolving issues before the Federal Energy Regulatory Commission ("FERC") in its Docket No. ER07-882 and related proceedings.

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

3. DEFINITIONS

Whenever used in this Agreement, the following terms, when initially capitalized, shall have the meanings set forth in this Section 3. The singular of any definition shall include the plural and the plural shall include the singular. A Table of Acronyms and Abbreviations, incorporated by reference in this Section 3, follows the Table of Contents.

3.1 Applicable Requirements:

All applicable laws or regulations, and all standards, procedures, or requirements of (i) North American Electric Reliability Corporation ("NERC"), (ii) WECC, or (iii) any other person, entity, contract, tariff, or rate schedule, that are legally binding on a Party's use of or interest in the transmission facilities used to provide service under this Agreement, which interest may include operational control, as amended from time to time and whether now existing or hereafter imposed or arising.

3.2 Available Scheduling Capability ("ASC"):

The amount of Available Path Transfer Capability ("APTC") that can be scheduled as adjusted for any Unscheduled Flow and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.3 ASC Share:

The allocation of ASC to an entity with rights to use APTC on a Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an ASC Share resulting from such an allocation, then its ASC Share for purposes of this Agreement shall be its ASC under Prudent Utility Practice.

3.4 Available Path Transfer Capability:

The portion of Rated Path Transfer Capability ("RPTC") that is physically capable of transmitting power based on operating conditions of or affecting a Path, other than Unscheduled Flow, existing at a given time and determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.5 Balancing Authority:

The entity assigned to perform the balancing function for a Balancing Authority Area, in accordance with applicable NERC criteria and standards. A Balancing Authority is also known as a Control Area Operator.

3.6 Balancing Authority Area:

An area comprised of an Electric System or Electric Systems to which a common automatic generation control scheme is applied, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Balancing Authority Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves, all in accordance with Prudent Utility Practice. A Balancing Authority must be certified by WECC and operate in conformance with Applicable Requirements. A Balancing Authority Area is also known as a Control Area.

3.7 CAISO Controlled Grid:

The system of transmission lines and associated facilities that have been placed under the CAISO's operational control in accordance with the TCA.

3.8 CAISO Tariff:

The current effective California Independent System Operator Corporation FERC Electric Tariff, as it may be amended or superseded from time to time.

3.9 California-Oregon Border ("COB"):

The cut-plane where the facilities constituting the California-Oregon Intertie cross the border between the state of California and the state of Oregon, parallel to such border.

3.10 California-Oregon Intertie ("COI"):

The two 500-kV transmission lines between Malin Substation and Round Mountain Substation and the one 500-kV transmission line between Captain Jack Substation and Olinda Substation and associated facilities, when operated as a coordinated three-line system with a single RPTC and obligations to share curtailments among the three lines.

3.11 Cost:

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

3.12 Effective Date:

The date on which this Agreement becomes effective, as specified in Section 4.1.

3.13 Electric Customer:

Any electricity customer to which no power or energy is delivered for resale.

3.14 Electric System:

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

3.15 Federal Energy Regulatory Commission ("FERC"):

The Federal Energy Regulatory Commission or its regulatory successor agency or authority.

3.16 Federal Power Act ("FPA"):

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

wholesale of electric power and energy in interstate commerce, codified at 16 U.S.C. §§ 824 *et seq.*

3.17 Lease:

The Agreement for Lease of Transmission Capacity (Pacific Gas and Electric Company Rate Schedule FERC No. 240 and PacifiCorp Rate Schedule FERC No. 607) between PacifiCorp and PG&E, 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 this Agreement.

3.18 Malin-Round Mountain No. 1:

The portion of the PACI No. 1 owned by Western and located between Malin and Round Mountain Substations.

3.19 Malin-Round Mountain No. 2:

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

3.20 Modification:

The connection of generating facilities, loads, substation equipment, or transmission lines to, or modifications of, any portion of a Party's Electric System, which may include improvements, additions, extensions, expansions, replacements, substitutions, or removals.

3.21 NERC:

The North American Electric Reliability Corporation or its successor.

3.22 Non-Simultaneous Transfer Capability:

An electric power transfer rating developed for a Path using power system study assumptions that did not take into consideration transfers on one or more interacting Paths at the maximum Transfer Capability for such Path(s) for the period being studied.

3.23 Operating Agreement ("OA"):

The Operating Agreement between the CAISO and PacifiCorp (CAISO Rate Schedule FERC No. 65 and PacifiCorp Rate Schedule FERC No. 606), effective January 1, 2012, as it may be amended from time to time.

3.24 Operational Transfer Capability Limit ("OTC"):

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

3.25 Owners Coordinated Operation Agreement ("OCOA"):

The Owners Coordinated Operation Agreement among PG&E, the Participants in the California-Oregon Transmission Project ("COTP"), and Western Area Power Administration

("Western"), as amended effective January 1, 2008, and as further amended from time to time thereafter (PG&E Rate Schedule FERC No. 229).

3.26 Pacific AC Intertie ("PACI"):

For purposes of this Agreement, that portion of the Pacific Northwest-Pacific Southwest Intertie located between Malin Substation and PG&E's Tesla Substation consisting of AC facilities, associated 500 kV AC facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the terminus of the COTP.

3.27 PacifiCorp Capacity:

PacifiCorp's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.28 PacifiCorp Share:

The Malin-Round Mountain No. 2 capacity available to PacifiCorp, pursuant to the Settlement and this Agreement, and subject to the Lease, to offer transmission service under the PacifiCorp OATT. As provided in the Settlement, Lease, and this Agreement, 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.

3.29 Parties:

The signatories of this Agreement: PacifiCorp, PG&E, and the CAISO.

3.30 Path:

A transmission line or a group of transmission lines, substations, and associated facilities, such as the COI. For purposes of this Agreement, a Path may be all or a portion of a WECC identified path described in the then current WECC Path Rating Catalogue or its successor.

3.31 Path Operator:

The entity that operates a Path directly interconnected with another Balancing Authority Area, such as the COI, with duties including, but not limited to, managing the OTC and ASC of that Path. A Path Operator may also be the Balancing Authority of the Balancing Authority Area in which some or all of such transmission facilities are included. If a Path consists of more than one transmission line and the entire group of lines is not included in one Balancing Authority Area, then, unless otherwise provided under Applicable Requirements, the Path Operator also coordinates scheduling and power flow management by the Balancing Authorities whose Balancing Authority Area include facilities of the Path.

3.32 Path Operator for COI:

The entity responsible for performing Path Operator duties for COI. The CAISO is the COI Path Operator on the Effective Date.

3.33 PG&E Capacity:

PG&E's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and this Agreement.

3.34 Prudent Utility Practice:

The practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to

the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

3.35 Rated Path Transfer Capability ("RPTC"):

The Non-Simultaneous Transfer Capability of a Path such as COI, determined under Applicable Requirements or, to the extent not wholly determinable under Applicable Requirements, Prudent Utility Practice.

3.36 Requesting Entity:

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.

3.37 RPTC Share:

For a Path such as COI, the allocation of RPTC to each entity with rights to use Transfer Capability on the Path under Applicable Requirements. If the Malin-Round Mountain No. 2 does not have an RPTC Share resulting from such an allocation, then its RPTC Share for purposes of this Agreement shall be its RPTC.

3.38 Scheduling Coordinator:

An entity certified by the CAISO pursuant to the CAISO Tariff for the purposes of undertaking functions specified in the CAISO Tariff.

3.39 Settlement:

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

3.40 Significant Regulatory Change:

A "Significant Regulatory Change" under Section 16 occurs if FERC, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Wyoming Public Service Commission, or any other agency, officer, or court having jurisdiction, a state legislature or the United States Congress, issues an order or decision or enacts a law that significantly interferes with the ability of a Party to perform any of its obligations or obtain any of its rights under this Agreement.

3.41 Transfer Capability:

The amount of electric power, expressed in megawatts, that can be transferred in a designated direction on a Path, determined under Prudent Utility Practice.

3.42 Transmission Ownership Right ("TOR"):

An ownership or joint ownership right to transmission facilities within the CAISO Balancing Authority Area of a Non-PTO that has not executed the TCA, which transmission facilities are not incorporated into the CAISO Controlled Grid.

3.43 Transmission Service Provider ("TSP"):

An entity in operational control of transmission facilities it owns or operates, and which provides transmission service to itself or third parties using those facilities.

3.44 Uncontrollable Force:

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

3.45 Unscheduled Flow:

The power flow on a Path minus the algebraic sum of each of the transactions scheduled across the same Path by those entities delivering and receiving such energy.

3.46 WECC:

The Western Electricity Coordinating Council or its successor.

3.47 Willful Action:

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

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

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

3.47.2 The phrase "employees having management or administrative responsibility," as used in this Section 3.48.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

4. EFFECTIVE DATE AND TERM

4.1 Effective Date

The Effective Date of this Agreement shall be the latest of January 1, 2008, or the date on which FERC accepts this Agreement for filing and permits it to be placed into effect without material change or material new condition unacceptable to any Party.

This Agreement is expressly conditioned upon FERC's acceptance, without any material change or new condition, of this Agreement and of the Settlement of which it is a component. Each Party shall work diligently to obtain timely acceptance by FERC of the Settlement and of this Agreement and all of its provisions without change or new condition. If FERC makes any material change in this Agreement or imposes a material new condition of this Agreement that is unacceptable to any Party, the Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such material change or material new condition.

4.2 Term

This Agreement shall terminate on the earliest of:

(a) 20 years after the Effective Date unless the Parties agree by an amendment to extend the term;

(b) upon the Effective Date of an asset exchange agreement between PacifiCorp and PG&E, under which PacifiCorp and PG&E shall each have equal joint ownership of the transmission facilities constituting the Malin-Round Mountain No. 2; or

(c) the Effective Date of a notice of termination provided by any Party pursuant to Section 4.3, Section 12, or Section 26.3.

If this Agreement is terminated pursuant to this Section 4.2, then any Party that is required to file a notice of termination with FERC shall do so in a timely manner. No Party shall protest or seek a suspension or other delay of the effectiveness of termination in accordance with subsections (a) or (b) of this Section.

4.3 Termination of the PacifiCorp – CAISO Operating Agreement

In the event the CAISO or PacifiCorp provides notice of intention to seek to terminate the OA without a mutually agreed replacement agreement approved by the Commission, then any Party shall have the right to seek termination of this Agreement.

5. TRANSMISSION EXCHANGE

5.1 PacifiCorp Transmission Capacity Exchanged to PG&E

PacifiCorp shall provide PG&E with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PacifiCorp between the connections with third-party systems at Malin Substation and Indian Spring, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.10.

5.2 PG&E Transmission Capacity Exchanged to PacifiCorp

PG&E shall provide PacifiCorp with 800 MW of transmission capacity north to south and 612.5 MW of transmission capacity south to north on the portion of the Malin-Round Mountain No. 2 owned by PG&E between Indian Spring and the connection with third-party systems at Round Mountain Substation, subject to curtailment, reduction, or increase under Sections 5.3 through 5.6 and subject to the terms of Section 5.9.

5.3 Operating Curtailments

In the event the Path Operator for COI, pursuant to its Applicable Requirements, reduces the COI OTC, then the PacifiCorp Capacity and the PG&E Capacity shall be curtailed pro rata.

5.4 Effect of Modifications on Exchange Service

If a Modification is proposed that increases the RPTC of the Malin-Round Mountain No. 2, PacifiCorp and PG&E must agree to implement the Modification. Except as and only to the extent otherwise provided in this Agreement or the Lease, PG&E and PacifiCorp shall be entitled to any additional RPTC on the Malin-Round Mountain No. 2 derived from the Modification in proportion to their contribution to the Cost of implementing such Modification.

If the Malin-Round Mountain No. 2 RPTC Share is increased without any Modification, or is decreased due to an event other than a Modification by an owner of COI facilities, such as changes in reliability criteria or actions by a non-COI facility owner, then both the PacifiCorp Capacity and the PG&E Capacity shall be increased or decreased, respectively, pro rata to the change in such RPTC Share. If a seasonal COI OTC greater than the COI RPTC is approved by WECC, then the Malin-Round Mountain No. 2 RPTC Share shall be deemed for purposes of this Agreement for that season to have increased by the same amount as the increase, if any, in the Malin-Round Mountain No. 2 OTC allocation.

5.5 Effect on Exchange Service of Other Changes

Unless otherwise agreed by PacifiCorp and PG&E in writing, any reduction in Malin-Round Mountain No. 2 RPTC Share or share of APTC resulting from a change to Applicable Requirements shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.6 Effect of Reductions in Transfer Capability

Any reduction in the Malin-Round Mountain No. 2 RPTC Share or revisions in the curtailment sharing adjustments for the Malin-Round Mountain No. 2 APTC that reduce the

Malin-Round Mountain No. 2 APTC compared with the result of previous curtailment sharing arrangements, shall result in a pro rata reduction of the PacifiCorp Capacity and the PG&E Capacity in the relevant direction(s).

5.7 Obligation to Maintain Transfer Capability

PG&E and the CAISO, as TSP for PG&E, shall make all reasonable efforts to maintain the amount of the PacifiCorp Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice. PacifiCorp shall make all reasonable efforts to maintain the amount of the PG&E Capacity at not less than its amount on or about the Effective Date, both by maintaining Malin-Round Mountain No. 2 RPTC and minimizing reductions in Malin-Round Mountain No. 2 APTC consistent with Prudent Utility Practice.

5.8 No Service Provided

By entering into this Agreement no Party intends, undertakes or shall be obligated to provide any transmission service to a Party or to provide any service to a third party, including but not limited to transmission, distribution, interconnection, energy, power or ancillary service. Any and all arrangements for transmission service involving other PacifiCorp, PG&E, or CAISO controlled transmission facilities must be arranged under a separate contract or tariff.

5.9 PacifiCorp Bus Bar Rights

(a) 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 5 and subject to 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 ("PacifiCorp Bus Bar Rights").

(b) (i) 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 on Malin-Round Mountain No. 2 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 the OA 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. 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 Malin-Round Mountain No. 2.[1]

(ii) The CAISO waives its rights, for a period of 20 years from January 1, 2008, under Section 205 of the FPA, 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 5.9(b)(i) 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 FPA 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 5.9(b)(i) of this Agreement. The CAISO further waives the right to unilaterally propose or make effective any change

[1] This provision is based on and intended to be consistent with Section 6.3 of the Operating Agreement.

to Schedule 1 or Schedule 3 of the OA. Except as provided in this Section 5.9(b)(ii), 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 FPA and pursuant to the FERC's Rules and Regulations promulgated thereunder. Subject to the waivers set forth in this Section 5.9(b)(ii), the standard of review the FERC shall apply when acting on proposed modifications of the rates for CAISO charges referenced in Section 5.9(b)(i) of this Agreement, either on the FERC'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.[2]

(c) 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 Round Mountain No. 2

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[2] This provision is based on and intended to be consistent with Section 6.4 of the Operating Agreement.

(d) 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-Sacramento Municipal Utility District ("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 and the Western system, which entails transmission of energy between Balancing Authority Areas, 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.

(e) 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.

(f) The Parties agree that this Agreement and the grant of PacifiCorp Bus Bar Rights to PacifiCorp under this Agreement does not constitute or cause an Adverse Impact to Western's, SMUD's, or PG&E's Electric Systems, as that term is defined under the WP-POA or the SMUD-PG&E Interconnection Agreement ("SMUD-PG&E IA"), provided that any future physical modification to the Parties' systems remains subject to the terms of the WP-POA and the SMUD-PG&E IA.

(g) PacifiCorp agrees that this Agreement does not impose upon PG&E any obligation additional to or different from any obligation PG&E otherwise has when the Agreement becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PacifiCorp to any action or agreement by PG&E to modify any obligation PG&E otherwise has when the Offer of Settlement and Stipulation in Docket Nos. ER07-882 *et al.* becomes effective to maintain or upgrade facilities at the Round Mountain Substation that may be necessary to permit the exercise of any specific quantity of PacifiCorp Bus Bar Rights.

(h) If there is any inconsistency between this Agreement and the applicable terms of the Western-SMUD Control Area Agreement, of the Western OATT, or of any currently-existing FERC-approved agreements and tariffs, including, but not limited to, the WP-POA, ICAOA, SMUD-PG&E IA, 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.

(i) Nothing in this Agreement provides PacifiCorp or Requesting Entities with any transmission service over Western's system. Any transmission service from Western must be requested under Western's OATT.

5.10 PG&E Bus Bar Rights

PG&E shall have the right to offer, in connection with transmission service under the CAISO Tariff (or the transmission service tariff of any successor transmission provider), its capacity in the Malin-Round Mountain No. 2, to transfer energy, in quantities up to the equivalent of the capacity available to PG&E to offer for service under such tariff in accordance with this Agreement and the Lease, across the bus at the Malin interconnection(s) between or among PacifiCorp, Bonneville Power Administration, Portland General Electric Company, and any other transmission owner that has interconnecting facilities at Malin ("PG&E Bus Bar Rights").

(a) Any use by PG&E, the CAISO, or any customer of PG&E or the CAISO (each a "Requesting Entity") of PG&E Bus Bar Rights may only apply to 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.

(b) The ability of a Requesting Entity or Requesting Entities to schedule energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin that uses PG&E Bus Bar Rights is subject to any applicable agreements and limitations relating to that interconnection, including the maximum Transfer Capability for the Malin interconnection as established (or as may be established) pursuant to these agreements. These agreements include, without limitation, the Intertie Agreement Between United States of America acting by and through the Bonneville Power Adminstration and Pacific Power & Light Company, PacifiCorp Rate Schedule FERC No. 327 ("Intertie Agreement"); the Amended and Restated AC Intertie Agreement between PacifiCorp and Bonneville Power Administration, Pacificorp Rate Schedule FERC No. 368 ("Malin AC Intertie Agreement"); Agreement for the Construction and Operation of the Malin Substation among Bonneville Power Administration, PacifiCorp, Western Area Power Administration, and Portland General Electric Company, PacifiCorp Rate Schedule FERC No. 85 ("Malin C&O Agreement").

(c) Any Requesting Entity(ies) that seek(s) service using PG&E Bus Bar Rights which would entail transmission of energy between Balancing Authority Areas across an interconnection with the PacifiCorp Electric System at Malin in quantities in excess of the existing Transfer Capability of such interconnection 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.

(d) PG&E agrees that this Settlement does not impose upon PacifiCorp any obligation additional to or different from any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights. Notwithstanding the foregoing, nothing in this paragraph shall be construed to express or imply in any way whatsoever consent by PG&E to any action or agreement by PacifiCorp to modify any obligation PacifiCorp otherwise has when this Settlement becomes effective to maintain or upgrade facilities at the Malin Substation that may be necessary to permit the exercise of any specific quantity of PG&E Bus Bar Rights.

(e) In the case of any inconsistency between this Settlement and the applicable terms of the Intertie Agreement, the Malin AC Intertie Agreement, the Malin C&O Agreement, the Bonneville Power Administration OATT, or of any currently-existing, FERC-approved agreements and tariffs, including but not limited to the Intertie Agreement, the Malin AC Intertie Agreement, and/or the Malin C&O 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 this Settlement.

6. CHARGES AND REVENUES

6.1 Charges Not Generally Affected

Nothing in this Agreement is intended to affect the rates and charges paid by transmission service customers of PacifiCorp, PG&E, or the CAISO other than as expressly provided in this Agreement. No Cost incurred by any Path Operator in the performance of its duties shall be payable under this Agreement.

6.2 Ancillary Services and Transmission Losses

PacifiCorp shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PG&E Capacity. PG&E shall have no liability, either directly or indirectly, for Ancillary Services or losses related to any service using the PacifiCorp Capacity.

7. SCHEDULING

7.1 Scheduling Requirements

Scheduling of all transactions using the PacifiCorp Capacity shall be in accordance with the OA and the Scheduling Coordinator Agreement between PacifiCorp and the CAISO.

7.2 PG&E Scheduling Coordinator Obligations

PG&E shall not be or act as the Scheduling Coordinator or otherwise provide scheduling information for any service using the PacifiCorp Capacity.

8. FACILITY RIGHTS AND RESPONSIBILITIES

8.1 Facility Connection, Continuity, and Cost Settlement

No Party shall disconnect, remove, or allow to degrade or cease operating any facility owned or maintained by a Party that is necessary to support RPTC or APTC of the Malin-Round Mountain No. 2 without the written consent of the other Parties, except for routine maintenance and as otherwise consistent with Applicable Requirements.

8.2 Facility Ownership

For the term of this Agreement, PacifiCorp shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities between Malin Substation and Indian Spring and PG&E shall have undivided ownership of Malin-Round Mountain No. 2 equipment and facilities

between Indian Spring and the Round Mountain Substation, except to the extent such interests change as a result of Modifications in accordance with this Agreement or any other agreement between PG&E and PacifiCorp.

8.3 Maintenance Responsibilities

Maintenance responsibilities through December 31, 2011, will be governed by the Lease between PacifiCorp and PG&E.

In the absence of an additional separate agreement governing maintenance responsibilities, between PacifiCorp and PG&E, maintenance responsibilities from and after January 1, 2012, will be as follows: (1) PG&E shall maintain or cause to be maintained, the segment between Indian Spring and Round Mountain of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Round Mountain Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time; (2) PacifiCorp shall maintain or cause to be maintained the segment between Malin and Indian Spring of the Malin-Round Mountain No. 2 and related line terminal facilities and series capacitor bank at Malin Substation, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or capital replacements on such line or the related terminal facilities at the Malin and/or Round Mountain Substations, such curtailment or interruptions shall be arranged for as far in advance as may be practicable by mutual agreement of the Parties, and the Party responsible under this Agreement for such maintenance or capital

replacements shall coordinate with and obtain any necessary approvals from the appropriate transmission operator prior to performing such maintenance or making capital replacements. The Party responsible under this Agreement for such maintenance or capital replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

8.4 Modifications at Substations

If either PG&E or PacifiCorp gives the other Party notice of any Modification, other than replacement, of equipment or facilities on the Malin-Round Mountain No. 2 at Malin Substation or Round Mountain Substation, then PG&E and PacifiCorp promptly shall consult with each other and the CAISO prior to undertaking any such action. Such consultation is intended to ensure the continued reliable maintenance and operation of the Parties' transmission systems, to coordinate any Modifications and to agree to any changes in or additions to ownership interests that may result. If PG&E and PacifiCorp are unable to promptly reach agreement on such Modification, then, notwithstanding any other provision of this Agreement, either Party may file with FERC under the FPA to resolve the dispute, including determining the Cost responsibility for such work, the resulting ownership of such Modifications, and any change in ownership of other equipment or facilities.

8.5 Malin Series Capacitors

Notwithstanding any other terms of this Agreement regarding Modifications:

(a) PacifiCorp agrees to upgrade its series capacitors at Malin by no later than December 31, 2012, subject to force majeure or Uncontrollable Force, unless PacifiCorp's accomplishment of this obligation is precluded by failure of equipment suppliers to deliver equipment timely ordered by PacifiCorp, or outages for installation of the capacitors are delayed

due to a request of the CAISO or a party to the OCOA, providing either of these circumstances (or combinations thereof) is beyond PacifiCorp's control, and provided further that PacifiCorp proceeds to complete its obligation as soon as practicable after any such constraint is resolved; and

(b) increased transmission capacity (if any) resulting from PacifiCorp's upgrade of its Malin series capacitors that is allocated to the Malin-Round Mountain No. 2 shall be divided equally between PG&E and PacifiCorp.

9. CAISO CONSENT TO ENCUMBRANCE

To the extent the exchange of capacity under this Agreement may constitute an Encumbrance affecting PG&E's facilities under Section 4.4.3 of the TCA, the CAISO consents to the creation of such Encumbrance. The CAISO hereby waives any notice requirement of the TCA regarding the creation of such Encumbrance. Upon the effectiveness of this Agreement, the CAISO will seek to amend Appendix B of the TCA between PG&E and the CAISO to include this Encumbrance.

10. ASSIGNMENT

A Party may assign or delegate its rights and obligations under this Agreement to another person only with the consent of the other Parties, which consent shall not be unreasonably withheld, and any attempt to assign or delegate without such consent shall be void, provided that the other Parties' consent shall not be required for an assignment in connection with regulatory order by the FERC or applicable state agency with jurisdiction over this Agreement. The assignee shall expressly assume in writing all duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the

assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 calendar days following the assignment, then any such purported assignment shall be of no force or effect.

11. CONSTRUCTION OF THE AGREEMENT

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party.

12. TERMINATION FOR DEFAULT

If any Party breaches a material obligation under this Agreement, such breach shall constitute an event of default. If any Party defaults under this Agreement, another Party may terminate this Agreement, provided that prior to such termination the other Parties must provide all other Parties with written notice stating: 1) the Party's intent to terminate; 2) the date of such intended termination; 3) the specific grounds for termination; 4) specific actions the defaulting Party must take to cure the default, if any; and 5) a reasonable period of time, which shall not be less than 6 business days, within which the defaulting Party may take action to cure the default and avoid termination, provided there is any action which can be taken to cure the default. Termination of this Agreement by any Party shall not become effective until FERC has so authorized. Application of dispute resolution pursuant to Section 16 with regard to separate disputes shall not be deemed to limit the right to terminate this Agreement under this Section 12.

13. LIABILITY

13.1 Scope of Liability

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

13.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose Electric Customer shall make a claim or bring an action against such other Party for any death, injury, loss, or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees, and agents from and against any liability for such death, injury, loss, or damage,

provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party when that other Party cannot lawfully indemnify a Party under this Section.

13.3 Protection of Facilities

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

14. UNCONTROLLABLE FORCE

14.1 No Default

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

14.2 No Settlement Obligation

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

14.3 Notice and Removal Obligation

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

15. 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 or any portion thereof.

16. REGULATORY AUTHORITY

16.1 FERC Jurisdiction

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

16.2 Changes in Terms and Conditions

The CAISO, PacifiCorp, and PG&E waive their rights to file unilaterally with FERC under FPA Sections 205 or 206 to add, modify, or negate, any term or condition of this Agreement, except as provided in Sections 16.4.4.2 and 16.4.4.3. Except as specified in this Section 16, its subsections, and Section 26.3, nothing in this Agreement shall be construed as affecting in any way a Party's rights to make filings unilaterally with FERC under Sections 205 or 206 of the FPA or the regulations promulgated thereunder.

16.3 Changes in Rates

This Agreement does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. Subject to the provisions of the Lease, all rates for service utilizing the PacifiCorp Capacity are governed by PacifiCorp's OATT. All rates for service utilizing the PG&E Capacity are governed by the CAISO Tariff, or, if PG&E withdraws from the CAISO during the term of this Agreement, any applicable PG&E tariff or successor TSP tariff.

16.4 Significant Regulatory Change or Change in Transmission Provider

16.4.1 Conformance

This Agreement shall be modified to conform to any final order issued by the FERC that directly addresses a provision or provisions of this Agreement. Unless otherwise provided by FERC, such conforming changes shall be jointly filed with FERC by the Parties; and such conformance shall be prospective only and shall not affect any rights or obligations of any Party that have accrued as of the date of the order requiring conformance under the terms of this Agreement.

16.4.2 Notif ication

If, at any time during the term of this Agreement, any Party becomes aware of a Significant Regulatory Change (whether actual or proposed), including any conformance under Section 16.4.1 above, such Party shall provide notice to the other Parties no later than 15 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Parties may include a proposal that the Parties

meet as provided in Section 16.4.4 below in order to negotiate an appropriate amendment to this Agreement.

16.4.3 Change in Functions or Scope

The Parties recognize that there may be a change in the TSP, the functions of the Balancing Authority, or a change in the scope of the facilities under the operational authority of the CAISO. Such a change shall not be deemed to be a Significant Regulatory Change unless the change may reasonably be expected to materially affect any Party's obligations or operations under this Agreement.

16.4.4 Amendment of A greement

16.4.4.1 Following notification under Section 16.4.2, the Parties shall meet to discuss whether an amendment to this Agreement is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this Agreement to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 16.4.2.

16.4.4.2 If the Parties agree that such an amendment to this Agreement is necessary, they shall proceed to negotiate such amendment in good faith. If the Parties have not reached agreement within 60 calendar days of the date of the first meeting, any unresolved issues shall be resolved through the dispute resolution procedures set forth in Section 17. Notwithstanding the above or any other provisions of this Agreement, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur then, with respect to the unresolved issues, any Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC pursuant to Section 205 or 206

of the FPA, and any Party may exercise its rights under the FPA to protest or oppose such filing.

16.4.4.3 If the Parties cannot agree that an amendment to this Agreement is necessary to allow this Agreement to accommodate the Significant Regulatory Change, any Party may submit such dispute to dispute resolution proceedings pursuant to Section 17, provided, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur, then a Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC as set forth in the paragraph above.

16.4.4.4 Nothing in this Section 16.4 shall be deemed to limit a Party's right to make changes pursuant to the other provisions of this Section 16 or any other provisions of this Agreement.

17. DISPUTE RESOLUTION

17.1 Manner of Resolution

17.1.1 Disputes Gener ally

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

17.1.2 Technical Disputes

The involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive with authority to resolve the dispute from each

Party involved in the dispute or his or her designated representative. Within 20 calendar days after delivery by the Party seeking dispute resolution of notice to the other Party, the executives or designated representatives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary, but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then either Party may initiate mediation or may initiate formal dispute resolution under Section 17.1.1. If the other Party agrees to mediation, then the Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 calendar days.

17.1.3 Scheduling Coordinator Disputes

Resolution of all matters arising from PacifiCorp or its designee's actions as Scheduling Coordinator for the PacifiCorp Capacity pursuant to Section 5.2 shall be resolved in accordance with the Scheduling Coordinator Agreement between the CAISO and PacifiCorp or its designee, as applicable.

17.2 Rules

All negotiations, settlement conferences, compromise discussions, and any arbitration or mediation conducted pursuant to this Section 17 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each Party shall share the costs of any arbitration or mediation in accordance with the agreement of the Parties to engage in arbitration or mediation. Nothing in this Section 17 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

18. **NO EXCLUSIVE REMEDY**

Subject to the provisions of Section 17, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

19. **GOVERNING LAW**

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

20. **NON-WAIVER**

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

21. **NOTICES**

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or

made if delivered in person or sent by first class United States mail, postage prepaid by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. Changes to Appendix A shall not be deemed an amendment to this Agreement.

22. NO THIRD PARTY BENEFICIARIES

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

23. RELATIONSHIP OF THE PARTIES

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

23.2 Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

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

24. **TITLES**

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

25. **NO PRECEDENTS**

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

26. **ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS**

26.1 Adverse Determination

Notwithstanding Section 27 of this Agreement, if, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

26.2 Expansion of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be

interpreted, modified or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur significant new or different obligations to another Party or to third parties not contemplated by this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties promptly and in good faith shall attempt to renegotiate the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated on the Effective Date.

26.3 Rights After Adverse Determination or Expansion of Obligations

The Parties shall negotiate in accordance with Section 26.1 or 26.2 for at least 60 calendar days. After that period, if the Parties either cannot agree that renegotiation is feasible or cannot agree to amend this Agreement, then: (a) any Party may initiate dispute resolution in accordance with Section 17; or (b) any Party may terminate this Agreement with one year's advance notice to the other Parties. As used in this Section 26, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

27. SEVERABILITY

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

affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination, unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 27 shall limit the rights of any Party under Section 26.

28. PRESERVATION OF OBLIGATIONS

Upon termination of this Agreement or a Party's status under this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

29. INTEGRATION OF AGREEMENT

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

30. APPENDICES INCORPORATED

All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

31. **JUDGMENTS AND DETERMINATIONS**

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

32. **SUCCESSOR IN INTEREST**

Each successor in interest to any right or obligation of a Party under this Agreement shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement.

33. **SIGNATURES; EXECUTION IN COUNTERPARTS**

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

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President – Engineering and Operations

Date: November 20, 2007

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission
Date: November 20, 2007

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: _____
Name:
Title:

Date: _____

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

PacifiCorp

By: _____
Name: John Cupparo
Title: Vice President, Transmission

Date: _____

Pacific Gas and Electric Company

By: _____
Name: Edward Salas
Title: Senior Vice President –
Engineering and Operations

Date: _____

California Independent System Operator Corporation

By: _____
Name: James W Detmers
Title: VP Operations
Date: 11/20/07

APPENDIX A

ADDRESSES FOR NOTICES

Pacific Gas and Electric Company
Steve Metague
Director, Electric Transmission Rates
77 Beale Street, Mail Code B13L
San Francisco, CA 94105
Tel: (415) 973-6545
Fax: (415) 973-9174
SJMd@pge.com

PacifiCorp
Kenneth Houston
Director, Transmission Services
825 NE Multnomah, Suite 1600
Portland, OR 97232
Tel.: (503) 813-6712
Fax: (503) 813-5767
Kenneth.Houston@PacifiCorp.com

PacifiCorp
Natalie L. Hocken
Vice President & General Counsel
825 NE Multnomah, Suite 2000
Portland, OR 97232
Tel.: (503) 813-7205
Fax: (503) 813-7262
Natalie.Hocken@PacifiCorp.com

The California Independent System Operator Corporation
Jim Detmers
Vice President, Operations
CAISO
P.O. Box 639014
Folsom, CA 95763-9014
Tel.: (916) 351-4400
Fax: (916) 351-2350
jdetmers@caiso.com

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 2

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

PacifiCorp Original Rate Schedule FERC No. 607

November 21, 2007

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

between

PACIFICORP

AND

PACIFIC GAS AND ELECTRIC COMPANY

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY
between
PACIFICORP AND PACIFIC GAS AND ELECTRIC COMPANY

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AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

between

PACIFICORP

AND

PACIFIC GAS AND ELECTRIC COMPANY

THIS AGREEMENT, made and entered into this 20th day of November, 2007, to be effective on the 1st day of January, 2008, by and between PACIFICORP and PACIFIC GAS AND ELECTRIC COMPANY ("PG&E") (together, the "Parties"),

WHEREAS:

1. The Pacific AC Intertie ("PACI") consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2.

2. Both PacifiCorp and 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 Malin Substation and Round Mountain Substation. PacifiCorp owns the northern 47-mile segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation and has turned over operational control of the facilities to the California Independent System Operator ("CAISO").

3. Currently, the capacity of the Malin-Round Mountain No. 2 is 1600 MW for southbound flow and 1225 MW for northbound flow, as established pursuant to the Owners

Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordinating Council ("WECC") rating process. North of Indian Spring, extending to Malin Substation, PacifiCorp owns the entire capacity of the Malin-Round Mountain No. 2. South of Indian Spring, extending to Round Mountain Substation, PG&E owns the entire capacity of the Malin-Round Mountain No. 2.

4. Through a separate Transmission Exchange Agreement ("TEA"), also to be effective as of January 1, 2008, PacifiCorp provides PG&E with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PacifiCorp's Malin-Round Mountain No. 2 segment between Malin Substation and Indian Spring. In exchange, PG&E provides PacifiCorp with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PG&E's Malin-Round Mountain No. 2 segment between Indian Spring and Round Mountain Substation. Thus, under the TEA, PacifiCorp and PG&E each owns and acquires in total 800 MW of north to south and 612.5 MW of south to north transmission capacity along the entire Malin-Round Mountain No. 2, between Malin Substation and Round Mountain Substation. The TEA has a term of 20 years, subject to earlier termination consistent with its terms.

5. Pursuant to this Agreement, PacifiCorp will lease to PG&E, for a period of ten (10) years, portions of the transmission capacity PacifiCorp controls on the Malin-Round Mountain No. 2 in accordance with PacifiCorp's ownership and the TEA.

6. This Agreement represents one part of an Offer of Settlement and Stipulation ("Settlement") before the Federal Energy Regulatory Commission ("FERC") in Docket No. ER07-882 and related proceedings.

NOW, THEREFORE, in consideration of the mutual promises and benefits to the parties contained herein, the parties agree as follows:

Section 1. Definition of Terms. When used in this Agreement with initial capitalization, in either the singular or plural form, the following terms shall have these meanings:

(a) BPA:

The Bonneville Power Administration or its successor.

(b) CAISO:

The California Independent System Operator Corporation or its successor.

(c) Capital Replacement:

A unit of property that is substituted for another such unit of property, when the cost of the new unit of property is properly capitalized in accordance with the FERC's Uniform System of Accounts, codified in Title 18 of the Code of Federal Regulations ("CFR"), Part 101, as amended or superseded from time to time.

(d) Cost:

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

(e) Effective Date:

The date on which this Agreement becomes effective, as specified in Section 9.

(f) FERC:

The Federal Energy Regulatory Commission or its regulatory successor agency or authority.

(g) Federal Power Act ("FPA"):

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

(h) Malin-Round Mountain No. 2:

The portion of the PACI No. 2located between the Malin and Round Mountain Substations and owned, between Malin and Indian Spring, by PacifiCorp and, between Indian Spring and Round Mountain Substation, by PG&E.

(i) NERC:

The North American Electric Reliability Corporation or its successor.

(j) OCOA:

The Owners Coordinated Operation Agreement among PG&E, the Participants in the California-Oregon Transmission Project ("COTP"), and the Western Area Power Administration ("Western"), as amended effective January 1, 2008, and as further amended from time to time thereafter.

(k) Pacific AC Intertie ("PACI"):

For purposes of this Agreement, that portion of the Pacific Northwest-Pacific Southwest Intertie located between Malin Substation and PG&E's Tesla Substation consisting of AC facilities, associated 500 kV AC facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the terminus of the COTP.

(l) PacifiCorp Capacity:

PacifiCorp's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and the TEA.

(m) PacifiCorp's OATT:

PacifiCorp's Open Access Transmission Tariff (FERC Electric Tariff Volume No. 11), as amended from time to time, or any successor transmission tariff of PacifiCorp accepted by FERC.

(n) Parties:

PacifiCorp and PG&E, or their respective successor entities.

(o) PG&E Capacity:

PG&E's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and the TEA.

(p) Prudent Utility Practice:

The practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts

known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

(q) Settlement:

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

(r) Significant Regulatory Change:

A "Significant Regulatory Change" under Section 11 occurs if FERC, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Wyoming Public Service Commission, or any other agency, officer, or court having jurisdiction, a state legislature or the United States Congress issues an order or decision or enacts a law that significantly interferes with the ability of a Party to perform any of its obligations or obtain any of its rights under this Agreement.

(s) Transmission Exchange Agreement ("TEA"):

The TEA (PG&E Rate Schedule FERC No. 239, PacifiCorp Rate Schedule FERC No. 608, and CAISO Rate Schedule FERC No. 66), effective as of January 1, 2008, among PacifiCorp, the CAISO, and PG&E, in which PacifiCorp provides PG&E with 800 MW of north to south and 612.5 MW of south to north transmission capacity on

PacifiCorp's Malin-Round Mountain No. 2 facilities between Malin Substation and Indian Spring, and PG&E provides PacifiCorp with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PG&E's Malin-Round Mountain No. 2 facilities between Indian Spring and Round Mountain Substation.

(s) WECC:

The Western Electricity Coordinating Council or its successor.

Section 2. Lease of PacifiCorp Capacity. PacifiCorp hereby leases to PG&E and PG&E hereby leases from PacifiCorp the following portions of the PacifiCorp Capacity:

(a) Beginning January 1, 2008, through and including December 31, 2011, 800 MW of north to south capacity and 612.5 MW of south to north capacity;

(b) Beginning January 1, 2012, through and including December 31, 2012, 500 MW of north to south capacity and 382.8 MW of south to north capacity;

(c) Beginning January 1, 2013, through and including December 31, 2016, 400 MW of north to south capacity and 306.3 MW of south to north capacity; and

(d) Beginning January 1, 2017, through and including December 31, 2017, 300 MW of north to south capacity and 229.7 MW of south to north capacity.

After December 31, 2017, none of PacifiCorp Capacity will be leased under this Agreement.

Section 3. Maintenance and Repairs of Facilities. From and after the Effective Date, through and including December 31, 2011, PG&E shall maintain or cause to be maintained, at PG&E's sole expense, the entire Malin-Round Mountain No. 2 between Malin Substation and Round Mountain Substation in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. PacifiCorp shall maintain or cause to be maintained the related line terminal facilities and series capacitor bank at the Malin Substation during the same period, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the BPA, WECC, and NERC, as any or all of them may be amended or superseded from time to time. PacifiCorp shall, at its expense during the same period, make all necessary Capital Replacements on the PacifiCorp-owned facilities at the Malin Substation (including the related line terminal facilities and series capacitor bank) and on the PacifiCorp portion of the Malin-Round Mountain No. 2, between Malin Substation and Indian Spring, consistent with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time.

When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or Capital Replacements on such line or the related terminal facilities at the Malin Substation and/or Round Mountain Substation, such curtailment or interruptions shall be arranged for as far in advance as may be practicable by mutual agreement of the Parties, and the Party responsible under this Agreement for such maintenance or Capital Replacements shall coordinate with and obtain any necessary approvals from the appropriate Balancing Authorities

prior to performing such maintenance or making Capital Replacements. The Party responsible under this Agreement for such maintenance or Capital Replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

Section 4. Payments for Lease of PacifiCorp Capacity. In consideration for the portions of the PacifiCorp Capacity that PG&E leases under this Agreement, PG&E will pay PacifiCorp the following amounts (all amounts are U.S. dollars):

(a) In each of calendar years 2008, 2009, 2010, and 2011, PG&E shall pay PacifiCorp $20,000,000.00;

(b) In calendar year 2012, PG&E shall pay PacifiCorp $16,500,000.00;

(c) In each of calendar years 2013, 2014, 2015, and 2016, PG&E shall pay PacifiCorp $14,500,000.00; and

(d) In calendar year 2017, PG&E shall pay PacifiCorp $12,500,000.00.

PG&E's obligation to pay PacifiCorp begins on the Effective Date of this Agreement. PG&E shall pay each annual amount set forth above in 12 equal monthly installments, to be due and payable on the first day of each month, with the first payment due on February 1, 2008, and each subsequent monthly payment due on the first of each successive month. The final such monthly payment will be due on January 1, 2018. Any payment that is due on a Saturday, Sunday, legal holiday, or other day on which banks are not open for business in either San Francisco, California, or Portland, Oregon, shall be due on the next regular banking business day. PG&E shall make its monthly payments by wire transfer in immediately available funds to an account designated, and in accordance with reasonable instructions provided, by PacifiCorp by notice delivered to PG&E in accordance with this Agreement.

