

The filing utilities are releasing this draft to provide an opportunity for stakeholder review and comment. Interested stakeholders may provide comments and input on this draft at the RRG meetings scheduled for February 11 and 12 or in writing. Comments in writing should be sent via email by February 15 at the latest to Bud Krogh at ekrogh@serv.net and Chris Elliott at christowest@earthlink.net.

DRAFT

ATTACHMENT A

RTO WEST TRANSMISSION OPERATING AGREEMENT

2002 Revisions

[TOA – February 8~~6~~, 2002]

(Corrections as of February 8, 2002 in Sections 14, 15, 25.21, and in the definitions of “ Pending Project List” and “Transmission Adequacy Standards.”)

[Disclaimer: This document has not received final approval from any filing utility. It is offered to stakeholders in the RTO West process for their review and comment. Bracketed language indicates comments.]

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Exhibit A — Schedule of Definitions

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Exhibit D — RTO West Controlled Transmission Facilities

Exhibit E — RTO West Critical Control Facilities

Exhibit F — Catalogued Transmission Rights

Exhibit G — Company Rates

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Exhibit I — Transmission Reservation Fee

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Exhibit K — Form of Agreement to Suspend Provisions of Pre-Existing Transmission Agreements

Exhibit L — Form of Paying Agent Agreement

Exhibit M — Insurance, Indemnification and Limitation of Liability Agreement

Exhibit N — **[Agreements for Puget Sound Energy and Portland General only: Certain Distribution Facilities]**

RTO WEST TRANSMISSION OPERATING AGREEMENT

This Agreement, dated as of _____, 200__, is by and between RTO West, a Washington nonprofit corporation, and _____, a _____ (the “Executing Transmission Owner”). RTO West and the Executing Transmission Owner each shall be referred to as a “Party” and collectively will be referred to as the “Parties.”

RECITALS

WHEREAS, along with the Executing Transmission Owner, the following Initial Participating Transmission Owners are executing Transmission Operating Agreements with the same effective date as this Agreement:

_____;

WHEREAS, each of the Initial Participating Transmission Owners owns and operates electric transmission systems that are used for the interstate transmission of electric power and energy; and

WHEREAS, each of the Initial Participating Transmission Owners owns and operates transmission systems that are directly or indirectly interconnected with the transmission systems of each of the other Initial Participating Transmission Owners; and

WHEREAS, FERC, in Orders 2000 and 2000A in Docket Nos. RM99-2-000 and RM99-2-001 and 18 C.F.R. § 35.34, set out characteristics and functions for regional transmission organizations and required every public utility that owns, operates or controls facilities used for the

transmission of electric energy in interstate commerce to file with FERC no later than October 15, 2000 a proposal to participate in a regional transmission organization or an alternative filing as set out in 18 C.F.R. § 35.34; and

WHEREAS, FERC granted approval of this Agreement on _____; and

WHEREAS, RTO West intends to develop and implement rates as set out in Section 17 to recover revenues adequate to meet the annual revenue requirements of the Participating Transmission Owners, plus the operating and implementation costs of RTO West;

NOW, THEREFORE, in consideration of the mutual benefits to the Parties and the benefits set forth in the recitals above, the Parties agree as follows:

1. Definition of Terms.

Capitalized terms in this Agreement have the meaning set out in the Schedule of Definitions attached as Exhibit A to this Agreement.

2. Effective Date; Operations Date(s); Termination.

2.1 Effective Date. This Agreement shall become effective upon the acceptance for filing or approval by FERC of this Agreement as executed and of any other agreement entered into concurrently with this Agreement and related to participation in RTO West, without change unacceptable to either Party **[only for Transmission Operating Agreements of Executing Transmission Owners that have loans outstanding from the Rural Utilities Service; provided that this Agreement shall not be effective until the Rural Utilities Service also has approved the execution of this Agreement by the Executing Transmission Owner]**. If FERC's acceptance for filing or approval of this Agreement as executed, or of any other related agreement as executed

that the Executing Transmission Owner is to enter into concurrently with this Agreement, is, as a result of rehearing or judicial review thereof, subsequently revised or modified in a manner unacceptable to either Party, this Agreement shall be deemed void ab initio. Any such revision or modification of this Agreement shall be deemed unacceptable to a Party only if that Party provides notice to the other Party, within thirty (30) calendar days of issuance of the applicable FERC action or judicial order, that such action or order is unacceptable. RTO West shall promptly provide further notice to the Executing Transmission Owner if RTO West or the party to any other Transmission Operating Agreement, or to a related agreement executed by an Initial Participating Transmission Owner, provides notice of termination of a Transmission Operating Agreement based on the revision or modification of such agreement by FERC or as a result of rehearing or judicial review thereof. By notice given to RTO West within fifteen (15) calendar days of receipt of such notice from RTO West, the Executing Transmission Owner may terminate this Agreement and thereby render it void ab initio.

2.2 RTO West Operations Dates. RTO West shall exercise all reasonable efforts to provide all Transmission Services on or before _____.

2.3 Termination by the Executing Transmission Owner.

2.3.1 Termination Without Cause. The Executing Transmission Owner may terminate this Agreement for any reason upon two (2) years' prior written notice.

2.3.2 Termination as a Result of RTO West's Breach of This Agreement. If RTO West is not complying with its obligations to the Executing Transmission Owner under this Agreement, the Executing Transmission Owner may demand that RTO West take appropriate corrective action. In the event that RTO West does not provide adequate assurance that it will take appropriate corrective action, and then take such action within a reasonable time, the Executing

Transmission Owner may immediately terminate this Agreement. This right to terminate shall be in addition to, and not in lieu of, any other remedies the Executing Transmission Owner may have and is not subject to Dispute Resolution.

2.3.3 Termination by Executing Transmission Owner Because of State or Local Taxation of RTO West with Respect to Federal Transmission Facilities. If a State or local government imposes any utility, use, property, leasehold excise, possessory interest or similar tax upon RTO West with respect to its use, operation or control of real or personal property owned by a federal Executing Transmission Owner, Executing Transmission Owner may terminate this Agreement within a reasonable time thereafter.

2.3.4 Termination for Other Reasons. The Executing Transmission Owner may immediately terminate this Agreement upon written notice to RTO West if any of the following occur: 1) failure of RTO West to comply with its obligations under the Insurance, Indemnification and Limitation of Liability Agreement, 2) failure of RTO West to allocate taxes as set forth in Section 25.20 of this Agreement for any reason, including but without limitation Uncontrollable Forces, or 3) termination of the Transmission Operating Agreement of the Bonneville Power Administration.

2.4 Requirements Related to Termination.

2.4.1 Replacement of Load Integration Agreements and Generation Integration Agreements. Before, and as a condition of, termination under Section 2.3, the Executing Transmission Owner shall have negotiated in good faith with, and shall have offered a replacement integration agreement to, each entity that has a Generation Integration Agreement or a Load Integration Agreement with RTO West and that is interconnected with the Executing Transmission Owner's Electric System. Subject to any limitation imposed by FERC, such

replacement integration agreement shall have terms and conditions comparable to the terms and conditions of the form of Generation Integration Agreement or Load Integration Agreement executed by such entity.

2.4.2 Service Under Pre-Existing Transmission Agreements. Upon termination of this Agreement by the Executing Transmission Owner, the suspended rights and obligations that relate to the provision of services by the Executing Transmission Owner under any Pre-Existing Transmission Agreements shall recommence, as provided in the Agreements to Suspend Provisions of Pre-Existing Transmission Agreements And Obligations under Section 9.3. However, all suspended rights and obligations that relate to the receipt of services by the Executing Transmission Owner pursuant to such Pre-Existing Transmission Agreements shall remain suspended, and the other parties to such Pre-Existing Transmission Agreements shall not be required to provide such services for so long as RTO West remains able to provide the suspended services.

