

ATTACHMENT Z

SUMMARY OF NEED FOR AGREEMENT LIMITING LIABILITY AMONG RTO WEST PARTICIPANTS

1. This summary is provided only as a summary and a guide and is not intended to be used in any way for legal interpretation of the Agreement.
2. Section 2 requires the jurisdictional utilities to file the Liability Agreement with FERC, and provides that execution of the Liability Agreement is mandatory for Parties that sign a Transmission Operating Agreement, Generation Integration Agreement, or Load Integration Agreement, or in the case of Canadian participants the equivalent Canadian agreements.
3. Section 3 replicates provisions from the existing agreement regarding liability, the 1972 Agreement Limiting Liability Among Western Interconnected Systems (WIS Agreement). It provides an arbitration procedure for settling disputes surrounding the basic promise to operate systems to minimize electric disturbances. This section also adds a new provision that requires RTO West to file continuity of service tariffs for the purpose of limiting liability for service interruptions.
4. Section 4 provides for a hold harmless arrangement for bodily injury claims that arise from contact with Electric Systems. The premise of the section is that the Party responsible for operation and maintenance of any portion of the electric grid will hold other Parties harmless from claims described in this Section. This Section also provides for RTO West to hold Parties harmless from bodily injury claims that arise from deficient interconnection standards that are imposed by RTO West.
5. Section 5 sets forth the intent of the Parties that transmission, generation and distribution Owners would not be liable to RTO West or each other for end use customer claims in the absence of gross negligence or intentional misconduct.
6. Section 6 contains the Parties waiver of property damages claims for damage to a Party's Electric System. This provision also mirrors the existing provisions of the WIS Agreement. The Section contains one exception for RTO West to retain liability for damage negligently caused to property, up to a \$2 million limit (self insured retention), in instances where no specific operating instruction by RTO West is involved.
7. Section 7 is a general waiver of consequential damages among the Parties for activities involved in performance of the RTO West agreements.
8. Section 8 deals with Wrongful Dispatch Orders. It sets forth the understanding of the Parties that dispatch orders which fall into certain defined categories need not be followed. These include orders that are beyond the scope of RTO West's authority under its tariffs. RTO West agrees to pay liquidated damages in the case of a Wrongful Dispatch Order as those damages are defined and limited by the Liability Agreement.

9. Section 9 sets forth a general insurance requirement for RTO West of \$150 million of general liability insurance and \$150 million of errors and omissions insurance.
10. Section 10 provides that the existing WIS Agreement controls in the event of any conflict with the Liability Agreement.
11. Section 11 provides that the Parties will not seek to remove the liability protections of the Liability Agreement by conditioning service under other tariffs and rate schedules upon a waiver of the benefits of the Liability Agreement.
12. Section 12 provides that the governing law for the Liability Agreement will depend upon the Parties to a dispute. Federal Parties will be governed by federal law. Other Parties will be subject to choice of law depending on their location. Canadian Parties will be governed by the choice of law provision in the applicable generation, load, or transmission agreement.
13. Section 13 provides that the Liability Agreement may only be assigned when the assets to which the agreement relates are assigned.
14. Section 14 adopts the same dispute resolution procedures as provided in the bylaws for RTO West and the Transmission Operating Agreement. These procedures apply to disputes that arise under the Liability Agreement but which are not subject to the WIS Agreement dispute resolution procedures set out in Section 3.
15. Section 15 provides for execution in counterpart and provides that any Party eligible to sign a Transmission Operating Agreement, Generation Integration Agreement or Load Integration Agreement is eligible to sign the Liability Agreement.
16. Section 16 contains miscellaneous provisions, including savings clauses. It provides that no Party is required to follow a dispatch order under the limited circumstances described in Section 16.2. These are the circumstances currently described in the Pacific Northwest Security Coordinator Agreement which are carried over to the Liability Agreement.