In the event any payment due under this Agreement is made more than five (5) business days after it was due, the amount owed shall be increased by an amount equal to interest on the amount owed, calculated at the then-applicable interest rate prescribed by FERC's regulations for payments of refunds by public utilities, currently codified at 18 CFR § 35.19(a)(2), for the period from the date payment was due until the date payment was made.

Section 5. Allocation of Increased Capacity. The Parties recognize that, pursuant and subject to the terms of the Settlement approved by FERC in resolution of Docket Nos. ER07-882 et al., PacifiCorp will upgrade its series capacitor bank at the Malin Substation by no later than December 31, 2012. Any increased capacity that results from PacifiCorp's upgrade of its series capacitors shall be allocated to the Malin-Round Mountain No. 2 pursuant to the OCOA with the Parties agreeing that the increased Rated System Transfer Capability will be shared equally among the Malin-Round Mountain Nos. 1 and 2 and the 500 kV Captain Jack to Olinda segment of the COTP line. The increased transmission capacity allocated to Malin-Round Mountain No. 2 shall be allocated equally between PG&E and PacifiCorp in accordance with the TEA. The share of any increased capacity allocated to PacifiCorp under the TEA ("PacifiCorp Increment") shall be leased to PG&E under this Agreement in accordance with the following terms:

(a) In calendar years 2008, 2009, 2010, and 2011, PacifiCorp Increment (if any) shall be added to the capacity leased to PG&E under this Agreement at no additional charge;

(b) On and after January 1, 2012, the PacifiCorp Increment (if any) shall be controlled and available for use by PacifiCorp, including but not limited to use for the purpose of providing transmission service under its OATT.

Section 6. Liability, Loss, Costs, and Expenses. PG&E shall defend, indemnify, and hold harmless PacifiCorp against all liability, loss, costs, and expenses on account of injury to any person including directors, officers, employees or contractors of PacifiCorp or on account of damage to any property, including property of PacifiCorp, which may arise out of the use, operation or maintenance of PacifiCorp's Capacity leased by PG&E under this Agreement, unless the same shall result from the gross negligence or willful action of PacifiCorp. PacifiCorp shall defend, indemnify, and hold harmless PG&E against all liability, loss, costs and expenses on account of injury to any person including directors, officers, employees or contractors of PG&E or on account of damage to any property, including property of PG&E, which may arise out of the construction of or any Capital Replacement on PacifiCorp's Malin-Round Mountain No. 2 facilities between Malin Substation and Indian Spring or the related line terminal facilities at Malin, unless such injury or damage shall result from the gross negligence or willful action of PG&E.

Section 7. Uncontrollable Forces. Each of the parties shall be excused from performance of any covenant or condition of this Agreement if, but only to the extent and during the time that, performance by such party of its obligation shall be prevented by the existence of Uncontrollable Forces. For this purpose, the term "Uncontrollable Forces" shall mean any cause

beyond control of the party and which by the exercise of reasonable diligence the party is unable to overcome, and shall include but not be limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers.

Section 8. Successors in Interest and Assigns. This Agreement shall be binding on and inure to the benefit of successors in interest or assigns of the parties. A Party may assign or delegate its rights and obligations under this Agreement to another person only with the consent of the other Party, which consent shall not be unreasonably withheld, and any attempt to assign or delegate without such consent shall be void, provided that the other Party's consent shall not be required for an assignment in connection with regulatory order by the FERC or applicable state agency with jurisdiction over this Agreement. The assignee shall expressly assume in writing all duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to the other Party a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect.

Section 9. Term of Agreement. This Agreement shall be effective on January 1, 2008, or on such later date on which it is permitted by FERC to become effective, and shall terminate on December 31, 2017. Notwithstanding the preceding sentence, however, this Agreement shall be deemed to remain in effect through the later of January 1, 2018, or the subsequent date on which PG&E makes the final payment required of it by the terms of Section 4 above, provided, however, that unless the parties expressly agree otherwise in writing, under no circumstances shall the lease of any of PacifiCorp Capacity to PG&E under this Agreement continue after December 31, 2017. This Agreement is expressly conditioned upon FERC's acceptance, without any material change or new condition, of this Agreement and the Settlement, of which it is a component.

Section 10. Notices. Notices under this Agreement shall be in writing and shall be effective when actually delivered. If mailed, a notice shall be deemed effective on the second day after deposited as registered or certified mail, postage prepaid, directed to the other Party at the address shown below:

If to PacifiCorp:	If to PG&E:
PacifiCorp Attn: Kenneth Houston, Director Transmission 825 NE Multnomah, Suite 1600 Portland, Oregon 97232 Fax: 503.813.6893	Pacific Gas and Electric Company Attn: Steve Metague, Director Electric Transmission Rates P.O. Box 770000 San Francisco, CA 94177 Fax: 415-973-9174

Section 11. Regulatory Authority. This Agreement is subject to the regulatory power or authority of any state or federal agency having jurisdiction.

(a) FERC Jurisdiction

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

(b) Changes in Terms and Conditions

PacifiCorp and PG&E waive their rights to file unilaterally with FERC under FPA Sections 205 or 206 to add, modify, or negate, any term or condition of this Agreement. Except as specified in this Section 11, nothing in this Agreement shall be construed as affecting in any way a Party's rights to make filings unilaterally with FERC under Sections 205 or 206 of the FPA or the regulations promulgated thereunder.

(c) Changes in Rates

This Agreement does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. All rates for service utilizing the PacifiCorp Capacity are governed by PacifiCorp's OATT. All rates for service utilizing the PG&E Capacity are governed by the CAISO Tariff, or, if PG&E withdraws from the CAISO during the term of this Agreement, any applicable PG&E tariff or successor Transmission Service Provider ("TSP") tariff.

(d) Significant Regulatory Change or Change in Transmission Provider

1. Conformance

This Agreement shall be modified to conform to any final order issued by the FERC that directly addresses a provision or provisions of this Agreement. Unless otherwise provided by FERC, such conforming changes shall be jointly filed with FERC by the Parties; and such conformance shall be prospective only and shall not affect any rights or obligations of any Party that have accrued as of the date of the order requiring conformance under the terms of this Agreement.

2. Notification

If, at any time during the term of this Agreement, any Party becomes aware of a Significant Regulatory Change (whether actual or proposed), including any conformance under Section 11(d)1 above, such Party shall provide notice to the other Parties no later than 15 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Parties may include a proposal that the Parties meet as provided in Section 11(d)4 below in order to negotiate an appropriate amendment to this Agreement.

3. Change in Functions or Scope

The Parties recognize that there may be a change in the TSP, the functions of the Balancing Authorities, or a change in the scope of the facilities under the operational authority of

the CAISO. Such a change shall not be deemed to be a Significant Regulatory Change unless the change may reasonably be expected to materially affect any Party's obligations or operations under this Agreement.

4. Amendment of Agreement

4.1 Following notification under Section 11(d)2, the Parties shall meet to discuss whether an amendment to this Agreement is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this Agreement to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 11(d)2.

4.2 If the Parties agree that such an amendment to this Agreement is necessary, they shall proceed to negotiate such amendment in good faith. If the Parties have not reached agreement within 60 calendar days of the date of the first meeting, any unresolved issues shall be resolved through the dispute resolution procedures set forth in Section 12. Notwithstanding the above or any other provisions of this Agreement, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur then, with respect to the unresolved issues, any Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC pursuant to Section 205 or 206 of the FPA, and any Party may exercise its rights under the FPA to protest or oppose such filing.

4.3 If the Parties cannot agree that an amendment to this Agreement is necessary to allow this Agreement to accommodate the Significant Regulatory Change, any Party may submit such dispute to dispute resolution proceedings pursuant to Section 12, provided, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur, then a Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC as set forth in the paragraph above.

4.4 Nothing in this Section 11(d) shall be deemed to limit a Party's right to make changes pursuant to the other provisions of this Section 11 or any other provisions of this Agreement.

Section 12. Dispute Resolution.

(a) Disputes Generally

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

(b) Technical Disputes

The involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive with authority to resolve the dispute from each Party involved in the dispute or his or her designated representative. Within

20 calendar days after delivery by the Party seeking dispute resolution of notice to the other Party, the executives or designated representatives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then either Party may initiate mediation or may initiate formal dispute resolution under Section 12(a). If the other Party agrees to mediation, then the Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 calendar days.

(c) Scheduling Coordinator Disputes

Resolution of all matters arising from PacifiCorp or its designee's actions as Scheduling Coordinator for the PacifiCorp Capacity pursuant to Section 5.2 of the TEA shall be resolved in accordance with the Scheduling Coordinator Agreement between the CAISO and PacifiCorp or its designee, as applicable.

(d) Rules

All negotiations, settlement conferences, compromise discussions, and any arbitration or mediation conducted pursuant to this Section 12 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each Party shall share the costs of any arbitration or mediation in accordance with the agreement of the Parties to engage in arbitration or mediation. Nothing in this Section 12 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

Section 13. No Exclusive Remedy. Subject to the provisions of Section 11, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

Section 14. Governing Law. This Agreement is made and entered into in the state of California. Interpretation of this Agreement, and performance and enforcement thereof, shall be determined in accordance with federal law or California law, as applicable.

Section 15. Non-waiver. Any waiver at any time by any Party of its rights with respect to any default or other matter arising in connection with this Agreement shall not constitute or be deemed a waiver with respect to any subsequent default or any other matter arising in connection with this Agreement. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

Section 16. No Third Party Beneficiaries. No right or obligation contained in this Agreement shall inure to the benefit of any person or entity who is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

Section 17. Relationship to the Parties.

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

(b) Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

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

Section 18. Titles. The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

Section 19. No Precedents. Nothing contained in this Agreement shall be construed to establish any precedent for any other rate schedule or agreement or to grant any right to or impose any obligation on either Party beyond the scope and terms of this Agreement. No Party, by entering into this Agreement, holds itself out to furnish like or similar service to any other person or entity.

Section 20. Adverse Determination or Expansion of Obligations.

(a) Adverse Determination

Notwithstanding Section 21 of this Agreement, if, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

(b) Expansion of Obligations

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

then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties promptly and in good faith shall attempt to renegotiate the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated on the Effective Date.

(c) Rights After Adverse Determination or Expansion of Obligations

The Parties shall negotiate in accordance with Section 20(a) or 20(b) for at least 60 days. After that period, if the Parties either cannot agree that renegotiation is feasible or cannot agree to amend this Agreement, then: (a) any Party may initiate dispute resolution in accordance with Section 12; or (b) any Party may terminate this Agreement with one year's advance notice to the other Parties. As used in this Section 20, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

Section 21. Severability. If any term, covenant or condition of this Agreement, or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination, unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 21 shall limit the rights of any Party under Section 20.

Section 22. Preservation of Obligations. Upon termination of this Agreement or a Party's status under this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

Section 23. Integration of Agreement. This Agreement constitutes the complete and final expression of the rights and obligations of the Parties in connection with the subject matter of this Agreement and is intended as a complete and exclusive statement of the terms of their agreement which supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, communications, and contracts which may have been made in connection with the subject matter of this Agreement.

Section 24. Appendices Incorporated. All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

Section 25. Judgments and Determinations. When the terms of this Agreement provide that a action may or must be taken, or that the existence of a condition may be established, based on a judgment or determination of a Party, such action or judgment shall be exercised or such determination shall be made in good faith and where applicable in accordance with Prudent Utility Practice and shall not be arbitrary or capricious.

Section 26. Signatures; Execution in Counterparts. Each signatory to this Agreement represents that he or she has been duly authorized to enter into this Agreement on behalf of the Party for whom he or she signs. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective, duly authorized officers or agents:

PACIFICORP

By _____
John Cupparo

Title: Vice President, Transmission

Date: _____

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Edward Salas

Title: Senior Vice President –
Engineering and Operations

Date: November 20, 2007

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective, duly authorized officers or agents:

PACIFICORP

By _____
John Cupparo

Title: Vice President, Transmission

Date: November 19, 2007

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Edward Salas

Title: Senior Vice President –
Engineering and Operations

Date: _____

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 2

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

PG&E Original Rate Schedule FERC No. 240

November 21, 2007

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

between

PACIFICORP

AND

PACIFIC GAS AND ELECTRIC COMPANY

AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY
between
PACIFICORP AND PACIFIC GAS AND ELECTRIC COMPANY

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AGREEMENT FOR LEASE OF TRANSMISSION CAPACITY

between

PACIFICORP

AND

PACIFIC GAS AND ELECTRIC COMPANY

THIS AGREEMENT, made and entered into this 20th day of November, 2007, to be effective on the 1st day of January, 2008, by and between PACIFICORP and PACIFIC GAS AND ELECTRIC COMPANY ("PG&E") (together, the "Parties"),

WHEREAS:

1. The Pacific AC Intertie ("PACI") consists of two 500 kV transmission lines, the PACI No. 1 and the PACI No. 2.

2. Both PacifiCorp and 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 Malin Substation and Round Mountain Substation. PacifiCorp owns the northern 47-mile segment, between Malin Substation and Indian Spring. PG&E owns the southern 47-mile segment, between Indian Spring and Round Mountain Substation and has turned over operational control of the facilities to the California Independent System Operator ("CAISO").

3. Currently, the capacity of the Malin-Round Mountain No. 2 is 1600 MW for southbound flow and 1225 MW for northbound flow, as established pursuant to the Owners

Coordinated Operation Agreement ("OCOA") and the Western Electricity Coordinating Council ("WECC") rating process. North of Indian Spring, extending to Malin Substation, PacifiCorp owns the entire capacity of the Malin-Round Mountain No. 2. South of Indian Spring, extending to Round Mountain Substation, PG&E owns the entire capacity of the Malin-Round Mountain No. 2.

4. Through a separate Transmission Exchange Agreement ("TEA"), also to be effective as of January 1, 2008, PacifiCorp provides PG&E with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PacifiCorp's Malin-Round Mountain No. 2 segment between Malin Substation and Indian Spring. In exchange, PG&E provides PacifiCorp with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PG&E's Malin-Round Mountain No. 2 segment between Indian Spring and Round Mountain Substation. Thus, under the TEA, PacifiCorp and PG&E each owns and acquires in total 800 MW of north to south and 612.5 MW of south to north transmission capacity along the entire Malin-Round Mountain No. 2, between Malin Substation and Round Mountain Substation. The TEA has a term of 20 years, subject to earlier termination consistent with its terms.

5. Pursuant to this Agreement, PacifiCorp will lease to PG&E, for a period of ten (10) years, portions of the transmission capacity PacifiCorp controls on the Malin-Round Mountain No. 2 in accordance with PacifiCorp's ownership and the TEA.

6. This Agreement represents one part of an Offer of Settlement and Stipulation ("Settlement") before the Federal Energy Regulatory Commission ("FERC") in Docket No. ER07-882 and related proceedings.

NOW, THEREFORE, in consideration of the mutual promises and benefits to the parties contained herein, the parties agree as follows:

Section 1. Definition of Terms. When used in this Agreement with initial capitalization, in either the singular or plural form, the following terms shall have these meanings:

(a) BPA:

The Bonneville Power Administration or its successor.

(b) CAISO:

The California Independent System Operator Corporation or its successor.

(c) Capital Replacement:

A unit of property that is substituted for another such unit of property, when the cost of the new unit of property is properly capitalized in accordance with the FERC's Uniform System of Accounts, codified in Title 18 of the Code of Federal Regulations ("CFR"), Part 101, as amended or superseded from time to time.

(d) Cost:

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

(e) Effective Date:

The date on which this Agreement becomes effective, as specified in Section 9.

(f) FERC:

The Federal Energy Regulatory Commission or its regulatory successor agency or authority.

(g) Federal Power Act ("FPA"):

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

(h) Malin-Round Mountain No. 2:

The portion of the PACI No. 2 located between the Malin and Round Mountain Substations and owned, between Malin and Indian Spring, by PacifiCorp and, between Indian Spring and Round Mountain Substation, by PG&E.

(i) NERC:

The North American Electric Reliability Corporation or its successor.

(j) OCOA:

The Owners Coordinated Operation Agreement among PG&E, the Participants in the California-Oregon Transmission Project ("COTP"), and the Western Area Power Administration ("Western"), as amended effective January 1, 2008, and as further amended from time to time thereafter.

(k) Pacific AC Intertie ("PACI"):

For purposes of this Agreement, that portion of the Pacific Northwest-Pacific Southwest Intertie located between Malin Substation and PG&E's Tesla Substation consisting of AC facilities, associated 500 kV AC facilities at Tesla Substation and that portion of the Tesla-Tracy 500 kV AC transmission line between Tesla Substation and the terminus of the COTP.

(l) PacifiCorp Capacity:

PacifiCorp's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and the TEA.

(m) PacifiCorp's OATT:

PacifiCorp's Open Access Transmission Tariff (FERC Electric Tariff Volume No. 11), as amended from time to time, or any successor transmission tariff of PacifiCorp accepted by FERC.

(n) Parties:

PacifiCorp and PG&E, or their respective successor entities.

(o) PG&E Capacity:

PG&E's right to the capacity on Malin-Round Mountain No. 2 based upon its ownership of a portion of the line and the TEA.

(p) Prudent Utility Practice:

The practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts

known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

(q) Settlement:

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

(r) Significant Regulatory Change:

A "Significant Regulatory Change" under Section 11 occurs if FERC, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Wyoming Public Service Commission, or any other agency, officer, or court having jurisdiction, a state legislature or the United States Congress issues an order or decision or enacts a law that significantly interferes with the ability of a Party to perform any of its obligations or obtain any of its rights under this Agreement.

(s) Transmission Exchange Agreement ("TEA"):

The TEA (PG&E Rate Schedule FERC No. 239, PacifiCorp Rate Schedule FERC No. 608, and CAISO Rate Schedule FERC No. 66), effective as of January 1, 2008, among PacifiCorp, the CAISO, and PG&E, in which PacifiCorp provides PG&E with 800 MW of north to south and 612.5 MW of south to north transmission capacity on

PacifiCorp's Malin-Round Mountain No. 2 facilities between Malin Substation and Indian Spring, and PG&E provides PacifiCorp with 800 MW of north to south and 612.5 MW of south to north transmission capacity on PG&E's Malin-Round Mountain No. 2 facilities between Indian Spring and Round Mountain Substation.

(s) WECC:

The Western Electricity Coordinating Council or its successor.

Section 2. Lease of PacifiCorp's Capacity. PacifiCorp hereby leases to PG&E and PG&E hereby leases from PacifiCorp the following portions of the PacifiCorp Capacity:

(a) Beginning January 1, 2008, through and including December 31, 2011, 800 MW of north to south capacity and 612.5 MW of south to north capacity;

(b) Beginning January 1, 2012, through and including December 31, 2012, 500 MW of north to south capacity and 382.8 MW of south to north capacity;

(c) Beginning January 1, 2013, through and including December 31, 2016, 400 MW of north to south capacity and 306.3 MW of south to north capacity; and

(d) Beginning January 1, 2017, through and including December 31, 2017, 300 MW of north to south capacity and 229.7 MW of south to north capacity.

After December 31, 2017, none of PacifiCorp Capacity will be leased under this Agreement.

Section 3. Maintenance and Repairs of Facilities. From and after the Effective Date, through and including December 31, 2011, PG&E shall maintain or cause to be maintained, at PG&E's sole expense, the entire Malin-Round Mountain No. 2 between Malin Substation and Round Mountain Substation in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time. PacifiCorp shall maintain or cause to be maintained the related line terminal facilities and series capacitor bank at the Malin Substation during the same period, in accordance with Prudent Utility Practice and all applicable guidelines and requirements of the BPA, WECC, and NERC, as any or all of them may be amended or superseded from time to time. PacifiCorp shall, at its expense during the same period, make all necessary Capital Replacements on the PacifiCorp-owned facilities at the Malin Substation (including the related line terminal facilities and series capacitor bank) and on the PacifiCorp portion of the Malin-Round Mountain No. 2, between Malin Substation and Indian Spring, consistent with Prudent Utility Practice and all applicable guidelines and requirements of the CAISO, WECC, and NERC, as any or all of them may be amended or superseded from time to time.

When it is necessary to curtail or interrupt operation of the Malin-Round Mountain No. 2 for maintenance or Capital Replacements on such line or the related terminal facilities at the Malin Substation and/or Round Mountain Substation, such curtailment or interruptions shall be arranged for as far in advance as may be practicable by mutual agreement of the Parties, and the Party responsible under this Agreement for such maintenance or Capital Replacements shall coordinate with and obtain any necessary approvals from the appropriate Balancing Authorities

prior to performing such maintenance or making Capital Replacements. The Party responsible under this Agreement for such maintenance or Capital Replacements shall also exercise reasonable diligence to restore full service of the line as promptly as practicable.

Section 4. Payments for Lease of PacifiCorp Capacity. In consideration for the portions of the PacifiCorp Capacity that PG&E leases under this Agreement, PG&E will pay PacifiCorp the following amounts (all amounts are U.S. dollars):

(a) In each of calendar years 2008, 2009, 2010, and 2011, PG&E shall pay PacifiCorp $20,000,000.00;

(b) In calendar year 2012, PG&E shall pay PacifiCorp $16,500,000.00;

(c) In each of calendar years 2013, 2014, 2015, and 2016, PG&E shall pay PacifiCorp $14,500,000.00; and

(d) In calendar year 2017, PG&E shall pay PacifiCorp $12,500,000.00.

PG&E's obligation to pay PacifiCorp begins on the Effective Date of this Agreement. PG&E shall pay each annual amount set forth above in 12 equal monthly installments, to be due and payable on the first day of each month, with the first payment due on February 1, 2008, and each subsequent monthly payment due on the first of each successive month. The final such monthly payment will be due on January 1, 2018. Any payment that is due on a Saturday, Sunday, legal holiday, or other day on which banks are not open for business in either San Francisco, California, or Portland, Oregon, shall be due on the next regular banking business day. PG&E shall make its monthly payments by wire transfer in immediately available funds to an account designated, and in accordance with reasonable instructions provided, by PacifiCorp by notice delivered to PG&E in accordance with this Agreement.

In the event any payment due under this Agreement is made more than five (5) business days after it was due, the amount owed shall be increased by an amount equal to interest on the amount owed, calculated at the then-applicable interest rate prescribed by FERC's regulations for payments of refunds by public utilities, currently codified at 18 CFR § 35.19(a)(2), for the period from the date payment was due until the date payment was made.

Section 5. Allocation of Increased Capacity. The Parties recognize that, pursuant and subject to the terms of the Settlement approved by FERC in resolution of Docket Nos. ER07-882 et al., PacifiCorp will upgrade its series capacitor bank at the Malin Substation by no later than December 31, 2012. Any increased capacity that results from PacifiCorp's upgrade of its series capacitors shall be allocated to the Malin-Round Mountain No. 2 pursuant to the OCOA with the Parties agreeing that the increased Rated System Transfer Capability will be shared equally among the Malin-Round Mountain Nos. 1 and 2 and the 500 kV Captain Jack to Olinda segment of the COTP line. The increased transmission capacity allocated to Malin-Round Mountain No. 2 shall be allocated equally between PG&E and PacifiCorp in accordance with the TEA. The share of any increased capacity allocated to PacifiCorp under the TEA ("PacifiCorp Increment") shall be leased to PG&E under this Agreement in accordance with the following terms:

(a) In calendar years 2008, 2009, 2010, and 2011, PacifiCorp Increment (if any) shall be added to the capacity leased to PG&E under this Agreement at no additional charge;

(b) On and after January 1, 2012, the PacifiCorp Increment (if any) shall be controlled and available for use by PacifiCorp, including but not limited to use for the purpose of providing transmission service under its OATT.

Section 6. Liability, Loss, Costs, and Expenses. PG&E shall defend, indemnify, and hold harmless PacifiCorp against all liability, loss, costs, and expenses on account of injury to any person including directors, officers, employees or contractors of PacifiCorp or on account of damage to any property, including property of PacifiCorp, which may arise out of the use, operation or maintenance of PacifiCorp's Capacity leased by PG&E under this Agreement, unless the same shall result from the gross negligence or willful action of PacifiCorp. PacifiCorp shall defend, indemnify, and hold harmless PG&E against all liability, loss, costs and expenses on account of injury to any person including directors, officers, employees or contractors of PG&E or on account of damage to any property, including property of PG&E, which may arise out of the construction of or any Capital Replacement on PacifiCorp's Malin-Round Mountain No. 2 facilities between Malin Substation and Indian Spring or the related line terminal facilities at Malin, unless such injury or damage shall result from the gross negligence or willful action of PG&E.

Section 7. Uncontrollable Forces. Each of the parties shall be excused from performance of any covenant or condition of this Agreement if, but only to the extent and during the time that, performance by such party of its obligation shall be prevented by the existence of Uncontrollable Forces. For this purpose, the term "Uncontrollable Forces" shall mean any cause

beyond control of the party and which by the exercise of reasonable diligence the party is unable to overcome, and shall include but not be limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers.

Section 8. Successors in Interest and Assigns. This Agreement shall be binding on and inure to the benefit of successors in interest or assigns of the parties. A Party may assign or delegate its rights and obligations under this Agreement to another person only with the consent of the other Party, which consent shall not be unreasonably withheld, and any attempt to assign or delegate without such consent shall be void, provided that the other Party's consent shall not be required for an assignment in connection with regulatory order by the FERC or applicable state agency with jurisdiction over this Agreement. The assignee shall expressly assume in writing all duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to the other Party a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect.

Section 9. Term of Agreement. This Agreement shall be effective on January 1, 2008, or on such later date on which it is permitted by FERC to become effective, and shall terminate on December 31, 2017. Notwithstanding the preceding sentence, however, this Agreement shall be deemed to remain in effect through the later of January 1, 2018, or the subsequent date on which PG&E makes the final payment required of it by the terms of Section 4 above, provided, however, that unless the parties expressly agree otherwise in writing, under no circumstances shall the lease of any of PacifiCorp Capacity to PG&E under this Agreement continue after December 31, 2017. This Agreement is expressly conditioned upon FERC's acceptance, without any material change or new condition, of this Agreement and the Settlement, of which it is a component.

Section 10. Notices. Notices under this Agreement shall be in writing and shall be effective when actually delivered. If mailed, a notice shall be deemed effective on the second day after deposited as registered or certified mail, postage prepaid, directed to the other Party at the address shown below:

If to PacifiCorp:	If to PG&E:
PacifiCorp Attn: Kenneth Houston, Director Transmission 825 NE Multnomah, Suite 1600 Portland, Oregon 97232 Fax: 503.813.6893	Pacific Gas and Electric Company Attn: Steve Metague, Director Electric Transmission Rates P.O. Box 770000 San Francisco, CA 94177 Fax: 415-973-9174

Section 11. Regulatory Authority. This Agreement is subject to the regulatory power or authority of any state or federal agency having jurisdiction.

(a) FERC Jurisdiction

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

(b) Changes in Terms and Conditions

PacifiCorp and PG&E waive their rights to file unilaterally with FERC under FPA Sections 205 or 206 to add, modify, or negate, any term or condition of this Agreement. Except as specified in this Section 11, nothing in this Agreement shall be construed as affecting in any way a Party's rights to make filings unilaterally with FERC under Sections 205 or 206 of the FPA or the regulations promulgated thereunder.

(c) Changes in Rates

This Agreement does not govern the rates charged for any service utilizing either the PacifiCorp Capacity or the PG&E Capacity. All rates for service utilizing the PacifiCorp Capacity are governed by PacifiCorp's OATT. All rates for service utilizing the PG&E Capacity are governed by the CAISO Tariff, or, if PG&E withdraws from the CAISO during the term of this Agreement, any applicable PG&E tariff or successor Transmission Service Provider ("TSP") tariff.

(d) Significant Regulatory Change or Change in Transmission Provider

1. Conformance

This Agreement shall be modified to conform to any final order issued by the FERC that directly addresses a provision or provisions of this Agreement. Unless otherwise provided by FERC, such conforming changes shall be jointly filed with FERC by the Parties; and such conformance shall be prospective only and shall not affect any rights or obligations of any Party that have accrued as of the date of the order requiring conformance under the terms of this Agreement.

2. Notification

If, at any time during the term of this Agreement, any Party becomes aware of a Significant Regulatory Change (whether actual or proposed), including any conformance under Section 11(d)1 above, such Party shall provide notice to the other Parties no later than 15 calendar days after becoming aware of such Significant Regulatory Change. The notice shall contain a description of the Significant Regulatory Change, including expected time schedules. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Parties may include a proposal that the Parties meet as provided in Section 11(d)4 below in order to negotiate an appropriate amendment to this Agreement.

3. Change in Functions or Scope

The Parties recognize that there may be a change in the TSP, the functions of the Balancing Authorities, or a change in the scope of the facilities under the operational authority of

the CAISO. Such a change shall not be deemed to be a Significant Regulatory Change unless the change may reasonably be expected to materially affect any Party's obligations or operations under this Agreement.

4. Amendment of Agreement

4.1 Following notification under Section 11(d)2, the Parties shall meet to discuss whether an amendment to this Agreement is necessary to address the Significant Regulatory Change. Such amendment, if any, shall be limited in scope to what is necessary to allow this Agreement to accommodate the Significant Regulatory Change identified in the notice issued pursuant to Section 11(d)2.

4.2 If the Parties agree that such an amendment to this Agreement is necessary, they shall proceed to negotiate such amendment in good faith. If the Parties have not reached agreement within 60 calendar days of the date of the first meeting, any unresolved issues shall be resolved through the dispute resolution procedures set forth in Section 12. Notwithstanding the above or any other provisions of this Agreement, if any issues remain unresolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur then, with respect to the unresolved issues, any Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC pursuant to Section 205 or 206 of the FPA, and any Party may exercise its rights under the FPA to protest or oppose such filing.

4.3 If the Parties cannot agree that an amendment to this Agreement is necessary to allow this Agreement to accommodate the Significant Regulatory Change, any Party may submit such dispute to dispute resolution proceedings pursuant to Section 12, provided, however, that if such dispute is not resolved as of 90 calendar days before the Significant Regulatory Change is scheduled or expected to occur, then a Party may, but is not required to, unilaterally file an amendment to this Agreement with FERC as set forth in the paragraph above.

4.4 Nothing in this Section 11(d) shall be deemed to limit a Party's right to make changes pursuant to the other provisions of this Section 11 or any other provisions of this Agreement.

Section 12. Dispute Resolution.

(a) Disputes Generally

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

(b) Technical Disputes

The involved Parties shall attempt in good faith to resolve the dispute promptly by negotiations among a vice president or executive with authority to resolve the dispute from each Party involved in the dispute or his or her designated representative. Within

20 calendar days after delivery by the Party seeking dispute resolution of notice to the other Party, the executives or designated representatives shall meet at a mutually acceptable time and place for not less than six meetings, and thereafter as often as they reasonably deem necessary but at least weekly, to exchange information and to attempt to resolve the dispute. If the matter has not been resolved within 45 calendar days of the first meeting, then either Party may initiate mediation or may initiate formal dispute resolution under Section 12(a). If the other Party agrees to mediation, then the Parties shall select a mediator and engage in mediation for at least three meetings over at least 60 calendar days.

(c) Scheduling Coordinator Disputes

Resolution of all matters arising from PacifiCorp or its designee's actions as Scheduling Coordinator for the PacifiCorp Capacity pursuant to Section 5.2 of the TEA shall be resolved in accordance with the Scheduling Coordinator Agreement between the CAISO and PacifiCorp or its designee, as applicable.

(d) Rules

All negotiations, settlement conferences, compromise discussions, and any arbitration or mediation conducted pursuant to this Section 12 are confidential and shall be treated as compromise and settlement negotiations. Each Party shall bear its own costs of participating in dispute resolution under this Agreement. Each Party shall share the costs of any arbitration or mediation in accordance with the agreement of the Parties to engage in arbitration or mediation. Nothing in this Section 12 is intended to prevent or delay a Party from seeking a preliminary injunction or other provisional judicial remedy.

Section 13. No Exclusive Remedy. Subject to the provisions of Section 11, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

Section 14. Governing Law. This Agreement is made and entered into in the state of California. Interpretation of this Agreement, and performance and enforcement thereof, shall be determined in accordance with federal law or California law, as applicable.

Section 15. Non-waiver. Any waiver at any time by any Party of its rights with respect to any default or other matter arising in connection with this Agreement shall not constitute or be deemed a waiver with respect to any subsequent default or any other matter arising in connection with this Agreement. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

Section 16. No Third Party Beneficiaries. No right or obligation contained in this Agreement shall inure to the benefit of any person or entity who is not a Party. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

Section 17. Relationship to the Parties.

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

(b) Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

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

Section 18. Titles. The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

Section 19. No Precedents. Nothing contained in this Agreement shall be construed to establish any precedent for any other rate schedule or agreement or to grant any right to or impose any obligation on either Party beyond the scope and terms of this Agreement. No Party, by entering into this Agreement, holds itself out to furnish like or similar service to any other person or entity.

Section 20. Adverse Determination or Expansion of Obligations.

(a) Adverse Determination

Notwithstanding Section 21 of this Agreement, if, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

(b) Expansion of Obligations

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

then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties promptly and in good faith shall attempt to renegotiate the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated on the Effective Date.

(c) Rights After Adverse Determination or Expansion of Obligations

The Parties shall negotiate in accordance with Section 20(a) or 20(b) for at least 60 days. After that period, if the Parties either cannot agree that renegotiation is feasible or cannot agree to amend this Agreement, then: (a) any Party may initiate dispute resolution in accordance with Section 12; or (b) any Party may terminate this Agreement with one year's advance notice to the other Parties. As used in this Section 20, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

Section 21. Severability. If any term, covenant or condition of this Agreement, or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination, unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 21 shall limit the rights of any Party under Section 20.

Section 22. Preservation of Obligations. Upon termination of this Agreement or a Party's status under this Agreement, all unsatisfied obligations of each Party shall be preserved until satisfied.

Section 23. Integration of Agreement. This Agreement constitutes the complete and final expression of the rights and obligations of the Parties in connection with the subject matter of this Agreement and is intended as a complete and exclusive statement of the terms of their agreement which supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, communications, and contracts which may have been made in connection with the subject matter of this Agreement.

Section 24. Appendices Incorporated. All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

Section 25. Judgments and Determinations. When the terms of this Agreement provide that a action may or must be taken, or that the existence of a condition may be established, based on a judgment or determination of a Party, such action or judgment shall be exercised or such determination shall be made in good faith and where applicable in accordance with Prudent Utility Practice and shall not be arbitrary or capricious.

Section 26. Signatures; Execution in Counterparts. Each signatory to this Agreement represents that he or she has been duly authorized to enter into this Agreement on behalf of the Party for whom he or she signs. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective, duly authorized officers or agents:

PACIFICORP

By _____
John Cupparo

Title: Vice President, Transmission

Date: _____

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Edward Salas

Title: Senior Vice President –
Engineering and Operations

Date: November 20, 2007

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective, duly authorized officers or agents:

PACIFICORP

By _____
John Cupparo

Title: Vice President, Transmission

Date: November 19, 2007

PACIFIC GAS AND ELECTRIC COMPANY

By _____
Edward Salas

Title: Senior Vice President –
Engineering and Operations

Date: _____

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 3

OPERATING AGREEMENT (CLEAN)

PacifiCorp Original Rate Schedule FERC No. 606

November 21, 2007

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

PACIFICORP

OPERATING AGREEMENT

Operating Agreement

THIS AGREEMENT is made this 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, which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission 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 2012 and subject to the Lease, may offer transmission service under the PacifiCorp 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 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 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 scheduling, meter, and Outage information from PacifiCorp commencing in 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 into 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.

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.

CAISO Tariff means the transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission ("FERC") as they 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 dated October 21, 2004, among Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western") and the CAISO, as it may be amended.

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 it 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 ("OCOA") 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 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 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 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.

WECC means the Western Electric 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, 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 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 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. 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, 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.

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 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 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.

13.4 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.

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: _____

Title: _____ Jim Detmers
Vice President, Operations

Date: _____ Date: 11/20/07

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: _____

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

California Independent System Operator Corporation:

By: _____

Name: _____

Title: _____

Date: _____

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: November 20, 2007

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
Title:	Director, 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
Title:	Manager, Contract Administration
Address:	825 NE Multnomah, Suite 1600
City/State/Zip Code:	Portland, OR 97232
Email Address:	james.tanneberger@pacificorp.com
Phone:	(503) 813-6138
Fax No:	(503) 813-5767

CAISO

Name of Primary Representative:	Roni L. Reese
Title:	Senior Contracts Analyst
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	rreese@caiso.com
Phone:	(916) 608-7027
Fax No.:	(916) 608-7292

Name of Alternative Representative:	Philip D. Pettingill
Title:	Manager of Infrastructure Policy & Contract Negotiation
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	ppettingill@caiso.com
Phone:	(916) 608-7241
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.

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-__-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 3

OPERATING AGREEMENT
(Redline vs. PacifiCorp Original Rate Schedule FERC No. 606)

November 21, 2007

~~CAISO~~

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

PACIFICORP

OPERATING AGREEMENT

Operating Agreement

THIS AGREEMENT is made this 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. ~~PacifiCorp owns a 47 mile segment of the Malin to Round Mountain #2 line of the Pacific AC Intertie ("PACI~~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 ~~to Round Mountain segments of the PACI comprise two of the three 500 kV lines that together constitute the California-Oregon Intertie ("COI"). PacifiCorp's 47 mile segment ("PACI-PN") runs from Malin substation to Indian Spring.~~ --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, which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission 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 2012 and subject to the Lease, may offer transmission service under the PacifiCorp OATT

using a designated share of the capacity of the Malin-Round Mountain No. 2 ("PacifiCorp Share"). PacifiCorp has elected to operate ~~PACI-PN~~the PacifiCorp Share within the CAISO Balancing Authority Area as a Non-Participating Transmission Owner ("Non-PTO").

~~**B.** PACI-PN interconnects with CAISO Controlled Grid facilities at the Indian Spring location, referenced above. Indian Spring is not a substation at the time of this agreement.~~

C. The CAISO is the Balancing Authority for the entire Malin-Round Mountain No. 2, including PacifiCorp's facilities between Malin ~~to~~and Indian Spring ~~facilities~~.

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 ("~~CPOA~~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 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 ~~is~~shall become 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 ~~PACI-PN,~~Malin-Round Mountain No. 2, which is the CAISO.

G. As the Balancing Authority for the ~~PACI-PN,~~Malin-Round Mountain No. 2, the CAISO needs scheduling, meter, and Outage information from PacifiCorp commencing in 2012 to fulfill its Balancing Authority responsibilities. Because PacifiCorp ~~is~~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 into 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.

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.

CAISO Tariff means the transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission ("FERC") as ~~it~~they may be amended from time to time, specifically including changes to the CAISO Tariff to implement ~~MRTU~~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 ("~~CPOA~~") ~~means the agreement among the owners of the PACI and the COTP transmission facilities and the CAISO setting forth path operator rights and obligations related to the operation of the System~~**COI-POA")** means the agreement dated October 21, 2004, among Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western") and the CAISO, as it may be amended ~~or restated from time to time~~.

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 ~~PACI-P~~Malin-Round Mountain No. 2 between PG&E and PacifiCorp, between Round Mountain and Malin Substations.

~~**LMP** means Locational Marginal Price, as defined in the MRTU version of the ISO Tariff.~~

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 ~~No~~Nos. ER06-615, ER07-1257 and related dockets.

NERC means the North American Electric Reliability Corporation or it successor.

Non-Participating Transmission Owner ("~~NPTO~~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 ("OCOA") 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 ~~or restated from time to time.~~ .

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.

~~**PACI-P** means the portion of the Malin to Round Mountain #2 line of the PACI owned by PacifiCorp between Malin Substation and Indian Spring and the portion of the PACI owned by PG&E from Indian Spring to 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.~~

~~**PACI-PN** means the portion of the PACI-P owned by PacifiCorp between Malin Substation and Indian Spring.~~

~~**PACI-PN Interconnection Point** means the point of Interconnection on the PACI-PN line for interchange between the CAISO Balancing Authority Area and the adjacent Bonneville Power Administration Balancing Authority Area, located at the Malin substation.~~

~~**PACI-PN Terminus** means the point of Interconnection between the PACI-PN and the PG&E-owned portion of the Malin to Round Mountain #2 line, which is part of the CAISO Controlled Grid, located at Indian Spring, roughly mid-point on the Malin-Round Mountain #2 500 kV line.~~

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 ~~its PACI-PN facilities~~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 ~~PACI-PN~~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 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 Rate Schedule FERC No. 239).

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

WECC means the Western Electric 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's ~~ownership of the PACI-PN as detailed in Schedule 1. As a party to the OCOA, PacifiCorp must "make arrangements . . . for its facilities that are a part of the System to be operated within a NERC certified Control Area Operator to operate such facilities in conformance with [the OCOA]."~~ 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, ~~2008,~~2012, or ii) the date this Agreement, and amendments to the OCOA and the ~~CPOA~~COI-POA making PacifiCorp a party to the OCOA and the ~~CPOA~~COI-POA, are accepted for filing and made effective by FERC, 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 ~~notice by either Party~~mutual agreement of the Parties;

(b) PacifiCorp's execution of the Transmission Control Agreement;

(c) the termination of the OCOA or the ~~CPOA~~COI-POA; or

~~(d) the termination of the Transmission Exchange Agreement between the CAISO, PG&E, and the Western Area Power Administration.~~

(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 ~~thirty (30) days after the date of the CAISO's or PacifiCorp's notice of termination,~~ 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 ~~CPOA~~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~~'s PACI-PN facilities~~ Share using PacifiCorp OATT service, and the CAISO shall provide such schedules to the Path Operator for COI~~. PacifiCorp's Scheduling Coordinator will schedule the PacifiCorp TOR subject to terms and conditions consistent with those applicable to other TORs within the CAISO~~. 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 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 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 ~~an NPTO~~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~~'s Electric System, including the PACI-PN. Share of the Malin-Round Mountain No. 2.~~ Transmission service customers of PacifiCorp using the PacifiCorp~~'s Electric System~~ Share shall pay rates and charges in accordance with PacifiCorp's ~~Open Access Transmission Tariff ("PacifiCorp's OATT"). All congestion charges for use of the CAISO Controlled Grid are governed by the CAISO Tariff (including, when appropriate, the MRTU version of that tariff), and no congestion charges will be applied to the PacifiCorp TOR on the PACI-PN, which is not part of the CAISO Controlled Grid.~~ OATT.