2.5 Preservation of Obligations Upon Termination. Upon termination of this Agreement for any reason, all unsatisfied obligations of each Party incurred under this Agreement shall be preserved until satisfied. In addition, if Participating Transmission Owners whose Transmission Facilities together with the Transmission Facilities of the Executing Transmission Owner serve loads whose cumulative payments recover one-half or more of RTO West's costs give notice of their intent to terminate their Transmission Operating Agreements, with such termination to be within one (1) year before or after the Executing Transmission Owner's termination, the obligations of the Executing Transmission Owner following its termination shall also include a share of RTO West's net costs, if any, of terminating RTO West's operations and winding up its corporate existence, if RTO West is dissolved. The Executing Transmission Owner's share of such net costs (including any portion of the net costs not collectable from other Participating

Transmission Owners) shall equal the ratio of the Company Costs (or such other rates, charges or fees that may apply after the Company Rate Period) established by the Executing Transmission Owner for use of the Transmission Facilities pursuant to Section 16.3 of this Agreement to the total of the Company Costs (or such other rates, charges or fees that may apply after the Company Rate Period) so established by all Participating Transmission Owners from whom RTO West is able to collect payments assessed for its costs of terminating operations and winding up.

2.6 Agreements of Third Parties with RTO West for Use of the Transmission Facilities. After termination of this Agreement, the Executing Transmission Owner shall provide to RTO West such transmission services over the Transmission Facilities as are needed for RTO West to provide all continuing Transmission Service required by agreements entered between RTO West and third parties pursuant to the RTO West Tariff between the Transmission Service Commencement Date and the date the termination of this Agreement became effective. RTO West shall pay to the Executing Transmission Owner as compensation for such transmission services an amount equal to the compensation the Executing Transmission Owner would have received in connection with such third-party service if this Agreement had remained in effect.

3. Additional Participating Transmission Owners.

3.1 Execution of Additional RTO West Transmission Operating Agreements. RTO West may execute additional Transmission Operating Agreements or amendments to existing Transmission Operating Agreements.

3.1.1 Amendment of Agreement with Bonneville. Certain provisions of the Transmission Operating Agreement offered to Bonneville are different than the terms of the Transmission Operating Agreement offered to other Initial Participating Transmission Owners in

order to comply with laws and regulations applicable to Bonneville. Should the laws and regulations governing Bonneville be amended in such a manner that the Bonneville Administrator has the authority to agree to one or more provisions identical to those offered other Initial Participating Transmission Owners, the Administrator shall so notify RTO West and RTO West shall offer to amend Bonneville's Transmission Operating Agreement, and Bonneville shall accept such amendment, to conform to applicable law and to the terms or conditions of other initial Participating Transmission Owners' Transmission Operating Agreements. **[For inclusion in Transmission Operating Agreements of Initial Participating Transmission Owners other than Bonneville: Executing Transmission Owner hereby consents to such conforming amendments.]**

3.1.2 Execution by a Successor or Affiliate of a Filing Utility. Any Transmission Operating Agreement executed with an Executing Transmission Owner that is a successor to or **[affiliate of]** any filing utility in Docket No. RT01-35-000 (the RTO West Docket) as of October 15, 2000 or thereafter through the date of execution of the Transmission Operating Agreement must contain provisions that satisfy the requirement in Section _____. **[This Section 3.1.2 may be unnecessary. However, it may provide a means of ensuring that some obligations or benefits of a restructured filing utility are retained.]** For purposes of this section, "affiliate" has the same meaning as in Section 201 of the Federal Power Act.

3.2 Challenges to Additional Transmission Operating Agreements and Agreements Pursuant to Section 4.

3.2.1 Notice to Executing Transmission Owner. RTO West shall provide the Executing Transmission Owner thirty (30) days' notice of RTO West's intention to enter into (1) any Transmission Operating Agreement (other than the Transmission Operating Agreements with

the Initial Participating Transmission Owners); (2) any amendment to any Transmission Operating Agreement; or (3) any agreement or amendment thereto entered into under Section 4 of this Agreement. RTO West shall provide with such notice a complete copy of such agreement or amendment, including any related exhibits.

3.2.2 Objections by Executing Transmission Owner. By notice to RTO West, delivered within thirty (30) calendar days of receipt of RTO West's notice specified in Section 3.2.1, the Executing Transmission Owner may object to such agreement or amendment, but only on the following grounds: (1) that RTO West's compliance with the requirements of such agreement or amendment will violate the terms of this Agreement, (2) that such agreement or amendment may impair rights granted under this Agreement, or (3) that such agreement or amendment may provide a party to a proposed Transmission Operating Agreement unduly preferential treatment by RTO West or result in undue discrimination against the Executing Transmission Owner.

3.2.3 Dispute Resolution; Execution of New Agreement or Amendment. Any objection raised by the Executing Transmission Owner pursuant to Section 3.2.2 shall be subject to Dispute Resolution. A party to a proposed agreement or amendment referred to in Section 3.2.1 shall have the rights of a party in such Dispute Resolution. The agreement or amendment shall not be executed by RTO West until the later of (1) thirty-five (35) calendar days after the notice is given to the Executing Transmission Owner pursuant to Section 3.2.1, if the Executing Transmission Owner does not provide notice of objection pursuant to Section 3.2.2; or (2) if notice of objection is given by the Executing Transmission Owner, after conclusion of the Dispute Resolution, with a determination that the objections to the agreement or amendment are unfounded or have been resolved.

3.3 Most-Favored-Nation Option. If a Transmission Operating Agreement entered into after the date of this Agreement, or an amendment to an existing Transmission Operating Agreement, contains terms that differ from the provisions contained in this Agreement, other than as necessary to accommodate differences between the Executing Transmission Owner and the other affected Participating Transmission Owner (with the fact that the Participating Transmission Owner signed its Transmission Operating Agreement at a later time than the Executing Transmission Owner not being such a permissible difference), RTO West agrees at the Executing Transmission Owner's request to amend this Agreement to incorporate terms that are comparably favorable to such different terms.

4.0 Canadian Participation. RTO West may enter contractual arrangements with one or more Canadian entities in one of the three following manners:

4.1 Participating Transmission Owners in RTO West. RTO West may invite a Canadian entity to participate in the RTO West market structure as a Participating Transmission Owner in RTO West and execute additional Transmission Operating Agreements with owners or operators of transmission facilities within Canada subject to, and in accordance with, the provisions of Section 3.

4.2 Seamless Market Structure with Independent Operator. RTO West may also invite an Independent Operator to participate in the RTO West market structure and may execute agreements with such Independent Operator on terms that enable RTO West and any such Independent Operator to operate the transmission facilities under their respective control as a single NERC-certified control area (preserving, if desired, the ability of the Independent Operator or RTO West to control its respective transmission facilities under emergency conditions), in accordance

with decisions or orders of applicable regulatory authorities in Canada and the United States so as to provide a market structure with seamless, non-discriminatory, open access transmission services across those facilities. Such market structure shall include provisions that provide for common or substantially identical matters as follows: tariffs, business practices, standards of conduct, alternative dispute resolution procedures, congestion management system, pricing scheme (including any price mitigation adopted by RTO West and Independent Operator), ancillary services market and market monitoring scheme across the transmission facilities under the control of RTO West and Independent Operator. The agreement may also provide for the provision of services by RTO West to an Independent Operator, or by the Independent Operator to RTO West, and shall include provisions to ensure, to the maximum extent practicable, that the transmission services offered by each of RTO West and such Independent Operator are administered in a consistent manner.

