

FUNDING AGREEMENT

THIS AGREEMENT is entered into effective as of May __, 2000 (the "Effective Date") by and among Avista Corporation, the Bonneville Power Administration ("BPA"), Idaho Power Company, Nevada Power Company, The Montana Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Sierra Pacific Power Company (together referred to as the "Transmission Owners" or "TOs"), and RTO West.

RECITALS:

The TOs wish to work toward filing(s) on or before October 15, 2000 for the creation of a Regional Transmission Organization ("RTO") pursuant to FERC Order 2000 (as amended).

The parties recognize the need to include other interested stakeholders in a broad collaborative process for the creation of the RTO.

The TOs wish to finance the retention of experts and facilitators in order to further this work, and to assist in preparation of the regulatory filings required for the RTO.

RTO West is a nonprofit Washington corporation, with a purpose initially of retaining experts and facilitators to further the effort to create the RTO and to facilitate the related collaborative process, and a purpose later (after changes to the RTO West governing documents that among other matters conform RTO West's governance with the independence requirements of FERC's Order 2000) of operating as the RTO as filed with and approved by FERC.

The parties wish to set forth their agreement for the funding of the above work.

AGREEMENT:

1.0 Funding. Subject to the terms of this Agreement, the TOs agree to provide funding to RTO West for the purpose of enabling RTO West to retain the experts and facilitators referenced above and to pay certain other incidental expenses.

1.1 By Non-BPA TOs. Funds provided by TOs other than BPA shall be loaned amounts that shall be repaid with interest by RTO West to the TOs promptly when sufficient third party financing is available to RTO West, but in any event, not later than the commencement of transmission services by RTO West as an RTO over the transmission assets of one or more TOs. RTO West agrees to pay interest on all outstanding loan balances at the same interest rates from time to time as established by FERC for refunds, pursuant to 18 CFR §35.19a.

1.2 By BPA. Funds provided by BPA shall be credited with interest against rates payable by BPA transmission customers, in services to BPA

transmission customers in equivalent value, or in such other manner as BPA may direct, when sufficient third party financing is available to RTO West, but in any event, not later than the commencement of transmission services by RTO West as an RTO over the transmission assets of one or more TOs. RTO West agrees to provide an allowance for interest on all outstanding BPA amounts at the same interest rates and in the same manner as that provided to the other TOs in Section 1.1.

1.3 Amount of Funds Available. Each of the TO's agrees to provide its allocated share, as set forth in section 1.4, of all funding as requested by RTO West, up to a total TO funding amount of \$_____. This funding level may be increased, but the obligation to fund such increases shall be binding only upon those TOs agreeing to such increases.

1.4 Allocation. 50 % of each funding request shall be allocated equally among the TOs, and the remaining 50% shall be allocated in proportion to each TO's net transmission plant investments. The methodology for the total funding amounts for each of the TOs is set forth in Attachment 1. The funding totals shall be as follows:

| | |
|--------|---|
| 7.74% | Avista Corporation |
| 27.85% | BPA |
| 8.17% | Idaho Power Company |
| 8.72% | The Montana Power Company |
| 18.01% | PacifiCorp |
| 7.97% | Portland General Electric Company |
| 9.53% | Puget Sound Energy, Inc. |
| 12.01% | Sierra Pacific Power Company and Nevada Power Company |

1.5 Timing of Funding. Each of the TOs shall advance to RTO West its allocated share of an initial Funding amount of \$_____, on or before May 15, 2000. RTO West may issue calls in writing for additional Funding, up to the limit set in section 1.3, in order to meet its payment obligations incurred pursuant to approvals by the TOs in accordance with Section 2.0. Each of the TOs shall advance its share of funding requests to RTO West within 10 business days of receiving RTO West's call. If a TO has contributed an amount in excess of the amount such TO was required to contribute pursuant to section 1.3, RTO West (1) first shall make refunds to such TO up to its excess contribution, plus interest

earned by RTO West thereon, and (2) thereafter with respect to any remaining RTO West funds, to each TO in proportion to the relative actual percentage contributions made by such RTO as specified in section 1.4.