6.3 ~~Balancing Authority Scheduling Coordinator~~CAISO Charges. ~~Balancing Authority~~Except as otherwise provided in this Agreement, CAISO charges applicable to PacifiCorp~~, as the~~'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 ~~marginal~~ losses ~~as calculated on the PACI-P and~~, 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. 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 ~~Establishment of Scheduling Point.~~ ~~The CAISO will establish a Malin-Round Mountain #2 line Non-PTO Scheduling Point at the Malin Substation for the purpose of scheduling transactions using the PACI-PN that will be used until the effective date of the MRTU version of the CAISO Tariff. The Parties agree the establishment of a Malin-Round Mountain #2 line Non-PTO Scheduling Point does not relieve customers from the obligation of taking transmission service under the CAISO Tariff to obtain service on the PG&E portion of the PACI-P. Schedules delivered to the Non-PTO Scheduling Point at Malin Round Mountain #2 (pre-MRTU) and the post-MRTU scheduling point will be treated the same as other TORs in the CAISO and as provided in the CAISO tariff. The Parties further~~**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 ~~portion~~share of the ~~PACI-P.~~Malin-Round Mountain No. 2.

7.2 ~~Establishment of a Pricing Node. The CAISO will establish a Pricing Node (PNode) at Indian Spring to be used for establishing LMPs on and after the effective date of the MRTU version of the CAISO Tariff. The LMPs at each PNode shall be calculated in accordance with Section 27 of the MRTU version of the CAISO Tariff.~~**7.3 ~~Scheduling.~~** ~~Scheduling of all transactions at the Malin-Round Mountain #2 line Non-PTO Scheduling Point shall be~~ **Scheduling.** Pacificorp or its designated Scheduling Coordinator shall schedule with the CAISO all transactions on the PacifiCorp Share in accordance with the scheduling provisions ~~and time lines of the PacifiCorp OATT~~of the CAISO Tariff, applicable Business Practice Manual, CAISO scheduling process, CAISO procedures and CAISO time lines. PacifiCorp's Scheduling Coordinator ~~otherwise~~ shall meet all requirements with respect to Scheduling Coordinators in the CAISO Tariff. All schedules submitted ~~at the Malin-Round Mountain #2 line Non-PTO Scheduling Point or at Indian Spring~~on the PacifiCorp Share shall be submitted into the CAISO ~~"Scheduling Infrastructure ("SI" or "SIBR" as applicable))"~~ market transmission reservation system ("SI" or "SIBR" as applicable) and shall be submitted by PacifiCorp's Scheduling Coordinator.

~~7.4~~7.3 Unused Capacity. ~~Once~~After the deadline for schedule changes under ~~PacifiCorp's OATT (currently section 13.8)~~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~~, subject to payment of the rate stated in the PacifiCorp OATT for non-firm point-to-point transmission service for any such use.~~ 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 ~~ADR~~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 ~~14.3~~14 of the CAISO Tariff will apply to liability arising under this Agreement, except that all references in Section ~~14.3~~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 ~~14.1~~14 of the CAISO Tariff shall be incorporated by reference into this Agreement except that all references in Section ~~14.1~~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 ~~and acceptance for filing by,~~ FERC.

12.2 ~~Changes in Rates.~~ ~~Nothing contained herein 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. The standard of review the Commission shall apply when acting on proposed modifications to this agreement, either on the Commission's own motion or on behalf of a signatory or a non-signatory, shall be the "public interest" standard of review. The term "rates" as used herein 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.~~**12.3** 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 and pursuant to the FERC's Rules and Regulations promulgated thereunder.

~~12.4~~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 and pursuant to the FERC's Rules and Regulations promulgated ~~there under~~thereunder in the event that PacifiCorp terminates its obligations under the OCOA or the ~~CPOA~~COI-POA, but the OCOA and the ~~CPOA~~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.~~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.

13.4 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. ~~Each Party~~The Parties irrevocably ~~consents~~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.

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 ~~hereof~~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

Title: Vice President, Operations

Date: _____

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: _____

SCHEDULE 1
PACIFICORP TRANSMISSION OWNERSHIP RIGHT

~~47 miles~~The PacifiCorp Share, i.e., the portion of the ~~500 kV~~ Malin ~~to~~ Round Mountain ~~#2 line south from the Malin substation to Indian Spring,~~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
Title:	Director, Transmission
Address:	825 NE Multnomah, Suite 1600
City/State/Zip Code:	Portland, OR 97232
Email Address:	~~Kenneth~~kenneth.houston@pacificorp.com
Phone:	(503) 813-~~6712~~6721
Fax No:	(503) 813-5767

Name of Alternative Representative:	James Tanneberger
Title:	~~Transmission Account~~ Manager, Contract Administration
Address:	825 NE Multnomah, Suite 1600
City/State/Zip Code:	Portland, OR 97232
Email Address:	james.tanneberger@pacificorp.com
Phone:	(503) 813-6138
Fax No:	(503) 813-5767

CAISO

Name of Primary Representative:	Roni L. Reese
Title:	Senior Contracts Analyst
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	rreese@~~ca~~CAISO~~O~~caiso.com
Phone:	(916) 608-7027
Fax No.:	(916) 608-7292

Name of Alternative Representative:	Philip D. Pettingill
Title:	Manager of Infrastructure Policy & Contract Negotiation
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	ppettingill@~~ca~~CAISO~~O~~caiso.com
Phone:	(916) 608-7241
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.

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
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SECRETARY
2007 NOV 21 A 10:57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 3

OPERATING AGREEMENT (CLEAN)

CAISO Original Rate Schedule FERC No. 65

November 21, 2007

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

PACIFICORP

OPERATING AGREEMENT

Operating Agreement

THIS AGREEMENT is made this 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, which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission 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 2012 and subject to the Lease, may offer transmission service under the PacifiCorp 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 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 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 scheduling, meter, and Outage information from PacifiCorp commencing in 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 into 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.

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.

CAISO Tariff means the transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission ("FERC") as they 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 dated October 21, 2004, among Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western") and the CAISO, as it may be amended.

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 it 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 ("OCOA") 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 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 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 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.

WECC means the Western Electric 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, 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 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 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. 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, 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.

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 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 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.

13.4 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.

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: _____

Title: _____

Date: _____

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: November 20, 2007

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

California Independent System Operator Corporation:

By: _____

Name: _____

Title: _____ Jim Detmers
Vice President, Operations

Date: _____ Date: 11/20/07

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

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
Title:	Director, 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
Title:	Manager, Contract Administration
Address:	825 NE Multnomah, Suite 1600
City/State/Zip Code:	Portland, OR 97232
Email Address:	james.tanneberger@pacificorp.com
Phone:	(503) 813-6138
Fax No:	(503) 813-5767

CAISO

Name of Primary Representative:	Roni L. Reese
Title:	Senior Contracts Analyst
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	rreese@caiso.com
Phone:	(916) 608-7027
Fax No.:	(916) 608-7292

Name of Alternative Representative:	Philip D. Pettingill
Title:	Manager of Infrastructure Policy & Contract Negotiation
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	ppettingill@caiso.com
Phone:	(916) 608-7241
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.

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10: 57
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 3

OPERATING AGREEMENT

(Redline vs. CAISO Original Rate Schedule FERC No. 65)

November 21, 2007

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

AND

PACIFICORP

OPERATING AGREEMENT

Operating Agreement

THIS AGREEMENT is made this 21st day of November, 2007 and is entered into, by and between:

(1) **PacifiCorp,** having a registered or principal executive office at ~~700~~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. ~~PacifiCorp owns a 47 mile segment of the Malin to Round Mountain #2 line of the Pacific AC Intertie ("PACI~~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 ~~to Round Mountain segments of the PACI comprise two of the three 500 kV lines that together constitute the California-Oregon Intertie ("COI"). PacifiCorp's 47 mile segment ("PACI-PN") runs from Malin substation to Indian Spring.~~ 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, which contains various components of an overall settlement, submitted for approval by the Federal Energy Regulatory Commission 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 2012 and

subject to the Lease, may offer transmission service under the PacifiCorp OATT using a designated share of the capacity of the Malin-Round Mountain No. 2 ("PacifiCorp Share"). PacifiCorp has elected to operate ~~PACI-PN~~the PacifiCorp Share within the CAISO Balancing Authority Area as a Non-Participating Transmission Owner ("Non-PTO").

~~B. PACI-PN interconnects with CAISO Controlled Grid facilities at the Indian Spring location, referenced above. Indian Spring is not a substation at the time of this agreement.~~

C. The CAISO is the Balancing Authority for the entire Malin-Round Mountain No. 2, including PacifiCorp's facilities between Malin ~~to~~and Indian Spring ~~facilities~~.

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 ("~~CPOA~~COI-POA"), governs coordinated operations of the PACI and COTP, collectively the "System."

E. ~~The OCOA requires each owner of System facilities to enter into an agreement with its~~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 ~~ensure is~~operate such facilities ~~are operated~~ in conformance with [the OCOA~~, including certain minimum requirements.~~]." Under revised 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 ~~is~~shall become 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 ~~PACI-PN,~~Malin-Round Mountain No. 2, which is the CAISO.

G. As the Balancing Authority for the ~~PACI-PN,~~Malin-Round Mountain No. 2, the CAISO needs scheduling, meter, and Outage information from PacifiCorp commencing in 2012 to fulfill its Balancing Authority responsibilities. Because PacifiCorp ~~is~~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 into 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.

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.

CAISO Tariff means the transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission ("FERC") as they may be amended from time to time, specifically including changes to the CAISO Tariff to implement ~~MRTU~~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 ("~~CPOA~~COI-POA") means the agreement dated October 21, 2004, among Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the COTP Participants, Western Area Power Administration ("Western") and the CAISO, as it may be amended.

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 ~~PACI-P~~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 it 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 ("OCOA") 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.

~~**PACI-P** means the portion of the Malin to Round Mountain #2 line of the PACI owned by PacifiCorp between Malin Substation and Indian Spring and the portion of the PACI owned by PG&E from Indian Spring to 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.~~

~~**PACI-PN** means the portion of the PACI-P owned by PacifiCorp between Malin Substation and Indian Spring.~~

~~**PACI-PN Interconnection Point** means the point of Interconnection on the PACI-PN line for interchange between the CAISO Balancing Authority Area and the adjacent Bonneville Power Administration Balancing Authority Area, located at the Malin substation.~~

~~**PACI-PN Terminus** means the point of Interconnection between the PACI-PN and the PG&E-owned portion of the Malin to Round Mountain #2 line, which is part of the CAISO Controlled Grid, located at Indian Spring, roughly mid-point on the Malin-Round Mountain #2 500 kV line.~~

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 ~~PACI-PN~~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 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 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.

WECC means the Western Electric 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's ~~ownership of the PACI-PN as detailed in Schedule 1. As a party to the OCOA, PacifiCorp requires the CAISO to perform certain functions as the Balancing Authority for PacifiCorp's ownership of the PACI-PN~~ 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, ~~2008,~~2012, or ii) the ~~later of the~~ date this Agreement, and amendments to the OCOA and the ~~CPOA~~COI-POA making PacifiCorp a party to the OCOA and the ~~CPOA~~COI-POA, are accepted for filing and made effective by FERC, 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; ~~or~~

(c) the termination of the ~~Transmission Exchange Agreement between the CAISO, PG&E, and the Western Area Power Administration.~~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 ~~thirty (30) days after the date of the CAISO's or PacifiCorp's notice of termination, 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 ~~CPOA~~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's ~~PACI-PN facilities~~ 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 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 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 ~~the portion of the PACI-P south of the PACI-PN Terminus~~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~~'s Electric System.~~ Share of the Malin-Round Mountain No. 2. Transmission service customers of PacifiCorp using the PacifiCorp~~'s Electric System~~ Share shall pay rates and charges in accordance with PacifiCorp's ~~Open Access Transmission Tariff ("PacifiCorp's OATT")~~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. 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 ~~**Establishment of Scheduling Point.** The CAISO will establish a Malin-Round Mountain #2 line Non-PTO Scheduling Point for the purpose of scheduling transactions using the PACI-PN that will be used until the effective date of the MRTU version of the CAISO Tariff. The Parties agree that the establishment of a Malin-Round Mountain #2 line Non-PTO Scheduling Point does not relieve customers from the obligation of taking transmission service under the CAISO Tariff to obtain service on the PG&E portion of the PACI-P. The Parties further~~**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 ~~portion~~share of the ~~PACI-P~~Malin-Round Mountain No. 2.

7.2 ~~**Establishment of a Pricing Node.** The CAISO will establish a Pricing Node (PNode) at Indian Spring to be used for establishing LMPs on and after the effective date of the MRTU version of the CAISO Tariff. The LMPs at each PNode shall be calculated in accordance with Section 27 of the MRTU version of the CAISO Tariff. **7.3 Scheduling.** Scheduling of~~**Scheduling.** Pacificorp or its designated Scheduling Coordinator shall schedule with the CAISO all transactions ~~at the Malin-Round Mountain #2 line Non-PTO Scheduling Point or to Indian Spring shall be~~ on the PacifiCorp Share in accordance with the scheduling provisions of the CAISO Tariff, 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 ~~at the Malin-Round Mountain #2 line Non-PTO Scheduling Point or at Indian Springon~~ 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.

~~7.4~~7.3 **Unused Capacity.** ~~Once~~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 ~~CAISO's Hour-Ahead Market or Hour-Ahead Scheduling~~

~~Process, as applicable~~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 ~~ADR~~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 Changes in Rates.** Nothing contained herein 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. The standard of review the Federal Energy Regulatory Commission shall apply when acting on proposed modifications of the rates for CAISO charges included in Section 6.3 of this Agreement, either on the Commission's own motion or on behalf of a signatory or non-signatory, shall be the "just and reasonable" standard of review rather than the "public interest" standard of review. The term~~

~~"rates" as used herein 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.~~**12.3** 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 and pursuant to the FERC's Rules and Regulations promulgated thereunder.

~~12.4~~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 and pursuant to the FERC's Rules and Regulations promulgated thereunder in the event that PacifiCorp terminates its obligations under the OCOA or the ~~CPOA~~COI-POA, but the OCOA and the ~~CPOA~~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.

13.4 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 ~~consents~~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.

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

Title: Vice President, Operations

Date: _____

PacifiCorp:

By: _____

Name: John Cupparo

Title: Vice President, Transmission

Date: _____

SCHEDULE 1
PACIFICORP TRANSMISSION OWNERSHIP RIGHT

~~47 miles of the 500 kV Malin to Round Mountain #2 line south from the Malin substation to Indian Spring.~~

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
Title:	Director, 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
Title:	Manager, Contract Administration
Address:	825 NE Multnomah, Suite 1600
City/State/Zip Code:	Portland, OR 97232
Email Address:	james.tanneberger@pacificorp.com
Phone:	(503) 813-6138
Fax No:	(503) 813-5767

CAISO

Name of Primary Representative:	Roni L. Reese
Title:	Senior Contracts Analyst
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	rreese@caiso.com
Phone:	(916) 608-7027
Fax No.:	(916) 608-7292

Name of Alternative Representative:	Philip D. Pettingill
Title:	Manager of Infrastructure Policy & Contract Negotiation
Address:	151 Blue Ravine Road
City/State/Zip Code:	Folsom, CA 95630
Email Address:	ppettingill@caiso.com
Phone:	(916) 608-7241
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.

ORIGINAL

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PacifiCorp	)	Docket No. ER07-882-000
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
PacifiCorp	)	Docket No. EL07-84-000
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
PacifiCorp	)	Docket No. ER07-1392-000
PacifiCorp	)	Docket No. ER08-143-000
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

OFFER OF SETTLEMENT AND STIPULATION AND APPENDICES

VOLUME 2 OF 2

Appendices 4-7 and Exhibits A and B

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:58
FEDERAL ENERGY
REGULATORY COMMISSION

Dated: November 21, 2007

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

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Offer of Settlement and Stipulation

APPENDIX 4

AMENDED OWNERS COORDINATED OPERATION AGREEMENT (CLEAN)

November 21, 2007

Owners Coordinated Operation Agreement

Among

Pacific Gas and Electric Company

and

Participants in the

California-Oregon Transmission Project

and

Western Area Power Administration

Governing the Coordinated Operation of the

Pacific AC Intertie and the California-Oregon

Transmission Project

Owners Coordinated Operation Agreement

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TABLE OF ACRONYMS AND ABBREVIATIONS

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

Owners Coordinated Operation Agreement

Among

Pacific Gas and Electric Company

and

Participants in the

California-Oregon Transmission Project

and

Western Area Power Administration

Governing the Coordinated Operation of the

Pacific AC Intertie and the California-Oregon

Transmission Project

1 PARTIES

This Owners Coordinated Operation Agreement Among Pacific Gas and Electric Company And Participants In the California-Oregon Transmission Project And Western Area Power Administration Governing the Coordinated Operation Of the Pacific AC Intertie and the California-Oregon Transmission Project ("Agreement") was originally entered into as of the 21st day of October 2004, and was made effective on January 1, 2005, and as amended is made and entered into as of this 21st day of November 2007, by and among the following: Pacific Gas and Electric Company ("PG&E"), each California-Oregon Transmission Project ("COTP") Participant, as defined in Section 4.16, and the Western Area Power Administration ("Western"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

2 RECITALS

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

2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie ("PACI") between Malin and Tesla substations.

2.2 PG&E constructed and owns most of the portions of the PACI in northern California, which operate in parallel with the COTP ("PACI-P").

2.3 PG&E has operated the PACI-P since December 20, 1967, and owns parts of the PACI which, under this Agreement, will be coordinated with the COTP Participants and Western. PG&E turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation ("CAISO"), which operates the Control Area in which the PACI is presently located.

2.4 Western owns a portion of the PACI ("PACI-W"), which had been coordinated with the PACI-P pursuant to Western's Contract With California Companies For Extra High Voltage Transmission And Exchange Service ("Contract 2947A"), which expired January 1, 2005.

2.5 PacifiCorp owns a portion of the PACI, which was coordinated with the PACI-P pursuant to an agreement between PacifiCorp and PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E") which terminates on December 31, 2007.

2.6 System coordination obligations and rights must be specified and adhered to so that all Parties can plan and operate their Electric Systems in an orderly and reliable manner.

2.7 The COTP was planned and built in coordination with the Northwest Reinforcement Project, increasing the electric power Transfer Capability between the Pacific Northwest and California.

2.8 Coordinated operation of the PACI and COTP has been governed by the Coordinated Operations Agreement ("COA"), filed as PG&E Rate Schedule FERC No. 146, which terminated upon the termination of Contract 2947A on January 1, 2005.

2.9 This Agreement is the successor agreement to the COA.

2.10 The COTP Participants or Western may decide to transfer respectively the COTP or the PACI-W or both to a Control Area different than that operated by the CAISO.

2.11 It is the Parties' desire, in accordance with the provisions of this Agreement, to:

2.11.1 Provide for the continued coordinated operation of the PACI and COTP;

2.11.2 Provide for the coordination of multiple Control Areas south of COB and establish the roles and process for the selection of a Path Operator for COI

2.11.3 Provide guidance for the coordination between the Path Operator for COI and the Northwest Path Operator, recognizing that this Agreement does not impose obligations on nor limit the operating discretion of the Pacific Northwest Path Operator; and

2.11.4 Provide that, when a Party makes a Modification, such Party shall avoid or compensate for any adverse impacts to another Party's interest in or rights to use the System resulting from such Modification and such Party shall be entitled to receive the benefits of such Modification.

3 AGREEMENT

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

4 DEFINITIONS

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

4.1 Administrative Committee:

The committee composed of one representative from PG&E, one from Western and one from the COTP Participants pursuant to Section 7.

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7.

4.3 Applicable Requirements:

In relation to a Party's interest in the System, any applicable law or regulation; any standards, procedures or requirements of (i) NERC, (ii) WECC, or (iii) any

other person or entity or tariff or rate schedule, that are legally binding on a Party's interest in the System, which may include operational control; in each case as amended from time to time and whether now existing or hereafter imposed or arising. The requirements applicable to one Party's interest in the System may not be applicable to another Party's interest in the System.

4.4 Available Scheduling Capability ("ASC"):

The maximum amount of power that can be scheduled over the System, as measured at COB and as determined in accordance with Section 11.1.

4.5 ASC Share:

The allocation of ASC to the PACI-P, PACI-W or COTP as calculated pursuant to Section 11.2.

4.6 Available System Transfer Capability ("ASTC"):

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

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

A California nonprofit, public benefit corporation that has operational control of the transmission facilities of certain Parties, dispatches certain generating units and loads, and is a Control Area Operator, or its successor in performing all these functions.

4.8 California-Oregon Border ("COB"):

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

4.9 California-Oregon Intertie ("COI"):

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

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

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

4.11 Clearance:

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

4.12 COI Path Operating Agreement:

The contract between the Parties and the Path Operator for COI entered into pursuant to Section 8.1.

4.13 Control Area:

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

4.14 Control Area Operator:

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

4.15 COTP:

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

4.16 COTP Participants:

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

4.17 COTP Terminus:

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

4.18 Curtailment:

A reduction in schedules across COI in accordance with Section 11.

4.19 E&O Committee:

The body composed of a representative each of PG&E, Western and the COTP Participants pursuant to Section 7.

4.20 E&O Representative:

A representative serving on the E&O Committee, designated in accordance with Section 7.

4.21 Effective Date:

The date on which this Agreement becomes effective as specified in Section 6.1, subject to the exceptions in that section.

4.22 Electric System:

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

4.23 FERC:

The Federal Energy Regulatory Commission or its regulatory successor.

4.24 Federal Power Act:

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

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

4.25 Indian Spring:

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

4.26 Interconnection:

The physical connection of the facilities of one Electric System to the facilities of another Electric System.

4.27 Modification:

The connection of generating facilities, loads, substation equipment or transmission lines to, or modifications of, any portion of the System or a Party's Electric System, which may include improvements, additions, extensions, expansions, replacements, substitutions or removals.

4.28 NERC:

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

4.29 Nomogram:

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

4.30 Non-Simultaneous Transfer Capability:

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

4.31 Operating Emergency:

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

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

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

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

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

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

4.32 Operational Transfer Capability Limit ("OTC"):

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

4.33 Pacific AC Intertie ("PACI"):

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

4.34 PACI-P:

For purposes of this Agreement, the portion of the PACI owned by PG&E and located between Indian Spring and the COTP Terminus and the portion of the PACI owned by PacifiCorp between Malin Substation and Indian Spring to which PG&E has rights.

4.35 PACI-W:

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

4.36 Pacific DC Intertie ("PDCI"):

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

4.37 Pacific Intertie:

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

4.38 Pacific Northwest Path Operator:

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

4.39 Path Operator for COI:

The entity selected pursuant to Section 8.1.2 of this Agreement, which performs the duties described in Section 8.1.6 of this Agreement.

4.40 Power Flow Reduction Measures:

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

4.41 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

4.42 Rated System Transfer Capability ("RSTC"):

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

4.43 Remedial Action Facilities ("RAF"):

The equipment and facilities installed to enable the implementation of RAS.

4.44 Remedial Actions:

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

4.45 Remedial Action Schemes ("RAS"):

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

4.46 RSTC Share:

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

4.47 Simultaneous Transfer Capability:

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

4.48 System:

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

4.49 Tesla ByPass:

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

4.50 Transfer Capability:

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

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

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

4.52 Transmission Network:

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

4.53 Uncontrollable Force:

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

governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

4.54 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

4.55 WECC:

The Western Electricity Coordinating Council or its successor.

4.56 Willful Action:

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

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

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

4.56.2 The phrase "employees having management or administrative responsibility," as used in Section 4.58.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

5 SCOPE OF AGREEMENT

This Agreement governs the coordinated operation of the PACI and COTP. It is the intent of the Parties to maintain the System as coordinated facilities to benefit its Transfer Capability. Except as to the use of the Tesla ByPass provided under this Agreement and as necessary to perform curtailment sharing obligations under Section 11 of this Agreement, no Party provides or shall be required to provide any transmission or other electric service to another Party under this Agreement.

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

Except for Sections 7.4 and 8.1, which became effective on June 1, 2004, and amendments hereto, which shall become effective on January 1, 2008, or the date on which FERC permits the amendments to become effective without change or condition unacceptable to any Party, whichever comes later, this Agreement became effective on and has an Effective Date of January 1, 2005.

6.2 Term

This Agreement shall terminate at the earliest of:

(a) 0000 hours on January 1, 2043;

(b) two years after written notice is given by an Administrative Representative;

(c) the date on which PacifiCorp first provides point-to-point transmission service from Malin to Round Mountain under its Open Access Transmission Tariff ("OATT"), unless the Commission has approved an amended Owners Coordinated Operation Agreement that includes PacifiCorp as a party, which is negotiated pursuant to the Settlement in FERC Docket Nos. ER07-882 and ER07-967;

(d) the date on which there is no longer an enforceable agreement between the COTP Participants and PG&E or filed rate schedule for the interconnection of the COTP and the PG&E Electric System, an enforceable agreement between PG&E and Western or filed rate schedule for the interconnection of their Electric Systems, or an enforceable

agreement between PG&E and PacifiCorp or filed rate schedule for the interconnection of their Electric Systems;

(e) one year after at least two of the Administrative Representatives have given notice of termination in accordance with Section 8.1.2.3; or

(f) the date when two of the three transmission lines that make up the System are permanently removed from service or are no longer interconnected to an Electric System.

As soon as practical prior to termination of this Agreement under subsections (a), (b), (c), (d), or (e) above, the Parties shall negotiate in good faith for a replacement agreement. If this Agreement is terminated pursuant to this Section 6.2, then any Party that requires FERC authorization to terminate service under this Agreement promptly shall file a notice of termination with the FERC. If and when this Agreement terminates pursuant to this Section 6.2, then all Parties that do not require authorization from FERC to terminate providing any service under this Agreement shall cease both to provide and to take any service under this Agreement or any rate schedule resulting in whole or part from this Agreement, regardless of any action or inaction by FERC as to any application by another Party to terminate service.

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties concerning administrative and technical matters that may arise in connection with this Agreement, PG&E, Western and the COTP Participants each shall designate one Administrative Representative with an alternate to serve on the Administrative Committee and one Engineering and Operations ("E&O") Representative with an alternate to serve on the E&O Committee. Each alternate shall have the authority to represent the Administrative Representative or the E&O Representative, as the case may be, in such Representative's absence. The Path Operator for COI shall be an ex-officio, non-voting member of each committee for matters related to path operation. The

Administrative Committee and the E&O Committee shall invite, at their discretion, the Path Operator for COI for matters other than those related to path operation, the COI Control Area Operator(s) or the Pacific Northwest Path Operator to attend any committee meeting to discuss any administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by unanimous vote of all voting committee representatives unless the committee decides otherwise by unanimous vote of all appointed voting committee representatives or unless otherwise specified in this Agreement.

7.2 Duties of Administrative Committee

The Administrative Committee shall:

7.2.1 Resolve issues regarding the interpretation of this Agreement;

7.2.2 Resolve issues that could not be resolved by the E&O Representatives

7.2.3 Select the Path Operator for COI, negotiate contractual arrangements with the Path Operator for COI and change the Path Operator for COI as necessary, pursuant to Section 8.1.2 of this Agreement.

7.2.4 Recommend amendments to the Agreement for consideration of the Parties; and

7.2.5 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

The E&O Committee shall:

7.3.1 Resolve issues among the Parties concerning the appropriate determination of the Transfer Capability of the System.

7.3.2 Resolve issues and jointly develop operating procedures with the Path Operator for COI concerning the appropriate determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with

the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees;

7.3.3 Resolve issues concerning the operating procedures of the Path Operator for COI;

7.3.4 Propose, review and develop operating procedures used by the Path Operator for COI to perform its duties under Section 8.1.6 of this Agreement;

7.3.5 Resolve issues that arise due to the Parties' Control Area Agreements and operating procedures of the Control Areas;

7.3.6 Resolve issues regarding the coordination of maintenance of the System;

7.3.7 Refer issues that cannot be resolved to the Administrative Committee; and

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

7.4 Designation of Representatives

PG&E, Western, and the COTP Participants shall designate their representatives and alternates prior to the Effective Date and give notice thereof to all Parties.

7.5 Changes of Representatives

PG&E, Western, and the COTP Participants may, at any time, change their designated representatives and alternates and shall promptly provide all Parties with notice of such change.

7.6 E&O Representative Review

All matters pertaining to the planning or operation of the System and all matters pertaining to the duties of the Path Operator for COI and its performance thereof requiring action or resolution by the Administrative Committee pursuant to this Agreement

shall be reviewed by the E&O Committee prior to referral to the Administrative Committee, unless otherwise agreed by the Administrative Committee.

7.7 Meetings

Any Administrative Representative or alternate may call meetings of the Administrative Committee upon reasonable advance notice to the other Administrative Representatives. A written agenda incorporating any items proposed by any Administrative Representatives shall be supplied for such meetings. Meetings may be conducted in person, by telephone, or by any other mutually agreed upon means. The Administrative Committee may invite others to participate in such meetings. The E&O Committee shall be subject to procedures and requirements analogous to the foregoing with respect to meetings of the Administrative Committee.

7.8 Committees

The Administrative Committee may establish such standing or ad hoc committees as it deems necessary to administer this Agreement. The authority and duties of any such committee shall be set forth in writing and shall be subject to the provisions of this Agreement.

7.9 Limitation of Authority

Unless otherwise specifically provided herein, this Agreement does not authorize the Administrative Committee, the E&O Committee or any standing or ad hoc committee to modify any term, covenant or condition of this Agreement.

7.10 Expense

Any expenses incurred by any representative, or by any standing or ad hoc committee member designated pursuant to this Section 7, shall be paid and borne by the Party on whose behalf such representative or member was designated.

8 SYSTEM OPERATIONS

8.1 Path Operator Agreement

8.1.1 Path Operator for COI

There shall be a Path Operator for COI designated as provided in this Section 8, with whom the Parties shall have a COI Path Operating Agreement pursuant to the requirements of this Section 8.

8.1.2 Selection or Change of the Path Operator for COI

8.1.2.1 Initial Path Operator for COI: The CAISO is the initial Path Operator for COI, and the Parties have entered into a COI Path Operating Agreement with the CAISO in accordance with Section 8.1.4. Upon commencement of duties by the Path Operator for COI selected pursuant to Section 8.1.2.2, the initial Path Operator for COI shall no longer perform the duties of that position.

8.1.2.2 Path Operator for COI: Any Party may propose to the Administrative Committee that it commence a selection process for a Path Operator for COI. If the proposal is to select a Path Operator for COI immediately following the initial Path Operator for COI and is made within one year of the Effective Date, then upon approval of a majority of the Administrative Committee, that process will commence. If the proposal to select a Path Operator for COI is made after one year of the Effective Date, then upon unanimous approval of the Administrative Committee, that process will commence. The Administrative Committee shall determine the nature and schedule for that process consistent with this Agreement, except that a Path Operator for COI shall be selected within six months of commencement. A decision to replace the Path Operator for COI, including the initial Path Operator for COI, with a different entity shall require the unanimous vote of the Administrative Committee.

8.1.2.3 Termination of Agreement If Path Operator for COI Not Selected: If the Administrative Committee has not selected a Path Operator for COI pursuant to Section 8.1.2.2 within the time required and a Path Operator for COI continues not to have been selected, then any two Administrative Representatives may give notice of termination of this Agreement in accordance with Section 6.2(e). If the Administrative Committee selects a Path Operator for COI after such notice has been given but before this Agreement terminates, such notice shall be deemed withdrawn and no longer effective.

8.1.3 Qualifications of the Path Operator for COI

No entity shall be eligible to be Path Operator for COI unless such entity is capable of meeting all applicable NERC and WECC standards and requirements to reliably perform path operator duties and is willing to warrant, in the COI Path Operating Agreement, that it has the expertise and financial resources necessary to perform and otherwise be responsible for all obligations of the Path Operator for COI under the COI Path Operating Agreement.

8.1.4 Negotiation of COI Path Operating Agreement

The Parties, acting through the Administrative Committee, shall negotiate a COI Path Operating Agreement with the Path Operator for COI, including the initial Path Operator for COI, to which all Parties to this Agreement and the Path Operator for COI shall be parties.

8.1.5 Termination of COI Path Operating Agreement with Path Operator for COI

The COI Path Operating Agreement shall provide that it can be terminated by unanimous vote of the Administrative Representatives pursuant to Section 8.1.2.2, and such termination shall be effective upon the effective date of a successor COI Path Operating Agreement. The COI Path Operating Agreement shall terminate not later than the termination of this Agreement.

8.1.6 Path Operator Duties:

The COI Path Operating Agreement at a minimum shall require the following duties of the Path Operator for COI:

8.1.6.1 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with this Agreement, and allocate ASC to the PACI-P, PACI-W and COTP in conformance with this Agreement, in such manner as to permit all affected transmission service providers to meet applicable open-access posting or service offer requirements;

8.1.6.2 Determine the need for and amount of Curtailments, and in coordination with the Pacific Northwest Path Operator and the applicable Control Area

Operators, determine the need for and the availability of, and implement appropriate Power Flow Reduction Measures;

8.1.6.3 Give timely notice to all COI Control Area Operators of the need for Curtailments and the revised allocations of ASC, and require COI Control Area Operators to curtail schedules or, to the extent such Curtailment cannot be timely made, implement such Power Flow Reduction Measures as are available and necessary to cause counter-flows equal to the required reduction in OTC, promptly enough to enable the Path Operator for COI to comply with WECC Reliability Management System Agreement and other applicable OTC management obligations;

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

8.1.6.4.1 Operating status of 500 kV and 230 kV equipment and related power flows and voltages;

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

8.1.6.4.3 RAS and telecommunications status and available remedial actions.

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

8.1.6.6 Monitor Unscheduled Flow at COI, allocate ASC to Control Areas in California for which the COI is a Control Area boundary;

8.1.6.7 Prior to satisfaction of the requirements necessary to initiate coordinated operation of phase shifters and other flow control devices under the WECC Unscheduled Flow Mitigation Plan, and to the extent beneficial, operate flow control devices made available by one or more Parties in accordance with the instructions of the applicable Party. Such instructions shall be determined by the E&O Committee based on studies and shall address the amount and allocation of benefits due to the operation of such

flow control devices consistent with Section 8.6.5, with due regard to the benefits provided by each Party making such devices available;

8.1.6.8 Implement the WECC Unscheduled Flow Mitigation Plan;

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

8.1.6.10 Perform or cause to be performed all things necessary to meet the criteria for path operation specified in the agreements referenced in Section 8.1.6.9 herein as well as other duties applicable to path operation required by WECC or NERC rules, standards or criteria;

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

8.1.6.12 Perform such other responsibilities and apply such policies and procedures as developed by the E&O Committee and approved by the Administrative Committee under this Agreement;

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

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

8.1.6.15 Provide timely communications to all COI Control Area Operators and the Pacific Northwest Path Operator. Such communications shall meet the scheduling requirements of the Control Area Operators, applicable WECC and NERC

interchange scheduling protocols and shall include but not be limited to the following information:

8.1.6.15.1 ASC Shares based on ASTC, Unscheduled Flow and applicable Nomograms;

8.1.6.15.2 Schedules exceeding ASC share; and

8.1.6.15.3 Each Control Area's share of intra-hour automatic generation control (AGC) ramps to respond to reductions in OTC as determined under Section 8.1.6.2 and in accordance with the allocation method established in the COI Path Operating Agreement.

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

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

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

8.1.6.19 Enter into, maintain, amend and enforce agreements with COI Control Area Operators (i) necessary to perform obligations under the COI Path Operator Agreement, including but not limited to those duties pursuant to Sections 8.1.6.2, 8.1.6.3, 8.1.6.6, 8.1.6.10, 8.1.6.11, 8.1.6.13 and 8.1.6.15, and (ii) that prohibit the application to the Path Operator for COI, whether or not it is also a Control Area Operator, of any requirement, rule, obligation, rate or charge in a tariff, rate schedule or other document issued or revised by the Control Area Operator without the written consent of the Path Operator for COI, provided that if the Path Operator is also an COI Control Area Operator, without the written consent of the Administrative Committee;

8.1.6.20 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of the COI and perform other obligations under the COI Path Operator Agreement and in Section 8.5, which coordination shall be under a contract to the extent feasible.

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

8.1.8 Sharing Path Operator Costs. Except for service provided by the Path Operator for less than all Parties, to the extent such service is provided under the COI Path Operating Agreement, or as provided in relation to Sections 8.1.6.10 and 0 of this Agreement, the COI Path Operating Agreement shall obligate each Party to pay a share of all amounts owed by the Parties to the Path Operator for services rendered under the COI Path Operating Agreement in proportion to that Party's rights to use RSTC.

8.2 Control Area Agreements

8.2.1 Each Party shall make arrangements, either collectively or individually, 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 this Agreement. Such arrangements shall obligate the Party to provide compensation to the COI Control Area Operator for any sanctions incurred by the latter arising from the WECC Reliability Management System Agreement in relation to duties of the Path Operator for COI under Section 8.1.6.3, due to the action or inaction of the Party for whom or on whose behalf the Control Area Operator acts in relation to the Path Operator for COI.

8.2.2 At a minimum, each Party shall require that its respective Control Area Operator perform the following:

8.2.2.1 Respond to operating requests from the Path Operator for COI in a timely manner unless specific threats to human safety or serious and imminent adverse impacts to reliability of the Control Area would result;

8.2.2.2 Coordinate maintenance schedules and operation of the System as may be required to: maintain the reliability of the interconnected Electric Systems, minimize the total cost of maintenance, reduce losses, maintain voltage levels, minimize reactive interchange, and minimize the magnitude and duration of reductions in ASTC;

8.2.2.3 Coordinate the removal from, and restoration to, service for any System facilities or other facilities which affect ASTC within its Control Area;

8.2.2.4 Coordinate and approve Clearances 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 Clearances must be approved by the appropriate Control Area Operator, which approval shall be granted unless the Control Area Operator determines that the requested Clearance would adversely affect the safe and reliable operation of its Control Area or other Control Areas and the reasonably economic operation of its Control Area. Each Party also shall notify the Path Operator for COI of plans, schedules and status of all Clearances that affect ASTC;

8.2.2.5 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;

8.2.2.6 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;

8.2.2.7 Provide total schedules across COI to the Path Operator for COI; and

8.2.2.8 In the event of, and for the duration of, an Operating Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Prudent Utility Practice as the Control Area Operator determines necessary to mitigate or eliminate the Operating Emergency or Uncontrollable Force. Such action may include or result in, without limitation, Power Flow Reduction Measures, Curtailments in accordance

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

8.2.3 Each Party's arrangement with its Control Area Operator shall accommodate and authorize the rights, duties and actions of a Control Area Operator pursuant to Sections 8.6.6 and 8.6.7.

8.3 Parties' Obligations to Path Operator for COI

Each Party shall take the following actions on a timely basis, as also shall be specified in the COI Path Operating Agreement:

8.3.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI specifies is reasonably needed to determine ASTC;

8.3.2 Provide outage schedules for equipment that may impact the rating of the COI and

8.3.3 Provide or make arrangements for the provision of reliable telecommunications facilities required to transmit real-time information, specified in the COI Path Operating Agreement, to the Path Operator for COI to enable the path operator to comply with its obligations under Section 8.1.6.

8.4 Coordination Rights of Parties

The System shall be operated as a coordinated three-line transmission system. No Party shall be charged any rate and PG&E shall not be charged any transmission loss for any power, which flows over the System or over the Tesla ByPass. The preceding sentence shall not preclude appropriate remedies in the event that any Party adversely impacts another Party's rights under this Agreement to use the Tesla ByPass. Except to the extent necessary for sharing Curtailments, no Party shall have a right under this Agreement to have any of its power delivered on or otherwise have the use of transmission facilities owned by another Party. Except to the extent that Western has a separate arrangement under which it obtains additional rights in or to use the PACI-P, Western's coordination rights associated with PACI-W are limited to the sharing of facilities at or north of the Round Mountain Substation. Nothing in this Agreement is intended or shall be deemed to confer any right

upon Western to use any portion of the PACI-P south of Round Mountain Substation except for curtailment sharing and other rights under this Agreement associated with Western's COTP rights.

8.5 Operation of COI

The Path Operator for COI shall coordinate development with the Pacific Northwest Path Operator and maintain in effect operating procedures for the reliable operation and administration of the COI. Nothing in this Agreement or in any agreement between the Parties and the Path Operator for COI or in any agreement between any Party and its Control Area Operator shall preclude the allocation of ASTC or ASC on the basis of ASTC south of COI at times when OTC is limited by conditions north of COI.

8.6 Duties and Rights Retained by Parties

The Parties shall have the following rights and duties related to the operation of the System:

8.6.1 In coordination with other Parties that choose to participate, each Party may prepare long-term operating studies, including contingency studies of potential outages and disturbances, that affect ASTC;

8.6.2 Operation of the RAS and maintenance of the RAF shall be by owners of the RAF or as may be agreed by such owners. Installation and costs of any capital items necessary to maintain the RAS existing as of the Effective Date to standards determined by the Administrative Committee shall be shared pursuant to a separate agreement among the Parties.

8.6.3 Each Party shall operate, maintain and replace its Remedial Action Facilities, and shall provide and maintain such control and communication access to its switchable equipment and facilities, as is necessary to maintain the capability to support RSTC and ASTC of its RAS existing as of the Effective Date, provided that PG&E shall not be required to replace any Remedial Action or element thereof provided under its Comprehensive Agreement with the State of California Department of Water Resources, PG&E Rate Schedule FERC No. 77, upon cancellation or termination of that agreement. The capital and operating costs and responsibility for Remedial Actions of additional RAS

agreed upon by the Parties after the Effective Date shall be shared by the Parties *pro rata* in relation to RSTC Shares unless otherwise agreed in writing.