4.2.1 Agreements Between an Independent Operator and Canadian Transmission Owners. Any agreements entered into by RTO West pursuant to this Section 4.2 shall require that, if the Independent Operator is not the owner of all transmission facilities under its control, the Independent Operator shall enter into agreements with other owners of transmission facilities under its control, on terms identical to the Executing Transmission Owner's Transmission Operating Agreement other than (1) as necessary to accommodate differences between those owners of transmission facilities and Executing Transmission Owner and the other affected Participating Transmission Owners (with the fact that the Canadian owner of transmission facilities signed its operating agreement with the Independent Operator at a later time not being such a permissible difference) or (2) are required by a Canadian Regulatory Authority. Such Canadian participating transmission owners shall be treated as if they are Participating Transmission Owners

for the provisions of Sections ____, ____, and ____ of this Agreement. The rights of the Executing Transmission Owner set forth in Section 3.3 shall apply to the terms of any agreement entered into between the Independent Operator and its Canadian participating transmission owners pursuant to this Section 4.2.

4.2.2 Material Differences. Any agreement entered into between RTO West and an Independent Operator pursuant to this Section 4.2 shall provide a right to terminate such agreement if it is determined that there is a material difference between the requirements of FERC and the requirements of a Canadian Regulatory Authority such that the seamless, non-discriminatory and open-transmission-access market structure described in this section is materially adversely affected, and RTO West shall terminate the agreement in the event of such material adverse effect.

4.3 Seams Agreement. As an alternative to agreements under Sections 4.1 or 4.2, RTO West may enter into an agreement or arrangement with a Canadian entity or entities to promote reliability and market interface compatibility with the RTO West market structure.

4.4 Certain Agreements Not Transmission Operating Agreements. An agreement between RTO West and an Independent Operator under Section 4.2 or between RTO West and a Canadian entity under Section 4.3 is not a Transmission Operating Agreement for the purposes of this Agreement.

5. Integration and Physical Interconnection.

5.1 Adoption and Application of Interconnection Standards. The Executing Transmission Owner shall apply its interconnection standards to the Electric System of the Executing Transmission Owner. RTO West may adopt interconnection standards applicable to the

Electric System of the Executing Transmission Owner, provided such standards (1) are consistent with applicable regulatory requirements and industry standards and (2) do not have a material adverse impact on the Executing Transmission Owner's Electric System or Company Loads (including financial impacts). Such standards shall be developed through an open public process that affords all interested parties an opportunity for meaningful participation. The Executing Transmission Owner may contest any such new standards through Dispute Resolution. RTO West agrees to take necessary actions to protect the Executing Transmission Owner's Electric System in the event of the failure of the interconnecting party to comply with any such interconnection standards. The Generation Integration Agreement and Load Integration Agreement (attached as service agreements to the RTO West Tariff) will incorporate the interconnection standards adopted by RTO West.

5.2 Integration. The Executing Transmission Owner shall require all new generation interconnecting with the Executing Transmission Owner's Electric System to execute a Generation Integration Agreement with RTO West. The Executing Transmission Owner shall require all new loads interconnecting with the Executing Transmission Owner's Electric System to execute a Load Integration Agreement with RTO West. The requirements of this Section are subject to any exception to the interconnection standards that may be established by RTO West pursuant to the procedures set forth in Section 5.1.

5.3 New Physical Interconnections.

5.3.1 Executing Transmission Owner's Obligation to Permit New Physical Interconnections. In the event a new physical interconnection request is received, the Executing Transmission Owner shall permit any new physical interconnections with the Electric System of the Executing Transmission Owner requested by an Electric Utility to serve its new or existing loads or

by a Generation Owner seeking to interconnect new or existing electric generation facilities, subject only to (1) compliance with reasonable terms and conditions (including payment by the third party of the cost of such interconnection) relating to such physical interconnection; (2) receipt of all necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter; and (3) compliance with any applicable environmental assessment, planning and reliability requirements. Nothing herein shall be interpreted to prohibit the Executing Transmission Owner from adopting a no-action alternative under applicable environmental law, provided that any such decision shall be subject to Dispute Resolution as provided herein. The Executing Transmission Owner shall reasonably cooperate with such Electric Utility or Generation Owner that requests any new physical interconnection with the Electric System to (1) reach a mutually acceptable agreement governing the construction, financing, ownership, maintenance, operation and other pertinent obligations relating to any such physical interconnection; (2) obtain necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter; and (3) comply with applicable environmental assessment, planning and reliability requirements.

5.3.2 RTO West's Right To Compel Expedited Dispute Resolution in Cases of

Delay or Impasse. If, within sixty (60) calendar days following an Electric Utility's or a Generation Owner's request for any new physical interconnection with the Electric System of the Executing Transmission Owner (or such extended period as agreed to by the Executing Transmission Owner and such requesting party or as necessary to comply with applicable environmental requirements or to obtain necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter), the Executing Transmission Owner and the requesting party have not reached a mutually acceptable agreement with respect to such physical interconnection, RTO West shall have the right to require the Executing Transmission Owner to

participate in an expedited Dispute Resolution process with the requesting party to resolve any disputes concerning appropriate terms and conditions governing such physical interconnection. The expedited Dispute Resolution process shall be the same as the Dispute Resolution process set forth in Section 20 of this Agreement with the following modifications: (1) the time limits relating to delivery of responses and counterclaims, contained in Section 20.2.2, shall not apply; (2) each of the Executing Transmission Owner and the requesting party shall, within ten (10) calendar days of the selection of the arbitrator, but not less than seven (7) days in advance of the date fixed for the hearing, submit to the arbitrator its proposed contract language concerning the issues in dispute; (3) the time limits relating to applications for intervention, contained in Section 20.3.5.1, shall not apply and instead applications for intervention must be received within [15] days from publication of the statement of claim; and (4) the six- (6-) month time limit contained in Section 20.3.6 shall not apply and the arbitrator shall specify the applicable interconnection agreement terms within thirty (30) days of receiving both parties' submissions of proposed contract language. The arbitrator shall be instructed to accept the Executing Transmission Owner's proposed terms for interconnection if such terms (1) are reasonable, (2) are not contrary to applicable regulatory requirements, (3) do not conflict with the terms of any Generation Integration Agreement or Load Integration Agreement the requesting party will be expected to execute, (4) are not in conflict with interconnection standards adopted by RTO West, and (5) are not unreasonably discriminatory or preferential with respect to the Executing Transmission Owner's other comparable interconnection agreements.. The arbitrator shall be further instructed that there is no requirement for the interconnection agreement terms of the various Participating Transmission Owners to be uniform among the various Participating Transmission Owners, so long as the proposed interconnection agreement terms meet the above standards.

5.4 Pre-Existing Generation Interconnections.

5.4.1 Replacement of Integration Provisions with a Generation Integration

Agreement. Upon request by any Generation Owner interconnected with the Electric System of the Executing Transmission Owner, the Executing Transmission Owner will negotiate in good faith so as to allow replacement of the integration provisions of any agreement between the Executing Transmission Owner and the Generation Owner with a Generation Integration Agreement between the Generation Owner and RTO West. Neither the Executing Transmission Owner nor the Generation Owner shall be required to surrender any pre-existing contract rights.

5.4.2 Negotiation of Instructions for Access to RTO West Transmission

System. As an alternative to negotiation under Section 5.4.1 or upon failure of such negotiations to reach agreement, the Executing Transmission Owner shall negotiate instructions to RTO West in good faith, consistent with any pre-existing agreement for generation facility interconnection and integration between the Executing Transmission Owner and the Generation Owner, that will govern the terms and conditions of integration with the RTO West Transmission System.