- 2.0 Use of TO Funds. Funds available to RTO West under this Agreement shall be used only for the purposes described in Section 1.0 and as approved by a majority of the TOs current in their payment obligations under this Agreement. Each TO shall have one vote, except that Sierra Pacific Power Company and Nevada Power Company shall together have one vote. With respect to any funding increases not agreed to by all of the TOs, such funds shall be used only for the purposes described in Section 1.0 and as approved by a majority of the TOs who have agreed to such increased funding and who are current in their payment obligations under this Agreement. Such funds may be used to contract with consultants, experts, and for related services; to purchase equipment, supplies, office space, and public meeting expenses incidental to such services; and to pay related filing, incidental and administrative costs. Such funds shall not be used to reimburse internal costs of the TOs or costs of third parties hired individually by one or more of the TOs. Funds under this Agreement for the payment of RTO West legal counsel shall not be available without the unanimous consent of the TOs current in their payment obligations under this Agreement. The TOs each hereby consent to the retention by RTO West of the law firm of Krogh & Leonard to facilitate the public collaboration process and to provide other legal assistance as requested by RTO West from time to time. The TOs also agree that RTO West may retain Krogh & Leonard retroactively for a period commencing February 15, 2000.
- 3.0 Management of Activities Funded by the TOs and Indemnity. Activities funded by the TOs shall be managed by individuals selected by the RTO West Board of Directors; however, RTO West shall remove any managing individual if requested to do so by a majority of the TOs. Other than for willful misconduct, each of the TOs agrees to indemnify and hold each of their own employees only (i.e. not the employees of other TOs) who may be appointed to serve as RTO West directors, officers or managers, harmless from any claims, loss, damages, charges and costs connected with or arising out of such director's, officer's, or manager's actions or omissions in the management of activities during the term of this Agreement.
- 4.0 Term. This Agreement shall remain in effect through December 31, 2000; provided that RTO West's obligation to repay or provide interest or credits to TOs under Sections 1.1 and 1.2, RTO West's obligation to repay unused funds under Section 1.5, the restrictions on the use of funds under Section 2.0, and the obligation of the TOs to indemnify under Section 3.0 shall survive the termination of this Agreement. Within the limits set pursuant to Section 1.3, the obligation of each TO hereunder to pay its allocated share of each funding request of RTO West is unconditional, cannot be terminated or rescinded during the term of this Agreement, and is applicable whether or not such TO is continuing to participate in the effort to create the RTO. Each TO waives as a defense to its timely

payment of its allocated share of each such funding request any defense that one or more of the other TOs has failed to timely pay its allocated share of such funding request.

5.0 Other terms.

- 5.1 Interpretation. This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership or to impose any partnership obligation or liability upon the parties. No party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of the other parties except as expressly provided herein. It is expressly understood that this Agreement is limited in scope to funding a collaborative RTO effort and is not intended to, and does not, constitute an agreement to consummate any transaction involving transmission facilities or to enter into a definitive agreement with respect thereto.
- 5.2 Notices. Any notice required under this Agreement shall be in writing and shall be delivered (a) in person, (b) by a nationally recognized delivery service, (c) by United States Certified Mail, or (d) by facsimile to the persons, addresses and facsimile numbers listed in Attachment 2 to this Agreement. Notices are effective when received. Any party may change its address for notices by giving notice of such change in accordance with this section.
- 5.3 Amendments. No amendment, rescission, waiver, modification or other change to this Agreement shall be of any force or effect unless set forth in writing and signed by authorized representatives of each party.
- 5.4 Third Party Beneficiaries. The directors, officers and managers of RTO West, as well as any entity entering a contract with the RTO West permitted under this Agreement, are intended third party beneficiaries of this Agreement. Except as here stated, no other parties shall be third party beneficiaries hereunder.

This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument.

Avista Corporation

By: _____

Name _____

Title: _____

Bonneville Power Administration

By: _____

Name: _____

Title: _____

Idaho Power Company

By: _____

Name: _____

Title: _____

The Montana Power Company

By: _____

Name: _____

Title: _____

PacifiCorp

By: _____

Name _____

Title: _____

Portland General Electric Company

By: _____

Name: _____

Title: _____

Puget Sound Energy

By: _____

Name _____

Title: _____

Sierra Pacific Power Company
Nevada Power Company

By: _____

Name: _____

Title: _____

ATTACHMENT 1

RTO West Funding Allocations

| | RTO West Funding | | | | | | |
|---------------|-----------------------------------|--------------------------------|------------------------------|-------------------|----------------|--------------------|--------------------------------------|
| | Gross Transmission Plant /1 | Accumulated Depreciation /2 | Net Transmission Plant | % of Net Plant | Equal Share | Net Plant Share | Total Funding Amounts |
| Avista | \$265,343,349 | \$84,848,568 | \$180,494,781 | 2.98% | 6.25% | 1.49% | 7.74% |
| Bonneville | \$4,094,233,000 | \$1,474,695,000 | \$2,619,538,000 | 43.21% | 6.25% | 21.60% | 27.85% |
| Idaho | \$389,011,190 | \$155,661,670 | \$233,349,520 | 3.85% | 6.25% | 1.92% | 8.17% |
| Montana | \$403,411,773 | \$103,457,673 | \$299,954,100 | 4.95% | 6.25% | 2.47% | 8.72% |
| Pacific | \$2,102,335,391 | \$676,297,104 | \$1,426,038,287 | 23.52% | 6.25% | 11.76% | 18.01% |
| Portland | \$329,757,237 | \$121,696,069 | \$208,061,168 | 3.43% | 6.25% | 1.72% | 7.97% |
| Puget | \$573,967,381 | \$176,714,280 | \$397,253,101 | 6.55% | 6.25% | 3.28% | 9.53% |
| Sierra/Nevada | \$912,933,385 | \$214,965,543 | \$697,967,842 | 11.51% | 6.25% | 5.76% | 12.01% |
| Total | \$9,070,992,706 | \$3,008,335,907 | \$6,062,656,799 | 100.00% | 50.00% | 50.00% | 100.00% |

/1 - 1998 FERC Form 1, page 207, line 53, column (g) for IOUs

/2 - 1998 FERC Form 1, page 219, line 23, column (c) for IOUs