8.6.4 When accompanied with designated representatives of the owner(s) of the facilities, each Party may inspect such System facilities as is reasonably necessary to assure performance of its obligations under this Agreement.

8.6.5 Nothing in Section 8.1.6.7 or any other provision of this Agreement shall be interpreted to require a Party, its Control Area Operator or the Path Operator for COI to violate the WECC Unscheduled Flow Mitigation Plan or operate phase-shifters or other system elements for which such Party retains operational control in order to reduce Unscheduled Flow for the benefit of any other Party prior to the initiation of the WECC Unscheduled Flow Mitigation Plan, as that plan may be amended or superseded.

8.6.6 Voltage Control and Reactive Support

Each Party shall make available to its Control Area Operator and shall operate the voltage control and reactive facilities on its portion of the System to meet voltage control standards under Applicable Requirements. COI Control Area Operators shall coordinate the use of the available voltage control and reactive support devices to maintain the reliable operation of the System in accordance with Prudent Utility Practice.

8.6.7 Removal From and Restoration To Service

Each Party acting through its Control Area Operator may remove from service, and following an outage shall restore to service, all or part of its respective System facilities as set forth below. For purposes of this Section 8.6.7, each Party that operates System facilities shall designate and act through a single operating representative.

8.6.7.1 Scheduled Outages: Each Party's operating representative may remove from service all or part of that Party's System facilities if required for inspection, maintenance, equipment installation, repair or replacement, or other construction, provided that reasonable advance notice has been given of any scheduled outage and the estimated duration thereof to permit other affected Parties to consult on the timing and duration of such outage. If the Party desires to take such outage of all or part of its System facilities at a time to which one or more other Parties' operating representatives

do not agree, then the Party proposing the outage may take such outage, following any necessary Clearance approval, provided that any reduction in ASC that results from such outage shall be allocated in accordance with Section 11.2.2.

8.6.7.2 Unscheduled Maintenance/Forced Outages: If an unanticipated urgent situation, which need not be an Operating Emergency, makes advance notice of a maintenance outage to a System facility impractical or unreasonable, then the applicable Party may remove the affected facilities from service to perform the required maintenance, provided that this is done in accordance with Prudent Utility Practice and, to the extent possible, after coordinating any necessary Clearance approval with each affected Control Area Operator.

8.6.7.3 Restoration Following Outages: Following a partial or full outage of a System facility, the Party or Parties responsible for maintaining such facility shall restore such facility to its normal operating condition with all due expedition and in accordance with Prudent Utility Practice and Applicable Requirements. Each Party shall establish and maintain, out of its own funds, reasonable stocks of spare parts and amounts of emergency funds to facilitate such restoration. Lack of such spare parts or emergency funds to complete the expeditious restoration of such facility shall not excuse delay or failure to restore. Nothing in this Agreement obligates any Party to provide assistance to another Party in implementing such restoration. The E&O Committee shall establish standards for emergency funds and spare parts. If any Party fails to restore or return any System facility to service in accordance with this Section 8.6.7.3, then after seven days' notice from any other Party any reduction in ASC that results from such failure shall be allocated in accordance with Section 11.2.2.

8.7 Operating and Maintenance Standards and Responsibility

8.7.1 Operation, Maintenance, and Replacement Responsibilities

Each Party shall perform or cause to be performed the operation, maintenance, and replacement of its System facilities in accordance with Prudent Utility Practice, Applicable Requirements and the requirements of this Agreement.

8.7.2 Operation Standards

Each Party, in accordance with Prudent Utility Practice and Applicable Requirements, shall:

8.7.2.1 Operate, or cause to be operated, their facilities consistent with standards, policies and procedures set by the WECC;

8.7.2.2 Avoid imposing undue burdens on the interconnected Electric Systems of other Parties;

8.7.2.3 Operate and maintain its part of the System in order to minimize Electric System disturbances; and

8.7.2.4 Take reasonable measures to protect the System from adverse events which may originate on the Electric Systems of other Parties or third parties.

8.7.3 Use of Tesla ByPass

The Tesla ByPass shall be available for operation and use, in accordance with this Agreement, to PG&E and to the COTP Participants, their transmission service customers, and other parties with rights to use the PACI-P or COTP, so as to preserve such existing rights and entitlements without any charges.

8.7.4 Automatic Measures

Each Party shall utilize protective devices, including automatic devices and RAS, in order to (a) assist in maintaining the integrity and reliability of the System and interconnected Electric Systems of other Parties, and (b) reasonably minimize adverse impacts to public health and safety.

9 RATED SYSTEM TRANSFER CAPABILITY

The Parties are individually responsible for establishing and maintaining the rating and re-rating of their portions of System facilities, as well as those additional facilities relied upon to obtain the RSTC. The Parties, acting through the Administrative Committee, are collectively responsible for maintaining and, as may be agreed, enhancing the RSTC. The Administrative Committee may establish and revise procedures to coordinate compliance with the WECC ratings process, if applicable.

10 ALLOCATION OF RATED SYSTEM TRANSFER CAPABILITY

10.1 Current RSTC

As specified in the current WECC path rating catalog, as of the Effective Date, the Existing Rating (as that term is used in such catalog) of Path 66, which consists of the three-line 500-kV System, is 4,800 MW in the north-to-south direction and 3,675 MW in the south-to-north direction. For purposes of this Agreement, on the Effective Date the RSTC is the Existing Rating. The RSTC Shares are as follows:

10.1.1 North-to-South Transfers:

1600 MW for the PACI-P;

1600 MW for the PACI-W; and

1600 MW for the COTP.

10.1.2 South-to-North Transfers:

1225 MW for the PACI-P;

1225 MW for the PACI-W; and

1225 MW for the COTP.

10.2 Changes to RSTC

Pursuant to Section 12, RSTC may be changed based upon a Modification made to a Party's portion of the System. When such Modification is implemented, the RSTC Shares shall be adjusted as provided in Section 12, to reflect either the increase or decrease in RSTC, if any, of the Party's portion of the System that resulted from the Modification.

11 ALLOCATION OF ASC AND CURTAILMENTS

11.1 Determination of ASC and ASTC

The Path Operator for COI, in order to determine available transmission capacity and any need for Curtailments, shall: (i) determine ASTC for north-to-south and south-to-north transfers in accordance with Prudent Utility Practice, Applicable

Requirements and the operating studies described in Section 11.1.1, and (ii) determine ASC in accordance with Prudent Utility Practice, Applicable Requirements and Section 11.1.2.

11.1.1 Reductions Below RSTC

ASTC, the physical capability to transmit power across COI, may be determined to be below RSTC as a result of adverse operating conditions on the System or elsewhere in the interconnected Electric Systems. Adverse operating conditions include, but are not limited to, Operating Emergencies, Nomogram constraints, scheduled maintenance, RAS unavailability, facilities out of service, or adverse conditions in the Pacific Northwest or in California, including, but not limited to, total northern California hydroelectric generation output exceeding 90% of the maximum level, multiple thermal generating plant outages, equipment out of service, or equipment overloads. The Path Operator for COI shall, from time to time, in coordination with the E&O Committee and other Parties that Committee chooses to have participate, prepare power system studies reflecting reasonably anticipated operating conditions; and the Path Operator for COI shall determine ASTC based upon such studies as have been approved by the Administrative Committee, taking into account actual or anticipated operating conditions.

11.1.2 Reductions Below ASTC

11.1.2.1 Reductions for Loop Flow: The maximum amount of power that can be scheduled over the System as measured across COI is equal to ASC. This limit on scheduling capability may be below ASTC due to Loop Flow where actual flows exceed scheduled flows. Loop Flow shall be deducted from ASTC only on a real-time basis, or for the hour ahead, unless the Administrative Committee establishes an alternative procedure or unless the Path Operator for COI and the Pacific Northwest Path Operator agree to use a temporary alternative procedure to maintain reliable operation. If the Path Operator for COI agrees upon a temporary alternative procedure, the Path Operator for COI promptly shall give notice to and seek approval of the E&O Committee and the Administrative Committee for such temporary procedure. If such temporary procedure is not approved or extended within 30 days after notice to the E&O Committee, it shall no longer be effective.

11.1.2.2 Other Reductions by Path Operator for COI: The Path Operator for COI may reduce ASTC for safety factors or other considerations to maintain reliable operation, provided that the Path Operator for COI promptly shall seek the express approval of the E&O Committee and the Administrative Committee to continue such reduction.

11.2 Allocation of ASC

The Path Operator for COI shall allocate ASC to the COTP ASC Share, Western PACI-W Share, and the PACI-P ASC Share in accordance with this Section 11.2. Such sharing of ASC shall continue for the term of this Agreement, except as otherwise expressly provided.

11.2.1 Pro Rata Allocation of ASC

Except as provided in Sections 11.2.2 and 11.2.3, the allocation of ASC among the COTP ASC Share, Western's PACI-W ASC Share, and the PACI-P ASC Share shall be calculated on a pro rata basis according to the COTP RSTC Share and the PACI RSTC Share in a north-to-south direction and separately in a south-to-north direction using the following allocation formulas.

$$\text{COTP ASC Share (In Megawatts)} = \frac{\text{COTP RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

$$\text{PACI-W ASC Share (In Megawatts)} = \frac{\text{PACI-W RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

$$\text{PACI-P ASC Share (In Megawatts)} = \frac{\text{PACI-P RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

11.2.2 Exceptions To Pro Rata Allocation Of ASC:

If a Party takes a scheduled outage of all or part of its portion of the System at a time not agreed to by the other affected Party or Parties pursuant to Section 8.6.7.1, or if a Party fails to restore promptly a facility to service following an outage pursuant to Section 8.6.7.3 and seven days' notice has been given pursuant to that section, then to the extent any reduction in ASC results from such outage, that reduction in ASC shall be allocated entirely to the ASC Share associated with that Party for the remaining duration of the outage. The

specified amount of reduction in ASC required under this Section 11.2.2 shall be allocated to the PACI-P, PACI-W or the COTP alone. Any additional reduction in ASC required to equal the total reduction in ASC shall be allocated *pro rata* in accordance with Section 11.2.1.

11.2.3 Other Sharing Arrangements

The Parties may, from time to time, allocate reductions in ASC in ways other than as provided in this Section 11.2, or may make other arrangements that will result in minimizing reductions in ASC, under terms and conditions as they may hereafter agree.

11.3 Curtailment of Scheduled System Transfers

Each Party shall be responsible to its Control Area Operator for reducing its schedules, providing for sufficient intra-hour generation response or taking such other measures as its Control Area Operator deems acceptable to enable the Control Area Operator to implement Power Flow Reduction Measures including Curtailments in accordance with Section 8.1.6.3.

12 MODIFICATIONS

Each Party shall have the right to modify its portion of the System. Such Party (the "Modifying Party") shall have the following rights and obligations with respect to the other Parties.

12.1 Avoiding Adverse Impacts to RSTC

The Modifying Party, at its own expense, may make Modifications to any portion of the System that it owns or to its Electric System. In so doing, the Modifying Party shall avoid adverse impacts, including adverse impacts that would reduce RSTC, materially reduce ASTC or cause increased risk of Curtailments, and to the extent it does not avoid such adverse impacts shall fully compensate affected Parties. Removal from service of a facility that is not a part of the System shall not be considered a Modification for purposes of this Section 12.

12.2 Notification of Proposed Modifications

Prior to making any firm commitment to proceed with a Modification, which reasonably may be expected to either increase or reduce RSTC, materially reduce ASTC or cause increased risk of Curtailments, the Modifying Party shall notify the Administrative Committee. Such notification shall include description of the proposed Modification and an assessment of its effects on RSTC, ASTC and Curtailments, including a description of the studies performed to make such assessment.

12.3 Parties' Assessment of Modification

Within 90 days of notice of a proposed Modification, any Party with reasonable concerns as to the accuracy or completeness of the studies performed or the results thereof shall notify the Administrative Committee of its concerns. The Administrative Committee shall resolve such concerns by taking appropriate action in accordance with WECC policies and procedures, which may include requiring further studies. No Modifying Party shall implement any such proposed Modification until all reasonable concerns are resolved. If the Parties cannot resolve the concerns within a reasonable time and the Modifying Party desires to proceed with the Modification, the issue shall be addressed through the dispute resolution procedures set forth in Section 14.

12.4 Participation in Modification

All Parties will be allowed to participate in any Modification that affects the System on a non-discriminatory basis. Each Party's maximum participation, as to both rights and costs, shall be in proportion to its current RSTC and the RSTC of all Parties participating in the Modification.

12.5 Modifications Resulting in a Decrease in RSTC

In the event that a Modification results in a decrease in RSTC, a new RSTC Share shall be calculated in accordance with Section 10. The decrease in RSTC shall be subtracted from each Party's RSTC Share in proportion to the Party's financial participation in the Modification unless otherwise agreed by the Parties.

12.6 Modifications Resulting in an Increase in RSTC

In the event that a Modification enables an increase in RSTC, a new RSTC Share shall be calculated in accordance with Section 10. The increase in the RSTC shall be added to each Party's RSTC Share in proportion to that Party's financial participation in the Modification unless otherwise agreed by the Parties participating in the Modification.

12.7 Parties Held Harmless From Modifications

The Modifying Party shall hold those Parties not participating in a Modification harmless with regard to all loss, damage, claim, cost, charge or expense related to a Modification, provided, however, that each Party shall bear its own cost for its own studies or for the costs of its participation in any WECC or regulatory process in which each Party chooses to participate.

13 CONTROLLING AGREEMENT

If any conflict or inconsistency should exist between this Agreement and any other agreement, rate schedule or tariff otherwise applicable to the operation, use, rating or coordination of the PACI-P, PACI-W, COTP or System, then this Agreement shall govern to the extent permitted by law.

14 PAYMENT AND DISPUTE RESOLUTION

14.1 Manner of Resolution

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

14.2 Billing and Payment

The Parties do not contemplate any routine billings arising out of this Agreement. In the event that any amounts are owed to a Party under this Agreement, such as in relation to Section 12.1, the following shall apply:

14.2.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) or, at the election of the billed Party, to an escrow account in accordance with Section 14.4.2 (for disputed amounts). Payment of any bill must be received by the Party owed or deposited into the escrow account no later than 20 calendar days after delivery (such date, for purposes of this Section 14, is the "Payment Due Date").

14.2.2 Full Payment

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

14.2.3 Late Payments

Bills that are not paid in full by the Payment Due Date shall accrue interest in accordance with FERC regulations at 18 C.F.R. § 35.19a(a)(2), as they may be amended or superseded (for purposes of this Section 14, "Interest"). Interest shall accrue daily on the unpaid amount from the Payment Due Date until the date that full payment, including accrued Interest, is received by the Party owed.

14.2.4 Estimated Billings

If charges cannot be determined sufficiently to prepare a timely bill for any applicable charges arising under this Agreement, the Party owed may render an estimated bill, based on its good faith estimate of the amount owed, and such estimated bill shall be paid in accordance with this Section 14.

14.2.5 Adjusted Bills

If an estimated bill has been rendered, then when final and complete billing information becomes available and charges can be determined accurately, the Party owed shall prepare and submit an adjusted bill.

14.2.6 Additional Payments and Refunds

Additional payments (by the Party owing) or refunds (by the Party owed) shall be made within 20 calendar days of delivery of the adjusted bill. Refunds shall be subject to Interest. Interest on a refund shall accrue daily from the date that the payment of the applicable bill was received by the Party owed until the date the Party owing delivers the refund, including accrued Interest.

14.2.7 Disputed Bills

14.2.7.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 14.2.7.2. The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

14.2.7.2 Escrow Account: The escrow account established pursuant to Section 14.2.7.1 shall be with an escrow agent selected by the paying owing Party and approved

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

15 ASSIGNMENT

A Party may assign its rights and obligations under this Agreement to another person with the consent of the other Parties, which consent shall not be unreasonably withheld. The assignee shall expressly assume in writing the duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect. To the extent directed by Congress, Western may assign any right or interest under this Agreement that it may have without the consent of any Party, subject to the assumption obligation in this Section 15.

16 LIABILITY

16.1 Scope of Liability

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

16.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose electric customer shall make a claim or bring an action against such other Party for any death, injury, loss or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees and agents from and against any liability for such death, injury, loss or damage; provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party which cannot lawfully indemnify pursuant to this Section 16.2. The term "electric customer" shall mean any electric customer to which no power or energy is delivered for resale.

16.3 Protection of Facilities

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

17 UNCONTROLLABLE FORCE

17.1 No Default

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

17.2 No Settlement Obligation

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

17.3 Notice and Removal Obligation

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

18 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.

19 REGULATORY AUTHORITY

19.1 FERC Jurisdiction

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

19.2 Changes in Rates

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

20 NO EXCLUSIVE REMEDY

Subject to the provisions of Section 15, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

21 GOVERNING LAW

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

22 NON-WAIVER

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

23 NOTICES

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement.

24 NO THIRD PARTY BENEFICIARIES

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

25 RELATIONSHIP OF THE PARTIES

25.1 Except as otherwise provided in this Agreement, the covenants, obligations, rights and liabilities of the Parties under this Agreement are intended to be several and not

joint or collective. It is the intent of the Parties not to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, or with regard to, any Party.

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

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

25.4 The Parties hereby affirm their election to be excluded from the application of Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, as it may from time to time be amended. In addition, should the United States Internal Revenue Service ("IRS") require that a new election be made pursuant to this Agreement, each Party hereby makes such new election and further agrees to execute such documents and furnish such other evidence as may be required by the IRS or as may otherwise be necessary to evidence such election. No Party shall take any other action inconsistent with the election to be excluded from the application of Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, as it may from time to time be amended. If any present or future income tax law of the State of California or any further income tax law of the United States contains, or shall hereafter contain, provisions similar to those contained in Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, under which an election similar to the one referred to above is permitted, each of the Parties shall make such election as may be permitted by such laws.

26 TITLES

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

27 NO PRECEDENTS

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

28 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

28.1 Adverse Determination

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

28.2 Expansion Of Obligations

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

28.3 Renegotiation

If, within three months after an order or decision as described in Sections 28.1 and 28.2, the Parties either: (i) do not agree that a renegotiation is feasible or

necessary; or (ii) cannot agree to amend or supersede this Agreement, then (a) any Party may initiate dispute resolution in accordance with Section 14; (b) any Party subject to Section 205 of the Federal Power Act may unilaterally file with the FERC an amendment to this Agreement or a replacement agreement; or (c) any Party may take any action before the FERC or elsewhere that it deems appropriate, including filing under Section 206 of the Federal Power Act. As used in this Section 28, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

29 SEVERABILITY

If any term, covenant or condition of this Agreement, or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 29 shall limit the rights of any Party under Section 28.

30 PRESERVATION OF OBLIGATIONS

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

31 INTEGRATION OF AGREEMENT

This Agreement constitutes the complete and final expression of the rights and obligations of the Parties in connection with the subject matter of this Agreement and is

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

32 APPENDICES INCORPORATED

All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

33 JUDGMENTS AND DETERMINATIONS

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

34 FEDERAL PROVISIONS

34.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

34.2 Officials Not to Benefit

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

34.3 Covenant Against Contingent Fees

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

34.4 Contract Work Hours and Safety Standards

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

34.5 Equal Opportunity Employment Practices

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

34.6 Use of Convict Labor

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

35 SUCCESSOR IN INTEREST:

Each successor in interest to any right, title, interest in or use of the ASC Share of any Party shall be bound by all terms and conditions of this Agreement as if such successor had duly executed this Agreement. Any transfer limited to the operational control of a

Party's right or interest in the System is not intended to create a successor in interest unless the transfer is permanent and irrevocable.

36 SIGNATURES; EXECUTION IN COUNTERPARTS:

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

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

Transmission Agency of Northern California

By: _____

Name: Chairman

Title: _____

Date: 11-20-07

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: _____

Name: Edward A. Salas

Title: Senior Vice President – Engineering and Operations

Date: _____

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

Transmission Agency of Northern California

By: _____

Name: _____

Title: Chairman

Date: _____

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: 11/20/07

Pacific Gas and Electric Company

By: _____

Name: Edward A. Salas

Title: Senior Vice President – Engineering and Operations

Date: _____

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

Transmission Agency of Northern California

By: _____

Name: _____

Title: _____

Date: _____

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: _____

Name: Edward A. Salas

Title: Senior Vice President – Engineering and Operations

Date: November 20, 2007

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

City of Redding

By: James C. Feider

Name: James C. Feider

Title: Director, Electric Department

Date: 11-20-07

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

San Juan Suburban Water District

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A
Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

Carmichael Water District
Mr. Steve Nugent
General Manager
7837 Fair Oaks Boulevard
Carmichael, CA 95608

Pacific Gas and Electric Company
Edward A. Salas, Senior Vice President – Engineering and Operations
77 Beale Street, Mail Code B32
San Francisco, CA 94105

San Juan Suburban Water District
Mr. Shauna Lorance
General Manager
9935 Auburn Folsom Road
Granite Bay, CA 95746

Transmission Agency Of Northern California
Mr. James C. Feider
3100 Zinfandel, Suite 600
Rancho Cordova, CA 95670

City of Redding
Mr. James C. Feider
777 Cypress Avenue
Redding, CA 96049-6071

City Of Vernon
Mr. Bruce V. Malkenhorst
4305 Santa Fe Avenue
Vernon, CA 90058

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

ORIGINAL

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	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
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	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

2007 NOV 21 A 10:58
FILED
OFFICE OF THE
SECRETARY
FEDERAL ENERGY
REGULATORY COMMISSION

APPENDIX 4

AMENDED OWNERS COORDINATED OPERATION AGREEMENT (REDLINE)

November 21, 2007

Owners Coordinated Operation Agreement

Among

~~**Southern California Edison Company,**~~

Pacific Gas and Electric Company,

~~**San Diego Gas & Electric Company**~~

and

Participants in the

California-Oregon Transmission Project

and

Western Area Power Administration

Governing the Coordinated Operation of the

Pacific AC Intertie and the California-Oregon

Transmission Project

Owners Coordinated Operation Agreement

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TABLE OF ACRONYMS AND ABBREVIATIONS

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

Owners Coordinated Operation Agreement

~~**between**~~

~~**Southern California Edison Company,**~~

Among

Pacific Gas and Electric Company,

~~**San Diego Gas & Electric Company**~~

and

Participants in the

California-Oregon Transmission Project

and

Western Area Power Administration

Governing the Coordinated Operation of the

Pacific AC Intertie and the California-Oregon

Transmission Project

1 PARTIES

This Owners Coordinated Operation Agreement Among ~~Southern California Edison Company,~~ Pacific Gas and Electric Company, ~~San Diego Gas & Electric Company~~ And Participants In the California-Oregon Transmission Project And Western Area Power Administration Governing the Coordinated Operation Of the Pacific AC Intertie and the California-Oregon Transmission Project ("Agreement") ~~is~~ was originally entered into as of the 21st day of October 2004, and was made effective on January 1, 2005, and as amended is made and entered into as of this 21st day of November 2007, by and among the following: ~~Southern California Edison Company ("Edison"),~~ Pacific Gas and Electric Company ("PG&E"), ~~San Diego Gas & Electric Company ("SDG&E"),~~ each California-Oregon Transmission Project ("COTP") Participant, as defined in Section 4.16, and the Western Area Power Administration ("Western"), hereinafter sometimes referred to collectively as "Parties" and individually as a "Party."

2 RECITALS

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

2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie ("PACI") between Malin and Tesla substations.

2.2 PG&E constructed and owns most of the portions of the PACI in northern California, which operate in parallel with the COTP ("PACI-P").

2.3 ~~PG&E, Edison and SDG&E (collectively "The Companies" and individually a "Company") are parties to the California Companies' Pacific Intertie Agreement ("CCPIA") under which~~ PG&E has operated the PACI-P since December 20, 1967, and ~~pursuant to which Edison and SDG&E obtain rights and have obligations regarding use~~owns parts of the PACI which, under this Agreement, will be coordinated with the COTP Participants and Western ~~for the remaining term of the CCPIA~~. PG&E~~, Edison and SDG&E~~ turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation ("CAISO"), which operates the Control Area in which the PACI is presently located.

2.4 Western owns a portion of the PACI ("PACI-W"), which ~~has~~had been coordinated with the PACI-P pursuant to Western's Contract With California Companies For Extra High Voltage Transmission And Exchange Service ("Contract 2947A"), which ~~expires~~expired January 1, 2005.

2.5 PacifiCorp owns a portion of the PACI, which ~~is~~was coordinated with the PACI-P pursuant to an agreement between PacifiCorp and ~~the Companies~~PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E") which terminates on ~~July~~December 31, 2007.

2.6 System coordination obligations and rights must be specified and adhered to so that all Parties can plan and operate their Electric Systems in an orderly and reliable manner.

2.7 The COTP was planned and built in coordination with the Northwest Reinforcement Project, increasing the electric power Transfer Capability between the Pacific Northwest and California.

2.8 Coordinated operation of the PACI and COTP has been governed by the Coordinated Operations Agreement ("COA"), filed as PG&E Rate Schedule FERC No. 146, which ~~terminates~~terminated upon the termination of Contract 2947A on January 1, 2005.

2.9 This Agreement is the successor agreement to the COA.

2.10 The COTP Participants or Western may decide to transfer respectively the COTP or the PACI-W or both to a Control Area different than that operated by the CAISO.

2.11 It is the Parties' desire, in accordance with the provisions of this Agreement, to:

2.11.1 Provide for the continued coordinated operation of the PACI and COTP;

2.11.2 Provide for the coordination of multiple Control Areas south of COB and establish the roles and process for the selection of a Path Operator for COI

2.11.3 Provide guidance for the coordination between the Path Operator for COI and the Northwest Path Operator, recognizing that this Agreement does not impose obligations on nor limit the operating discretion of the Pacific Northwest Path Operator; and

2.11.4 Provide that, when a Party makes a Modification, such Party shall avoid or compensate for any adverse impacts to another Party's interest in or rights to use the System resulting from such Modification and such Party shall be entitled to receive the benefits of such Modification.

3 AGREEMENT

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

4 DEFINITIONS

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

4.1 Administrative Committee:

The committee composed of one representative from ~~the Companies~~PG&E, one from Western and one from the COTP Participants pursuant to Section 7.

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7.

4.3 Applicable Requirements:

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

4.4 Available Scheduling Capability ("ASC"):

The maximum amount of power that can be scheduled over the System, as measured at COB and as determined in accordance with Section 11.1.

4.5 ASC Share:

The allocation of ASC to the PACI-P, PACI-W or COTP as calculated pursuant to Section 11.2.

4.6 Available System Transfer Capability ("ASTC"):

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

~~4.7 California Companies Pacific Intertie Agreement ("CCPIA"):~~

~~That agreement dated August 25, 1966, among the Companies, as it may be amended or superseded.~~

~~4.8~~4.7 California Independent System Operator Corporation ("CAISO"):

A California nonprofit, public benefit corporation that has operational control of the transmission facilities of certain Parties, dispatches certain generating units and loads, and is a Control Area Operator, or its successor in performing all these functions.

~~4.9~~4.8 California-Oregon Border ("COB"):

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

~~4.10~~4.9 California-Oregon Intertie ("COI"):

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

~~4.11~~4.10 California-Oregon Intertie Control Area Operator ("COI Control Area Operator"):

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

~~4.12~~4.11 Clearance:

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

~~4.13~~4.12 COI Path Operating Agreement:

The contract between the Parties and the Path Operator for COI entered into pursuant to Section 8.1.

~~4.14 Companies:~~

~~Edison, PG&E, and SDG&E, and their successors and assigns, provided that following the termination of service under the CCPIA, the term Companies shall mean PG&E and its successors and assigns.~~

~~4.15~~4.13 Control Area:

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

~~4.16~~4.14 Control Area Operator:

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

~~4.17~~4.15 COTP:

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

~~4.18~~4.16 COTP Participants:

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

~~4.19~~4.17 COTP Terminus:

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

~~4.20~~4.18 Curtailment:

A reduction in schedules across COI in accordance with Section 11.

~~4.21~~4.19 E&O Committee:

The body composed of a representative each of ~~the Companies~~PG&E, Western and the COTP Participants pursuant to Section 7.

~~4.22~~4.20 E&O Representative:

A representative serving on the ~~Administrative~~E&O Committee, designated in accordance with Section 7.

~~4.23~~4.21 Effective Date:

The date on which this Agreement becomes effective as specified in Section 6.1, subject to the exceptions in that section.

~~4.24~~4.22 Electric System:

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

~~4.25~~4.23 FERC:

The Federal Energy Regulatory Commission or its regulatory successor.

~~4.26~~4.24 Federal Power Act:

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

~~4.27~~4.25 Indian Spring:

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

~~4.28~~4.26 Interconnection:

The physical connection of the facilities of one Electric System to the facilities of another Electric System.

~~4.29~~4.27 Modification:

The connection of generating facilities, loads, substation equipment or transmission lines to, or modifications of, any portion of the System or a Party's Electric System, which may include improvements, additions, extensions, expansions, replacements, substitutions or removals.

~~4.30~~4.28 NERC:

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

~~4.31~~4.29 Nomogram:

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

~~4.32~~4.30 Non-Simultaneous Transfer Capability:

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

~~4.33~~4.31 Operating Emergency:

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

~~4.33.14~~.31.1 Preserve, maintain, or reestablish the safety, reliability, integrity or operability of the affected Control Area(s), the System, or such other electric facilities as have been affected;

~~4.33.24~~.31.2 Avoid a hazard to the property, health or safety of employees or the public;

~~4.33.34~~.31.3 Minimize or avoid loss of load or the inability to furnish any electric service; or

~~4.33.44~~.31.4 Maintain the frequency or voltage of a Party's Electric System.

~~4.344~~.32 Operational Transfer Capability Limit ("OTC"):

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

~~4.354~~.33 Pacific AC Intertie ("PACI"):

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

~~4.36~~4.34 PACI-P:

For purposes of this Agreement, the portion of the PACI owned by PG&E and located between Indian Spring and the COTP Terminus and the portion of the PACI owned by PacifiCorp between Malin Substation and Indian Spring to which ~~the Companies have~~PG&E has rights.

~~4.37~~4.35 PACI-W:

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

~~4.38~~4.36 Pacific DC Intertie ("PDCI"):

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

~~4.39~~4.37 Pacific Intertie:

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

~~4.40~~4.38 Pacific Northwest Path Operator:

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

~~4.41~~4.39 Path Operator for COI:

The entity selected pursuant to Section 8.1.2 of this Agreement, which performs the duties described in Section 8.1.6 of this Agreement.

~~4.42~~4.40 Power Flow Reduction Measures:

Actions taken to promptly and rapidly reduce power flow, including but not limited to: the circulation of power on the PDCI, the increase of generation within the control area through changes initiated by a Control Area Operator that create counter flow,

and Curtailments that result in immediate responses from the parties to scheduled transactions to change the amount of generation or load accordingly.

~~4.43~~4.41 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

~~4.44~~4.42 Rated System Transfer Capability ("RSTC"):

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

~~4.45~~4.43 Remedial Action Facilities ("RAF"):

The equipment and facilities installed to enable the implementation of RAS.

~~4.46~~4.44 Remedial Actions:

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

~~4.47~~4.45 Remedial Action Schemes ("RAS"):

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

~~4.48~~4.46 RSTC Share:

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

~~4.49~~4.47 Simultaneous Transfer Capability:

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

other interacting paths or circuits. It is normally defined by its interactive relationship in the form of Nomograms with the flows on other transfer paths or circuits.

~~4.50~~4.48 System:

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

~~4.51~~4.49 Tesla ByPass:

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

~~4.52~~4.50 Transfer Capability:

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

~~4.53~~4.51 Transmission Agency of Northern California ("TANC"):

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

~~4.54~~4.52 Transmission Network:

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

~~4.55~~4.53 Uncontrollable Force:

Any cause beyond the control of a Party which renders it unable to perform an obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, volcanic activity, tornado, storm, drought, fire, pestilence, lightning, and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, vandalism,

strike, labor dispute, labor or material shortage, sabotage, terrorism, governmental priorities or restraint by court order or public authority and action or non-action by, or inability to obtain or maintain in effect any necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

~~4.56~~4.54 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

~~4.57~~4.55 WECC:

The Western Electricity Coordinating Council or its successor.

~~4.58~~4.56 Willful Action:

~~4.58.1~~4.56.1 Action taken or not taken by, or on behalf of, a Party at the direction of its members, directors, members of its governing body or bodies, authority or authorities, officers or employees having management or administrative responsibility, or agents acting in comparable capacity, which is either of the following:

~~4.58.1.1~~4.56.1.1 Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or

~~4.58.1.2~~4.56.1.2 Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree for curing such default, or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

~~4.58.2~~4.56.2 The phrase "employees having management or administrative responsibility," as used in Section 4.58.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

~~4.58.3~~4.56.3 Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

5 SCOPE OF AGREEMENT

This Agreement governs the coordinated operation of the PACI and COTP. It is the intent of the Parties to maintain the System as coordinated facilities to benefit its Transfer Capability. Except as to the use of the Tesla ByPass provided under this Agreement and as necessary to perform curtailment sharing obligations under Section 11 of this Agreement, no Party provides or shall be required to provide any transmission or other electric service to another Party under this Agreement.

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

Except for Sections 7.4 and 8.1, which became effective on June 1, 2004, and amendments hereto, which shall become effective on ~~June 1, 2004, this Agreement shall become effective and shall have an Effective Date on the later of: (a)~~ January 1, ~~2005~~2008, or ~~(b)~~ the date on which FERC permits ~~it~~the amendments to become effective without change or ~~new~~ condition unacceptable to any Party, whichever comes later, this Agreement became effective on and ~~shall thereafter be binding upon and enforceable against each Party taking service under this Agreement~~has an Effective Date of January 1, 2005.

6.2 Term

This Agreement shall terminate at the earliest of:

(a) 0000 hours on January 1, 2043;

(b) two years after written notice is given by an Administrative Representative~~, provided that such notice shall not be given before December 31, 2006~~;

~~(c) termination of service under the Agreement for Use of Transmission Capacity among the Companies and the Pacific Power & Light Company dated August 1, 1967, unless PG&E has entered into a successor arrangement with PacifiCorp or its~~

~~successor in interest under which PG&E has rights to use the 500-kV PACI line between Malin Substation and Indian Spring;~~(c) the date on which PacifiCorp first provides point-to-point transmission service from Malin to Round Mountain under its Open Access Transmission Tariff ("OATT"), unless the Commission has approved an amended Owners Coordinated Operation Agreement that includes PacifiCorp as a party, which is negotiated pursuant to the Settlement in FERC Docket Nos. ER07-882 and ER07-967;

(d) the date on which there is no longer an enforceable agreement between the COTP Participants and PG&E or filed rate schedule for the interconnection of the COTP and the PG&E Electric System ~~or~~, an enforceable agreement between PG&E and Western or filed rate schedule for the interconnection of their Electric Systems, or an enforceable agreement between PG&E and PacifiCorp or filed rate schedule for the interconnection of their Electric Systems;

(e) one year after at least two of the Administrative Representatives have given notice of termination in accordance with Section 8.1.2.3; or

(f) the date when two of the three transmission lines that make up the System are permanently removed from service or are no longer interconnected to an Electric System.

As soon as practical prior to termination of this Agreement under subsections (a), (b~~)~~), (c), (d), or (e) above, the Parties shall negotiate in good faith for a replacement agreement. If this Agreement is terminated pursuant to this Section 6.2, then any Party that requires FERC authorization to terminate service under this Agreement promptly shall file a notice of termination with the FERC. If and when this Agreement terminates pursuant to this Section 6.2, then all Parties that do not require authorization from FERC to terminate providing any service under this Agreement shall cease both to provide and to take any service under this Agreement or any rate schedule resulting in whole or part from this Agreement, regardless of any action or inaction by FERC as to any application by another Party to terminate service.

~~6.3 Termination of Agreement as to Edison and SDG&E~~

~~6.3.1 Notwithstanding anything herein, Edison and SDG&E each shall cease to be a Party upon termination of service under the CCPIA, unless (i) as to Edison, there is in effect at that time a replacement or successor to the CCPIA that provides equivalent rights to Edison to use the PACI or (ii) as to SDG&E, there is in effect at that time a replacement or successor to the CCPIA that provides equivalent rights to SDG&E to use the PACI. Such termination of Party status shall be subject to any necessary acceptance or approval by FERC.~~

~~6.3.2 The Parties agree to take all actions reasonably requested by Edison or SDG&E to terminate the Party status of Edison or SDG&E in accordance with this Section 6.3, including, but not limited to, supporting a Cancellation of Service, or similar filing, or executing and submitting to FERC an amendment to this Agreement reflecting that Edison or SDG&E or both are no longer Parties.~~

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties concerning administrative and technical matters that may arise in connection with this Agreement, ~~the Companies~~PG&E, Western and the COTP Participants each shall designate one Administrative Representative with an alternate to serve on the Administrative Committee and one Engineering and Operations ("E&O") Representative with an alternate to serve on the E&O Committee. Each alternate shall have the authority to represent the Administrative Representative or the E&O Representative, as the case may be, in such Representative's absence. The Path Operator for COI shall be an

ex-officio, non-voting member of each committee for matters related to path operation. The Administrative Committee and the E&O Committee shall invite, at their discretion, the Path Operator for COI for matters other than those related to path operation, the COI Control Area Operator(s) or the Pacific Northwest Path Operator to attend any committee meeting to discuss any administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by unanimous vote of all voting committee representatives unless the committee decides otherwise by unanimous vote of all appointed voting committee representatives or unless otherwise specified in this Agreement.

7.2 Duties of Administrative Committee

The Administrative Committee shall:

7.2.1 Resolve issues regarding the interpretation of this Agreement;

7.2.2 Resolve issues that could not be resolved by the E&O Representatives

7.2.3 Select the Path Operator for COI, negotiate contractual arrangements with the Path Operator for COI and change the Path Operator for COI as necessary, pursuant to Section 8.1.2 of this Agreement.

7.2.4 Recommend amendments to the Agreement for consideration of the Parties; and

7.2.5 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

The E&O Committee shall:

7.3.1 Resolve issues among the Parties concerning the appropriate determination of the Transfer Capability of the System.

7.3.2 Resolve issues and jointly develop operating procedures with the Path Operator for COI concerning the appropriate

determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees;

7.3.3 Resolve issues concerning the operating procedures of the Path Operator for COI;

7.3.4 Propose, review and develop operating procedures used by the Path Operator for COI to perform its duties under Section 8.1.6 of this Agreement;

7.3.5 Resolve issues that arise due to the Parties' Control Area Agreements and operating procedures of the Control Areas;

7.3.6 Resolve issues regarding the coordination of maintenance of the System;

7.3.7 Refer issues that cannot be resolved to the Administrative Committee; and

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

7.4 Designation of Representatives

~~The Companies~~PG&E, Western, and the COTP Participants shall designate their representatives and alternates prior to the Effective Date and give notice thereof to all Parties.

7.5 Changes of Representatives

~~The Companies~~PG&E, Western, and the COTP Participants may, at any time, change their designated representatives and alternates and shall promptly provide all Parties with notice of such change.

7.6 E&O Representative Review

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

7.7 Meetings

Any Administrative Representative or alternate may call meetings of the Administrative Committee upon reasonable advance notice to the other Administrative Representatives. A written agenda incorporating any items proposed by any Administrative Representatives shall be supplied for such meetings. Meetings may be conducted in person, by telephone, or by any other mutually agreed upon means. The Administrative Committee may invite others to participate in such meetings. The E&O Committee shall be subject to procedures and requirements analogous to the foregoing with respect to meetings of the Administrative Committee.

7.8 Committees

The Administrative Committee may establish such standing or ad hoc committees as it deems necessary to administer this Agreement. The authority and duties of any such committee shall be set forth in writing and shall be subject to the provisions of this Agreement.

7.9 Limitation of Authority

Unless otherwise specifically provided herein, this Agreement does not authorize the Administrative Committee, the E&O Committee or any standing or ad hoc committee to modify any term, covenant or condition of this Agreement.

7.10 Expense

Any expenses incurred by any representative, or by any standing or ad hoc committee member designated pursuant to this Section 7, shall be paid and borne by the Party on whose behalf such representative or member was designated.

8 SYSTEM OPERATIONS

8.1 Path Operator Agreement

8.1.1 Path Operator for COI

There shall be a Path Operator for COI designated as provided in this Section 8, with whom the Parties shall have a COI Path Operating Agreement pursuant to the requirements of this Section 8.

8.1.2 Selection or Change of the Path Operator for COI

8.1.2.1 Initial Path Operator for COI: The ~~Parties anticipate that on the Effective Date the~~ CAISO ~~will be performing tasks similar to those included in the duties of the Path Operator for COI specified in this Agreement. Consequently, the Parties anticipate that the CAISO will be~~ is the initial Path Operator for COI, and ~~that~~ the Parties ~~will enter~~have entered into a COI Path Operating Agreement with the CAISO in accordance with Section 8.1.4. ~~The initial Path Operator for COI shall commence its duties, except for duties required to install and test the scheduling interface, only after the scheduling interface between the Path Operator for COI and the Northwest Path Operator shall have been tested and confirmed by both path operators to be fully and reliably functional for its intended purposes.~~ Upon commencement of duties by the Path Operator for COI selected pursuant to Section 8.1.2.2, the initial Path Operator for COI shall no longer perform the duties of that position.

8.1.2.2 Path Operator for COI: Any Party may propose to the Administrative Committee that it commence a selection process for a Path Operator for COI. If the proposal is to select a Path Operator for COI immediately following the initial Path Operator for COI and is made within one year of the Effective Date, then upon approval of a majority of the Administrative Committee, that process will commence. If the proposal to select a Path Operator for COI is made after one year of the Effective Date, then upon unanimous approval of the Administrative Committee, that process will commence. The Administrative Committee shall determine the nature and schedule for that process

consistent with this Agreement, except that a Path Operator for COI shall be selected within six months of commencement. A decision to replace the Path Operator for COI, including the initial Path Operator for COI, with a different entity shall require the unanimous vote of the Administrative Committee. ~~A decision to select an initial Path Operator for COI other than the CAISO shall require the unanimous vote of the Administrative Committee.~~

8.1.2.3 Termination of Agreement If Path Operator for COI Not Selected: If the Administrative Committee has not selected a Path Operator for COI pursuant to Section 8.1.2.2 within the time required and a Path Operator for COI continues not to have been selected, then any two Administrative Representatives may give notice of termination of this Agreement in accordance with Section 6.2(e). If the Administrative Committee selects a Path Operator for COI after such notice has been given but before this Agreement terminates, such notice shall be deemed withdrawn and no longer effective.