5.4.3 RTO West's Right To Compel Expedited Dispute Resolution in Cases of

Delay or Impasse. If, within sixty (60) calendar days after a Generation Owner's request pursuant to Section 5.4.2 to negotiate with the Executing Transmission Owner instructions to govern access to the RTO West Transmission System (or such extended period as agreed to by the Executing Transmission Owner and the Generation Owner), the Executing Transmission Owner and the requesting Generation Owner have not presented mutually acceptable instructions to RTO West, RTO West shall have the right to require the Executing Transmission Owner to participate in an expedited Dispute Resolution process with the requesting Generation Owner to resolve any disputes concerning such instructions. The expedited Dispute Resolution process shall be the same as the

Dispute Resolution process set forth in Section 20 of this Agreement, with the following modifications: (1) the time limits relating to delivery of responses and counterclaims, contained in Section 20.2.2, shall not apply; (2) both the Executing Transmission Owner and the Generation Owner shall, and RTO West also shall (if it so elects), within ten (10) days of the selection of the arbitrator, but not less than seven (7) days in advance of the date fixed for the hearing, submit to the arbitrator their proposed instructions; (3) the time limits relating to applications for intervention, contained in Section 20.3.5.1, shall not apply and instead applications for intervention must be received within fifteen (15) days from publication of the statement of claim; and (4) the six- (6-) month time limit contained in Section 20.3.6 shall not apply and the arbitrator shall determine the appropriate instructions, consistent with the provisions of the generation facility interconnection and integration agreement, within thirty (30) days from publication of receiving all parties' proposed instructions.

6. RTO West's Provision of Transmission Services.

6.1 RTO West's Operational Control of Transmission Facilities.

6.1.1 Initial RTO West Controlled Transmission Facilities. The Executing Transmission Owner has included all of its RTO West Controlled Transmission Facilities in Exhibits B and D. On and after the Transmission Service Commencement Date, RTO West shall exercise Operational Control over all RTO West Controlled Transmission Facilities.

6.1.2 Additional RTO West Controlled Transmission Facilities. If the Executing Transmission Owner constructs, purchases or otherwise acquires additional transmission facilities that meet the definition of RTO West Controlled Transmission Facilities or if, as a result of a transmission facility upgrade or new interconnection, or other factors, additional transmission facilities of the Executing Transmission Owner come to meet the definition of RTO West

Controlled Transmission Facilities, the Executing Transmission Owner shall amend Exhibits B and D to include such newly acquired or defined facilities upon (1) receipt of notice of such a determination from RTO West, made after consultation with the Executing Transmission Owner and a resolution of the RTO West Board of Trustees, or (2) an order or orders by the appropriate regulatory bodies (subject to regulatory review as applicable). The determination by RTO West that such additional transmission facilities meet the definition of RTO West Controlled Transmission Facilities is subject to Dispute Resolution, provided that the Executing Transmission Owner shall include the additional transmission facilities as RTO West Controlled Facilities pending the final disposition of Dispute Resolution

[Agreements applicable to facilities of Puget Sound Energy and Portland

General Electric only:

6.1.2.1 Treatment of Certain Distribution Facilities. The Executing Transmission Owner has included all of its Certain Distribution Facilities on Exhibit _____. These facilities are used primarily to provide retail load service, with a secondary purpose of being used to provide, and support the provision of, wholesale services. For purposes of Sections 2.6, 6.4.1, 6.4.3, 6.6, 6.8.2, 6.8.3, 6.8.5, 8, 9, 13.1, 16.4, 22.3, 22.4, 22.5, and 26, the term Transmission Facilities shall include Certain Distribution Facilities. For purposes of Sections 6.2, 6.2.1, 6.2.2, 6.2.3, 6.2.4, 7.X, and 25.20, the term RTO West Controlled Transmission Facilities shall include Certain Distribution Facilities. For purposes of Sections 6.4.2, 8, and 9, the term RTO West Controlled Transmission System shall include Certain Distribution Facilities. For purposes of Sections 11.1, 18, and 25.13, the term RTO West Transmission System shall include Certain Distribution Facilities. For purposes of Sections _____, such provisions shall apply to Certain Distribution Facilities. As provided in Section 6.4,

RTO West shall provide Transmission Services over such Certain Distributed Facilities in Exhibit ____.

The Executing Transmission Owner shall cooperate with RTO West to facilitate the provision of Transmission Services, subject to applicable state regulatory authority governing the use of such facilities, by (1) providing notice to its affected customers and RTO West of switching actions; (2) maintaining the adequacy of these facilities are needed to enable RTO West to provide Transmission Services to wholesale customers and interconnected load; (3) informing RTO West about [load service] planning and maintenance scheduling, including reasonable advance notification concerning planned outages, and planning and maintenance decisions that foreseeably affect RTO West's provision of Transmission Services; (4) addressing any customer complaints about Transmission Services over these facilities and sharing information about such complaints and their resolution with RTO West; and (5) providing RTO West with information, including metering data, reasonably needed to meet its reliability, operational or other responsibilities in providing Transmission Services.]

6.1.3 Other Transmission Facilities. This Section applies to Transmission Facilities that are not RTO West Controlled Transmission Facilities. The Executing Transmission Owner, may from time to time at its election add to or remove from Exhibit B Transmission Facilities that are not RTO West Controlled Transmission Facilities as identified in Exhibit D. As provided in Section 6.4, RTO West shall provide Transmission Services over such additional Transmission Facilities in Exhibit B. The Executing Transmission Owner shall cooperate with RTO West to facilitate the provision of Transmission Services, including nondiscriminatory rates, terms, and conditions over such Transmission Facilities in Exhibit B, by (1) providing notice to its affected customers and RTO West of switching actions; (2) maintaining the adequacy of these

facilities as needed to enable RTO West to provide Transmission Services to wholesale customers and interconnected load; (3) subjecting such Transmission Service to any operational limitation on a generator's access to the point of injection on the RTO West Transmission System for generators interconnected with the Executing Transmission Owner's facilities other than RTO West Controlled Transmission Facilities; (4) informing RTO West about planning and maintenance scheduling, including reasonable advance notification concerning planned outages, and planning and maintenance decisions that foreseeably affect RTO's provision of Transmission Services; (5) addressing any customer complaints about service over these facilities and sharing information about such complaints and their resolution with RTO West; and (6) providing RTO West with information, including metering data, reasonably needed to meet its reliability, operational or other responsibilities in providing Transmission Services.

6.2 Obligation of Executing Transmission Owner To Provide Total Transmission

Capability of the RTO West Controlled Transmission Facilities. On and after the Transmission Service Commencement Date, the Executing Transmission Owner shall provide its share of the Total Transmission Capability of the RTO West Controlled Transmission Facilities, as follows:

6.2.1 Pre-Existing Rights and Obligations. The Executing Transmission Owner shall provide such Total Transmission Capability of the RTO West Controlled Transmission Facilities as is required to satisfy all firm rights to use such facilities that the Executing Transmission Owner has granted to its Merchant Function or to any third party and that, as of the Transmission Service Commencement Date, constitute Pre-Existing Transmission Agreements And Obligations; provided, however, that the Executing Transmission Owner and the holder of such rights may agree that such rights need not be satisfied; and further provided that if a reduction in Total Transmission Capability results from events outside of the Executing Transmission Owner's

control, the obligation of the Executing Transmission Owner to provide Total Transmission Capability shall be determined by the terms of the applicable Pre-Existing Transmission Agreements and Obligations giving rise to such rights.

6.2.2 Other Restoration of Total Transmission Capability. In the event of a reduction in the Total Transmission Capability of RTO West Controlled Transmission Facilities as available immediately before the Transmission Service Commencement Date, RTO West shall determine the extent to which restoration of such Total Transmission Capability is needed in order to meet Transmission Service commitments in existence at the time of such reduction, other than those described in Section 6.2.1, and the Executing Transmission Owner shall restore such reduced Total Transmission Capability within a commercially reasonable period, to the extent needed to meet such commitments. RTO West shall use all reasonable efforts to make any changes in reliability criteria that would derate the RTO West Controlled Transmission Facilities effective only after expiration of Financial Transmission Options sold in any previous RTO West auction.

6.2.3 Alternatives to Restoring Total Transmission Capability by Agreement with Transmission Customer. In lieu of restoring the Total Transmission Capability of RTO West Controlled Transmission Facilities as required in Sections 6.2.1 and 6.2.2 to satisfy the requirements of a Pre-Existing Transmission Agreement, the Executing Transmission Owner may, by agreement with the applicable Transmission Customer, provide economic payment in lieu of such restoration. In such event, RTO West will support recovery by the Executing Transmission Owner of any such reasonable payment as a transmission cost.

6.2.4 Existing Remedial Action Schemes. In addition to the requirements to provide Total Transmission Capability of RTO West Controlled Transmission Facilities as set forth in Sections 6.2.1 and 6.2.3 above, the Executing Transmission Owner shall make good faith efforts

to maintain Remedial Action Scheme(s) pursuant to its contractual rights and obligations existing on the effective date of this Agreement until the expiration of the applicable contracts. In addition, the Executing Transmission Owner shall make good faith efforts to maintain, for three (3) years from the Transmission Service Commencement Date, Remedial Action Scheme(s) that both are necessary to provide the Total Transmission Capability and previously were provided by the Executing Transmission Owner without a contract.

6.2.5 RTO West's Costs of Providing Total Transmission Capability. If the Executing Transmission Owner fails to restore Total Transmission Capability within a commercially reasonable period as required under this Section 6.2, RTO West shall be entitled to take such actions as are needed to provide such Total Transmission Capability and, notwithstanding the Company Rate provisions of Section 17, shall be entitled to recover the costs of such actions as an additional charge imposed on the Company Loads (and on Transfer Charges, to the extent adjusted pursuant to the Transfer Charge Adjustment provisions of Exhibit H) of the Executing Transmission Owner.

6.2.6 Compensation for Remedial Action Schemes.

The Executing Transmission Owner may include in its rates established pursuant to Section 16 any (1) contract compensation or (2) in the absence of contract compensation, its costs, including opportunity costs, for establishing, implementing and maintaining Remedial Action Scheme(s) pursuant to this Agreement. To the extent such Remedial Action Scheme(s) are contractual rights of the Executing Transmission Owner to interrupt power supplies to third parties or to require third parties to interrupt operation of electric generation facilities, RTO West shall support recovery by the Executing Transmission Owner of its own costs or of amounts it pays to applicable third parties as contractual charges for the reservation or the exercise of such rights,

including any contractual liquidated damages, as specified in the applicable agreements. The costs referenced in subpart (2) above may include (1) insurance payments and (2) forgone profits or net revenues when generation or load is interrupted, but shall not include equipment damage.

6.3 Commencement of Transmission Service.

6.3.1 Transmission Service Comprehensive Plan. RTO West shall provide the Executing Transmission Owner, at least six (6) months before the Transmission Service Commencement Date, a comprehensive plan, which shall include a full description of the actions required of RTO West and of all Participating Transmission Owners to effect an orderly, safe and reliable transfer of Transmission Service functions. RTO West may provide in such comprehensive plan for it to become the single NERC-certified Control Area operator for the RTO West Transmission System. RTO West may require the Participating Transmission Owners to participate in a period of concurrent operation of Transmission Service functions and shall notify the Executing Transmission Owner when the period of concurrent operation will end with respect to each Participating Transmission Owner. Any dispute concerning the adequacy or workability of such comprehensive plan shall be subject to Dispute Resolution.

6.3.2 Notice of the Transmission Service Commencement Date. RTO West shall provide the Executing Transmission Owner with at least ninety (90) calendar days' notice of the specific Transmission Service Commencement Date.

6.4 RTO West's Exclusive Right and Obligation To Provide Transmission Services over the Transmission Facilities.

6.4.1 Transmission Service Provided by RTO West. On and after the Transmission Service Commencement Date, RTO West shall have the exclusive right and obligation, pursuant to the terms of the RTO West Tariff, to provide to Transmission Customers all

Transmission Services over the Transmission Facilities specified in Exhibit B, including all (1) Transmission Services required by the Executing Transmission Owner and using the Transmission Facilities, (2) Transmission Services needed for the Executing Transmission Owner to satisfy its obligations under Non-Converted Transmission Agreements that remain in effect (and are not suspended) on and after the Transmission Service Commencement Date, (3) Transmission Services required pursuant to Converted Rights granted to entities that have agreed to suspend rights and obligations under Pre-Existing Transmission Agreements, and (4) Transmission Services using the Transmission Facilities that are requested by other third-party Eligible Customers. In carrying out its obligations to provide Transmission Services as well as other obligations under Section 6, RTO West shall act as a reasonable and prudent provider of Transmission Services.

6.4.2 Modification of Executing Transmission Owner's Open Access

Transmission Tariff. To protect the ability of RTO West to implement workable congestion management for the RTO West Controlled Transmission System, the Executing Transmission Owner shall seek approval from the appropriate regulatory authorities, if any, to modify, and upon receipt of required approval shall modify, its open access transmission tariff to provide to holders of Pre-Existing Transmission Agreements a one-time opportunity before the Transmission Service Commencement Date to exercise Rollover Rights under such tariff with respect to such Pre-Existing Transmission Agreements by extending the term of such Pre-Existing Transmission Agreements. After such opportunity has passed, the Rollover Rights shall be extinguished; provided that the Executing Transmission Owner is not required hereby to seek such modification with respect to Pre-Existing Transmission Agreements required to provide an adequate power supply to loads served from the Electric Systems of the Participating Transmission Owners. The Executing Transmission Owner is not required hereby to seek any change in Rollover Rights

explicitly granted in Pre-Existing Transmission Agreements executed before the date of this Agreement (and not arising from the Executing Transmission Owner's Open Access Transmission Tariff).

6.4.3 Transmission Agreements After the Transmission Service

Commencement Date. Before the Transmission Service Commencement Date, the Executing Transmission Owner shall not, unless so ordered by FERC or a court of competent jurisdiction, enter into any Transmission Agreements for use of the Transmission Facilities after the Transmission Service Commencement Date, unless pursuant to the terms of any such Transmission Agreements, RTO West may unilaterally convert such service to Transmission Services other than Non-Converted Transmission Service. On or after the Transmission Service Commencement Date, the Executing Transmission Owner shall not, unless so ordered by FERC or a court of competent jurisdiction, enter into any Transmission Agreement for use of the Transmission Facilities. To the extent that the Existing Transmission Owner's Open Access Transmission Tariff expressly provides the Existing Transmission Owner a right to replace service entered into after __[date]_____ with Transmission Service from RTO West (other than Non-Converted Service), the Existing Transmission Owner shall exercise such right and replace the customer's service with such RTO West service.

6.5 RTO West's Provision of Transmission Services over Electric Systems. On and after the Transmission Service Commencement Date, RTO West shall have the right, subject to applicable law, to provide Transmission Services to a Transmission Customer needed over the Executing Transmission Owner's Electric System to transmit wholesale power that will also be transmitted over the RTO West Transmission System (1) from generation facilities interconnected with the Electric System of the Executing Transmission Owner (whether or not such

interconnection is with the Transmission Facilities), and (2) to Electric Utilities interconnected with the Electric System of the Executing Transmission Owner (whether or not such interconnection is with the Transmission Facilities). Except as otherwise expressly provided herein, such right provides no additional operational or planning authority over such facilities. The provision of such Transmission Services by RTO West shall not affect the right of the Executing Transmission Owner to charge and collect any lawfully imposed additional charges for use of any of its Electric System facilities other than Transmission Facilities. RTO West and the Executing Transmission Owner shall cooperate as necessary to ensure provision of Transmission Service as required under this Section 6.5.