8.1.3 Qualifications of the Path Operator for COI

No entity shall be eligible to be Path Operator for COI unless such entity is capable of meeting all applicable NERC and WECC standards and requirements to reliably perform path operator duties and is willing to warrant, in the COI Path Operating Agreement, that it has the expertise and financial resources necessary to perform and otherwise be responsible for all obligations of the Path Operator for COI under the COI Path Operating Agreement.

8.1.4 Negotiation of COI Path Operating Agreement

The Parties, acting through the Administrative Committee, shall negotiate ~~an~~ COI Path Operating Agreement with the Path Operator for COI, including the initial Path Operator for COI, to which all Parties to this Agreement and the Path Operator for COI shall be parties.

8.1.5 Termination of COI Path Operating Agreement with Path Operator for COI

The COI Path Operating Agreement shall provide that it can be terminated by unanimous vote of the Administrative Representatives pursuant to Section

8.1.2.2, and such termination shall be effective upon the effective date of a successor COI Path Operating Agreement. The COI Path Operating Agreement shall terminate not later than the termination of this Agreement.

8.1.6 Path Operator Duties:

The COI Path Operating Agreement at a minimum shall require the following duties of the Path Operator for COI:

8.1.6.1 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with this Agreement, and allocate ASC to the PACI-P, PACI-W and COTP in conformance with this Agreement, in such manner as to permit all affected transmission service providers to meet applicable open-access posting or service offer requirements;

8.1.6.2 Determine the need for and amount of Curtailments, and in coordination with the Pacific Northwest Path Operator and the applicable Control Area Operators, determine the need for and the availability of, and implement appropriate Power Flow Reduction Measures;

8.1.6.3 Give timely notice to all ~~A~~COI Control Area Operators of the need for Curtailments and the revised allocations of ASC, and require COI Control Area Operators to curtail schedules or, to the extent such Curtailment cannot be timely made, implement such Power Flow Reduction Measures as are available and necessary to cause counter-flows equal to the required reduction in OTC, promptly enough to enable the Path Operator for COI to comply with WECC Reliability Management System Agreement and other applicable OTC management obligations;

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

8.1.6.4.1 Operating status of 500 kV and 230 kV equipment and related power flows and voltages;

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

8.1.6.4.3 RAS and telecommunications status and available remedial actions.

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

8.1.6.6 Monitor Unscheduled Flow at COI, allocate ASC to Control Areas in California for which the COI is a Control Area boundary;

8.1.6.7 Prior to satisfaction of the requirements necessary to initiate coordinated operation of phase shifters and other flow control devices under the WECC Unscheduled Flow Mitigation Plan, and to the extent beneficial, operate flow control devices made available by one or more Parties in accordance with the instructions of the applicable Party. Such instructions shall be determined by the E&O Committee based on studies and shall address the amount and allocation of benefits due to the operation of such flow control devices consistent with Section 8.6.5, with due regard to the benefits provided by each Party making such devices available;

8.1.6.8 Implement the WECC Unscheduled Flow Mitigation Plan;

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

8.1.6.10 Perform or cause to be performed all things necessary to meet the criteria for path operation specified in the agreements referenced in Section 8.1.6.9 herein as well as other duties applicable to path operation required by WECC or NERC rules, standards or criteria;

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

8.1.6.12 Perform such other responsibilities and apply such policies and procedures as developed by the E&O Committee and approved by the Administrative Committee under this Agreement;

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

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

8.1.6.15 Provide timely communications to all COI Control Area Operators and the Pacific Northwest Path Operator. Such communications shall meet the scheduling requirements of the Control Area Operators, applicable WECC and NERC interchange scheduling protocols and shall include but not be limited to the following information:

8.1.6.15.1 ASC Shares based on ASTC, Unscheduled Flow and applicable Nomograms;

8.1.6.15.2 Schedules exceeding ASC share; and

8.1.6.15.3 Each Control Area's share of intra-hour automatic generation control (AGC) ramps to respond to reductions in OTC as determined under Section 8.1.6.2 and in accordance with the allocation method established in the COI Path Operating Agreement.

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

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

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

8.1.6.19 Enter into, maintain, amend and enforce agreements with COI Control Area Operators (i) necessary to perform obligations under the COI Path Operator Agreement, including but not limited to those duties pursuant to Sections 8.1.6.2, 8.1.6.3, 8.1.6.6, 8.1.6.10, 8.1.6.11, 8.1.6.13 and 8.1.6.15, and (ii) that prohibit the application to the Path Operator for COI, whether or not it is also a Control Area Operator, of any requirement, rule, obligation, rate or charge in a tariff, rate schedule or other document issued or revised by the Control Area Operator without the written consent of the Path Operator for COI, provided that if the Path Operator is also an COI Control Area Operator, without the written consent of the Administrative Committee;

8.1.6.20 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of the COI and perform other obligations under the COI Path Operator Agreement and in Section 8.5, which coordination shall be under a contract to the extent feasible.

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

8.1.8 Sharing Path Operator Costs. Except for service provided by the Path Operator for less than all Parties, to the extent such service is provided under the COI Path Operating Agreement, or as provided in relation to Sections 8.1.6.10 and 0 of this Agreement, the COI Path Operating Agreement shall obligate each Party to pay a share of

all amounts owed by the Parties to the Path Operator for services rendered under the COI Path Operating Agreement in proportion to that Party's rights to use RSTC.

8.2 Control Area Agreements

8.2.1 Each Party shall make arrangements, either collectively or individually, 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 this Agreement. Such arrangements shall obligate the Party to provide compensation to the COI Control Area Operator for any sanctions incurred by the latter arising from the WECC Reliability Management System Agreement in relation to duties of the Path Operator for COI under Section 8.1.6.3, due to the action or inaction of the Party for whom or on whose behalf the Control Area Operator acts in relation to the Path Operator for COI.

8.2.2 At a minimum, each Party shall require that its respective Control Area Operator perform the following:

8.2.2.1 Respond to operating requests from the Path Operator for COI in a timely manner unless specific threats to human safety or serious and imminent adverse impacts to reliability of the Control Area would result;

8.2.2.2 Coordinate maintenance schedules and operation of the System as may be required to: maintain the reliability of the interconnected Electric Systems, minimize the total cost of maintenance, reduce losses, maintain voltage levels, minimize reactive interchange, and minimize the magnitude and duration of reductions in ASTC;

8.2.2.3 Coordinate the removal from, and restoration to, service for any System facilities or other facilities which affect ASTC within its Control Area;

8.2.2.4 Coordinate and approve Clearances 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 Clearances must be approved by the appropriate Control Area Operator, which approval shall be granted unless

the Control Area Operator determines that the requested Clearance would adversely affect the safe and reliable operation of its Control Area or other Control Areas and the reasonably economic operation of its Control Area. Each Party also shall notify the Path Operator for COI of plans, schedules and status of all Clearances that affect ASTC;

8.2.2.5 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;

8.2.2.6 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;

8.2.2.7 Provide total schedules across COI to the Path Operator for COI; and

8.2.2.8 In the event of, and for the duration of, an Operating Emergency or as a result of Uncontrollable Force, take such immediate action in accordance with Prudent Utility Practice as the Control Area Operator determines necessary to mitigate or eliminate the Operating Emergency or Uncontrollable Force. Such action may include or result in, without limitation, Power Flow Reduction Measures, Curtailments in accordance with Section 11 and directing the operation of System facilities in a manner that is reasonable and practical under the circumstances.

8.2.3 Each Party's arrangement with its Control Area Operator shall accommodate and authorize the rights, duties and actions of a Control Area Operator pursuant to Sections 8.6.6 and 8.6.7.

8.3 Parties' Obligations to Path Operator for COI

Each Party shall take the following actions on a timely basis, as also shall be specified in the COI Path Operating Agreement:

8.3.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI specifies is reasonably needed to determine ASTC;

8.3.2 Provide outage schedules for equipment that may impact the rating of the COI and

8.3.3 Provide or make arrangements for the provision of reliable telecommunications facilities required to transmit real-time information, specified in the COI Path Operating Agreement, to the Path Operator for COI to enable the path operator to comply with its obligations under Section 8.1.6.

8.4 Coordination Rights of Parties

The System shall be operated as a coordinated three-line transmission system. No Party shall be charged any rate and ~~no Company~~PG&E shall not be charged any transmission loss for any power, which flows over the System or over the Tesla ByPass. The preceding sentence shall not preclude appropriate remedies in the event that any Party adversely impacts another Party's rights under this Agreement to use the Tesla ByPass. Except to the extent necessary for sharing Curtailments, no Party shall have a right under this Agreement to have any of its power delivered on or otherwise have the use of transmission facilities owned by another Party. Except to the extent that Western has a separate arrangement under which it obtains additional rights in or to use the PACI-P, Western's coordination rights associated with PACI-W are limited to the sharing of facilities at or north of the Round Mountain Substation. Nothing in this Agreement is intended or shall be deemed to confer any right upon Western to use any portion of the PACI-P south of Round Mountain Substation except for curtailment sharing and other rights under this Agreement associated with Western's COTP rights.

8.5 Operation of COI

The Path Operator for COI shall coordinate development with the Pacific Northwest Path Operator and maintain in effect operating procedures for the reliable operation and administration of the COI. Nothing in this Agreement or in any agreement

between the Parties and the Path Operator for COI or in any agreement between any Party and its Control Area Operator shall preclude the allocation of ASTC or ASC on the basis of ASTC south of COI at times when OTC is limited by conditions north of COI.

8.6 Duties and Rights Retained by Parties

The Parties shall have the following rights and duties related to the operation of the System:

8.6.1 In coordination with other Parties that choose to participate, each Party may prepare long-term operating studies, including contingency studies of potential outages and disturbances, that affect ASTC;

8.6.2 Operation of the RAS and maintenance of the RAF shall be by owners of the RAF or as may be agreed by such owners. Installation and costs of any capital items necessary to maintain the RAS existing as of the Effective Date to standards determined by the Administrative Committee shall be shared pursuant to a separate agreement among the Parties.

8.6.3 Each Party shall operate, maintain and replace its Remedial Action Facilities, and shall provide and maintain such control and communication access to its switchable equipment and facilities, as is necessary to maintain the capability to support RSTC and ASTC of its RAS existing as of the Effective Date, provided that PG&E shall not be required to replace any Remedial Action or element thereof provided under its Comprehensive Agreement with the State of California Department of Water Resources, PG&E Rate Schedule FERC No. 77, upon cancellation or termination of that agreement. The capital and operating costs and responsibility for Remedial Actions of additional RAS agreed upon by the Parties after the Effective Date shall be shared by the Parties *pro rata* in relation to RSTC Shares unless otherwise agreed in writing.

8.6.4 When accompanied with designated representatives of the owner(s) of the facilities, each Party may inspect such System facilities as is reasonably necessary to assure performance of its obligations under this Agreement.

8.6.5 Nothing in Section 8.1.6.7 or any other provision of this Agreement shall be interpreted to require a Party, its Control Area Operator or the Path Operator for COI to violate the WECC Unscheduled Flow Mitigation Plan or operate phase-shifters or other system elements for which such Party retains operational control in order to reduce Unscheduled Flow for the benefit of any other Party prior to the initiation of the WECC Unscheduled Flow Mitigation Plan, as that plan may be amended or superseded.

8.6.6 Voltage Control and Reactive Support

Each Party shall make available to its Control Area Operator and shall operate the voltage control and reactive facilities on its portion of the System to meet voltage control standards under Applicable Requirements. COI Control Area Operators shall coordinate the use of the available voltage control and reactive support devices to maintain the reliable operation of the System in accordance with Prudent Utility Practice.

8.6.7 Removal From and Restoration To Service

Each Party acting through its Control Area Operator may remove from service, and following an outage shall restore to service, all or part of its respective System facilities as set forth below. For purposes of this Section 8.6.7, each Party that operates System facilities shall designate and act through a single operating representative.

8.6.7.1 Scheduled Outages: Each Party's operating representative may remove from service all or part of that Party's System facilities if required for inspection, maintenance, equipment installation, repair or replacement, or other construction, provided that reasonable advance notice has been given of any scheduled outage and the estimated duration thereof to permit other affected Parties to consult on the timing and duration of such outage. If the Party desires to take such outage of all or part of its System facilities at a time to which one or more other Parties' operating representatives do not agree, then the Party proposing the outage may take such outage, following any necessary Clearance approval, provided that any reduction in ASC that results from such outage shall be allocated in accordance with Section 11.2.2.

8.6.7.2 Unscheduled Maintenance/Forced Outages: If an unanticipated urgent situation, which need not be an Operating Emergency, makes advance notice of a maintenance outage to a System facility impractical or unreasonable, then the applicable Party may remove the affected facilities from service to perform the required maintenance, provided that this is done in accordance with Prudent Utility Practice and, to the extent possible, after coordinating any necessary Clearance approval with each affected Control Area Operator.

8.6.7.3 Restoration Following Outages: Following a partial or full outage of a System facility, the Party or Parties responsible for maintaining such facility shall restore such facility to its normal operating condition with all due expedition and in accordance with Prudent Utility Practice and Applicable Requirements. Each Party shall establish and maintain, out of its own funds, reasonable stocks of spare parts and amounts of emergency funds to facilitate such restoration. Lack of such spare parts or emergency funds to complete the expeditious restoration of such facility shall not excuse delay or failure to restore. Nothing in this Agreement obligates any Party to provide assistance to another Party in implementing such restoration. The E&O Committee shall establish standards for emergency funds and spare parts. If any Party fails to restore or return any System facility to service in accordance with this Section 8.6.7.3, then after seven days' notice from any other Party any reduction in ASC that results from such failure shall be allocated in accordance with Section 11.2.2.

8.7 Operating and Maintenance Standards and Responsibility

8.7.1 Operation, Maintenance, and Replacement Responsibilities

Each Party shall perform or cause to be performed the operation, maintenance, and replacement of its System facilities in accordance with Prudent Utility Practice, Applicable Requirements and the requirements of this Agreement.

8.7.2 Operation Standards

Each Party, in accordance with Prudent Utility Practice and Applicable Requirements, shall:

8.7.2.1 Operate, or cause to be operated, their facilities consistent with standards, policies and procedures set by the WECC;

8.7.2.2 Avoid imposing undue burdens on the interconnected Electric Systems of other Parties;

8.7.2.3 Operate and maintain its part of the System in order to minimize Electric System disturbances; and

8.7.2.4 Take reasonable measures to protect the System from adverse events which may originate on the Electric Systems of other Parties or third parties.

8.7.3 Use of Tesla ByPass

The Tesla ByPass shall be available for operation and use, in accordance with this Agreement, to ~~the Companies~~PG&E and to the COTP Participants, their transmission service customers, and other parties with rights to use the PACI-P or COTP, so as to preserve such existing rights and entitlements without any charges.

8.7.4 Automatic Measures

Each Party shall utilize protective devices, including automatic devices and RAS, in order to (a) assist in maintaining the integrity and reliability of the System and interconnected Electric Systems of other Parties, and (b) reasonably minimize adverse impacts to public health and safety.

9 RATED SYSTEM TRANSFER CAPABILITY

The Parties are individually responsible for establishing and maintaining the rating and re-rating of their portions of System facilities, as well as those additional facilities relied upon to obtain the RSTC. The Parties, acting through the Administrative Committee, are collectively responsible for maintaining and, as may be agreed, enhancing the RSTC. The Administrative Committee may establish and revise procedures to coordinate compliance with the WECC ratings process, if applicable.

10 ALLOCATION OF RATED SYSTEM TRANSFER CAPABILITY

10.1 Current RSTC

As specified in the current WECC path rating catalog, as of the Effective Date, the Existing Rating (as that term is used in such catalog) of Path 66, which consists of the three-line 500-kV System, is 4,800 MW in the north-to-south direction and 3,675 MW in the south-to-north direction. For purposes of this Agreement, on the Effective Date the RSTC is the Existing Rating. The RSTC Shares are as follows:

10.1.1 North-to-South Transfers:

1600 MW for the PACI-P;

1600 MW for the PACI-W; and

1600 MW for the COTP.

10.1.2 South-to-North Transfers:

1225 MW for the PACI-P;

1225 MW for the PACI-W; and

1225 MW for the COTP.

10.2 Changes to RSTC

Pursuant to Section 12, RSTC may be changed based upon a Modification made to a Party's portion of the System. When such Modification is implemented, the RSTC Shares shall be adjusted as provided in Section 12, to reflect either the increase or decrease in RSTC, if any, of the Party's portion of the System that resulted from the Modification.

11 ALLOCATION OF ASC AND CURTAILMENTS

11.1 Determination of ASC and ASTC

The Path Operator for COI, in order to determine available transmission capacity and any need for Curtailments, shall: (i) determine ASTC for north-to-south and south-to-north transfers in accordance with Prudent Utility Practice, Applicable Requirements and the operating studies described in Section 11.1.1, and (ii) determine ASC in accordance with Prudent Utility Practice, Applicable Requirements and Section 11.1.2.

11.1.1 Reductions Below RSTC

ASTC, the physical capability to transmit power across COI, may be determined to be below RSTC as a result of adverse operating conditions on the System or elsewhere in the interconnected Electric Systems. Adverse operating conditions include, but are not limited to, Operating Emergencies, Nomogram constraints, scheduled maintenance, RAS unavailability, facilities out of service, or adverse conditions in the Pacific Northwest or in California, including, but not limited to, total northern California hydroelectric generation output exceeding 90% of the maximum level, multiple thermal generating plant outages, equipment out of service, or equipment overloads. The Path Operator for COI shall, from time to time, in coordination with the E&O Committee and other Parties that Committee chooses to have participate, prepare power system studies reflecting reasonably anticipated operating conditions; and the Path Operator for COI shall determine ASTC based upon such studies as have been approved by the Administrative Committee, taking into account actual or anticipated operating conditions.

11.1.2 Reductions Below ASTC

11.1.2.1 Reductions for Loop Flow: The maximum amount of power that can be scheduled over the System as measured across COI is equal to ASC. This limit on scheduling capability may be below ASTC due to Loop Flow where actual flows exceed scheduled flows. Loop Flow shall be deducted from ASTC only on a real-time basis, or for the hour ahead, unless the Administrative Committee establishes an alternative procedure or unless the Path Operator for COI and the Pacific Northwest Path Operator agree to use a temporary alternative procedure to maintain reliable operation. If the Path Operator for COI agrees upon a temporary alternative procedure, the Path Operator for COI promptly shall give notice to and seek approval of the E&O Committee and the Administrative Committee for such temporary procedure. If such temporary procedure is not approved or extended within 30 days after notice to the E&O Committee, it shall no longer be effective.

11.1.2.2 Other Reductions by Path Operator for COI: The Path Operator for COI may reduce ASTC for safety factors or other considerations to maintain reliable operation, provided that the Path Operator for COI promptly shall seek the express approval of the E&O Committee and the Administrative Committee to continue such reduction.

11.2 Allocation of ASC

The Path Operator for COI shall allocate ASC to the COTP ASC Share, Western PACI-W Share, and the PACI-P ASC Share in accordance with this Section 11.2. Such sharing of ASC shall continue for the term of this Agreement, except as otherwise expressly provided.

11.2.1 Pro Rata Allocation of ASC

Except as provided in Sections 11.2.2 and 11.2.3, the allocation of ASC among the COTP ASC Share, Western's PACI-W ASC Share, and the PACI-P ASC Share shall be calculated on a pro rata basis according to the COTP RSTC Share and the PACI RSTC Share in a north-to-south direction and separately in a south-to-north direction using the following allocation formulas.

$$\text{COTP ASC Share (In Megawatts)} = \frac{\text{COTP RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

$$\text{PACI-W ASC Share (In Megawatts)} = \frac{\text{PACI-W RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

$$\text{PACI-P ASC Share (In Megawatts)} = \frac{\text{PACI-P RSTC Share}}{\text{Total COI RSTC}} \times \text{ASC}$$

11.2.2 Exceptions To Pro Rata Allocation Of ASC:

If a Party takes a scheduled outage of all or part of its portion of the System at a time not agreed to by the other affected Party or Parties pursuant to Section 8.6.7.1, or if a Party fails to restore promptly a facility to service following an outage pursuant to Section 8.6.7.3 and seven days' notice has been given pursuant to that section, then to the extent any reduction in ASC results from such outage, that reduction in ASC shall be allocated entirely

to the ASC Share associated with that Party for the remaining duration of the outage. The specified amount of reduction in ASC required under this Section 11.2.2 shall be allocated to the PACI-P, PACI-W or the COTP alone. Any additional reduction in ASC required to equal the total reduction in ASC shall be allocated *pro rata* in accordance with Section 11.2.1.

11.2.3 Other Sharing Arrangements

The Parties may, from time to time, allocate reductions in ASC in ways other than as provided in this Section 11.2, or may make other arrangements that will result in minimizing reductions in ASC, under terms and conditions as they may hereafter agree.

11.3 Curtailment of Scheduled System Transfers

Each Party shall be responsible to its Control Area Operator for reducing its schedules, providing for sufficient intra-hour generation response or taking such other measures as its Control Area Operator deems acceptable to enable the Control Area Operator to implement Power Flow Reduction Measures including Curtailments in accordance with Section 8.1.6.3.

12 MODIFICATIONS

Each Party shall have the right to modify its portion of the System. Such Party (the "Modifying Party") shall have the following rights and obligations with respect to the other Parties.

12.1 Avoiding Adverse Impacts to RSTC

The Modifying Party, at its own expense, may make Modifications to any portion of the System that it owns or to its Electric System. In so doing, the Modifying Party shall avoid adverse impacts, including adverse impacts that would reduce RSTC, materially reduce ASTC or cause increased risk of Curtailments, and to the extent it does not avoid such adverse impacts shall fully compensate affected Parties. Removal from service

of a facility that is not a part of the System shall not be considered a Modification for purposes of this Section 12.

12.2 Notification of Proposed Modifications

Prior to making any firm commitment to proceed with a Modification, which reasonably may be expected to either increase or reduce RSTC, materially reduce ASTC or cause increased risk of Curtailments, the Modifying Party shall notify the Administrative Committee. Such notification shall include description of the proposed Modification and an assessment of its effects on RSTC, ASTC and Curtailments, including a description of the studies performed to make such assessment.

12.3 Parties' Assessment of Modification

Within 90 days of notice of a proposed Modification, any Party with reasonable concerns as to the accuracy or completeness of the studies performed or the results thereof shall notify the Administrative Committee of its concerns. The Administrative Committee shall resolve such concerns by taking appropriate action in accordance with WECC policies and procedures, which may include requiring further studies. No Modifying Party shall implement any such proposed Modification until all reasonable concerns are resolved. If the Parties cannot resolve the concerns within a reasonable time and the Modifying Party desires to proceed with the Modification, the issue shall be addressed through the dispute resolution procedures set forth in Section 14.

12.4 Participation in Modification

All Parties will be allowed to participate in any Modification that affects the System on a non-discriminatory basis. Each Party's maximum participation, as to both rights and costs, shall be in proportion to its current RSTC and the RSTC of all Parties participating in the Modification.

12.5 Modifications Resulting in a Decrease in RSTC

In the event that a Modification results in a decrease in RSTC, a new RSTC Share shall be calculated in accordance with Section 10. The decrease in RSTC shall be

subtracted from each Party's RSTC Share in proportion to the Party's financial participation in the Modification unless otherwise agreed by the Parties.

12.6 Modifications Resulting in an Increase in RSTC

In the event that a Modification enables an increase in RSTC, a new RSTC Share shall be calculated in accordance with Section 10. The increase in the RSTC shall be added to each Party's RSTC Share in proportion to that Party's financial participation in the Modification unless otherwise agreed by the Parties participating in the Modification.

12.7 Parties Held Harmless From Modifications

The Modifying Party shall hold those Parties not participating in a Modification harmless with regard to all loss, damage, claim, cost, charge or expense related to a Modification, provided, however, that each Party shall bear its own cost for its own studies or for the costs of its participation in any WECC or regulatory process in which each Party chooses to participate.

13 CONTROLLING AGREEMENT

If any conflict or inconsistency should exist between this Agreement and any other agreement, rate schedule or tariff otherwise applicable to the operation, use, rating or coordination of the PACI-P, PACI-W, COTP or System, then this Agreement shall govern to the extent permitted by law.

14 PAYMENT AND DISPUTE RESOLUTION

14.1 Manner of Resolution

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

14.2 Billing and Payment

The Parties do not contemplate any routine billings arising out of this Agreement. In the event that any amounts are owed to a Party under this Agreement, such as in relation to Section 12.1, the following shall apply:

14.2.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) or, at the election of the billed Party, to an escrow account in accordance with Section 14.4.2 (for disputed amounts). Payment of any bill must be received by the Party owed or deposited into the escrow account no later than 20 calendar days after delivery (such date, for purposes of this Section 14, is the "Payment Due Date").

14.2.2 Full Payment

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

14.2.3 Late Payments

Bills that are not paid in full by the Payment Due Date shall accrue interest in accordance with FERC regulations at 18 C.F.R. § 35.19a(a)(2), as they may be amended or superseded (for purposes of this Section 14, "Interest"). Interest shall accrue daily on the unpaid amount from the Payment Due Date until the date that full payment, including accrued Interest, is received by the Party owed.

14.2.4 Estimated Billings

If charges cannot be determined sufficiently to prepare a timely bill for any applicable charges arising under this Agreement, the Party owed may render an estimated bill, based on its good faith estimate of the amount owed, and such estimated bill shall be paid in accordance with this Section 14.

14.2.5 Adjusted Bills

If an estimated bill has been rendered, then when final and complete billing information becomes available and charges can be determined accurately, the Party owed shall prepare and submit an adjusted bill.

14.2.6 Additional Payments and Refunds

Additional payments (by the Party owing) or refunds (by the Party owed) shall be made within 20 calendar days of delivery of the adjusted bill. Refunds shall be subject to Interest. Interest on a refund shall accrue daily from the date that the payment of the applicable bill was received by the Party owed until the date the Party owing delivers the refund, including accrued Interest.

14.2.7 Disputed Bills

14.2.7.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 14.2.7.2. The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

14.2.7.2 Escrow Account: The escrow account established pursuant to Section 14.2.7.1 shall be with an

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

15 ASSIGNMENT

A Party may assign its rights and obligations under this Agreement to another person with the consent of the other Parties, which consent shall not be unreasonably withheld. The assignee shall expressly assume in writing the duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect. To the extent directed by

Congress, Western may assign any right or interest under this Agreement that it may have without the consent of any Party, subject to the assumption obligation in this Section 15.

16 LIABILITY

16.1 Scope of Liability

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

16.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose electric customer shall make a claim or bring an action against such other Party for any death, injury, loss or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees and agents from and against any liability for such death, injury, loss or damage; provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify another Party which cannot lawfully indemnify pursuant to this Section 16.2. The term

"electric customer" shall mean any electric customer to which no power or energy is delivered for resale.

16.3 Protection of Facilities

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

17 UNCONTROLLABLE FORCE

17.1 No Default

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

17.2 No Settlement Obligation

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

17.3 Notice and Removal Obligation

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

18 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.

19 REGULATORY AUTHORITY

19.1 FERC Jurisdiction

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

19.2 Changes in Rates

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

20 NO EXCLUSIVE REMEDY

Subject to the provisions of Section 15, no remedy conferred upon or reserved to any Party by this Agreement is intended to be exclusive of any other remedy or remedies available under this Agreement or existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other remedy under this Agreement or now or hereafter existing at law or in equity or otherwise provided

by statute or regulation. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or at law, in equity, by statute or otherwise.

21 GOVERNING LAW

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

22 NON-WAIVER

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

23 NOTICES

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, by confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement.

24 NO THIRD PARTY BENEFICIARIES

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

25 RELATIONSHIP OF THE PARTIES

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

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

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

25.4 The Parties hereby affirm their election to be excluded from the application of Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, as it may from time to time be amended. In addition, should the United States Internal Revenue Service ("IRS") require that a new election be made pursuant to this Agreement, each Party hereby makes such new election and further agrees to execute such documents and furnish such other evidence as may be required by the IRS or as may otherwise be necessary to evidence such election. No Party shall take any other action inconsistent with the election to be excluded from the application of Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, as it may from time to time be amended. If any present or future income tax law of the State of California or any further income tax law of the United States contains, or shall hereafter contain, provisions similar to those contained in Subchapter "K" of Chapter 1, Subtitle "A" of the Internal Revenue Code of 1986, under

which an election similar to the one referred to above is permitted, each of the Parties shall make such election as may be permitted by such laws.

26 TITLES

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

27 NO PRECEDENTS

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

28 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

28.1 Adverse Determination

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

28.2 Expansion Of Obligations

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be interpreted, modified, or significantly extended in such a manner that any Party may be required to extend its obligations under this Agreement to a third party, or to incur

significant new or different obligations to another Party or to third parties not contemplated by this Agreement, or to forego any right under this Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties shall attempt to renegotiate in good faith the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated by the Parties at the time this Agreement was made.

28.3 Renegotiation

If, within three months after an order or decision as described in Sections 28.1 and 28.2, the Parties either: (i) do not agree that a renegotiation is feasible or necessary; or (ii) cannot agree to amend or supersede this Agreement, then (a) any Party may initiate dispute resolution in accordance with Section 14; (b) any Party subject to Section 205 of the Federal Power Act may unilaterally file with the FERC an amendment to this Agreement or a replacement agreement; or (c) any Party may take any action before the FERC or elsewhere that it deems appropriate, including filing under Section 206 of the Federal Power Act. As used in this Section 28, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

29 SEVERABILITY

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

such provision is not separable from all other provisions of this Agreement. Nothing in this Section 29 shall limit the rights of any Party under Section 28.

30 PRESERVATION OF OBLIGATIONS

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

31 INTEGRATION OF AGREEMENT

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

32 APPENDICES INCORPORATED

All appendices to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

33 JUDGMENTS AND DETERMINATIONS

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

34 FEDERAL PROVISIONS

34.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

34.2 Officials Not to Benefit

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

34.3 Covenant Against Contingent Fees

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

34.4 Contract Work Hours and Safety Standards

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

34.5 Equal Opportunity Employment Practices

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

34.6 Use of Convict Labor

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

35 SUCCESSOR IN INTEREST:

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

36 SIGNATURES; EXECUTION IN COUNTERPARTS:

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

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

Transmission Agency of Northern California

By: _____

Name: _____

Title: Chairman

Date: _____

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: _____

Name: ~~Jeffrey D. Butler~~Edward A. Salas

Title: Senior Vice President – ~~Transmission~~Engineering and ~~Distribution~~Operations

Date: _____

~~**Southern California Edison Company**~~

~~By:~~ _____

~~Name:~~ _____

~~Title:~~ _____

~~Date:~~ _____

~~**San Diego Gas & Electric Company**~~

~~By:~~ _____

~~Name:~~ _____

~~Title:~~ _____

~~Date:~~ _____

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

City of ~~Shasta Lake~~Redding

By: _____

Name: ~~_____~~James C. Feider

Title: ~~_____~~Director, Electric Department

Date: _____

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

San Juan Suburban Water District

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A
Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

Carmichael Water District
Mr. Steve Nugent
General Manager
7837 Fair Oaks Boulevard
Carmichael, CA 95608

Pacific Gas and Electric Company
~~Jeffrey D. Butler~~Edward A. Salas, Senior Vice President – ~~Transmission~~Engineering and ~~Distribution~~Operations
77 Beale Street, Mail Code B32
San Francisco, CA 94105

~~San Diego Gas & Electric Company~~
~~Mr. Victor Kruger~~
~~P.O. Box 129831~~
~~San Diego, CA 92112~~

San Juan Suburban Water District
Mr. Shauna Lorance
General Manager
9935 Auburn Folsom Road
Granite Bay, CA 95746

~~Southern California Edison Company~~
~~Mr. Michael D. Mackness~~
~~2244 Walnut Grove Avenue, GO1~~
~~Rosemead, CA 91770~~

Transmission Agency Of Northern California
Mr. James C. Feider
3100 Zinfandel, Suite 600
Rancho Cordova, CA 95670

City of ~~Shasta Lake~~Redding
Mr. ~~Don Moore~~James C. Feider
~~City Manager~~
~~1650 Stanton Drive~~

~~Central Valley, CA 96019~~
777 Cypress Avenue
Redding, CA 96049-6071

City Of Vernon
Mr. Bruce V. Malkenhorst
4305 Santa Fe Avenue
Vernon, CA 90058

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

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

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Offer of Settlement and Stipulation

APPENDIX 5

AMENDED CALIFORNIA OREGON INTERIE PATH OPERATING AGREEMENT (CLEAN)

November 21, 2007

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

Participants in the California-Oregon Transmission Project,

Western Area Power Administration,

And

California Independent System Operator

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Table of Acronyms and Abbreviations

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

California-Oregon Intertie Path Operating Agreement

Among

Pacific Gas and Electric Company,

Participants in the California-Oregon Transmission Project,

Western Area Power Administration

And

California Independent System Operator

1 PARTIES

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

2 RECITALS

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

2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie ("PACI") between Malin and Tesla substations.

2.2 PG&E constructed and owns most of the portions of the PACI in northern California, which operates in parallel with the COTP ("PACI-P").

2.3 PG&E has operated the PACI-P since December 20, 1967, and owns parts of the PACI which, under this Agreement, will be coordinated with the COTP Participants and Western. PG&E turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation ("CAISO"), which operates the Control Area in which the PACI is presently located.

2.4 Western owns a portion of the PACI ("PACI-W"), which had been coordinated with the PACI-P pursuant to Western's Contract With California Companies For Extra High Voltage Transmission And Exchange Service ("Contract 2947A"), which expired January 1, 2005.

2.5 PacifiCorp owns a portion of the PACI, which was coordinated with the PACI-P pursuant to an agreement between PacifiCorp and PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E") which terminated on December 31, 2007.

2.6 The COTP Participants or Western may decide to transfer respectively the COTP or the PACI-W, or both, to a Control Area different than that operated by the CAISO.

2.7 Prior to the execution of this Agreement, the CAISO has performed, and continues to perform, the functions of the Path Operator for the California-Oregon Intertie ("COI") in coordination with the Pacific Northwest Path Operator, and those entities have developed certain procedures to provide for the reliable operation of the COI.

2.8 PG&E, COTP Participants, and Western, (collectively, the "Owners" and individually, an "Owner") agreed to the terms and conditions of the Owners Coordinated Operations Agreement ("OCOA"), which was approved by FERC and went into effect on January 1, 2005, and amendments, which will become effective January 1, 2008, in order to establish the coordination obligations and rights for the System. Prior to the Effective Date of this Agreement, each Owner has made arrangements for its facilities that are a

part of the System to be operated within a NERC certified Control Area, and such arrangements require the Control Area Operator of each Control Area to operate such facilities in conformance with this Agreement and Section 8.2.2 of the OCOA.

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

2.10 It is the Owners' desire, in accordance with the OCOA, to:

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

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

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

2.11.1 Assure the continued reliable operation of the COI;

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

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

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

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

3 AGREEMENT

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

4 DEFINITIONS

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

4.1 Administrative Committee:

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

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7 of the OCOA.

4.3 Applicable Requirements:

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

4.4 Available Scheduling Capability ("ASC"):

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

4.5 ASC Share:

The allocation of ASC to the PACI-P, PACI-W or COTP as calculated pursuant to Section 11.2 of the OCOA.

4.6 Available System Transfer Capability ("ASTC"):

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

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

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

4.8 California-Oregon Border ("COB"):

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

4.9 California-Oregon Intertie ("COI"):

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

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

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

4.11 Clearance:

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

4.12 Control Area:

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

4.13 Control Area Operator:

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

4.14 Cost

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

4.15 COTP:

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

4.16 COTP Participants:

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

4.17 COTP Terminus:

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

4.18 Curtailment:

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

4.19 E&O Committee:

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

4.20 E&O Representative:

A representative serving on the E&O Committee, designated in accordance with Section 7 of the OCOA.

4.21 Effective Date:

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

4.22 Electric System:

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

4.23 FERC:

The Federal Energy Regulatory Commission, or its regulatory successor.

4.24 Federal Power Act:

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

4.25 Indian Spring:

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

4.26 NERC:

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

4.27 Nomogram:

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

4.28 Non-Simultaneous Transfer Capability:

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

4.29 Operating Emergency:

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

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

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

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

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

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

4.30 Operating Procedures:

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

4.31 Operational Transfer Capability Limit ("OTC"):

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

4.32 Owner:

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

4.33 Owners Coordinated Operation Agreement ("OCOA"):

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

4.34 Pacific AC Intertie ("PACI"):

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

4.35 PACI-P:

For purposes of this Agreement, the portion of the PACI owned by PG&E and located between Indian Spring and the COTP Terminus and the portion of the PACI owned by PacifiCorp between Malin Substation and Indian Spring to which PG&E has rights.

4.36 PACI-W:

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

4.37 Pacific DC Intertie ("PDCI"):

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

4.38 Pacific Intertie:

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

4.39 Pacific Northwest Path Operator:

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

4.40 Path Operator for COI:

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

4.41 Power Flow Reduction Measures

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

4.42 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

4.43 Rated System Transfer Capability ("RSTC"):

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

4.44 Remedial Actions:

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

4.45 Remedial Action Schemes ("RAS"):

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

4.46 RSTC Share:

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

4.47 Simultaneous Transfer Capability:

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

4.48 System:

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

4.49 Tesla ByPass:

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

4.50 Transfer Capability:

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

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

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

4.52 Transmission Network:

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

4.53 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

4.54 Uncontrollable Force:

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

4.55 WECC:

The Western Electricity Coordinating Council or its successor.

4.56 Willful Action:

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

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

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

occurs or continues thereafter beyond a reasonable time to cure such default.

4.56.2 The phrase "employees having management or administrative responsibility," as used in Section 4.56.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

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

5 SCOPE OF AGREEMENT

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

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

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

6.2 Term

This Agreement shall terminate on the earliest of:

(a) upon unanimous vote of the Administrative Representatives pursuant to Section 8.1.2.2 of the OCOA, and such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement, following not less than 60 days' notice to the Path Operator for COI; or

(b) termination of the OCOA; or

(c) upon one year's written notice by the Path Operator for COI.

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

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties and the Path Operator for COI concerning administrative and technical matters that may arise in connection with this Agreement, the Administrative Committee and the E&O Committee shall meet, and shall invite the Path Operator for COI and, if applicable, the COI Control Area Operator(s) and the Pacific Northwest Path Operator to attend any such meeting to discuss and resolve any such administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by unanimous vote unless the Committee decides otherwise by unanimous vote or unless otherwise specified in this Agreement.

7.2 Duties of Administrative Committee

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

7.2.1 Resolve issues among the Owners regarding the interpretation of this Agreement;

7.2.2 Resolve issues that could not be resolved by the E&O Representatives;

7.2.3 Recommend amendments to the Agreement for consideration of the Parties; and

7.2.4 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

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

7.3.1 Resolve issues and jointly develop procedures with the Path Operator for COI concerning the appropriate determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees.

7.3.2 Resolve issues concerning the Operating Procedures of the Path Operator for COI;

7.3.3 Propose, review and develop Operating Procedures used by the Path Operator for COI to perform its duties under Section 8 of this Agreement;

7.3.4 Review and comment upon operating procedures used by the Pacific Northwest Path Operator;

7.3.5 Refer issues that cannot be resolved by the E&O Committee to the Administrative Committee; and

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

7.4 E&O Representative Review

All matters pertaining to the duties of the Path Operator for COI and its performance thereof requiring action or resolution by the Administrative Committee

pursuant to this Agreement shall be reviewed by the E&O Committee prior to referral to the Administrative Committee, unless otherwise agreed by the Administrative Committee.

7.5 Meetings

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

7.6 Expenses

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

7.7 Operating Procedure Implementation

Any new procedure(s) or change to the existing Operating Procedures requested by the Path Operator for COI shall be brought before the E&O Committee for joint review and development prior to implementation of such new procedure. In the event that the Path Operator for COI must make an immediate decision that is not addressed in existing Operating Procedures, regarding a situation which the Path Operator for COI believes could result in an Operating Emergency, the Path Operator for COI may implement such new procedure(s), take such action(s) or make such determination as in its judgment is necessary in accordance with Prudent Utility Practice, Applicable Requirements and in conformance with the provisions of this Agreement, *provided* that the Path Operator for COI must obtain E&O Committee approval for continued operation using such new or changed procedure(s) within 10 days of the changes being made, otherwise the Path Operator for COI shall cease utilizing the new procedure(s). E&O Committee approval shall be by unanimous vote at a meeting that satisfies the quorum requirements established by the OCOA. Such

E&O Committee approval may provide for an extension of the 10-day period of temporary implementation. The Path Operator for COI reserves the right to not implement any Operating Procedure that is not operationally feasible or conflicts with its legal obligations, reliability requirements, is inconsistent with NERC or WECC requirements, or threatens public health or safety. At least 10 days before consideration of any new or proposed non-emergency Operating Procedure by the E&O Committee which may be applicable to the Pacific Northwest Path Operator, the Path Operator for COI shall provide a copy of such new or proposed Operating procedure to the Pacific Northwest Path Operator for review and comment. Any emergency Operating Procedure shall be provided by the Path Operator for COI to the Pacific Northwest Path Operator as soon as possible prior to the E&O Committee approval.