[For Bonneville Power Administration's Transmission Operating Agreement only: In the event that for any reason all requests for Transmission Services cannot be accommodated, and subject to existing rights, and to the extent required by then applicable law, requests for use of the Transmission Facilities (1) to serve loads within the Pacific Northwest or (2) to meet the requirements of Section 9(i)(3) of the Northwest Power Act shall receive preference in accordance with applicable federal law. RTO West shall also ensure that all Transmission Service necessary to meet all of the Executing Transmission Owner's electric power delivery requirements under any treaty of the United States is provided over the Transmission Facilities. If the Executing Transmission Owner deems that deliveries over the Transmission Facilities required hereunder are not being made by RTO West, the Executing Transmission Owner may direct RTO West to make such deliveries over the Transmission Facilities. These service preferences and delivery obligations, however, shall not relieve the Executing Transmission Owner, the provider of any Northwest regional loads or the owner of any generation resources of any RTO West requirement to acquire any rights as specified in the

RTO West Tariff and needed to ensure the receipt of Transmission Services. In addition, if directed by the Executing Transmission Owner to make deliveries over the Transmission Facilities as provided hereunder, RTO West shall be entitled, notwithstanding any provisions of Section 17, to charge the Executing Transmission Owner any amounts specified in the RTO West Tariff, unless such direction by the Executing Transmission Owner is necessary and the costs arise because of RTO West's failure to comply with its obligations to implement these service preferences and delivery obligations. RTO West's charges may include any amounts needed to make third parties whole for the economic impacts of providing the Transmission Service as demanded.] [Note: The RTO West Tariff will contain a provision providing for RTO West, if directed pursuant to this provision to make deliveries RTO West otherwise would not make, to specify as a charge to the Bonneville Power Administration RTO West's estimate of the incremental cost (including lost commercial opportunities and any cost of interruption of service to third parties) to RTO West arising from compliance with a Bonneville Power Administration directive, unless such direction by the Executing Transmission Owner is necessary and the costs arise because of RTO West's failure to comply with its obligations to implement these service preferences and delivery obligations. The RTO West Tariff will also provide for RTO West to use proceeds from such charge to compensate third parties for RTO West's estimate of incremental costs incurred by such third parties (including lost commercial opportunities and any cost of interruption of service) as a result of such compliance.]

6.6 Control and Operation of RTO West Control Area. On and after the Transmission Service Commencement Date, RTO West shall assume control of the existing control areas of the Participating Transmission Owners and shall have the right to operate such control

areas as a single RTO West Control Area. RTO West shall operate the RTO West Control Area in compliance with the standards specified in Section 13.1 of this Agreement and with thermal and other operating parameters established by the Executing Transmission Owner for its Transmission Facilities. RTO West may modify, through Dispute Resolution, the thermal and other operating parameters established by the Executing Transmission Owner for its Transmission Facilities. In any Dispute Resolution proceeding concerning whether such modifications are appropriate, the arbitrator shall (1) apply Good Utility Practice in reaching a determination and (2) not uphold a modification that would violate the Executing Transmission Owner's safety standards. Except as provided in Section 2.3.2, this Section 6.6 is enforceable only through equitable relief.

6.7 RTO West's Other Duties as a Transmission Service Provider.

6.7.1 Transmission Tariffs. RTO West shall maintain an RTO West Tariff for the Transmission Services and shall have exclusive authority to administer such tariff. RTO West shall comply with the RTO West Tariff.

6.7.2 Transmission Services Requests. RTO West shall process Transmission Services requests and shall execute all contracts for Transmission Services. RTO West shall respond to all requests for Transmission Services within the time frames and in accordance with the terms and conditions of the RTO West Tariff and in accordance with applicable FERC requirements. RTO West shall establish credit limits for those scheduling with RTO West at levels reasonably expected to ensure payment in the event of default.

6.7.3 Relief of Transmission Service Obligation of the Executing Transmission Owner. RTO West shall intervene before FERC as necessary to assert RTO West's exclusive right and obligation to supply such Transmission Services as set forth in this Agreement. If the Executing Transmission Owner is ordered by FERC or by a court of competent jurisdiction to

provide any such Transmission Services directly, RTO West shall provide to the Executing Transmission Owner Transmission Services as needed for the Executing Transmission Owner to comply with all such applicable orders.

6.7.4 Transmission Scheduling. RTO West shall administer the transmission scheduling function for all Transmission Services over the RTO West Transmission System, including prescheduling and real-time scheduling.

6.7.5 RTO West Web Site Requirements and Determination of Total Transfer Costs and Available System Capacity. RTO West shall ensure that the RTO West Web Site meets the OASIS requirements as set out by FERC. RTO West shall independently calculate Total Transfer Capacity and Available System Capacity.

6.7.6 Compliance with Curtailment and Redispatch Orders. RTO West shall (1) use all reasonable means to require loads taking Transmission Services and electric generation facilities located within the RTO West Control Area to comply, to the extent practicable, with curtailment and redispatch orders during an RTO West Controlled Transmission System Emergency and (2) incorporate into the RTO West Tariff or rate schedules provisions that contain reasonable penalties for noncompliance and incentives for compliance.

6.7.7 Market Power and Price Mitigation. In the event that the Commission encourages but does not require an approved RTO to establish a market power and price mitigation program, RTO West shall establish such a program under the following circumstances: (1) the Commission establishes a market power screening test to which one or more Participating Transmission Owners will be subject; (2) the Commission exempts any Participating Transmission Owner subject to the market power screening test from the test in the event that it participates in an approved RTO with a market power and price mitigation program; and (3) a Participating

Transmission Owner subject to the market power screening test requests RTO West to establish a market power and price mitigation program that meets the Commission's standards. In such case, RTO West shall design its market power and price mitigation program to meet the Commission's minimum standards and offer the Executing Transmission Owner the option to participate in the program.

6.7.8 Regulatory Compliance. RTO West shall comply with all applicable laws, treaties and regulations applicable to the provision of Transmission Services. If any new law applicable to the Executing Transmission Owner's operation of its Transmission Facilities is enacted after the Transmission Service Commencement Date, RTO West shall comply with such new law. The Executing Transmission Owner shall consult with RTO West in developing provisions implementing such new law.

6.7.9 Transaction Accounting, Data Storage and Billing. RTO West shall administer transaction accounting, storage of historical data and billing functions in connection with its provision of Transmission Services. Such services shall be rendered in full compliance with the provisions of the Paying Agent Agreement.

6.7.10 Control Centers. RTO West shall provide for adequate and operational RTO West primary and backup control centers.

6.7.11 RTO West's Operation of a Balancing Market. If it is required by FERC in order for the Executing Transmission Owner to receive or retain market rate authority, (i) RTO West shall administer a balancing market, and (ii) if further required to establish price thresholds or other measures, RTO West will establish such thresholds or other measures acceptable to FERC and otherwise permitted by law. To the extent RTO West purchases power pursuant to this Agreement, it shall purchase only for its own account, and not for the account of an undisclosed

principal. RTO West may not participate in the market to resell any surplus energy and ancillary services resulting from purchases to replace obligations of a defaulting Scheduling Coordinator except by contracting out the service to a resale agent which acts independently of RTO West to the fullest extent practicable and observes the separation requirements of FERC Orders 888 and 889.

6.7.12 Performance Standards for RTO West. RTO West shall prepare and adopt an annual budget prior to the commencement of each fiscal year that shall reflect the performance standards in Section 6.7.14. At least ninety (90) days before the adoption of each annual budget, RTO West shall provide the annual budget to the Executing Transmission Owner for advice and comment. RTO West shall consider any comments on the budget that are provided by the Executing Transmission Owner. If, after the initial two (2) full fiscal years of operation, RTO West proposes to adopt an annual budget with an expense total that materially exceeds the annual expense total for the fiscal year last audited, RTO West shall consult with the Executing Transmission Owner with respect to potential budget reductions or financial controls.

6.7.13 RTO West Annual Financial Reporting. As soon as reasonably practicable after the close of the fiscal year, RTO West shall prepare, and make available to the Executing Transmission Owner, annual financial statements in accordance with generally accepted accounting principles and requirements of FERC.

6.7.14 Annual Budget. RTO West shall develop and implement, on an annual basis, performance standards for the operation, management, and financial control of RTO West.

6.8 Executing Transmission Owner's Obligations for Operation of Its Transmission Facilities.

6.8.1 Control Center. Except as otherwise ordered or approved by FERC, the Executing Transmission Owner shall maintain adequate facilities and qualified operating personnel,

either directly or through contract with another entity, for carrying out the functions in this Section 6.8 under RTO West's direction and coordination.

6.8.2 Switching Orders and Clearances. The Executing Transmission Owner shall prepare and execute switching orders and the issuance of clearances to field personnel with respect to the Transmission Facilities. The Executing Transmission Owner reserves the right to conform to its safety practices and standards when responding to RTO West directions.

6.8.3 Log Maintenance. The Executing Transmission Owner shall maintain a switching and system status log with respect to the Transmission Facilities.

6.8.4 RTO West Transmission System Monitoring and Security. The Executing Transmission Owner shall provide to RTO West information, updated at intervals as specified by RTO West consistent with industry standards, that RTO West reasonably specifies is necessary for its monitoring or analysis functions or otherwise is necessary for the performance of RTO West's duties. In accordance with RTO West's overall direction, the Executing Transmission Owner shall monitor and evaluate power and reactive flows and voltage levels and take action to maintain security of the RTO West Transmission System.

6.8.5 Maintenance Outages. The Executing Transmission Owner shall coordinate proposed Transmission Facility maintenance outages with RTO West. The Executing Transmission Owner shall submit to RTO West all proposed maintenance outages on the RTO West Controlled Transmission Facilities, which proposals RTO West shall approve or reject based on RTO West's business practices and operating and reliability criteria. RTO West shall pay to the Executing Transmission Owner the costs incurred by the Executing Transmission Owner resulting from an RTO West directive to change the timing of scheduled outages that had previously been approved by RTO West.

6.8.6 RTO West Transmission System Security. The Executing Transmission Owner shall receive and execute actions required by the Security Coordinator, subject to Section 13.2 of this Agreement.

6.8.7 RTO West Transmission System Reliability. The Executing Transmission Owner shall carry out, with respect to the RTO West Controlled Transmission Facilities, all operating functions except those operating functions for which RTO West is responsible under this Agreement or which RTO West otherwise assumes.

6.8.8 Restoration of RTO West Controlled Transmission Facilities. Following an outage of RTO West Controlled Transmission Facilities, the Executing Transmission Owner shall initiate and prioritize RTO West Controlled Transmission Facility restoration as follows: (1) at the Executing Transmission Owner's discretion if RTO West Controlled Transmission System reliability is not jeopardized and if the outage does not affect the comparable transmission facilities of one or more of the other Participating Transmission Owners; provided, however in exercising its discretion hereunder, the Executing Transmission Owner shall afford no undue preference to any market participant or load; or (2) according to directions of RTO West if RTO West Controlled Transmission System reliability is jeopardized or if the outage affects the comparable transmission facilities of one or more of the other Participating Transmission Owners. The provisions of Section 13.2 shall apply to all restorations of RTO West Controlled Transmission Facilities.

6.9 Compliance with Standards of Conduct. The Executing Transmission Owner shall ensure that all of its personnel performing the duties specified in Section 6.8 (1) comply with information access requirements of FERC standards of conduct as set out at 18 C.F.R. § 37.4, as amended from time to time and as interpreted by FERC (except that any OASIS posting requirements thereunder shall be deemed satisfied at such time as the relevant information has been

posted on the RTO West Web Site), with respect to all communications with any market participant, including a Merchant Function of the Executing Transmission Owner, concerning the performance of such functions and with respect to the distribution of any information not available on the RTO West Web Site related to the performance of such functions; and (2) give no undue preference to any market participant.

6.10 Security Coordinator. On and after the Transmission Service Commencement Date, RTO West shall, directly or by contract, perform all functions required of a Security Coordinator. In carrying out its responsibilities with respect to security coordination, RTO West may take Emergency Measures.

6.11 Scheduling Coordinator Default. Before the Transmission Service Commencement Date, RTO West shall obtain the assurance of each state or tribal authority within RTO West boundaries that in the event that a default by a Scheduling Coordinator occurs and the affected Transmission Customers are unable to secure a replacement Scheduling Coordinator within ____ days of such default after making a good faith effort to do so, the state or tribal authority will direct the termination of service to load(s) for which such defaulting Scheduling Coordinator serves as Scheduling Coordinator until a replacement Scheduling Coordinator is secured.

7. RTO West's Congestion Management System

7.1 Initial Congestion Management System. RTO West shall implement, as of the Transmission Service Commencement Date, a congestion management system consistent with Attachment ____ to the Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000 filed with FERC on March 1, 2002. Such congestion management system shall be consistent with this Agreement and the Congestion Management Proposal as it may be further defined.

7.2 Mid-Columbia Hourly Coordination Agreement. RTO West shall operate the RTO West Transmission System and its congestion management system in a manner that will accommodate full performance of the Mid-Columbia Hourly Coordination Agreement. The Mid-Columbia Hourly Coordination Agreement shall not be considered a Pre-Existing Transmission Agreement for purposes of this Agreement, and, so long as scheduling is not undertaken pursuant to such agreement, shall not be required to obtain Catalogued Transmission Rights.

7.3 Comprehensive Review Promptly After Completion of Three (3) Years. Three (3) years after the Transmission Service Commencement Date, RTO West shall conduct a thorough, formal evaluation of its congestion management system. If RTO West determines that there is no need for change, RTO West need not make any. To the extent RTO West elects to modify its congestion management system, however, it shall do so consistent with the provisions of Section 7.4.

7.4 Principles Governing Modifications to RTO West Congestion Management System. If RTO West elects to modify its congestion management system (at any time following the Transmission Service Commencement Date), it shall do so in a manner that protects rights under Pre-Existing Transmission Agreements and Obligations for the terms of those rights and neither expands nor diminishes transmission- or congestion-related rights are then outstanding (whether based on Catalogued Transmission Rights described in Attachment __ or on Financial Transmission Options purchased directly from RTO West or in the secondary market registered with RTO West). In making any modifications to RTO West's congestion management system, RTO West will consider the following principles:

- A. accommodates broad participation;

- B. sends efficient price signals to all users about the consequences of their transmission usage decisions;
- C. provides least cost redispatch of generation that is redispatched (from the voluntary redispatch bid stack) to relieve the expected congestion;
- D. encourage use of transmission rights by those that value them most highly;
- E. sends signals for appropriate investment (generation, including generator location; transmission; demand-response; etc.);
- F. facilitates development of hedging tools;
- G. provides for liquidity and tradability;
- H. provides incentives that enhance RTO West's ability to determine available capacity prior to day ahead scheduling;
- I. does not impede reliability;
- J. promotes the ability to detect and respond to unintended consequences affecting the market and market power abuse;
- K. supports a broad, seamless market; and
- L. enables RTO West to determine that there is reasonable proportionality between costs incurred and benefits to customers.