8 SYSTEM OPERATION

8.1 COI Operating Procedures

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

8.2 Unscheduled Flow Procedure

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

8.3 Path Operator for COI Duties:

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

8.3.1 Determine OTC in coordination with the Pacific Northwest Path Operator and consistent with WECC seasonal studies performed by or on behalf of the Owners and in consideration of hydroelectric generation conditions in Northern California;

8.3.2 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with procedures developed pursuant to this Agreement, and allocate ASC to the PACI-P, PACI-W and COTP in conformance with the OCOA and the associated Operating Procedures established and approved by the E&O Committee;

8.3.3 To the extent feasible, determine and allocate ASTC among the Owners, based on operating conditions at or south of the Malin and Captain Jack substations, such that the ASTC allocated represents the total ASTC available, which amount may, at times, be different than the OTC, which value may be less than ASTC due to operating condition north of the Malin and Captain Jack substations as determined by the Pacific Northwest Path Operator;

8.3.4 Provide timely communications to the COI Control Area Operators and the Pacific Northwest Path Operator concerning all matters required or desirable to communicate under this Agreement, other applicable agreements, Prudent Utility Practice and Applicable

Requirements. Such communications shall meet the scheduling requirements of each of the Control Area Operators and shall include, but not be limited to, the following information:

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

8.3.4.2 Schedules exceeding ASC Share;

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

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

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

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

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

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

8.3.6.3 RAS and telecommunications status and available remedial actions.

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

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

8.3.9 Implement the WECC Unscheduled Flow Mitigation Plan;

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

8.3.11 Perform or cause to be performed all things necessary to meet the criteria for path operation specified in the Agreements referenced in

Section 8.3.10 herein as they may be amended or superseded, as well as other duties applicable to path operation that may be required by the WECC or NERC through rules, standards or criteria;

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

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

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

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

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

8.3.17 Perform all duties and functions of the Path Operator for COI for the benefit of all Owners without preference or discrimination and

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

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

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

8.3.20 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of the COI and perform other obligations under this Agreement, which coordination shall be under a contract to the extent feasible; and

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

8.4 Path Operator for COI Compensation

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

8.5 Owners' Obligations to Path Operator for COI:

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

8.5.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI determines is reasonably needed to determine ASTC;

8.5.2 Provide outage schedules for equipment that may impact the rating of the COI when required by the Path Operator of COI;

8.5.3 Provide or make arrangements for the provision of reliable telecommunications facilities and service required to transmit real-time information, specified in Section 8.5.1, to the Path Operator for COI to enable the Path Operator for COI to comply with its obligations under Section 8.3; and

9 PAYMENT

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

9.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) via Fed wire or, at the election of the billed Party, to an escrow account via Fed wire in accordance with Section 9.7 (for disputed amounts). Payment of any bill must be received by the Party owed or deposited into the escrow account no later than 20 calendar days after delivery (such date, for purposes of this Section 9, is the "Payment Due Date").

9.2 Full Payment

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

9.3 Late Payments

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

9.4 Disputed Bills

9.4.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 9.7.2. The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

9.4.2 Escrow Account: The escrow account established pursuant to Section 9.7.1 shall be with an escrow agent selected by the paying owing Party and approved in advance by the Party owed in a form acceptable to the Party owed. The instructions given to the escrow

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

10 ASSIGNMENT

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

11 LIABILITY

11.1 Scope of Liability

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

11.2 Claims of Electric Customers

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

11.3 Protection of Facilities

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

12 UNCONTROLLABLE FORCE

12.1 No Default

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

12.2 No Settlement Obligation

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

12.3 Notice and Removal Obligation

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

13 NO DEDICATION OF FACILITIES

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

Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

14 REGULATORY AUTHORITY

14.1 FERC Jurisdiction

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

14.2 Changes in Rates

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

15 DISPUTE RESOLUTION

15.1 Disputes generally.

The Parties shall use good faith efforts to settle promptly all disputes arising under this Agreement. In the event that a dispute, including a billing dispute or a dispute

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

15.2 Technical Disputes.

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

15.3 Rules.

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

16 NO EXCLUSIVE REMEDY

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

17 GOVERNING LAW

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

18 NON-WAIVER

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

19 NOTICES

Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, by

confirmed electronic facsimile or by prepaid commercial courier service to a Party at the address set forth in Appendix A. Any notice of a routine character in connection with service under this Agreement or in connection with operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement. By notice to all Parties, any Party may revise the person designated to receive notices. Such revision shall not constitute an amendment to this Agreement.

20 NO THIRD PARTY BENEFICIARIES

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

21 RELATIONSHIP OF THE PARTIES

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

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

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

22 TITLES

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

23 NO PRECEDENTS

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

24 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

24.1 Adverse Determination

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

24.2 Expansion Of Obligations

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

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

24.3 Renegotiation

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

25 SEVERABILITY

If any term, covenant or condition of this Agreement, or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 25 shall limit the rights of any Party under Section 24.

26 PRESERVATION OF OBLIGATIONS

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

27 INTEGRATION OF AGREEMENT

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

28 APPENDICES INCORPORATED

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

29 JUDGMENTS AND DETERMINATIONS

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

30 FEDERAL PROVISIONS

30.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

30.2 Officials Not to Benefit

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

30.3 Covenant Against Contingent Fees

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

30.4 Contract Work Hours and Safety Standards

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

30.5 Equal Opportunity Employment Practices

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

30.6 Use of Convict Labor

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

31 SUCCESSOR IN INTEREST:

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

32 AMENDMENTS

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

33 SIGNATURES; EXECUTION IN COUNTERPARTS:

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

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Transmission Agency of Northern California

By: _____

Name: _____

Title: _____

Date: _____

Western Area Power Administration

By: /Tom Carter/

Name: Tom Carter

Title: Operations Manager, Sierra Nevada Customer Service Region

Date: 11/30/07

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

California Independent System Operator Corporation

By: _____

Name: Jim Detmers

Title: Vice President, Operations

Date: 11/20/07

Transmission Agency of Northern California

By: _____

Name: _____

Title: _____

Date: _____

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra Nevada Customer Service Region

Date: _____

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

California Independent System Operator Corporation

By: _____

Name: _____

Title: _____

Date: _____

Transmission Agency of Northern California

By: James C. Feider

Name: James C. Feider

Title: Chairman

Date: 11-20-07

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: Edward A Salas

Name: Edward A. Salas

Title: Senior Vice President – Engineering and Operations

Date: November 20, 2007

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

City of Redding

By: _____

Name: James C. Feider

Title: Director, Electric Department

Date: _____

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

Pacific Gas and Electric Company

By: _____

Name: Edward A. Salas

Title: Senior Vice President – Engineering and Operations

Date: _____

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

City of Redding

By: _____

Name: James C. Feider

Title: Director, Electric Department

Date: 11-20-07

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A

Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

California Independent System Operator Corporation
Mr. Jim Detmers
Vice President, Operations
151 Blue Ravine Road
Folsom, CA 95630

Carmichael Water District
Mr. Steve Nugent
General Manager
7837 Fair Oaks Boulevard
Carmichael, CA 95608

Pacific Gas and Electric Company
Mr. Edward A. Salas
Senior Vice President – Engineering and Operations
77 Beale Street, Mail Code B32
San Francisco, CA 94105

San Juan Suburban Water District
Mr. Shauna Lorance
General Manager
9935 Auburn Folsom Road
Granite Bay, CA 95746

Transmission Agency Of Northern California
Mr. James C. Feider
3100 Zinfandel, Suite 600
Rancho Cordova, CA 95670

City of Redding
Mr. James C. Feider
777 Cypress Avenue
Redding, CA 96049-6071

City Of Vernon
Mr. Bruce V. Malkenhorst
4305 Santa Fe Avenue
Vernon, CA 90058

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

APPENDIX B

Owners' Cost Shares

APPENDIX B

OWNERS' COST SHARES

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

I. Billing

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

2) The Owner shall pay monthly:

Owners' Cost Share * ($166,667)

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

Contact name

Billing address

Billing telephone number

Billing electronic mail address

II. Cost Sharing Percentages

	PATH			
Owner	PACI - P	PACI - W	COTP	Percentage of COI
PG&E	100.0000%	0.0000%	2.0625%	34.0208%
Western	0.0000%	100.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	79.3022%	26.4341%
Vernon	0.0000%	0.0000%	7.5497%	2.5166%
Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
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SECRETARY
2007 NOV 21 A 10:59
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

APPENDIX 5

AMENDED CALIFORNIA OREGON INTERIE PATH OPERATING AGREEMENT (REDLINE)

November 21, 2007

California-Oregon Intertie Path Operating Agreement

Among

~~**Southern California Edison Company,**~~

Pacific Gas and Electric Company,

~~**San Diego Gas & Electric Company,**~~

Participants in the California-Oregon Transmission Project,

Western Area Power Administration,

And

California Independent System Operator

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Table of Acronyms and Abbreviations

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

California-Oregon Intertie Path Operating Agreement

Among

~~Southern California Edison Company,~~

Pacific Gas and Electric Company,

~~San Diego Gas & Electric Company,~~

Participants in the California-Oregon Transmission Project,

Western Area Power Administration

And

California Independent System Operator

1 PARTIES

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

2 RECITALS

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

2.1 The COTP Participants constructed the COTP to operate in parallel with the Pacific AC Intertie ("PACI") between Malin and Tesla substations.

2.2 PG&E constructed and owns most of the portions of the PACI in northern California, which operates in parallel with the COTP ("PACI-P").

2.3 ~~PG&E, Edison and SDG&E (collectively "The Companies" and individually a "Company") are parties to the California Companies' Pacific Intertie Agreement ("CCPIA") under which~~ PG&E has operated the PACI-P since December 20, 1967, and ~~pursuant to which Edison and SDG&E obtain rights and have obligations regarding use~~owns parts of the PACI which, under this Agreement, will be coordinated with the COTP Participants and Western ~~for the remaining term of the CCPIA~~. PG&E~~, Edison and SDG&E~~ turned over the operational control of the PACI-P on March 31, 1998, to the California Independent System Operator Corporation ("CAISO"), which operates the Control Area in which the PACI is presently located.

2.4 Western owns a portion of the PACI ("PACI-W"), which ~~has~~had been coordinated with the PACI-P pursuant to Western's Contract With California Companies For Extra High Voltage Transmission And Exchange Service ("Contract 2947A"), which ~~expires~~expired January 1, 2005.

2.5 PacifiCorp owns a portion of the PACI, which ~~is~~was coordinated with the PACI-P pursuant to an agreement between PacifiCorp and ~~the Companies, which terminates~~PG&E, Southern California Edison Company ("Edison") and San Diego Gas & Electric Company ("SDG&E") which terminated on ~~July~~December 31, 2007.

2.6 The COTP Participants or Western may decide to transfer respectively the COTP or the PACI-W, or both, to a Control Area different than that operated by the CAISO.

2.7 Prior to the execution of this Agreement, the CAISO has performed, and continues to perform, the functions of the Path Operator for the California-Oregon Intertie ("COI") in coordination with the Pacific Northwest Path Operator, and those entities have developed certain procedures to provide for the reliable operation of the COI.

2.8 ~~The Companies~~PG&E, COTP Participants, and Western, (collectively, the "Owners" and individually, an "Owner") agreed to the terms and conditions of the Owners Coordinated Operations Agreement ("OCOA~~")~~"), which was ~~unilaterally filed~~approved by ~~PG&E~~FERC and went into effect on ~~March 31, 2004~~January 1, 2005, and amendments, which will become effective January 1, 2008, in order to establish the coordination obligations and rights for the System. Prior to the Effective Date of this Agreement, each Owner has made arrangements for its facilities that are a part of the System to be operated within a NERC certified Control Area, and such arrangements require the Control Area Operator of each Control Area to operate such facilities in conformance with this Agreement and Section 8.2.2 of the OCOA.

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

2.10 It is the Owners' desire, in accordance with the OCOA, to:

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

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

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

2.11.1 Assure the continued reliable operation of the COI;

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

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

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

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

3 AGREEMENT

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

4 DEFINITIONS

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

4.1 Administrative Committee:

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

4.2 Administrative Representative:

A representative serving on the Administrative Committee, designated in accordance with Section 7 of the OCOA.

4.3 Applicable Requirements:

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

4.4 Available Scheduling Capability ("ASC"):

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

4.5 ASC Share:

The allocation of ASC to the PACI-P, PACI-W or COTP as calculated pursuant to Section 11.2 of the OCOA.

4.6 Available System Transfer Capability ("ASTC"):

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

~~4.7 California Companies Pacific Intertie Agreement ("CCPIA"):~~

~~That agreement dated August 25, 1966, among the Companies, as it may be amended or superseded.~~

4.~~8~~4.7 California Independent System Operator Corporation ("CAISO"):

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

4.~~9~~4.8 California-Oregon Border ("COB"):

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

4.~~10~~4.9California-Oregon Intertie ("COI"):

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

4.~~11~~4.10 California-Oregon Intertie Control Area Operator ("COI Control Area Operator"):

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

4.~~12~~4.11 Clearance:

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

~~4.13 Companies:~~

~~Edison, PG&E, and SDG&E, and their successors and assigns, provided that following the termination of service under the CCPIA, the term Companies shall mean PG&E and its successors and assigns.~~

4.~~14~~4.12 Control Area:

An area comprised of an Electric System or Electric Systems, bounded by interconnection metering and telemetry, controlling generation to maintain its load and net interchange schedule with other Control Areas, contributing to frequency regulation of the interconnection, and providing sufficient capacity to maintain operating reserves in

accordance with Prudent Utility Practice. For purposes of this definition, a Control Area must be certified by WECC and operate in conformance with Applicable Requirements.

~~4.15~~4.13 Control Area Operator:

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

~~4.16~~4.14 Cost

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

~~4.17~~4.15 COTP:

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

~~4.18~~4.16 COTP Participants:

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

~~4.19~~4.17 COTP Terminus:

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

~~4.20~~4.18 Curtailment:

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

~~4.21~~4.19 E&O Committee:

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

~~4.22~~4.20 E&O Representative:

A representative serving on the E&O Committee, designated in accordance with Section 7 of the OCOA.

~~4.23~~4.21 Effective Date:

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

~~4.24~~4.22 Electric System:

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

~~4.25~~4.23 FERC:

The Federal Energy Regulatory Commission, or its regulatory successor.

~~4.26~~4.24 Federal Power Act:

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

~~4.27~~4.25 Indian Spring:

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

~~4.28~~4.26 NERC:

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

~~4.29~~4.27 Nomogram:

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

~~4.30~~4.28 Non-Simultaneous Transfer Capability:

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

~~4.31~~4.29 Operating Emergency:

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

~~4.31.14~~.29.1 Preserve, maintain, or reestablish the safety, reliability, integrity or operability of the affected Control Area(s), the System, or such other electric facilities as have been affected;

~~4.31.24~~.29.2 Avoid a hazard to the property, health or safety of employees or the public;

~~4.31.34~~.29.3 Minimize or avoid loss of load or the inability to furnish any electric service; or

~~4.31.44~~.29.4 Maintain the frequency or voltage of a Party's Electric System.

~~4.32~~4.30 Operating Procedures:

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

~~4.33~~4.31 Operational Transfer Capability Limit ("OTC"):

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

~~4.34~~4.32 Owner:

~~Each of the Companies~~PG&E, each of the COTP Participants, and Western.

~~4.35~~4.33 Owners Coordinated Operation Agreement ("OCOA"):

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

~~4.36~~4.34 Pacific AC Intertie ("PACI"):

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

~~4.37~~4.35 PACI-P:

For purposes of this Agreement, the portion of the PACI owned by PG&E and located between Indian Spring and the COTP Terminus and the portion of the PACI owned by PacifiCorp between Malin Substation and Indian Spring to which ~~the Companies have~~PG&E has rights.

~~4.38~~4.36 PACI-W:

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

~~4.39~~4.37 Pacific DC Intertie ("PDCI"):

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

~~4.40~~4.38 Pacific Intertie:

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

~~4.41~~4.39 Pacific Northwest Path Operator:

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

~~4.42~~4.40 Path Operator for COI:

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

~~4.43~~4.41 Power Flow Reduction Measures

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

~~4.44~~4.42 Prudent Utility Practice:

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region.

~~4.45~~4.43 Rated System Transfer Capability ("RSTC"):

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

~~4.46~~4.44 Remedial Actions:

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

~~4.47~~4.45 Remedial Action Schemes ("RAS"):

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

~~4.48~~4.46 RSTC Share:

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

~~4.49~~4.47 Simultaneous Transfer Capability:

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

~~4.50~~4.48 System:

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

~~4.51~~4.49 Tesla ByPass:

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

~~4.52~~4.50 Transfer Capability:

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

~~4.53~~4.51 Transmission Agency of Northern California ("TANC"):

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

~~4.54~~4.52 Transmission Network:

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

~~4.55~~4.53 Unscheduled Flow (also called Loop Flow):

Actual flow minus scheduled flow across a path.

~~4.56~~4.54 Uncontrollable Force:

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

~~4.57~~4.55 WECC:

The Western Electricity Coordinating Council or its successor.

~~4.58~~4.56 Willful Action:

~~4.58.1~~4.56.1 Action taken or not taken by, or on behalf of, a Party at the direction of its members, directors, members of its governing body or bodies, authority or authorities, officers or employees having management or administrative responsibility, or agents acting in comparable capacity, which is either of the following:

~~4.58.1.1~~4.56.1.1 Knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage to person or property or a material default of this Agreement would result, or would probably result, therefrom; or

~~4.58.1.2~~4.56.1.2 Determined by binding arbitration award or decision or final judgment or judicial decree to be a material default under this Agreement and occurs or continues beyond the time specified in such award, decision, judgment or decree

for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

~~4.58.2~~4.56.2 The phrase "employees having management or administrative responsibility," as used in Section 4.56.1, means the employees of a Party who have one or more of the functions of planning, organizing, coordinating, directing, controlling, or supervising such Party's performance under this Agreement with responsibility for results.

~~4.58.3~~4.56.3 Willful Action does not include any act or failure to act that is merely involuntary, accidental or negligent.

5 SCOPE OF AGREEMENT

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

6 EFFECTIVE DATE AND TERM

6.1 Effective Date

~~This Agreement~~ Except for the amendments hereto, which shall become effective ~~and shall have an Effective Date~~ on ~~the later of: (a)~~ January 1, ~~2005~~2008, or ~~(b)~~ the date on which FERC permits ~~this Agreement~~ the amendments to become effective without change or ~~new~~ condition unacceptable to any Party, whichever comes later, this Agreement became effective and has an Effective Date of January 1, 2005, and ~~shall thereafter be~~is

binding upon and enforceable against each Party taking or providing service under this Agreement.

6.2 Term

This Agreement shall terminate on the earliest of:

(a) upon unanimous vote of the Administrative Representatives pursuant to Section 8.1.2.2 of the OCOA, and such termination shall be effective upon the effective date of a successor California-Oregon Intertie Path Operating Agreement, following not less than 60 days' notice to the Path Operator for COI; or

(b) termination of the OCOA; or

(c) upon one year's written notice by the Path Operator for COI.

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

~~6.3 Termination of Agreement as to Edison and SDG&E~~

~~6.3.1 Notwithstanding anything herein, Edison and SDG&E each shall cease to be a Party upon termination of service under the CCPIA, unless (i) as to Edison, there is in effect at that time a replacement or successor to the CCPIA that provides equivalent rights to Edison to use the PACI, or (ii) as to SDG&E, there is in effect at that time a replacement or successor to the CCPIA that provides equivalent rights to SDG&E to use the PACI. Such termination of Party status shall be subject to any necessary acceptance or approval by FERC.~~

~~6.3.2 The Parties agree to take all actions reasonably requested by Edison or SDG&E to terminate the Party status of Edison or SDG&E in accordance with Section 6.3, including, but not limited to, supporting a Cancellation of Service, or similar filing, or executing and submitting to FERC an amendment to this Agreement reflecting that Edison or SDG&E or both are no longer Parties.~~

7 ADMINISTRATION

7.1 Representation

To secure prompt and orderly cooperation and consultation or exchange of information between and among the Parties and the Path Operator for COI concerning administrative and technical matters that may arise in connection with this Agreement, the Administrative Committee and the E&O Committee shall meet, and shall invite the Path Operator for COI and, if applicable, the COI Control Area Operator(s) and the Pacific Northwest Path Operator to attend any such meeting to discuss and resolve any such administrative or technical matters. All decisions and actions taken by the Administrative Committee or the E&O Committee shall be by unanimous vote unless the Committee decides otherwise by unanimous vote or unless otherwise specified in this Agreement.

7.2 Duties of Administrative Committee

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

7.2.1 Resolve issues among the Owners regarding the interpretation of this Agreement;

7.2.2 Resolve issues that could not be resolved by the E&O Representatives;

7.2.3 Recommend amendments to the Agreement for consideration of the Parties; and

7.2.4 Perform such other duties as may be designated in this Agreement or as may be required by written agreement of the Parties.

7.3 Duties of E&O Committee

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

7.3.1 Resolve issues and jointly develop procedures with the Path Operator for COI concerning the appropriate determinations of the ASTC and the ASC and resolve issues regarding the development of the OTC in coordination with the Path Operator for COI and the Pacific Northwest Path Operator and applicable WECC committees.

7.3.2 Resolve issues concerning the Operating Procedures of the Path Operator for COI;

7.3.3 Propose, review and develop Operating Procedures used by the Path Operator for COI to perform its duties under Section 8 of this Agreement;

7.3.4 Review and comment upon operating procedures used by the Pacific Northwest Path Operator;

7.3.5 Refer issues that cannot be resolved by the E&O Committee to the Administrative Committee; and

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

7.4 E&O Representative Review

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

7.5 Meetings

The Path Operator for COI may call a meeting of the Administrative Committee or the E&O Committee upon reasonable advance written notice to the

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

7.6 Expenses

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

7.7 Operating Procedure Implementation

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

public health or safety. At least 10 days before consideration of any new or proposed non-emergency Operating Procedure by the E&O Committee which may be applicable to the Pacific Northwest Path Operator, the Path Operator for COI shall provide a copy of such new or proposed Operating procedure to the Pacific Northwest Path Operator for review and comment. Any emergency Operating Procedure shall be provided by the Path Operator for COI to the Pacific Northwest Path Operator as soon as possible prior to the E&O Committee approval.

8 SYSTEM OPERATION

8.1 COI Operating Procedures

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

8.2 Unscheduled Flow Procedure

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

Operating Procedures shall be consistent with the WECC Unscheduled Flow Mitigation Plan.

8.3 Path Operator for COI Duties:

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

8.3.1 Determine OTC in coordination with the Pacific Northwest Path Operator and consistent with WECC seasonal studies performed by or on behalf of the Owners and in consideration of hydroelectric generation conditions in Northern California;

8.3.2 Determine ASTC and ASC on a pre-schedule and real-time basis in compliance with procedures developed pursuant to this Agreement, and allocate ASC to the PACI-P, PACI-W and COTP in conformance with the OCOA and the associated Operating Procedures established and approved by the E&O Committee;

8.3.3 To the extent feasible, determine and allocate ASTC among the Owners, based on operating conditions at or south of the Malin and Captain Jack substations, such that the ASTC allocated represents the total ASTC available, which amount may, at times, be different than the OTC, which value may be less than ASTC due to operating condition north of the Malin and Captain Jack substations as determined by the Pacific Northwest Path Operator;

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

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

8.3.4.2 Schedules exceeding ASC Share;

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

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

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

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

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

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

8.3.6.3 RAS and telecommunications status and available remedial actions.

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

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

8.3.9 Implement the WECC Unscheduled Flow Mitigation Plan;

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

8.3.11 Perform or cause to be performed all things necessary to meet the criteria for path operation specified in the Agreements referenced in Section 8.3.10 herein as they may be amended or superseded, as well

as other duties applicable to path operation that may be required by the WECC or NERC through rules, standards or criteria;

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

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

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

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

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

8.3.17 Perform all duties and functions of the Path Operator for COI for the benefit of all Owners without preference or discrimination and

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

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

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

8.3.20 Coordinate with the Pacific Northwest Path Operator and develop procedures necessary to provide for the reliable operation of the COI and perform other obligations under this Agreement, which coordination shall be under a contract to the extent feasible; and

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

8.4 Path Operator for COI Compensation

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

rate under this Agreement for any service the CAISO renders to the Owners other than for services provided pursuant to this Agreement.

8.5 Owners' Obligations to Path Operator for COI:

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

8.5.1 Provide real-time status, power flow, voltage, RAS and other information related to the Party's Electric System elements that affect ASTC or as the Path Operator for COI determines is reasonably needed to determine ASTC;

8.5.2 Provide outage schedules for equipment that may impact the rating of the COI when required by the Path Operator of COI;

8.5.3 Provide or make arrangements for the provision of reliable telecommunications facilities and service required to transmit real-time information, specified in Section 8.5.1, to the Path Operator for COI to enable the Path Operator for COI to comply with its obligations under Section 8.3; and

9 PAYMENT

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

9.1 Payment

Payment of bills shall be made in full, either directly to the Party owed (for undisputed amounts) via Fed wire or, at the election of the billed Party, to an escrow account via Fed wire in accordance with Section 9.7 (for disputed amounts).

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

9.2 Full Payment

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

9.3 Late Payments

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

9.4 Disputed Bills

9.4.1 Notice of Dispute: If a Party owing payment disputes all or a portion of a bill, it shall either pay the full amount of the bill directly to the Party owed or, at its election, pay the full undisputed amount, without offset or reduction, directly to the Party owed and, on or before the Payment Due Date (a) notify the Party owed in writing of the amount in dispute and the basis for the dispute and (b) pay the full disputed amount into an escrow account in accordance with Section 9.7.2. The Party owed and such owing Party shall endeavor to resolve informally any dispute prior to the Payment Due Date of the disputed bill. When the owing Party has paid to the Party owed amounts billed to it but contested at the time paid, any amount determined to be due and owing to the owing Party upon resolution of the dispute shall be refunded by the Party owed with Interest.

9.4.2 Escrow Account: The escrow account established pursuant to Section 9.7.1 shall be with an escrow agent selected by the paying owing Party and approved in advance by the Party owed in a form acceptable to the Party owed. The instructions given to the escrow agent shall include an express obligation on the escrow agent's part to release sufficient funds from the account, including Interest that has accrued on the account, to pay in full to the Party owed one of the following amounts (plus accumulated Interest on that amount), as applicable: (1) the amount originally billed; (2) an alternative amount agreed upon by the disputing Parties; or (3) the amount determined by FERC or other tribunal of competent jurisdiction to be due to the Party owed but unpaid by the disputing Party. The disputing Party shall pay all costs and penalties that may be associated with withdrawing funds to pay the Party owed. Any funds remaining in the escrow account after payment to the Party owed, including accumulated Interest on those remaining funds, shall be returned to the owing Party.

10 ASSIGNMENT

A Party may assign its rights and obligations under this Agreement to another person with the consent of the other Parties, which consent shall not be unreasonably withheld. The assignee shall expressly assume in writing the duties and obligations hereunder of the assigning Party, and within 30 days after any such assignment and assumption of duties and obligations the assigning Party shall deliver or cause to be delivered to all other Parties a true and correct copy of such assignment and assumption of duties and obligations. If such assignment and assumption is not delivered within 30 days following the assignment, then any such purported assignment shall be of no force or effect. To the extent directed by

Congress, Western may assign any right or interest under this Agreement that it may have without the consent of any Party, subject to the assumption obligation in this Section 10.

11 LIABILITY

11.1 Scope of Liability

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

11.2 Claims of Electric Customers

Except for liability resulting from Willful Action by another Party, a Party whose electric customer shall make a claim or bring an action against such other Party for any death, injury, loss or damage arising out of or in connection with the delivery of, interruption to, or curtailment of electric service to such customer resulting from the performance or non-performance of any obligation under this Agreement shall indemnify and hold harmless, to the extent allowed by law, such other Party, its directors, members of its governing body, officers, employees and agents from and against any liability for such death, injury, loss or damage; provided that no Party shall be obligated to indemnify another Party if it is prevented from doing so by law, and no Party shall be obligated to indemnify

another Party which cannot lawfully indemnify pursuant to this Section 11.2. The term "electric customer" shall mean any electric customer to which no power or energy is delivered for resale.

11.3 Protection of Facilities

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

12 UNCONTROLLABLE FORCE

12.1 No Default

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

12.2 No Settlement Obligation

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

12.3 Notice and Removal Obligation

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

13 NO DEDICATION OF FACILITIES

Any undertaking by a Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication of its Electric System or

any portion thereof by the undertaking Party to the public, to any other Party or to any third party, and any such undertaking by a Party shall cease upon the termination of such Party's obligations under this Agreement. The Electric System of a Party shall, at all times be, and remain, in the exclusive ownership, possession, and control of that Party, and nothing in this Agreement shall be construed to give any other Party any right of ownership, possession or control of such Electric System.

14 REGULATORY AUTHORITY

14.1 FERC Jurisdiction

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

14.2 Changes in Rates

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

15 DISPUTE RESOLUTION

15.1 Disputes generally.

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

15.2 Technical Disputes.

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

15.3 Rules.

All negotiations, settlement conferences, compromise discussions and any mediation conducted pursuant to this Section 15 are confidential and shall be treated as

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

16 NO EXCLUSIVE REMEDY

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

17 GOVERNING LAW

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

18 NON-WAIVER

Any waiver at any time by any Party of its rights with respect to any default or other matter arising in connection with this Agreement shall not constitute or be deemed a waiver with respect to any subsequent default or any other matter arising in connection with this

Agreement. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

19 NOTICES

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

20 NO THIRD PARTY BENEFICIARIES

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

21 RELATIONSHIP OF THE PARTIES

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

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

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

22 TITLES

The captions and headings in this Agreement are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the rates, terms or conditions of this Agreement.

23 NO PRECEDENTS

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

24 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS

24.1 Adverse Determination

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction determines that all or any part of this Agreement, its operation or effect is unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, each Party shall be relieved of any obligations hereunder to the extent necessary to comply with or eliminate such adverse determination. The Parties shall

promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such adverse determination.

24.2 Expansion Of Obligations

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

24.3 Renegotiation

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

25 SEVERABILITY

If any term, covenant or condition of this Agreement, or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstance, or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest, by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby but shall remain in full force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such determination unless a court or governmental agency of competent jurisdiction holds that such provision is not separable from all other provisions of this Agreement. Nothing in this Section 25 shall limit the rights of any Party under Section 24.

26 PRESERVATION OF OBLIGATIONS

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

27 INTEGRATION OF AGREEMENT

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

28 APPENDICES INCORPORATED

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

29 JUDGMENTS AND DETERMINATIONS

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

30 FEDERAL PROVISIONS

30.1 Contingent Upon Appropriations

Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the this Agreement. In case such appropriation is not made, the other Parties hereby release the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

30.2 Officials Not to Benefit

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

30.3 Covenant Against Contingent Fees

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

30.4 Contract Work Hours and Safety Standards

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

30.5 Equal Opportunity Employment Practices

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

30.6 Use of Convict Labor

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

31 SUCCESSOR IN INTEREST:

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

32 AMENDMENTS

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

33 SIGNATURES; EXECUTION IN COUNTERPARTS:

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

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

California Independent System Operator Corporation

By: _____

Name: ~~Randall T. Abernathy~~

Title: ~~Vice President, Market Service~~

Date: _____

Transmission Agency of Northern California

By: _____

Name: _____

Title: _____

Date: _____

Western Area Power Administration

By: _____

Name: Tom Carter

Title: Operations Manager, Sierra-Nevada Customer Service Region

Date: _____

Pacific Gas and Electric Company

By: _____

Name: ~~Jeffrey D. Butler~~Edward A. Salas

Title: Senior Vice President – ~~Transmission~~Engineering and ~~Distribution~~Operations

Date: _____

~~**Southern California Edison Company**~~

~~By:~~ _____

~~Name:~~ _____

~~Title:~~ _____

~~Date:~~ _____

~~**San Diego Gas & Electric Company**~~

~~By:~~ _____

~~Name:~~ _____

~~Title:~~ _____

~~Date:~~ _____

City of Vernon

By: _____

Name: _____

Title: _____

Date: _____

City of ~~Shasta Lake~~

Redding

By: _____

Name: James C. Feider

Title: Director, Electric Department

Date: _____

Carmichael Water District

By: _____

Name: _____

Title: _____

Date: _____

San Juan Suburban Water District

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX A

Recipients of Notices

APPENDIX A

ADDRESSES FOR NOTICES

California Independent System Operator Corporation
Mr. ~~Randall T. Abernathy~~Jim Detmers
Vice President, ~~Market Service~~Operations
151 Blue Ravine Road
Folsom, CA 95630

Carmichael Water District
Mr. Steve Nugent
General Manager
7837 Fair Oaks Boulevard
Carmichael, CA 95608

Pacific Gas and Electric Company
~~Jeffrey D. Butler~~Mr. Edward A. Salas
Senior Vice President – ~~Transmission and Distribution~~Engineering and Operations
77 Beale Street, Mail Code B32
San Francisco, CA 94105

~~San Diego Gas & Electric Company~~
~~Victor Kruger~~
~~P.O. Box 129831~~
~~San Diego, CA 92112-9831~~

San Juan Suburban Water District
Mr. Shauna Lorance
General Manager
9935 Auburn Folsom Road
Granite Bay, CA 95746

~~Southern California Edison Company~~
~~Mr. Michael D. Mackness~~
~~2244 Walnut Grove Avenue, GO1~~
~~Rosemead, CA 91770~~

Transmission Agency Of Northern California
Mr. James C. Feider
3100 Zinfandel, Suite 600
Rancho Cordova, CA 95670

~~City of Shasta Lake~~
~~Mr. Don Moore~~
~~City Manager~~
~~1650 Stanton Drive~~
~~Central Valley, CA 96019~~
City of Redding
Mr. James C. Feider
777 Cypress Avenue
Redding, CA 96049-6071

City Of Vernon
Mr. Bruce V. Malkenhorst
4305 Santa Fe Avenue
Vernon, CA 90058

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

APPENDIX B

Owners' Cost Shares

APPENDIX B

OWNERS' COST SHARES

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

I. Billing

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

2) The Owner shall pay monthly:

Owners' Cost Share * ($166,667)

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

Contact name

Billing address

Billing telephone number

Billing electronic mail address

II. Cost Sharing Percentages

	PATH			
Owner	PACI - P	PACI - W	COTP	Percentage of COI
PG&E	~~50~~100.0000%	0.0000%	2.0625%	~~17.3542%~~34.0208%
~~SCE~~	~~43.0000%~~	~~0.0000%~~	~~0.0000%~~	~~14.3333%~~
~~SDG&E~~	~~7.0000%~~	~~0.0000%~~	~~0.0000%~~	~~2.3333%~~
Western	0.0000%	100.0000%	9.3750%	36.4583%
TANC	0.0000%	0.0000%	79.3022%	26.4341%
Vernon	0.0000%	0.0000%	7.5497%	2.5166%
~~Shasta~~ ~~Lake~~Redding	0.0000%	0.0000%	1.5856%	0.5285%
Carmichael	0.0000%	0.0000%	0.0625%	0.0208%
San Juan	0.0000%	0.0000%	0.0625%	0.0208%

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

APPENDIX 6

REVISED TARIFF SHEETS – PG&E TO TARIFF

November 21, 2007

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 10:59
FEDERAL ENERGY
REGULATORY COMMISSION

PACIFIC GAS AND ELECTRIC COMPANY

TRANSMISSION OWNER TARIFF
Sixth Revised Volume 5
Revised Sheets

Settlement
In
Docket No. ER07-882, et al.

Standby Service from the Participating TO or can be curtailed concurrently with an outage of the Generating Unit serving the Load.

3.38 High Voltage Access Charge. A component of the Access Charge determined by the ISO under Section 26.1 of the ISO Tariff.

3.39 High Voltage Transmission Facility. A transmission facility under the operational control of the ISO that is owned by the Participating TO or to which the Participating TO has an Entitlement that may be associated with a Converted Right, which operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

3.40 High Voltage Transmission Revenue Requirement. The portion of the Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities.

3.41 High Voltage Utility-Specific Rate. The Participating TO's High Voltage Transmission Revenue Requirement plus, for the period March 1, 2008 through February 28, 2009, the PacificCorp Intertie Lease Revenue Requirement divided by the Participating TO's forecast of its Gross Load.

3.42 High Voltage Wheeling Access Charge. The Wheeling Access Charge assessed by the ISO associated with the recovery of the Participating TO's High Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the ISO Tariff and for the period March 1, 2008 trough February 28, 2009, recovery of the PacificCorp Intertie Lease Revenue Requirement.

3.43 Inter-zonal Interface. The (i) group of transmission paths between two adjacent Zones of the ISO Controlled Grid, for which a physical, non-simultaneous transmission

3.67 [Omitted].

3.68 New High Voltage Transmission Facility. A High Voltage Transmission Facility of the Participating TO that enters service on or after the Transition Date described in Section 4 of Appendix F, Schedule 3 of the ISO Tariff, or a capital addition made on or after the Transition Date described in Section 4.1 of Appendix F, Schedule 3 of the ISO Tariff to a High Voltage Transmission Facility that existed prior to the Transition Date.

3.69 New Participating TO. A Participating TO that is not an Original Participating TO.

3.70 Non-Participating TO. A TO that is not a party to the TCA or for the purposes of Sections 16.1 and 16.2 of the ISO Tariff the holder of transmission service rights under an Existing Contract that is not a Participating TO.

3.71 Non-Spinning Reserve. The portion of off-line generating capacity that is capable of being synchronized and ramping to a specified load in ten minutes (or load that is capable of being interrupted in ten minutes) and that is capable of running (or being interrupted) for at least two hours.

3.72 Operational Control. The rights of the ISO under the Transmission Control Agreement and the ISO Tariff to direct Participating TOs how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities for the purpose of affording comparable non-discriminatory transmission access and meeting Applicable Reliability Criteria.

3.73 Original Participating TO. A Participating TO that was a Participating TO as of January 1, 2000. The Original Participating TOs are Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company.

3.73a PacifiCorp Intertie Lease Revenue Requirement. The revenue requirement associated with the Participating TO's payments to PacificCorp under a Lease agreement approved by the Commission in Docket Nos. ER07-882, et al. between January 1, 2008 and February 28, 2009 which will be collected by the Participating TO in End-User transmission rates, Access Charges and Wheeling Access Charges between March 1, 2008 and February 28, 2009.

3.74 Participating TO. A party to the TCA whose application under Section 2.2 of the TCA has been accepted and who has placed its transmission assets and Entitlements under the ISO's Operational Control in accordance with the TCA. A Participating TO may be an Original Participating TO or a New Participating TO. For

Wheeling Access Charge. The High Voltage Wheeling Access Charge is set forth in the ISO Tariff. The Participating TOs' Low Voltage Wheeling Access Charge is set forth in Appendix II herein.

5.3 End-User Transmission Rates. End-User transmission rates for a FERC-jurisdictional Participating TO shall be based on the Base Transmission Revenue Requirement authorized by FERC. In addition, all End-Use Customers of a FERC-jurisdictional Participating TO shall be subject to the FERC-authorized TRBAA, Reliability Services Charge TACBAA rates and for the period March 1, 2008 through February 28, 2009, a PacificCorp Intertie Lease rate. The Participating TO's End-User transmission rates, by retail rate schedule, are set forth in Appendix III. An End-User shall pay the same End-User transmission rate as other similarly situated End-Use Customers of the Participating TO regardless of its Energy supplier. End-Users withdrawing power from the Participating TO's transmission or distribution facilities shall not qualify for transmission access under the Wheeling Access Charge if FERC would be prohibited from ordering transmission service for such customer by Section 212(h) of the FPA.

5.4 Transmission Revenue Requirement. As set forth in the ISO Tariff, the Transmission Revenue Requirement for each Participating TO is used to develop the Access Charges set forth in the ISO Tariff and is used by the ISO to calculate the disbursement of Wheeling revenues among Participating TOs. Wheeling revenues are disbursed by the ISO to Participating TOs pursuant to Section 26.1.4.3. of the ISO Tariff. The Transmission Revenue Requirement, High Voltage Transmission Revenue Requirement, and Low Voltage Transmission Revenue Requirement for the Participating TO are set forth in Appendix I.

APPENDIX I
Transmission and Reliability Services Revenue Requirements [1]

1. **The Transmission Revenue Requirement for purposes of calculating End-User transmission rates shall be $752,901,081, which is composed of the Base Transmission Revenue Requirement of $760,599,668, and the TRBAA of ($7,698,587).[2]**

2. **For purposes of the ISO's calculation of Access Charges under Section 26.1 of the ISO Tariff:**

   a. **The High Voltage Transmission Revenue Requirement shall be $341,826,996, which is composed of a High Voltage Base Transmission Revenue Requirement of $363,442,570, Standby Transmission Demand Revenue credit of ($966,884), and a High Voltage TRBAA of ($20,648,690).**

   b. **The Low Voltage Transmission Revenue Requirement shall be $369,274,608, which is composed of a Low Voltage Base Transmission Revenue Requirement of $386,152,152, Standby Transmission Demand Revenue credit of ($1,000,326), and a Low Voltage TRBAA of ($15,877,218).**

   c. **The High Voltage Transmission Revenue Requirement associated with New High Voltage Transmission Facilities is $182,001,212 , which is composed of a High Voltage Base Transmission Revenue Requirement of $194,061,452, Standby Transmission Demand Revenue credit of ($515,349), and a High Voltage TRBAA of ($11,544,891).**

   d. **The forecast of Gross Load at the High Voltage/Low Voltage interface is 90,934,164 megawatt-hours.**

   e. **Pursuant to the Offer of Settlement and Stipulation in Docket Nos. ER07-882, et al., the PacifiCorp Intertie Lease Revenue Requirement of $23,333,333, will be added to the High Voltage Transmission Revenue Requirement and will be included in the ISO's calculation of Access Charges for the period March 1, 2008 until February 28, 2009. The PacifiCorp Intertie Lease Revenue Requirement associated with New High Voltage Transmission Facilities is $12,447,516.**

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[1] Total revenue requirement associated with transmission facilities and entitlements turned over to the operational control of the ISO by the Participating TO, which reflects a reduction or increase for Transmission Revenue Credits.

[2] The TRBAA amount includes ($58,267,827) calculated pursuant to Section 5.5 plus $50,569,240 calculated pursuant to Section 5.5.1.

3. **The amounts stated in sections 1. and 2., except the amount in section 2.e. above shall be effective until changed by the Participating TO or modified by FERC.**

4. **The Reliability Services Balancing Account shall be equal to ($57,946,570), which includes the forecast of Reliability Services payments PG&E will make to the ISO during 2008 of $57,695,945 , plus an adjustment of ($115,642,515). This amount shall be effective until amended by PG&E in accordance with Appendix V to this Tariff.**

The Reliability Services Balancing Account shall be allocated to High Voltage and Low Voltage End-Use Customers as follows:

	2008 RMR Costs	Adjustment	2008 Revenue Requirement
Retail High Voltage	**$912,418**		
Retail Low Voltage	**$556,783,527**		
Retail Total	**$57,695,945**	**($115,642,515)**	**($57,946,570)**

The End-Use Customer Refund Adjustment Account shall be allocated to End-Use Customers and include a Revenue Requirement of ($7,731,475).

The PacifiCorp Intertie Lease Revenue Requirement of $23,333,333 shall also be allocated to End-Use Customers through the PacifiCorp Intertie Lease Rates between March 1, 2008 and February 28, 2009.

APPENDIX II

Access Charges for Wholesale Transmission

	Per kWh
High Voltage Access Charge	See ISO Tariff
Low Voltage Access Charge	$0.004061
High Voltage Utility-Specific Access Charge	$0.004016

High Voltage Wheeling Access Charge

High Voltage Wheeling Access Charge	See ISO Tariff

Low Voltage Wheeling Access Charge

High Voltage Wheeling Access Charge	See ISO Tariff
Low Voltage Wheeling Access Charge	$0.004061

APPENDIX III

Access Charges for End-Use Service

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RESIDENTIAL SCHEDULES

COMMERCIAL AND INDUSTRIAL SCHEDULES
- SCHEDULE A-1
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- SCHEDULE TC-1
- SCHEDULE A-10
- SCHEDULE E-19
- SCHEDULE E-20
- SCHEDULE E-37
- SCHEDULE S

AGRICULTURAL SCHEDULES

STREETLIGHTING SCHEDULES

[1]These charges represent the rates for recovery of the Base Transmission Revenue Requirement. A TRBAA Rate of $(0.00008) per kWh and a TACBAA Rate of $0.0001 per kWh shall also apply to all of the rate schedules described in this Appendix.

[2]The applicability of these rates is described in the California Public Utilities Commission jurisdictional retail tariffs.

RESIDENTIAL SCHEDULES		TO RATES	ECRA RATES	PACIFICORP INTERTIE LEASE RATES
SCHEDULE E-1 SCHEDULE E-3 SCHEDULE EL-1 (CARE) SCHEDULES E-6 AND EL-6 (CARE) SCHEDULES E-7 AND EL-7 (CARE) SCHEDULES E-A7 AND EL-A7 (CARE) SCHEDULE E-8 SCHEDULE EL-8 (CARE) SCHEDULE E-9	SCHEDULE EE SCHEDULE EM AND EML (CARE) SCHEDULE ES AND ESL (CARE) SCHEDULE ESR AND ESRL (CARE) SCHEDULE ET AND ETL (CARE)			
Energy Charge ($/kWh)		$0.01034	($0.00010)	$0.00031

COMMERCIAL & INDUSTRIAL SCHEDULES	TO RATES	ECRA RATES	PACIFICORP INTERTIE LEASE RATES
SCHEDULE A-1 **SCHEDULE A-6** **SCHEDULE A-15** **SCHEDULE TC-1**			
Energy Charges ($/kWh)	$0.00913	($0.00009)	$0.00028
Schedule A-10			
BASIS FOR DEMAND CHARGE: The customer will be billed for demand according to the customer's "maximum demand" each month. The number of kW used will be recorded over 15-minute intervals; the highest 15-minute average in the month will be the customer's maximum demand. SPECIAL CASES: (1) If the customer's use of energy is intermittent or subject to severe fluctuations, a 5-minute interval may be used, and (2) If the customer uses welders, the demand charge will be subject to the minimum demand charges for those welders' ratings, as explained in Section J of PG&E's CPUC Rule 2.			
Maximum Demand Charge ($/kW/mo)	$2.97		
Energy Charges ($/kWh)		(0.00009)	$0.00026
Schedule E-19			
BASIS FOR DEMAND CHARGE: Demand will be averaged over 15-minute intervals for customers whose maximum demand exceeds 499 kW. "Maximum demand" will be the highest of all the 15-minute averages for the billing month. If the customer's use of electricity is intermittent or subject to severe fluctuations, a 5-minute interval may be used. If the customer has any welding machines, the diversified resistance welder load, calculated in accordance with Section J of PG&E's CPUC Rule 2, will be considered the maximum demand if it exceeds the maximum demand that results from averaging the demand over 15-minute intervals. The customer's maximum-peak-period demand will be the highest of all the 15-minute averages for the peak period during the billing month.			
– This schedule has three **demand charges**, a maximum-peak-period-demand charge, a maximum-part-peak-period and a maximum demand charge. The maximum-peak-period demand charge per kilowatt applies to the maximum demand during the month's peak hours, the maximum part-peak-period demand charge applies to the maximum demand during the month's part-peak hours, and the maximum demand charge per kilowatt applies to the maximum demand at any time during the month. The bill will include <u>all</u> of these demand charges.			
– The monthly charges may be increased or decreased based upon the power factor.			
POWER FACTOR ADJUSTMENTS: Bills will be adjusted based on the power factor for all customers except those selecting voluntary E-19 service. The power factor is computed from the ratio of lagging reactive kilovolt-ampere-hours to the kilowatt-hours consumed in the month. Power factors are rounded to the nearest whole percent.			
The rates in this rate schedule are based on a power factor of 85 percent. If the average power factor is greater than 85 percent, the total monthly bill will be reduced by the product of the power factor rate and the kilowatt-hour usage for each percent			
For customers taking Non-Firm Service, power factor adjustments will be applied to the customer's total bill, net of charges and credits billed under Schedule E-NF.			
Schedule E-19 Demand Charges ($/kW/mo)	$2.97		
Energy Charges ($/kWh)		(0.00009)	$0.00026

	TO RATES	ECRA RATES	PACIFICORP INTERTIE LEASE RATES
Schedule E-20			
BASIS FOR DEMAND CHARGE: Demand will be averaged over 15-minute intervals. "Maximum demand" will be the highest of all the 15-minute averages for the billing month. If the customer's use of electricity is intermittent or subject to severe fluctuations, a 5-minute interval may be used. If the customer has any welding macines, the diversified resistance welder load, calculated in accordance with Section J of PG&E's CPUC Rule 2, will be considered the maximum demand if it exceeds the maximum demand that results from averaging the demand over 15-minute intervals. The customer's maximum-peak-period demand will be the highest of all the 15-minute averages for the peak period during the billing month.			
– Schedule E-20 has three **demand charges**, a maximum-peak-period demand charge, a maximum-part-peak-period demand charge, and a maximum-demand charge. The maximum-peak-period demand charge per kilowatt applies to the maximum demand during the month's peak hours, the maximum-part-peak demand charge applies to the maximum demand during the month's part-peak hours, and the maximum demand charge per kilowatt applies to the maximum demand at any time during the month. The bill will include all of these demand charges.			
– The monthly charges may be increased or decreased based upon the power factor, using the same method as described above for Schedule E-19.			
Schedule E-20 Demand Charges ($/kW/mo)	$3.28		
Energy Charges ($/kWh)		($0.00007)	$0.00022
Schedule E-37			
Energy Charges ($/kWh)	$0.00735	($0.00007)	$0.00022
Schedule S			
RESERVATION CAPACITY: The Reservation Capacity to be used for billing under the above rates shall be as set forth in the customer's contract for service. For new or revised contracts, the Reservation Capacity shall be determined by the customer. However, if the customer's standby demand exceeds this new contracted capacity in any billing month, that standby demand shall become the new Reservation or Contract Capacity for 12 months, beginning with that month. See Special Condition 7 for the definition of Reservation Capacity for Supplemental Standby Service customers.			
The **Reservation Charge**, in dollars per kilowatt (kW), applies to 85 percent of the customer's Reservation Capacity, as defined in Special Condition 1 of the tariffs.			
POWER FACTOR ADJUSTMENT: When the customer's Reservation Capacity is greater than 500 kW, the bill will be adjusted based on the power factor. The power factor is derived from the ratio of kWh to kVAh consumed in the month. Power factors are averaged and rounded to the nearest whole percent.			
The rates in this rate schedule are based on a power factor of 85 percent. If the average power factor is greater than 85 percent, the total monthly bill will be reduced by the product of the power factor adjustment rate and the kilowatt-hour usage for each percentage point above 85 percent. If the average power factor is less than 85 percent, the total monthly bill will be increased by the product of the power factor adjustment rate and the kilowatt-hour usage for each percentage point below 85 percent.			
The customer shall pay only the greater of the power factor adjustment and the reactive demand charge.			
Generators for which ISO standards apply must also meet power factor requirements specified in the ISO tariff.			
Schedule S			
Energy Charges ($/kWh)	$0.01340	($0.00027)	$0.00082
Reservation Charge ($/kW/mo)	$0.38		

AGRICULTURAL SCHEDULES The CPUC- jurisdictional retail tariffs should be referred to for detailed descriptions of how agricultural demand charges are assessed.	**TO RATES**	**ECRA RATES**	**PACIFICORP INTERTIE LEASE RATES**
SCHEDULE AG-1 **SCHEDULE AG-R** **SCHEDULE AG-V** **SCHEDULE AG-4** **SCHEDULE AG-5** **SCHEDULE AG-ICE**			
Energy Charges ($/kWh)	$0.00735	($0.00007)	$0.00022
STREETLIGHTING SCHEDULES			
SCHEDULE LS-1 **SCHEDULE LS-2** **SCHEDULE LS-3** **SCHEDULE OL-1**			
Energy Charge ($/kWh)	$0.00676	($0.00007)	$0.00021

PACIFIC GAS AND ELECTRIC COMPANY

TRANSMISSION OWNER TARIFF
Sixth Revised Volume 5
Revised Sheets

Settlement
In
Docket No. ER07-882, et al.

REDLINE VERSION

Standby Service from the Participating TO or can be curtailed concurrently with an outage of the Generating Unit serving the Load.

3.38 High Voltage Access Charge. A component of the Access Charge determined by the ISO under Section 26.1 of the ISO Tariff.

3.39 High Voltage Transmission Facility. A transmission facility under the operational control of the ISO that is owned by the Participating TO or to which the Participating TO has an Entitlement that may be associated with a Converted Right, which operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers.

3.40 High Voltage Transmission Revenue Requirement. The portion of the Participating TO's TRR associated with and allocable to the Participating TO's High Voltage Transmission Facilities and Converted Rights associated with High Voltage Transmission Facilities.

3.41 High Voltage Utility-Specific Rate. The Participating TO's High Voltage Transmission Revenue Requirement plus, for the period March 1, 2008 through February 28, 2009, the PacificCorp Intertie Lease Revenue Requirement divided by the Participating TO's forecast of its Gross Load.

3.42 High Voltage Wheeling Access Charge. The Wheeling Access Charge assessed by the ISO associated with the recovery of the Participating TO's High Voltage Transmission Revenue Requirement in accordance with Section 26.1 of the ISO Tariff and for the period March 1, 2008 trough February 28, 2009, recovery of the PacificCorp Intertie Lease Revenue Requirement.

3.43 Inter-zonal Interface. The (i) group of transmission paths between two adjacent Zones of the ISO Controlled Grid, for which a physical, non-simultaneous transmission

3.67 [Omitted].

3.68 New High Voltage Transmission Facility. A High Voltage Transmission Facility of the Participating TO that enters service on or after the Transition Date described in Section 4 of Appendix F, Schedule 3 of the ISO Tariff, or a capital addition made on or after the Transition Date described in Section 4.1 of Appendix F, Schedule 3 of the ISO Tariff to a High Voltage Transmission Facility that existed prior to the Transition Date.

3.69 New Participating TO. A Participating TO that is not an Original Participating TO.

3.70 Non-Participating TO. A TO that is not a party to the TCA or for the purposes of Sections 16.1 and 16.2 of the ISO Tariff the holder of transmission service rights under an Existing Contract that is not a Participating TO.

3.71 Non-Spinning Reserve. The portion of off-line generating capacity that is capable of being synchronized and ramping to a specified load in ten minutes (or load that is capable of being interrupted in ten minutes) and that is capable of running (or being interrupted) for at least two hours.

3.72 Operational Control. The rights of the ISO under the Transmission Control Agreement and the ISO Tariff to direct Participating TOs how to operate their transmission lines and facilities and other electric plant affecting the reliability of those lines and facilities for the purpose of affording comparable non-discriminatory transmission access and meeting Applicable Reliability Criteria.

3.73 Original Participating TO. A Participating TO that was a Participating TO as of January 1, 2000. The Original Participating TOs are Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company.

3.73a PacifiCorp Intertie Lease Revenue Requirement. The revenue requirement associated with the Participating TO's payments to PacificCorp under a Lease agreement approved by the Commission in Docket Nos. ER07-882, et al. between January 1, 2008 and February 28, 2009 which will be collected by the Participating TO in End-User transmission rates, Access Charges and Wheeling Access Charges between March 1, 2008 and February 28, 2009.

3.74 Participating TO. A party to the TCA whose application under Section 2.2 of the TCA has been accepted and who has placed its transmission assets and Entitlements under the ISO's Operational Control in accordance with the TCA. A Participating TO may be an Original Participating TO or a New Participating TO. For

Wheeling Access Charge. The High Voltage Wheeling Access Charge is set forth in the ISO Tariff. The Participating TOs' Low Voltage Wheeling Access Charge is set forth in Appendix II herein.

5.3 End-User Transmission Rates. End-User transmission rates for a FERC-jurisdictional Participating TO shall be based on the Base Transmission Revenue Requirement authorized by FERC. In addition, all End-Use Customers of a FERC-jurisdictional Participating TO shall be subject to the FERC-authorized TRBAA, Reliability Services Charge and TACBAA rates and for the period March 1, 2008 through February 28, 2009, a PacificCorp Intertie Lease rate. The Participating TO's End-User transmission rates, by retail rate schedule, are set forth in Appendix III. An End-User shall pay the same End-User transmission rate as other similarly situated End-Use Customers of the Participating TO regardless of its Energy supplier. End-Users withdrawing power from the Participating TO's transmission or distribution facilities shall not qualify for transmission access under the Wheeling Access Charge if FERC would be prohibited from ordering transmission service for such customer by Section 212(h) of the FPA.

5.4 Transmission Revenue Requirement. As set forth in the ISO Tariff, the Transmission Revenue Requirement for each Participating TO is used to develop the Access Charges set forth in the ISO Tariff and is used by the ISO to calculate the disbursement of Wheeling revenues among Participating TOs. Wheeling revenues are disbursed by the ISO to Participating TOs pursuant to Section 26.1.4.3. of the ISO Tariff. The Transmission Revenue Requirement, High Voltage Transmission Revenue Requirement, and Low Voltage

Transmission Revenue Requirement for the Participating TO are set forth in Appendix I.

APPENDIX I
Transmission and Reliability Services Revenue Requirements [1]

1. **The Transmission Revenue Requirement for purposes of calculating End-User transmission rates shall be $752,901,081, which is composed of the Base Transmission Revenue Requirement of $760,599,668, and the TRBAA of ($7,698,587).[2]**

2. **For purposes of the ISO's calculation of Access Charges under Section 26.1 of the ISO Tariff:**

   a. **The High Voltage Transmission Revenue Requirement shall be $341,826,996, which is composed of a High Voltage Base Transmission Revenue Requirement of $363,442,570, Standby Transmission Demand Revenue credit of ($966,884), and a High Voltage TRBAA of ($20,648,690).**

   b. **The Low Voltage Transmission Revenue Requirement shall be $369,274,608, which is composed of a Low Voltage Base Transmission Revenue Requirement of $386,152,152, Standby Transmission Demand Revenue credit of ($1,000,326), and a Low Voltage TRBAA of ($15,877,218).**

   c. **The High Voltage Transmission Revenue Requirement associated with New High Voltage Transmission Facilities is $182,001,212 , which is composed of a High Voltage Base Transmission Revenue Requirement of $194,061,452, Standby Transmission Demand Revenue credit of ($515,349), and a High Voltage TRBAA of ($11,544,891).**

   d. **The forecast of Gross Load at the High Voltage/Low Voltage interface is 90,934,164 megawatt-hours.**

   e. **Pursuant to the Offer of Settlement and Stipulation in Docket Nos. ER07-882, et al., the PacifiCorp Intertie Lease Revenue Requirement of $23,333,333, will be added to the High Voltage Transmission Revenue Requirement and will be included in the ISO's calculation of Access Charges for the period March 1, 2008 until February 28, 2009. The PacifiCorp Intertie Lease Revenue Requirement associated with New High Voltage Transmission Facilities is $12,447,516.**

[1] Total revenue requirement associated with transmission facilities and entitlements turned over to the operational control of the ISO by the Participating TO, which reflects a reduction or increase for Transmission Revenue Credits.

[2] The TRBAA amount includes ($58,267,827) calculated pursuant to Section 5.5 plus $50,569,240 calculated pursuant to Section 5.5.1.

3. **The amounts stated in sections 1. and 2., except the amount in section 2.e. above shall be effective until changed by the Participating TO or modified by FERC.**

4. **The Reliability Services Balancing Account shall be equal to ($57,946,570), which includes the forecast of Reliability Services payments PG&E will make to the ISO during 2008 of $57,695,945 , plus an adjustment of ($115,642,515). This amount shall be effective until amended by PG&E in accordance with Appendix V to this Tariff.**

The Reliability Services Balancing Account shall be allocated to High Voltage and Low Voltage End-Use Customers as follows:

	2008 RMR Costs	Adjustment	2008 Revenue Requirement
Retail High Voltage	**$912,418**		
Retail Low Voltage	**$556,783,527**		
Retail Total	**$57,695,945**	**($115,642,515)**	**($57,946,570)**

The End-Use Customer Refund Adjustment Account shall be allocated to End-Use Customers and include a Revenue Requirement of ($7,731,475).

The PacifiCorp Intertie Lease Revenue Requirement of $23,333,333 shall also be allocated to End-Use Customers through the PacifiCorp Intertie Lease Rates between March 1, 2008 and February 28, 2009.

APPENDIX II

Access Charges for Wholesale Transmission

	Per kWh
High Voltage Access Charge	See ISO Tariff
Low Voltage Access Charge	$0.004061
High Voltage Utility-Specific Access Charge	$0.0040163~~759~~

High Voltage Wheeling Access Charge

High Voltage Wheeling Access Charge	See ISO Tariff

Low Voltage Wheeling Access Charge

High Voltage Wheeling Access Charge	See ISO Tariff
Low Voltage Wheeling Access Charge	$0.004061

~~APPENDIX III~~

~~Access Charges for End-Use Service [1,2]~~

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~~SCHEDULE E-19~~
~~SCHEDULE E-20~~
~~SCHEDULE E-37~~
~~SCHEDULE S~~

~~AGRICULTURAL SCHEDULES~~

~~STREETLIGHTING SCHEDULES~~

~~[1]These charges represent the rates for recovery of the Base Transmission Revenue Requirement. A TRBAA Rate of $(0.00008) per kWh and a TACBAA Rate of $0.0001 per kWh shall also apply to all of the rate schedules described in this Appendix.~~

~~[2]The applicability of these rates is described in the California Public Utilities Commission jurisdictional retail tariffs.~~

~~RESIDENTIAL SCHEDULES~~	~~TO RATES~~	~~ECRA RATES~~
~~SCHEDULE E-1~~ ~~SCHEDULE E-3~~ ~~SCHEDULE EL-1 (CARE)~~ ~~SCHEDULES E-6 AND EL-6 (CARE)~~ ~~SCHEDULES E-7 AND EL-7 (CARE)~~ ~~SCHEDULES E-A7 AND EL-A7 (CARE)~~ ~~SCHEDULE E-8~~ ~~SCHEDULE EL-8 (CARE)~~ ~~SCHEDULE E-9~~ ~~SCHEDULE EE~~ ~~SCHEDULE EM AND EML (CARE)~~ ~~SCHEDULE ES AND ESL (CARE)~~ ~~SCHEDULE ESR AND ESRL (CARE)~~ ~~SCHEDULE ET AND ETL (CARE)~~		
~~Energy Charge ($/kWh)~~	~~$0.01034~~	~~($0.00010)~~

~~COMMERCIAL & INDUSTRIAL SCHEDULES~~	~~TO RATES~~	~~ECRA RATES~~
~~SCHEDULE A-1~~ ~~SCHEDULE A-6~~ ~~SCHEDULE A-15~~ ~~SCHEDULE TC-1~~		
~~Energy Charges ($/kWh)~~	~~$0.00913~~	~~($0.00009)~~
~~**Schedule A-10**~~		
~~BASIS FOR DEMAND CHARGE: The customer will be billed for demand according to the customer's "maximum demand" each month. The number of kW used will be recorded over 15-minute intervals; the highest 15-minute average in the month will be the customer's maximum demand. SPECIAL CASES: (1) If the customer's use of energy is intermittent or subject to severe fluctuations, a 5-minute interval may be used, and (2) If the customer uses welders, the demand charge will be subject to the minimum demand charges for those welders' ratings, as explained in Section J of PG&E's CPUC Rule 2.~~		
~~Maximum Demand Charge ($/kW/mo)~~ ~~Energy Charges ($/kWh)~~	~~$2.97~~	~~(0.00009)~~
~~**Schedule E-19**~~		
~~BASIS FOR DEMAND CHARGE: Demand will be averaged over 15-minute intervals for customers whose maximum demand exceeds 499 kW. "Maximum demand" will be the highest of all the 15-minute averages for the billing month. If the customer's use of electricity is intermittent or subject to severe fluctuations, a 5-minute interval may be used. If the customer has any welding machines, the diversified resistance welder load, calculated in accordance with Section J of PG&E's CPUC Rule 2, will be considered the maximum demand if it exceeds the maximum demand that results from averaging the demand over 15-minute intervals. The customer's maximum peak period demand will be the highest of all the 15-minute averages for the peak period during the billing month.~~		
~~- This schedule has three **demand charges**, a maximum peak-period demand charge, a maximum part-peak-period and a maximum demand charge. The maximum peak period demand charge per kilowatt applies to the maximum demand during the month's peak hours, the maximum part-peak-period demand charge applies to the maximum demand during the month's part-peak hours, and the maximum demand charge per kilowatt applies to the maximum demand at any time during the month. The bill will include all of these demand charges.~~		
~~- The monthly charges may be increased or decreased based upon the power factor.~~		
~~POWER FACTOR ADJUSTMENTS: Bills will be adjusted based on the power factor for all customers except those selecting voluntary E-19 service. The power factor is computed from the ratio of lagging reactive kilovolt-ampere hours to the kilowatt hours consumed in the month. Power factors are rounded to the nearest whole percent.~~		
~~The rates in this rate schedule are based on a power factor of 85 percent. If the average power factor is greater than 85 percent, the total monthly bill will be reduced by the product of the power factor rate and the kilowatt-hour usage for each percent~~		
~~For customers taking Non-Firm Service, power factor adjustments will be applied to the customer's total bill, net of charges and credits billed under Schedule E-NF.~~		
~~**Schedule E-19** Demand Charges ($/kW/mo)~~ ~~Energy Charges ($/kWh)~~	~~$2.97~~	~~(0.00009)~~

	~~TO RATES~~	~~ECRA RATES~~
~~**Schedule E-20**~~		
~~BASIS FOR DEMAND CHARGE: Demand will be averaged over 15-minute intervals. "Maximum demand" will be the highest of all the 15-minute averages for the billing month. If the customer's use of electricity is intermittent or subject to severe fluctuations, a 5-minute interval may be used. If the customer has any welding machines, the diversified resistance welder load, calculated in accordance with Section J of PG&E's CPUC Rule 2, will be considered the maximum demand if it exceeds the maximum demand that results from averaging the demand over 15-minute intervals. The customer's maximum peak-period demand will be the highest of all the 15-minute averages for the peak period during the billing month.~~		
~~- Schedule E-20 has three **demand charges**, a maximum peak-period demand charge, a maximum part-peak-period demand charge, and a maximum demand charge. The maximum peak-period demand charge per kilowatt applies to the maximum demand during the month's peak hours, the maximum part-peak demand charge applies to the maximum demand during the month's part-peak hours, and the maximum demand charge per kilowatt applies to the maximum demand at any time during the month. The bill will include all of these demand charges.~~		
~~- The monthly charges may be increased or decreased based upon the power factor, using the same method as described above for Schedule E-19.~~		
~~**Schedule E-20** Demand Charges ($/kW/mo)~~	~~$3.28~~	
~~Energy Charges ($/kWh)~~		~~($0.00007)~~
~~**Schedule E-37**~~		
~~Energy Charges ($/kWh)~~	~~$0.00735~~	~~($0.00007)~~
~~**Schedule S**~~		
~~RESERVATION CAPACITY: The Reservation Capacity to be used for billing under the above rates shall be as set forth in the customer's contract for service. For new or revised contracts, the Reservation Capacity shall be determined by the customer. However, if the customer's standby demand exceeds this new contracted capacity in any billing month, that standby demand shall become the new Reservation or Contract Capacity for 12 months, beginning with that month. See Special Condition 7 for the definition of Reservation Capacity for Supplemental Standby Service customers.~~		
~~**The Reservation Charge**, in dollars per kilowatt (kW), applies to 85 percent of the customer's Reservation Capacity, as defined in Special Condition 1 of the tariffs.~~		
~~POWER FACTOR ADJUSTMENT: When the customer's Reservation Capacity is greater than 500 kW, the bill will be adjusted based on the power factor. The power factor is derived from the ratio of kWh to kVAh consumed in the month. Power factors are averaged and rounded to the nearest whole percent.~~		
~~The rates in this rate schedule are based on a power factor of 85 percent. If the average power factor is greater than 85 percent, the total monthly bill will be reduced by the product of the power factor adjustment rate and the kilowatt-hour usage for each percentage point above 85 percent. If the average power factor is less than 85 percent, the total monthly bill will be increased by the product of the power factor adjustment rate and the kilowatt-hour usage for each percentage point below 85 percent.~~		
~~The customer shall pay only the greater of the power factor adjustment and the reactive demand charge.~~		
~~Generators for which ISO standards apply must also meet power factor requirements specified in the ISO tariff.~~		
~~**Schedule S**~~		
~~Energy Charges ($/kWh)~~	~~$0.01340~~	~~($0.00027)~~
~~Reservation Charge ($/kW/mo)~~	~~$0.38~~	

~~AGRICULTURAL SCHEDULES~~	~~TO RATES~~	~~ECRA RATES~~
~~The CPUC jurisdictional retail tariffs should be referred to for detailed descriptions of how agricultural demand charges are assessed.~~		
~~SCHEDULE AG-1~~ ~~SCHEDULE AG-R~~ ~~SCHEDULE AG-V~~ ~~SCHEDULE AG-4~~ ~~SCHEDULE AG-5~~ ~~SCHEDULE AG-ICE~~		
~~Energy Charges ($/kWh)~~	~~$0.00735~~	~~($0.00007)~~

~~STREETLIGHTING SCHEDULES~~		
~~SCHEDULE LS-1~~ ~~SCHEDULE LS-2~~ ~~SCHEDULE LS-3~~ ~~SCHEDULE OL-1~~		
~~Energy Charge ($/kWh)~~	~~$0.00676~~	~~($0.00007)~~

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 11:00

Offer of Settlement and Stipulation

APPENDIX 7

REVISED SERVICE AGREEMENTS FOR LONG-TERM FIRM POINT-TO-POINT TRANSMISSION SERVICE

November 21, 2007

Form Of Service Agreement For Long-Term Firm Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between PacifiCorp ("Transmission Provider"), and PPM Energy, Inc., an Oregon corporation ("Transmission Customer") for the provision of Long-Term Firm Point-to-Point Transmission Service.

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

4.3 The Transmission Customer will provide to the Transmission Provider an Application deposit for Short-Term Firm Point-to-Point Transmission Service in accordance with the provisions of Section 17.3 of the Tariff at the time such service is arranged.

4.4 Service under this agreement shall commence and shall be provided as agreed to at the time such service is arranged.

5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement approved by the Commission in Docket No. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

US Mail Deliveries: PacifiCorp Transmission
PO Box 2757
Portland, OR 97208-2757

Other Deliveries: PacifiCorp Transmission
Attn: Central Cashiers

1033 NE 6th Ave
Portland OR 97256-0001

Phone Number: (503) 813-6774

Transmission Customer:

PPM Energy, Inc.
Director, Transmission & Interconnection
1125 NW Couch, Suite 700
Portland, OR 97209

Telephone: 503-796-7032
Facsimile: 503-796-6907

7.0 The Tariff is incorporated herein and made a part hereof.

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

PacifiCorp:

By: _____
Name Title Date

Transmission Customer:

By: _____
Name Title Date

Specifications For Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: Five Years

Start Date: January 1, 2012

Termination Date: December 31, 2016

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

Firm capacity and associated energy in the amounts as shown in Section 5.0 of these Specifications shall be transmitted by the Transmission Provider.

This transaction originates in the control area of the Bonneville Power Administration and terminates in the control area of the California Independent System Operator's ("California ISO").

3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

5.0 Reserved Capacity: 50 MW.

As a result of the settlement agreement entered into in Docket Nos. ER07-882 et al, the Reserved Capacity will be limited as follows:

Date Range	Capacity
January 1, 2012 - December 31, 2012	38 MW
January 1, 2013 - December 31, 2016	50 MW

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882 et al, not to exceed original 50 MW of Reserved Capacity.

6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service

Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff.

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 50 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

If during its term, the settlement terminates and/or beginning on January 1, 2028, capacity available for rollover will be determined by any agreement replacing the settlement agreement in Docket Nos. ER07-882 et al or by the capacity owned or controlled by Transmission Provider at that time.

10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. 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 the Transmission Customer to adjust schedules shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

Transmission Customer may be subject to agreements relating to the coordinated operation of the 500 KV lines constituting the California-Oregon Intertie at the California-Oregon Border, consistent with the settlement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

Form Of Service Agreement For Long-Term Firm Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between PacifiCorp ("Transmission Provider"), and PPM Energy, Inc., an Oregon corporation ("Transmission Customer") for the provision of Long-Term Firm Point-to-Point Transmission Service.

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

4.3 The Transmission Customer will provide to the Transmission Provider an Application deposit for Short-Term Firm Point-to-Point Transmission Service in accordance with the provisions of Section 17.3 of the Tariff at the time such service is arranged.

4.4 Service under this agreement shall commence and shall be provided as agreed to at the time such service is arranged.

5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement approved by the Commission in Docket No. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

US Mail Deliveries: PacifiCorp Transmission
PO Box 2757
Portland, OR 97208-2757

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Attn: Central Cashiers

1033 NE 6th Ave
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3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

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6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service

Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff.

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 50 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

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10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. In the event that the CAISO Tariff is modified after the date

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2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

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5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement approved by the Commission in Docket No. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

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PacifiCorp:

By: _____
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Specifications For Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: Five Years

Start Date: January 1, 2012

Termination Date: December 31, 2016

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

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3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

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6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

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b) Reactive Supply and Voltage Control from Generation Sources Service:

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c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

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The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

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Termination Date: December 31, 2016

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

Firm capacity and associated energy in the amounts as shown in Section 5.0 of these Specifications shall be transmitted by the Transmission Provider.

This transaction originates in the control area of the Bonneville Power Administration and terminates in the control area of the California Independent System Operator's ("California ISO").

3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

5.0 Reserved Capacity: 50 MW.

As a result of the settlement agreement entered into in Docket Nos. ER07-882 et al, the Reserved Capacity will be limited as follows:

Date Range	Capacity
January 1, 2012 - December 31, 2012	37 MW
January 1, 2013 - December 31, 2016	50 MW

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882 et al, not to exceed original 50 MW of Reserved Capacity.

6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service

Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff.

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 50 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

If during its term, the settlement terminates and/or beginning on January 1, 2028, capacity available for rollover will be determined by any agreement replacing the settlement agreement in Docket Nos. ER07-882 et al or by the capacity owned or controlled by Transmission Provider at that time.

10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. 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 the Transmission Customer to adjust schedules shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

Transmission Customer may be subject to agreements relating to the coordinated operation of the 500 KV lines constituting the California-Oregon Intertie at the California-Oregon Border, consistent with the settlement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

Form Of Service Agreement For Long-Term Firm Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between PacifiCorp ("Transmission Provider"), and Powerex Corp. ("Transmission Customer") for the provision of Long-Term Firm Point-to-Point Transmission Service.

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply

information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

4.3 The Transmission Customer will provide to the Transmission Provider an Application deposit for Short-Term Firm Point-to-Point Transmission Service in accordance with the provisions of Section 17.3 of the Tariff at the time such service is arranged.

4.4 Service under this agreement shall commence and shall be provided as agreed to at the time such service is arranged.

5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement in Docket Nos. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

US Mail Deliveries: PacifiCorp Transmission
PO Box 2757
Portland, OR 97208-2757

Other Deliveries: PacifiCorp Transmission
Attn: Central Cashiers
1033 NE 6th Ave
Portland OR 97256-0001

Phone Number: (503) 813-6774

Transmission Customer:

Powerex Corp.
Suite 1400
666 Burrard Street
Vancouver, BC
Canada V6C 2XB

Telephone: 604-891-6031
Facsimile: 604-891-5056
Attn: Michael McWilliams

7.0 The Tariff is incorporated herein and made a part hereof.

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

PacifiCorp:

By: _____

Name Title Date

Transmission Customer:

By: _____

Name Title Date

Specifications For Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: Five Years

Start Date: April 1, 2012

Termination Date: March 31, 2017

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

Firm capacity and associated energy in the amounts as shown in Section 5.0 of these Specifications shall be transmitted by the Transmission Provider.

This transaction originates in the control area of the Bonneville Power Administration and terminates in the control area of the California Independent System Operator's ("California ISO").

3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

5.0 Reserved Capacity: 100 MW.

As a result of the settlement agreement entered into in Docket Nos. ER07-882 et al, the Reserved Capacity will be limited as follows:

Date Range	Capacity
April 1, 2012 - December 31, 2012	50 MW
January 1, 2013 - December 31, 2016	67 MW
January 1, 2017 - March 31, 2017	85 MW

In the event additional capacity becomes available through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882 et al, not to exceed original 100 MW of Reserved Capacity.

6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's portion of the Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered

into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources

included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff, subject to the following maximum amounts of capacity and energy to be transmitted:

Date Range	Capacity
April 1, 2017 - December 31, 2017	85 MW

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 100 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

If during its term, the settlement terminates and/or beginning on January 1, 2028, capacity available for rollover will be determined by any agreement replacing the settlement agreement in Docket Nos. ER07-882 et al or by the capacity owned or controlled by Transmission Provider at that time.

10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric

Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. 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 the Transmission Customer to adjust schedules shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

Transmission Customer may be subject to agreements relating to the coordinated operation of the 500 KV lines constituting the California-Oregon Intertie at the California-Oregon Border, consistent with the settlement entered into and approved by the Commission in Dockets Nos. ER07-882, et al.

Form Of Service Agreement For Long-Term Firm Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between PacifiCorp ("Transmission Provider"), and Powerex Corp. ("Transmission Customer") for the provision of Long-Term Firm Point-to-Point Transmission Service.

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply

information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

4.3 The Transmission Customer will provide to the Transmission Provider an Application deposit for Short-Term Firm Point-to-Point Transmission Service in accordance with the provisions of Section 17.3 of the Tariff at the time such service is arranged.

4.4 Service under this agreement shall commence and shall be provided as agreed to at the time such service is arranged.

5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement in Docket Nos. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

US Mail Deliveries: PacifiCorp Transmission
PO Box 2757
Portland, OR 97208-2757

Other Deliveries: PacifiCorp Transmission
Attn: Central Cashiers
1033 NE 6th Ave
Portland OR 97256-0001

Phone Number: (503) 813-6774

Transmission Customer:

Powerex Corp.
Suite 1400
666 Burrard Street
Vancouver, BC
Canada V6C 2XB

Telephone: 604-891-6031
Facsimile: 604-891-5056
Attn: Michael McWilliams

7.0 The Tariff is incorporated herein and made a part hereof.

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

PacifiCorp:

By: _____

Name Title Date

Transmission Customer:

By: _____

Name Title Date

Specifications For Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: Five Years

Start Date: April 1, 2012

Termination Date: March 31, 2017

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

Firm capacity and associated energy in the amounts as shown in Section 5.0 of these Specifications shall be transmitted by the Transmission Provider.

This transaction originates in the control area of the Bonneville Power Administration and terminates in the control area of the California Independent System Operator's ("California ISO").

3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

5.0 Reserved Capacity: 100 MW.

As a result of the settlement agreement entered into in Docket Nos. ER07-882 et al, the Reserved Capacity will be limited as follows:

Date Range	Capacity
April 1, 2012 - December 31, 2012	50 MW
January 1, 2013 - December 31, 2016	67 MW
January 1, 2017 - March 31, 2017	85 MW

In the event additional capacity becomes available through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882 et al, not to exceed original 100 MW of Reserved Capacity.

6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's portion of the Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered

into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources

included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff, subject to the following maximum amounts of capacity and energy to be transmitted:

Date Range	Capacity
April 1, 2017 - December 31, 2017	85 MW

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 100 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

If during its term, the settlement terminates and/or beginning on January 1, 2028, capacity available for rollover will be determined by any agreement replacing the settlement agreement in Docket Nos. ER07-882 et al or by the capacity owned or controlled by Transmission Provider at that time.

10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric

Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. 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 the Transmission Customer to adjust schedules shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

Transmission Customer may be subject to agreements relating to the coordinated operation of the 500 KV lines constituting the California-Oregon Intertie at the California-Oregon Border, consistent with the settlement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

Form Of Service Agreement For Long-Term Firm Point-To-Point Transmission Service

1.0 This Service Agreement, dated as of _____, is entered into, by and between PacifiCorp ("Transmission Provider"), and Powerex Corp. ("Transmission Customer") for the provision of Long-Term Firm Point-to-Point Transmission Service.

2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Firm Point-To-Point Transmission Service under the Tariff.

3.0 For Long-Term Firm Point-to-Point Transmission Service:

3.1 The Transmission Customer has provided to the Transmission Provider an Application deposit in accordance with the provisions of Section 17.3 of the Tariff.

3.2 Service under this agreement shall commence on the later of (1) the requested Service commencement date, (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this agreement shall terminate on such date as mutually agreed upon by the parties.

3.3 Service under this agreement shall be in accordance with the attached Specifications.

4.0 For Short-Term Firm Point-to-Point Transmission Service:

4.1 Service under this Agreement shall be provided by the Transmission Provider upon request by an authorized representative of the Transmission Customer pursuant to the terms and conditions of the Tariff.

4.2 The Transmission Customer agrees to supply

information the Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.

4.3 The Transmission Customer will provide to the Transmission Provider an Application deposit for Short-Term Firm Point-to-Point Transmission Service in accordance with the provisions of Section 17.3 of the Tariff at the time such service is arranged.

4.4 Service under this agreement shall commence and shall be provided as agreed to at the time such service is arranged.

5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Part II of the Tariff, this Service Agreement, and the settlement agreement in Docket Nos. ER07-882, et al, as approved by the Commission. In the event that the settlement agreement terminates, this Service Agreement shall remain in effect; however, upon the mutual agreement of the Transmission Provider and the Transmission Customer, this Service Agreement may be terminated, or the service to be provided under this Service Agreement may be modified consistent with either the terms of an agreement replacing the settlement or the transmission service that Transmission Provider is permitted to provide under its Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

US Mail Deliveries: PacifiCorp Transmission
PO Box 2757
Portland, OR 97208-2757

Other Deliveries: PacifiCorp Transmission
Attn: Central Cashiers
1033 NE 6th Ave
Portland OR 97256-0001

Phone Number: (503) 813-6774

Transmission Customer:

Powerex Corp.
Suite 1400
666 Burrard Street
Vancouver, BC
Canada V6C 2XB

Telephone: 604-891-6031
Facsimile: 604-891-5056
Attn: Michael McWilliams

7.0 The Tariff is incorporated herein and made a part hereof.

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

PacifiCorp:

By: _____
Name Title Date

Transmission Customer:

By: _____
Name Title Date

Specifications For Long-Term Firm Point-To-Point Transmission Service

1.0 Term of Transaction: Five Years

Start Date: April 1, 2012

Termination Date: March 31, 2017

2.0 Description of capacity and energy to be transmitted by Transmission Provider including the electric Control Area in which the transaction originates.

Firm capacity and associated energy in the amounts as shown in Section 5.0 of these Specifications shall be transmitted by the Transmission Provider.

This transaction originates in the control area of the Bonneville Power Administration and terminates in the control area of the California Independent System Operator's ("California ISO").

3.0 Point(s) of Receipt: Malin 500 as designated by MALIN500 on Transmission Provider's OASIS.

Delivering Party: Transmission Customer

4.0 Point(s) of Delivery: Round Mountain

Substitute Point of Delivery: To the extent the Transmission Provider's Tariff service does not permit delivery at Round Mountain, the Transmission Provider and Transmission Customer may designate a substitute point of delivery at Indian Spring and shall file an amendment to the service agreement.

Receiving Party: Transmission Customer and/or parties with rights to receive capacity and energy at the Point of Delivery.

5.0 Reserved Capacity: 100 MW.

As a result of the settlement agreement entered into in Docket Nos. ER07-882 et al, the Reserved Capacity will be limited as follows:

Date Range	Capacity
April 1, 2012 - December 31, 2012	50 MW
January 1, 2013 - December 31, 2016	66 MW
January 1, 2017 - March 31, 2017	80 MW

In the event additional capacity becomes available through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882 et al, not to exceed original 100 MW of Reserved Capacity.

6.0 Designation of party(ies) subject to reciprocal service obligation: none

7.0 Name(s) of any Intervening Systems providing transmission service: none

8.0 Service under this Agreement may be subject to some combination of the charges detailed below. (The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.)

8.1 Transmission Charge: The currently effective yearly delivery charge as provided in Schedule 7 of the Tariff.

8.2 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, for the Transmission Customer's pro rata share of any losses assessed to the Transmission Provider by the California ISO for the total usage of that portion of the Transmission Provider's portion of the Malin500 - Round Mountain transmission line when located within the California ISO's balancing area, as calculated by the California ISO, and in accordance with the settlement agreement entered

into in Docket No. ER07-882, as approved by the Commission.

8.3 The Transmission Provider will bill the Transmission Customer, and Transmission Customer shall pay, CAISO charges applicable to PacifiCorp's Scheduling Coordinator for schedules within the CAISO Balancing Authority Area including 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 assessed by the California ISO on a pro rata share basis of the total usage of that portion of the Transmission Provider's Malin500 - Round Mountain transmission line. Congestion charges and Transmission Access Charges under the CAISO Tariff will not apply for: (1) the use of the Malin500-Round Mountain transmission line to transfer energy to the CAISO Controlled Grid at Round Mountain, or (2) use of the Malin500-Round Mountain transmission line to transfer energy across the bus at the Round Mountain interconnection to the transmission system of the Western Area Power Administration or to 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 charges and conditions are in accordance with the settlement agreement entered into in Docket No. ER07-882.

8.4 System Impact and/or Facilities Study Charge(s): none

8.5 Direct Assignment Facilities Charge: none

8.6 Ancillary Services Charges:

The following charges will apply only to re-directs of service within PacifiCorp's control area.

a) Scheduling, System Control and Dispatch Service:

The product of the currently effective Scheduling, System Control and Dispatch Service Charge as provided for in Schedule 1 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

b) Reactive Supply and Voltage Control from Generation Sources Service:

The product of the currently effective Reactive Supply and Voltage Control from Generation Sources Service Charge as provided for in Schedule 2 of the Tariff and the amount of energy delivered from the Transmission Provider's Transmission System at the Point(s) of Delivery.

c) Regulation and Frequency Response Service:

Only to the extent required pursuant to Schedule 3 of the Tariff.

d) Energy Imbalance Service:

Only to the extent required pursuant to Schedule 4 of the Tariff.

e) Operating Reserve - Spinning Reserve Service:

The product of the currently effective Spinning Reserve Service Charge as provided for in Schedule 5 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources included in Transmission Provider's control area.

f) Operating Reserve - Supplemental Reserve Service:

The product of the currently effective Supplemental Reserve Service Charge as provided for in Schedule 6 of the Tariff and the amount of energy delivered to the Transmission Provider's Transmission System at the Point(s) of Receipt listed in Section 3.0 from generation resources

included in Transmission Provider's control area.

8.7 Transmission Service over both the PacifiCorp Zone and the MidAmerican Zone: no

9.0 Rollover: Transmission Customer may exercise rights to roll over its original Reserved Capacity pursuant to Section 2.2 of the Tariff, subject to the following maximum amounts of capacity and energy to be transmitted:

Date Range	Capacity
April 1, 2017 - December 31, 2017	80 MW

In the event additional capacity becomes available, through upgrades or higher priority queue positions failing to perfect their service, capacity will be allocated equally among Transmission Customers receiving service under the terms of the settlement in Docket Nos. ER07-882, et al, as approved by the Commission, not to exceed initial 100 MW request.

Capacity available for rollover is governed by terms of the settlement agreement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

If during its term, the settlement terminates and/or beginning on January 1, 2028, capacity available for rollover will be determined by any agreement replacing the settlement agreement in Docket Nos. ER07-882 et al or by the capacity owned or controlled by Transmission Provider at that time.

10.0 Scheduling Requirements: Transmission Customer shall schedule all capacity and associated energy transmitted under this Service Agreement with the Transmission Provider.

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 Section 7.3 of the Operating Agreement between PacifiCorp and the CAISO ("OA") has passed, the CAISO may use any unused capacity as necessary to maintain reliability of the interconnected Electric

Systems without compensation to PacifiCorp or the Transmission Customer. The Transmission Customer 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 Section 7.3 of the OA. 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 the Transmission Customer to adjust schedules shall be the CAISO Tariff deadline for schedule changes for Balancing Authority Area interties that is closest to the operating hour.

Transmission Customer may be subject to agreements relating to the coordinated operation of the 500 KV lines constituting the California-Oregon Intertie at the California-Oregon Border, consistent with the settlement entered into and approved by the Commission in Docket Nos. ER07-882, et al.

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 11: 00
FEDERAL ENERGY
REGULATORY COMMISSION

Offer of Settlement and Stipulation

EXHIBIT A

November 21, 2007

Pacific Gas and Electric Company
Calculation of High Voltage Utility-Specific Access Charge

Line	Description	Revenue Requirement	Reference	Line
1	High Voltage Transmission Revenue Requirement	$363,442,570	Tb. PGE-2-14, Line 20, Dkt. No. ER07-1213	1
2	PacifiCorp Intertie Lease Revenue Requirement	$23,333,333	PG&E payments to PacifiCorp for January 1, 2008 - February 28, 2009	2
3	High Voltage TRBAA Adjustment	($20,648,690)	Dkt. No. ER08-21	3
4	High Voltage Standby Demand Revenue Credit	($966,884)	Dkt. No. ER08-21	4
5		$365,160,329	Line 1 + Line 2 + Line 3 + Line 4	5
6	Gross Load at Area Out	90,934,163,683	see Table A below, Line c	6
7	**High Voltage Utility-Specific Access Charge**	**$4.016 per MWh**	Line 5 / Line 6	7

Docket No. ER07-1213-000
Pacific Gas and Electric Company
Calculation of Gross Load at the ISO Interface (Area Out)

Line	Description	Amount	Reference	Line
a	Energy at generator	93,901,449,487	Ex. PGE-24, Stmt. BD, pg. 87/147	a
b	Energy loss factor area out	0.9684	Ex. PGE-24, Stmt. BB, pg. 30/147	b
c	Retail energy at local (area out)	90,934,163,683	Line a × Line b	c

PacificCorp Intertie Lease Revneue Requirement Allocation

Pacific Gas and Electric Company
TO10 Network Transmission
Summary of End-of-Year Plant in Service

Line No.		High Voltage ($M)	
1	2008 Weighted Average Plant-in-Service	$2,311,357	Statement AD, Exhibit PGE-21, Lines 6-7
2	2000 End-of-Year Plant-in-Service	$1,078,329	Statement AD Workpapers
3	Difference (New High Voltage Transmission Facilities Plant)	$1,233,028	Line 1 - Line 2
4	Percent High Voltage Transmission Plant that is New High Voltage Transmission Facilities	53.3%	Line 3 / Line 1
5	Percent High Voltage Transmission Plant that is Existing High Voltage Transmission Facilities	46.7%	100% - Line 4

Calculation of PacifiCorp Intertie Lease Revenue Requirements for ISO TAC

Line		High Voltage Transmission Facilities	Existing High Voltage Transmission Facilities	New High Voltage Transmission Facilities	
		100%	46.7%	53.3%	
A	PacifiCorp Intetie Lease Revenue Requirement	$23,333,333	$10,885,817	$12,447,516	
a	Wholesale Network Transmission Revenue Requirement	$363,442,570	$169,558,692	$193,883,878	Dkt. No. ER07-1213
b	PacifiCorp Intetie Lease Revenue Requirement	$23,333,333	$10,885,817	$12,447,516	Line A above
c	Transmission Revenue Balancing Account Adjustment	($20,648,690)	($9,103,871)	($11,544,819)	Dkt. No. ER08-21
d	Standby Demand Revenue Credit	($966,884)	($451,535)	($515,349)	Dkt. No. ER08-21
e	Total	$365,160,329	$170,889,103	$194,271,225	

STATEMENT BH
2008 ESTIMATED
REVENUE DATA TO REFLECT PRESENT RATES
ISO WHEELING ACCESS REVENUES FROM THE INDEPENDENT SYSTEM OPERATOR (ISO) AT PRESENT RATES

BILLING DETERMINANTS 1/													
Wheeled Energy (kWh)													
High Voltage (kWh)	419,384,000	473,489,000	402,006,000	452,136,000	499,350,000	430,012,000	498,288,000	455,188,000	450,477,000	512,402,000	470,385,000	470,825,000	5,533,942,000
Low Voltage (kWh)	437,110,000	396,392,000	454,158,000	399,700,000	452,047,000	474,259,000	524,262,000	477,730,000	440,407,000	412,999,000	399,604,000	437,917,000	5,306,585,000
RATES 2/													
High Voltage ($/kWh)	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	0.0031506	
Low Voltage ($/kWh)	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	0.0040609	
REVENUE ($)													
High Voltage 3/	2,698,470	2,740,647	2,697,430	2,683,795	2,997,471	2,848,996	3,221,646	2,939,251	2,806,819	2,915,568	2,740,987	2,863,083	34,154,164
Low Voltage 3/	1,775,060	1,609,708	1,844,290	1,623,142	1,835,718	1,925,918	2,128,976	1,940,014	1,788,449	1,677,148	1,622,752	1,778,337	21,549,511
Total Revenue:	4,473,530	4,350,355	4,541,721	4,306,936	4,833,189	4,774,915	5,350,622	4,879,265	4,595,268	4,592,716	4,363,739	4,641,420	**55,703,675**

1/ Billing determinants are taken from ISO recorded data for the following PG&E tie points: CAPJAK_5_OLINDA, CTNWDW_2_CTTNWD, ELVRTA_2_ELVRTTW, LAKE_2_GOLDHL, HURLEY_2_WAPA, MALIN_5_RNDMTN, MELON_2_PGAE, NCPAHV_2_V200LD, NEWRK_2_V200LD, OAKTID_1_OAKCSF, OLNDWA_2_OLIND5, PARKER_2_V200LD, PBDY_2_#AOOLD, RANCHO_2_BELOTA, ROSEVL_2_V200LD, SLAC_2_V200LD, STNDFD_1_STNCSF, SVPPRT_1_V100LD, SYLMAR_2_NOB, TRACY_5_COTP, TRACY_5_PGAE, TRCYPP_2_TESLA, VASONA_2_V200LD, WESTLY_2_LOSBNS, WESTLY_2_TESLA, AMES_B_1_#100LD, ARBKLE_6_V600LD, BEALE_6_T100LD, CTTNWD_1_V100LD, FRNKLN_6_V600LD, GRBRVL_6_V600LD, LAMONT_1_V100LD, LLNL_1_TESLA, LYTNVL_6_V600LD, NCPAV_1_V100LD, RGHRDY_6_V000LD, SUMMIT_1_SPP, SWIFT_1_V100LD, TESLA_1_V100LD, and TEVIS_1_V100LD, CASCAD_1_CRAGVW, WESTLY_2_LOSBNS, and WESTLY_2_TESLA.
Billing determinants are January - March 2007 recorded and April - December 2006 recorded from ISO records.
2/ High Voltage rate is from the ISO's TAC calculation for North TAC Area rate effective March 1, 2008. Low Voltage rate is PG&E's Utility Specific Rate effective March 1, 2008 (Docket ER07-1213-000).
3/ Revenue for High Voltage (HV) and Low Voltage (LV) are calculated as follows: the HV rate is multiplied by the HV kWh plus the LV kWh; the LV rate is multiplied by the LV kWh.

STATEMENT BG
2008 ESTIMATED
REVENUE DATA TO REFLECT CHANGED RATES
ISO WHEELING ACCESS REVENUES FROM THE INDEPENDENT SYSTEM OPERATOR (ISO) AT PROPOSED RATES

BILLING DETERMINANTS 1/													
Wheeled Energy (kWh)													
High Voltage (kWh)	419,384,000	473,489,000	402,006,000	452,136,000	499,350,000	430,012,000	498,288,000	455,188,000	450,477,000	512,402,000	470,385,000	470,825,000	5,533,942,000
Low Voltage (kWh)	437,110,000	396,392,000	454,158,000	399,700,000	452,047,000	474,259,000	524,262,000	477,730,000	440,407,000	412,999,000	399,604,000	437,917,000	5,306,585,000
RATES 2/													
High Voltage ($/kWh)	0.0031506	0.0031506	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	0.0033689	
Low Voltage ($/kWh)	0.0040609	0.0040609	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	0.0040610	
REVENUE ($)													
High Voltage 3/	2,698,470	2,740,647	2,884,331	2,869,750	3,205,161	3,046,399	3,444,869	3,142,907	3,001,299	3,117,583	2,930,906	3,061,461	36,143,784
Low Voltage 3/	1,775,060	1,609,708	1,844,336	1,623,182	1,835,763	1,925,966	2,129,028	1,940,062	1,788,493	1,677,189	1,622,792	1,778,381	21,549,958
Total Revenue:	4,473,530	4,350,355	4,728,667	4,492,932	5,040,924	4,972,364	5,573,897	5,082,969	4,789,792	4,794,772	4,553,698	4,839,842	**57,693,742**

1/ Billing determinants are taken from ISO recorded data for the following PG&E tie points: CAPJAK_5_OLINDA, CTNWDW_2_CTTNWD, ELVRTA_2_ELVRTTW, LAKE_2_GOLDHL, HURLEY_2_WAPA, MALIN_5_RNDMTN, MELON_2_PGAE, NCPAHV_2_V200LD, NEWRK_2_V200LD, OAKTID_1_OAKCSF, OLNDWA_2_OLIND5, PARKER_2_V200LD, PBDY_2_#AOOLD, RANCHO_2_BELOTA, ROSEVL_2_V200LD, SLAC_2_V200LD, STNDFD_1_STNCSF, SVPPRT_1_V100LD, SYLMAR_2_NOB, TRACY_5_COTP, TRACY_5_PGAE, TRCYPP_2_TESLA, VASONA_2_V200LD, WESTLY_2_LOSBNS, WESTLY_2_TESLA, AMES_B_1_#100LD, ARBKLE_6_V600LD, BEALE_6_T100LD, CTTNWD_1_V100LD, FRNKLN_6_V600LD, GRBRVL_6_V600LD, LAMONT_1_V100LD, LLNL_1_TESLA, LYTNVL_6_V600LD, NCPAV_1_V100LD, RGHRDY_6_V000LD, SUMMIT_1_SPP, SWIFT_1_V100LD, TESLA_1_V100LD, and TEVIS_1_V100LD, CASCAD_1_CRAGVW, WESTLY_2_LOSBNS, and WESTLY_2_TESLA.
Billing determinants are January - March 2007 recorded and April - December 2006 recorded from ISO records.

2/ The High Voltage rate is the Northern TAC Area rate calculated by PG&E using ISO spreadsheets.

3/ Revenue for High Voltage (HV) and Low Voltage (LV) are calculated as follows: the HV rate is multiplied by the HV kWh plus the LV kWh; the LV rate is multiplied by the LV kWh.

California ISO

March 1, 2007 TAC Rates
Based on Filed Annual TRR/TRBA and Load Data

Offer Of Settlement (Docket No. ER07-882, et al.)

TAC Components:

	Filed Annual TRR Existing HV Facilities ($) [1]	Filed Annual TRR New HV Facilities ($) [2]	Filed Annual Gross Load (MWh) [3]	TAC Area [4]	Total Filed TRR ($) [5] = [1] + [2]	EHVF only Utility Specific Rate ($/MWH) [6] = [1] / [3]	EHVF only TAC Area Rate ($/MWH) [7] = [21]	HV Utility Specific Rate ($/MWH) [8] = [5] / [3]	TAC Area Rate ($/MWH) [9] = [19]
PGE	$ 170,889,103	$ 194,271,226	90,934,164	N	$ 365,160,329	**$ 1.8793**	**$ 1.9026**	**$ 4.0157**	**$ 3.3689**
SCE	$ 135,861,900	$ 42,066,851	91,670,569	EC	$ 177,928,751	**$ 1.4821**	**$ 1.9329**	**$ 1.9410**	**$ 3.3992**
SDGE	$ 36,357,168	$ 42,082,122	20,915,303	S	$ 78,439,290	**$ 1.7383**	**$ 1.8603**	**$ 3.7503**	**$ 3.3266**
Anaheim	$ 23,306,702	$ -	2,766,313	EC	$ 23,306,702	**$ 8.4252**	**$ 1.9329**	**$ 8.4252**	**$ 3.3992**
Azusa	$ 1,183,561	$ -	239,575	EC	$ 1,183,561	**$ 4.9403**	**$ 1.9329**	**$ 4.9403**	**$ 3.3992**
Banning	$ 924,574	$ -	139,457	EC	$ 924,574	**$ 6.6298**	**$ 1.9329**	**$ 6.6298**	**$ 3.3992**
Pasadena	$ 9,952,813	$ -	1,239,884	EC	$ 9,952,813	**$ 8.0272**	**$ 1.9329**	**$ 8.0272**	**$ 3.3992**
Riverside	$ 15,254,491	$ -	1,814,019	EC	$ 15,254,491	**$ 8.4092**	**$ 1.9329**	**$ 8.4092**	**$ 3.3992**
Vernon	$ 9,703,795	$ -	1,210,668	EC	$ 9,703,795	**$ 8.0152**	**$ 1.9329**	**$ 8.0152**	**$ 3.3992**
Atlantic P15	$ -	$ 30,867,299	-	N	$ 30,867,299	**$ -**	**$ -**	**$ -**	**$ 3.3689**
ISO Total	**$ 403,434,106**	**$ 309,287,498**	**210,929,952**		**$ 712,721,604**				

STEP 1: Calculate the Access Charge Rate for each TAC Area.

TAC-Area portion is the percent of Total TRR in each area which has not yet transitioned to the ISO (30%) divided by the Total Load of each area.

The ISO portion is the percent of all TRR which has transitioned to ISO-Wide (70%), plus the TRR of New HV Facilities, divided by total load.

	Annual TRR Existing HV Facilities ($) [10] = [1]	Annual TAC Area TRR ($) [11] = [10] x 30%	Annual Gross Load (MWH) [12] = [3]	TAC Area Rate ($/MWH) [13] = [11] / [12]
North	$ 170,889,103	$ 51,266,731	90,934,164	**$ 0.5638**
East/C	$ 196,187,835	$ 58,856,351	99,080,485	**$ 0.5940**
South	$ 36,357,168	$ 10,907,150	20,915,303	**$ 0.5215**
Total	**$ 403,434,106**	**$ 121,030,232**	**210,929,952**	

	ISO Wide TRR Existing HV Facilities ($) [14] Total ([10]) x 70%	ISO Wide TRR New HV Facilities ($) [15] = Total [2]	ISO Wide Annual Gross Load (MWH) [16] = Total [3]	ISO Wide Rate ($/MWH) [17] = ([14] + [15]) / [16]	EHVF only ISO-Wide Rate ($/MWH) [18] =[14] / [16]
ISO-wide	**$ 282,403,875**	**$ 309,287,498**	**210,929,952**	**$ 2.8052**	$ 1.3389

	TAC Rate (TAC Area + ISO Wide) ($/MWH) [19] = [13] + [17]	Wheeling Rate (TAC Area + ISO Wide) ($/MWH) [20] = [19]	Existing HV Facilites (EHVF) only TAC Rate ($/MWH) [21] = [13] + [18]	New HV Facilites (NHVF) only TAC Rate ($/MWH) [22] = [15] / [16]
North	**$ 3.3689**	**$ 3.3689**	$ 1.9026	$ 1.4663
East/Central	**$ 3.3992**	**$ 3.3992**	$ 1.9329	$ 1.4663
South	**$ 3.3266**	**$ 3.3266**	$ 1.8603	$ 1.4663

California ISO

March 1, 2007 TAC Rates
Based on Filed Annual TRR/TRBA and Load Data

STEP 2: Calculate the HV Access Charge the UDC/MSS pays on Filed Gross Load and Benefit/Burden. Note: ISO total for (Benefit)/Burden may not equal zero due to rounding of TAC Rate.

	TAC Area	Filed Gross Load (MWH)	EHVF only TAC Rate ($/MWH)	Amount Paid Based on Filed Gross Load ($)	EHVF only Utility Specific Rate ($/MWH)	Would Have Paid w/ EHVF Utility Specific Rate ($)	EHVF Access Charge (Benefit)/Burden ($)
	[23] = [4]	[24] = [3]	[25] = [7]	[26] = [24] x [25]	[27] = [6]	[28] = [24] x [27]	[29] = [26] - [28]
PGE	N	90,934,164	$ 1.9026	$ 173,014,069	$ 1.8793	$ 170,889,103	$ 2,124,966
SCE	EC	91,670,569	$ 1.9329	$ 177,187,946	$ 1.4821	$ 135,861,900	$ 41,326,046
SDGE	S	20,915,303	$ 1.8603	$ 38,909,634	$ 1.7383	$ 36,357,168	$ 2,552,466
Anaheim	EC	2,766,313	$ 1.9329	$ 5,346,943	$ 8.4252	$ 23,306,702	$ (17,959,759)
Azusa	EC	239,575	$ 1.9329	$ 463,069	$ 4.9403	$ 1,183,561	$ (720,492)
Banning	EC	139,457	$ 1.9329	$ 269,553	$ 6.6298	$ 924,574	$ (655,021)
Pasadena	EC	1,239,884	$ 1.9329	$ 2,396,543	$ 8.0272	$ 9,952,813	$ (7,556,270)
Riverside	EC	1,814,019	$ 1.9329	$ 3,506,276	$ 8.4092	$ 15,254,491	$ (11,748,215)
Vernon	EC	1,210,668	$ 1.9329	$ 2,340,072	$ 8.0152	$ 9,703,795	$ (7,363,723)
ISO Total		**210,929,952**		**$ 403,434,106**		**$ 403,434,106**	$ (0)

STEP 3: For Information Only -- Projected annual net benefits/burdens from Access Charge for Existing Facilities.

$32/32/8 million cap for IOUs; munis are held harmless; IOUs pay muni cost increases in proportion to their cap relative to the total cap.

	EHVF Access Charge (Benefit)/Burden ($) [30] = [29]	IOU Burden Annual Cap ($) [31]	Amount IOUs' Cap Exceeds IOUs' Burden ($) [32] IF ([31] - [30] >0) = [31] - [30] If no cap, then 0	Amount IOU's Burden Exceeds IOU's Cap ($) [33] IF [30] - [31] >0 = [30] - [31] If no cap, then 0	Payments by Entities with Net Benefit ($) [34] IOUs = ([32] / total[32]) x total[33]. Munis w/ Benefit= ([30] / total[30]) x total[33] - total[32]	Mitigation Payments ($) [35] = [34] - [33]	Adjusted Net (Benefit) / Burden ($) [36] = [30] + [35]	Reallocation IOU Burden ($) [37] Reallocate IOU Burden [39] so it is proportional to IOU Cap [31] = [39] - [36]	Transition Charge ($) [38] = [35] + [37]	Adjusted Net (Benefit) / Burden ($) [39] = [36] + [37]	Transition Charge Rate ($/MWh) [40] = [38] / [24]
PGE	$ 2,124,966	$ 32,000,000	$ 29,875,034	$ 0	$ 7,887,760	$ 7,887,760	$ 10,012,726	$ 10,433,264	$ 18,321,024	$ 20,445,990	$ 0.2015
SCE	$ 41,326,046	$ 32,000,000	$ 0	$ 9,326,046	$ 0	$ (9,326,046)	$ 32,000,000	$ (11,554,010)	$ (20,880,055)	$ 20,445,990	$ (0.2278)
SDGE	$ 2,552,466	$ 8,000,000	$ 5,447,534	$ 0	$ 1,438,286	$ 1,438,286	$ 3,990,752	$ 1,120,745	$ 2,559,031	$ 5,111,498	$ 0.1224
Anaheim	$ (17,959,759)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (17,959,759)	$ 0	$ 0	$ (17,959,759)	$ 0
Azusa	$ (720,492)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (720,492)	$ 0	$ 0	$ (720,492)	$ 0
Banning	$ (655,021)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (655,021)	$ 0	$ 0	$ (655,021)	$ 0
Pasadena	$ (7,556,270)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (7,556,270)	$ 0	$ 0	$ (7,556,270)	$ 0
Riverside	$ (11,748,215)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (11,748,215)	$ 0	$ 0	$ (11,748,215)	$ 0
Vernon	$ (7,363,723)	$ 0	$ 0	$ 0	$ 0	$ 0	$ (7,363,723)	$ 0	$ 0	$ (7,363,723)	$ 0
Total	**$ 0**	**$ 72,000,000**	**$ 35,322,568**	**$ 9,326,046**	**$ 9,326,046**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	

California ISO

March 1, 2007 TAC Rates
Based on Filed Annual TRR/TRBA and Load Data

STEP 4: For Information Only -- Projected annual net benefits/burdens from Access Charge for New Facilities and Total projected annual net benefits/burdens from Access Charge.

	Filed Annual TRR New HV Facilities ($) [41] = [2]	ISO Wide Annual Gross Load (MWh) [42] = [3]	New HVTRR Rate ($/MWH) [43] = ([15]) / [16]	New HVTRR Cost Responsibility ($) [44] = ([42]) * [43]	NHVF Access Charge (Benefit)/Burden ($) [45] = ([44]) - [41]	Total Access Charge (Benefit)/Burden ($) [46] = ([45]) + [39]
PGE	$ 194,271,226	90,934,164	$ 1.4663	$ 133,337,156	$ (60,934,070)	$ (40,488,079)
SCE	$ 42,066,851	91,670,569	$ 1.4663	$ 134,416,951	$ 92,350,100	$ 112,796,090
SDGE	$ 42,082,122	20,915,303	$ 1.4663	$ 30,668,199	$ (11,413,923)	$ (6,302,425)
Anaheim	$ -	2,766,313	$ 1.4663	$ 4,056,257	$ 4,056,257	$ (13,903,502)
Azusa	$ -	239,575	$ 1.4663	$ 351,290	$ 351,290	$ (369,202)
Banning	$ -	139,457	$ 1.4663	$ 204,486	$ 204,486	$ (450,534)
Pasadena	$ -	1,239,884	$ 1.4663	$ 1,818,047	$ 1,818,047	$ (5,738,222)
Riverside	$ -	1,814,019	$ 1.4663	$ 2,659,904	$ 2,659,904	$ (9,088,311)
Vernon	$ -	1,210,668	$ 1.4663	$ 1,775,208	$ 1,775,208	$ (5,588,515)
Atlantic P15	$ 30,867,299	0	$ 1.4663	$ 0	$ (30,867,299)	$ (30,867,299)
Total	**$ 309,287,498**	**210,929,952**		**$ 309,287,498**	**$ 0**	**$ 0**

01 March 2008 ISO Access Charge Rate

HIGH VOLTAGE AND LOW VOLTAGE COMPONENTS

PTO		HV TRR	LV TRR	New HV Facilities	New LV Facilities	Total HV Filed TRR	Total LV Filed TRR	Info Only Combined TRR
PGE	Base TRR	180,444,509	386,152,152	206,331,394		386,775,903	386,152,152	772,928,055
	TRBAA (as of 30Sep07)	(9,103,871)	(15,877,218)	(11,544,819)		(20,648,690)	(15,877,218)	(36,525,908)
	Standby Credit	(451,535)	(1,000,326)	(515,349)		(966,884)	(1,000,326)	(1,967,210)
	Total	170,889,103	369,274,608	194,271,226	-	365,160,329	369,274,608	734,434,937
	Gross Load	90,934,164	90,934,164	90,934,164	90,934,164	90,934,164	90,934,164	90,934,164
	Utility Specific Access Charges ($/MWh)	1.8793	4.0609	2.1364	0.0000	4.0157	4.0609	8.0766
	TRR - Eff. Date - Docket#	1/1/2007 ER07-1213-000 & ER08-		1/1/2007 ER07-1213-000 & ER08-				
	TRBA - Eff. Date - Docket#	1/1/2008 ER08-21-000		1/1/2008 ER08-21-000				
SCE	Base TRR	216,502,440	24,461,360	67,036,200		283,538,640	24,461,360	308,000,000
	TRBAA (as of 30Sep06)	(79,773,398)	(7,029,410)	(24,700,853)		(104,474,251)	(7,029,410)	(111,503,661)
	Standby Credit	(867,142)	(97,973)	(268,496)		(1,135,638)	(97,973)	(1,233,611)
	Total	135,861,900	17,333,977	42,066,851	-	177,928,751	17,333,977	195,262,728
	Gross Load	91,670,569	91,670,569	91,670,569	91,670,569	91,670,569	91,670,569	91,670,569
	Utility Specific Access Charges ($/MWh)	1.4821	0.1900	0.4589	0.0000	1.9410	0.1900	2.1300
	TRR - Eff. Date - Docket#	6/4/2006 ER06-186-001		6/4/2006 ER06-186-001				
	TRBA - Eff. Date - Docket#	1/1/2007 ER07-78-000		1/1/2007 ER07-78-000				
SDGE	Base TRR	52,884,000	50,567,000	42,457,000	34,080,000	95,341,000	84,647,000	179,988,000
	TRBAA (as of 30Sep06)	(15,702,833)	2,567,307	286,507	1,419,654	(15,416,326)	3,986,961	(11,429,365)
	Standby Credit	(823,999)	(787,550)	(661,385)	(530,734)	(1,485,384)	(1,318,284)	(2,803,668)
	Total	36,357,168	52,346,757	42,082,122	34,968,920	78,439,290	87,315,677	165,754,967
	Gross Load	20,915,303	20,915,303	20,915,303	20,915,303	20,915,303	20,915,303	20,915,303
	Utility Specific Access Charges ($/MWh)	1.7383	2.5028	2.0120	1.6719	3.7503	4.1747	7.9251
	TRR - Eff. Date - Docket#	9/1/06 - ER06-1369-000		9/1/06 - ER06-1369-000				
	TRBA - Eff. Date - Docket#	1/1/2007 - ER07-386-000		1/1/2007 - ER07-386-000				
Vernon	Base TRR	10,216,178				10,216,178		10,216,178
	TRBAA (as of 30Sep06)	(512,383)				(512,383)		(512,383)
	Standby Credit	-				-		-
	Total	9,703,795				9,703,795		9,703,795
	Gross Load	1,210,668				1,210,668		1,210,668
	Utility Specific Access Charges ($/MWh)	8.0152				8.0152		8.0152
	TRR - Eff. Date - Docket#	1/1/2001 EL00-105-000						
	TRBA - Eff. Date - Docket#	1/1/2007 EL07-29-000						
Anaheim	Base TRR	25,300,000				25,300,000		25,300,000
	TRBAA (as of 30Sep06)	(1,993,298)				(1,993,298)		(1,993,298)
	Standby Credit	-				-		-
	Total	23,306,702				23,306,702		23,306,702
	Gross Load	2,766,313				2,766,313		2,766,313
	Utility Specific Access Charges ($/MWh)	8.4252				8.4252		8.4252
	TRR - Eff. Date - Docket#	7/1/2005 EL05-131-000						
	TRBA - Eff. Date - Docket#	1/1/07 EL07-24-000						
Azusa	Base TRR	1,500,000				1,500,000		1,500,000
	TRBAA (as of 30Sep06)	(316,439)				(316,439)		(316,439)
	Standby Credit	-				-		-
	Total	1,183,561				1,183,561		1,183,561
	Gross Load	239,575				239,575		239,575
	Utility Specific Access Charges ($/MWh)	4.9403				4.9403		4.9403
	TRR - Eff. Date - Docket#	1/1/2003 EL03-14-002						
	TRBA - Eff. Date - Docket#	1/1/2007 EL07-19-000						

01 March 2008 ISO Access Charge Rate

HIGH VOLTAGE AND LOW VOLTAGE COMPONENTS

PTO		HV TRR	LV TRR	New HV Facilities	New LV Facilities	Total HV Filed TRR	Total LV Filed TRR	Info Only Combined TRR
Banning	Base TRR	1,105,000	53,647			1,105,000	53,647	1,158,647
	TRBAA (as of 30Sep06)	(180,426)	(9,000)			(180,426)	(9,000)	(189,426)
	Standby Credit	-	-			-	-	-
	Total	924,574	44,647			924,574	44,647	969,221
	Gross Load	139,457	139,457			139,457	139,457	139,457
	Utility Specific Access Charges ($/MWh)	6.6298	0.3201			6.6298	0.3201	6.9500
	TRR - Eff. Date - Docket#	1/1/2003 EL03-21-002						
	TRBA - Eff. Date - Docket#	1/1/2007 EL07-23-000						
Pasadena	Base TRR	9,984,279				9,984,279		9,984,279
	TRBAA (as of 30Sep06)	(31,466)				(31,466)		(31,466)
	Standby Credit	-				-		-
	Total	9,952,813				9,952,813		9,952,813
	Gross Load	1,239,884				1,239,884		1,239,884
	Utility Specific Access Charges ($/MWh)	8.0272				8.0272		8.0272
	TRR - Eff. Date - Docket#	1/1/2005 EL05-18-000						
	TRBA - Eff. Date - Docket#	1/1/2007 EL07-26-000						
Riverside	Base TRR	17,500,000				17,500,000		17,500,000
	TRBAA (as of 30Sep06)	(2,245,509)				(2,245,509)		(2,245,509)
	Standby Credit	-				-		-
	Total	15,254,491				15,254,491		15,254,491
	Gross Load	1,814,019				1,814,019		1,814,019
	Utility Specific Access Charges ($/MWh)	8.4092				8.4092		8.4092
	TRR - Eff. Date - Docket#	1/1/2003 EL03-20-003						
	TRBA - Eff. Date - Docket#	1/1/07 EL07-22-000						
Atlantic P15	Base TRR	-		36,725,863		36,725,863		36,725,863
	TRBAA (as of 30Sep06)	-		(5,858,564)		(5,858,564)		(5,858,564)
	Standby Credit	-		-		-		-
	Total	-		30,867,299		30,867,299		30,867,299
	Gross Load	-		-		-		-
	Utility Specific Access Charges ($/MWh)	0.0000		0.0000		0.0000		0.0000
	TRR - Eff. Date - Docket#			12/22/2004 ER05-17-000				
	TRBA - Eff. Date - Docket#			1/1/2007 ER07-129-000				
		For Information Only						
Total CAISO Grid	Base TRR	515,436,406	461,234,159	352,550,457	34,080,000	867,986,863	495,314,159	1,363,301,022
	TRBAA (as of 30Sep06)	(109,859,624)	(20,348,321)	(41,817,729)	1,419,654	(151,677,353)	(18,928,667)	(170,606,020)
	Standby Credit	(2,142,676)	(1,885,849)	(1,445,230)	(530,734)	(3,587,906)	(2,416,583)	(6,004,489)
	Total	403,434,106	438,999,989	309,287,498	34,968,920	712,721,604	473,968,909	1,186,690,513
	Gross Load	210,929,952	203,659,493	203,520,036	203,520,036	210,929,952	203,659,493	210,929,952
	Utility Specific Access Charges ($/MWh)	1.9126	2.1556	1.5197	0.1718	3.3789	2.3273	5.6260

Pacific Gas and Electric Company
Settlement in Docket Nos. ER07-882, et al. - Test Year 2008 Sales
Effective March 1, 2008 to Feb 28, 2009

Rate Design Calculations
PacifiCorp Intertie Lease Rates

Code	Class Name	(A) Allocation Factors	(B) Adjusted 12-CP Cost Allocation	(C) Annual Sales (kWh)	(D) PacifiCorp Intertie Lease Rate ($/kWh)
RES -	Residential	42.53%	$9,924,817	31,558,384,594	$0.00031
A1 -	Small L&P	10.57%	$2,466,347	8,879,488,351	$0.00028
A10/E19 -	Medium Light and Power	27.40%	$6,392,978	24,835,508,775	$0.00026
STL -	Streetlights	0.37%	$85,223	414,565,231	$0.00021
AG -	Agriculture	4.10%	$957,809	4,284,896,203	$0.00022
E20 -	Schedule E-20	14.20%	$3,314,381	15,321,360,749	$0.00022
STB -	Standby	0.82%	$191,778	235,229,622	$0.00082
Total		100.00%	$23,333,333	85,529,433,525	

PacifiCorp Intertie Lease RRQ:	$23,333,333

Notes:
Column (A): same Allocation Factors used as for TO10 and 2008 RSBA rates
Column (B): class-level Allocation Factors are multiplied by PacifiCorp Intertie Lease revenue requirement
Column (C): test year 2008 sales forecast is as used for TO10 and 2008 RSBA rates
Column (D): PacifiCorp Intertie Lease Rates are calculated by dividing class-level cost allocations by sales

Settlement in
Docket No. ER07-882, et al.
Exhibit A
Page 10 of 10

ORIGINAL

PacifiCorp	)	Docket No. ER07-882-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER07-967-000
	)	
	)	
PacifiCorp	)	Docket No. EL07-84-000
	)	
California Independent System Operator Corporation	)	Docket No. ER07-1373-000
	)	
	)	
PacifiCorp	)	Docket No. ER07-1392-000
	)	
PacifiCorp	)	Docket No. ER08-143-000
	)	
Pacific Gas and Electric Company	)	Docket No. ER08-___-000

Offer of Settlement and Stipulation

EXHIBIT B

FILED
OFFICE OF THE
SECRETARY
2007 NOV 21 A 11:00
FEDERAL ENERGY
REGULATORY COMMISSION

November 21, 2007

Koo, Alyssa (Law)

From: Koo, Alyssa (Law)
Sent: Thursday, November 15, 2007 1:58 PM
To: eklinkner@cityofpasadena.net
Subject: FW: Notice to PG&E TO Intervenors

I apologize; we inadvertently used the incorrect email when sending the below.

From: Koo, Alyssa (Law)
Sent: Thursday, November 15, 2007 1:52 PM
To: 'wld@dwgp.com'; 'mrp@dwgp.com'; 'dmahmud@mwdh2o.com'; 'ehahn@mwdh2o.com'; 'mfrazee@anaheim.net'; 'fmason@ci.banning.ca.us'; 'btang@ci.azusa.ca.us'; 'jolko@ci.colton.ca.us'; 'eklinker@cityofpasadena.net'; 'luhler@riversideca.gov'; 'rob.smith@gdsassociates.com'; 'bblair@thompsoncoburn.com'; 'mmcnaul@thompsoncoburn.com'; 'ek@a-klaw.com'; 'deb@a-klaw.com'; 'dws@keywaycorp.com'; 'jimross@r-c-s-inc.com'
Cc: Kozlowski, Lanette (ET); Patrizio, Mark (Law)
Subject: Notice to PG&E TO Intervenors

To Intervenor in PG&E Transmission Owner (TO) Tariff dockets:

PG&E would like to notify you that an Offer of Settlement that will affect PG&E's Transmission Owner (TO) Tariff rates will shortly be filed in FERC Docket Nos. ER07-882, ER07-967, and EL07-84. These dockets involve the termination of agreements that govern transmission service over and operation of the Pacific Intertie, including in particular the eastern 500 kV Malin to Round Mountain transmission line.

As a part of the proposed Settlement, all existing available transmission service over the eastern Malin-Round Mountain line would continue to be available under the CAISO Tariff through December 31, 2011. As of January 1, 2012, PacifiCorp would offer transmission service for a portion of the available capacity on that line (300 MW in 2008 increasing to 800 MW in 2018) under its Open Access Transmission Tariff, with the remainder continuing to be available under the CAISO Tariff. In exchange, PG&E will pay PacifiCorp $20 million/year from 2008 through 2011, $16.5 million for 2012, $14.5 million/year from 2013 to 2016, and $12.5 million for 2017.

The settlement agreement will include provisions for PG&E to recover in its TO rates its payments to PacifiCorp, including recovery of payments for 2008 not previously forecast in PG&E's Transmission Revenue Requirements (TRR), as well as payments for 2009 through 2017. The settlement agreement will also provide for the CPUC and FERC to approve final cost recovery mechanisms for PG&E's retail and wholesale rates, respectively, as part of the settlement: The CPUC will file comments at FERC in support of the Settlement, including the terms relating to PG&E's rate recovery mechanism; the Offer of Settlement and the Commission's order approving the settlement will state that recovery by PG&E of these payments is just, reasonable, and in the public interest; and the Offer of Settlement and Order Approving Settlement will state that the following rate recovery mechanism is just, reasonable, and in the public interest.

The Rate Recovery Mechanism:

1. PG&E will create a new rate schedule designed specifically to recover PG&E's payments to PacifiCorp for the period between January 1, 2008 and February 28, 2009. The revenue requirement and rates reflected in that rate schedule will be separately stated and will be added to PG&E's TRR for recovery in PG&E's TO Tariff. Specifically:

    a. PG&E will include, in Appendix I of its TO Tariff, a separately stated revenue requirement equal to its payments to PacifiCorp under this settlement from January 1, 2008 through February 28, 2009 (PacifiCorp Intertie Lease Revenue Requirement). The PacifiCorp Intertie Lease Revenue Requirement will be recovered, between March 1, 2008 and February 28, 2009, in separately stated PacifiCorp Intertie Lease Rates and Revenue Requirements to be included in Appendices II and III

of PG&E's TO Tariff, if the settlement is approved by the Commission before February 1, 2008.

b. The separately stated PacifiCorp Intertie Lease Revenue Requirement will be added to PG&E's otherwise accepted revenue requirements for purposes of CAISO TAC rate calculations for the period described in paragraph a, above. The PacifiCorp Intertie Lease Revenue Requirement will be allocated between the revenue requirements for Existing High Voltage Facilities and New High Voltage Facilities in accordance with the CAISO Tariff.

c. PG&E's retail rates to be collected for the period described in paragraph a for transmission service will be equal to the sum of the otherwise accepted TO10 retail rates plus the retail rates designed to collect the PacifiCorp Intertie Lease Revenue Requirement.

2. For rates applicable after February 28, 2009, PG&E will include its payments to PacifiCorp in its cost of service based transmission revenue requirement in a subsequent TO Tariff rate filing, however, because those payments will already have been determined to be just, reasonable and in the public interest, they will not be subject to review or challenge in any subsequent TO Tariff rate case.

The settlement agreement in these dockets will also resolve FERC Docket Nos. ER07-1373 (CAISO filed unexecuted Operating Agreement); ER07-1392 (PacifiCorp filed seven executed Transmission Service Agreements with Powerex and PPM), and ER08-143 (PacifiCorp filed unexecuted COI-POA and Operating Agreement with CAISO).

The parties in these dockets intend on filing the settlement by Nov. 21, 2007, and will request a shortened comment period. The parties expect the settlement to be certified to the Commission by the Settlement Judge shortly after the expiration of the comment period. The parties seek FERC action on the settlement documents by the original FERC-imposed deadline of December 31, 2007.

PG&E will not oppose a late intervention by any of the affected customers.

Regards,

Alyssa Koo
Attorney
Pacific Gas and Electric Company
(415) 973-3386
atk4@pge.com