7.5 Points of Injection and Withdrawal on RTO West Controlled Transmission

System. Points of injection and points of withdrawal shall be located on the RTO West Controlled Transmission System for purposes of congestion management.

8. Transmission Use Rights.

RTO West hereby grants the Executing Transmission Owner transmission use rights on the RTO West Controlled Transmission System to replace pre-existing rights in the RTO West Controlled Transmission System, on a basis comparable with rights held prior to the Transmission Service Commencement Date, as set forth below. For purposes of this Section 8 and Section 9,

references to the Executing Transmission Owner transmission provider means only the transmission function (or its successor or assignee) of the Executing Transmission Owner in its capacity as the provider of transmission services (prior to the Service Commencement Date of RTO West) to any transmission customer, including the Merchant Function of the Executing Transmission Owner.

References in Sections 8 and 9 to the Executing Transmission Owner customer means the transmission customer, including third parties and the Executing Transmission Owner's Merchant Function, that is entitled to receive transmission service from an Executing Transmission Owner transmission provider under any Pre-Existing Transmission Agreements And Obligations.

8.1 Rights Granted for Pre-Existing Transmission Agreements And Obligations.

RTO West hereby grants the Executing Transmission Owner's transmission provider transmission use rights (1) to serve its obligations under any Pre-Existing Transmission Agreements And Obligations with rights of comparable value, taking into account feasible dispatch and features such as flexible scheduling rights to multiple points of delivery, (2) to use the Transmission Facilities as needed to serve its Load Service Obligations not covered by Pre-Existing Transmission Agreements and which the Executing Transmission Owner or the load which it is obligated to serve elects to convert to RTO West Transmission Services other than Non-Converted Transmission Service, and (3) to use the Transmission Facilities as needed to serve obligations under any ancillary services contract, bundled power sale, exchange, coordination or other obligations not covered by a Pre-Existing Transmission Agreement.

8.2 Initial Transmission Use Rights. Under the initial pricing and congestion management methods to be established by RTO West, initial transmission use rights will include Catalogued Transmission Rights, Reservation Rights and Financial Transmission Options as set forth in Sections 8.3 and 9.

8.3 Changes to Transmission Use Rights. If RTO West implements changes to the pricing or congestion management methods pursuant to this Agreement, RTO West shall grant the Executing Transmission Owner rights sufficient to cover any obligations it has under Pre-Existing Transmission Agreements And Obligations as a transmission provider and of comparable value to its then-existing Catalogued Transmission Rights, Reservation Rights and Financial Transmission Options.

8.4 Catalogued Transmission Rights. To satisfy obligations the Executing Transmission Owner has under Pre-Existing Transmission Agreements and Obligations, including any extensions exercised pursuant to the terms of Pre-Existing Transmission Agreements, RTO West, shall grant Catalogued Transmission Rights to the Executing Transmission Owner's transmission provider sufficient to meet such obligations, or to the Executing Transmission Owner's customer if the customer so arranges with the Executing Transmission Owner and RTO West.

8.4.1 Term and Level of Catalogued Transmission Rights for Load Growth.

As part of the cataloguing process, the Executing Transmission Owner shall submit and update a forecast of its anticipated load growth for the Company Rate Period, which RTO West shall accept if such forecast is reasonable. RTO West shall not encumber (through the issuance of long-term Financial Transmission Options) transmission capacity reasonably anticipated for such load growth. RTO West shall allocate annually, without incremental congestion charges, Catalogued Transmission Rights as needed to meet the updated forecast of reasonable growth projections for the following year over (1) any unencumbered transmission capability of the Executing Transmission Owner's Transmission Facilities plus (2) any unencumbered transmission capability of the Transmission Facilities of each of the other Participating Transmission Owners, but only to

the extent that Pre-Existing Transmission Agreements with each such applicable Participating Transmission Owner provided for service to meet such load growth. The annually-allocated Catalogued Transmission Rights for load growth may be converted and suspended as provided in Section 9. The treatment of load growth after the Company Rate Period shall be as set forth in the RTO West Tariff. Any Company Load electing to take RTO West Transmission Services other than Non-Converted Transmission Service for load growth shall not receive any annual allocation of Catalogued Rights for load growth.

8.4.2 Equal Treatment of Schedules. Unless otherwise provided for in any Catalogued Transmission Rights, any curtailments of schedules shall be made on a non-preferential basis.

8.5 Executing Transmission Owner's Provision of Congestion Management Assets.

The ETO Transmission Provider shall make sufficient Congestion Management Assets available to RTO West in exchange for (1) RTO West's provision of services for Non-Converted Transmission Agreements consistent with the Catalogued Transmission Rights set forth in Exhibit F, and (2) RTO West's provision of services for converted Transmission Agreements consistent with the converted rights set forth in Exhibit I. If it should be later determined that the catalogue set forth in Exhibit H does not satisfy a transmission customer's rights, the Catalogued Transmission Rights shall be modified to identify such rights and, if the Congestion Management Assets are insufficient for RTO West to provide the required Transmission Services, RTO West and the Executing Transmission Owner transmission provider shall modify Exhibit F to provide RTO West with sufficient Congestion Management Assets to provide such Transmission Services.

8.6 Voluntary Conversion and Suspension of Catalogued Transmission Rights. The Executing Transmission Owner's customer shall not be required to convert or surrender any Pre-

Existing Transmission Agreements And Obligations. RTO West shall provide Transmission Services to fulfill the Executing Transmission Owner transmission provider's Pre-Existing Transmission Agreements And Obligations, whether or not Pre-Existing Transmission Agreements And Obligations are suspended and converted as set forth in Section 9.

9. Transmission Service Options for Pre-Existing Transmission Agreements And Obligations.

9.1 Right to Convert and Suspend Pre-Existing Transmission Agreements And Obligations. The Executing Transmission Owner transmission provider and RTO West agree to suspend and convert any Pre-Existing Transmission Agreements And Obligations to RTO West tariff service that an Executing Transmission Customer requests be suspended and converted. Converted contracts are identified in Exhibit I. Converted contracts are those for which the transmission customer agrees to accept RTO West service (other than Non-Converted Transmission Service) for a period of suspension pursuant to an Agreement to Suspend as set forth in Section 9.3, in lieu of some or all Pre-Existing Transmission Agreements And Obligations.

9.2 Non-Converted Transmission Service. To the extent any Pre-Existing Transmission Agreements And Obligations are not suspended and not converted, those contracts and obligations shall be Non-Converted Transmission Agreements and RTO West shall provide the Executing Transmission Owner Non-Converted Transmission Service to satisfy its obligations thereunder as further described in Section 9.4. For Non-Converted Transmission Agreements, the catalogue does not affect or limit the pre-existing contract rights of the Executing Transmission Owner transmission provider's customer.

9.3 Agreement to Suspend Pre-Existing Transmission Agreements And Obligations.

9.3.1 Good Faith Offer to Suspend and Convert. Prior to the Transmission Service Commencement Date, and, upon request by any of the Executing Transmission Owner customers at any time after the Transmission Service Commencement Date, the Executing Transmission Owner transmission provider shall make a good faith offer to each customer holding Pre-Existing Transmission Agreements And Obligations to convert such agreement(s) or obligations, through suspension or termination of pre-existing rights, in return for (1) receipt by the customer of Historic Reservation Rights and Financial Transmission Options from RTO West; (2) payment by the customer of the Executing Transmission Owner's Company Rate and Transfer Charges, or such other rates and charges applicable after the Company Rate Period, on terms and conditions comparable to offers made to the Executing Transmission Owner's Merchant Function; and (3) execution of an Agreement to Suspend such contracts or obligations. **[For Bonneville Power Administration's Transmission Operating Agreement only: To the extent the Executing Transmission Owner or its merchant are the ETO Contract Customer receiving transmission services under General Transfer Agreements, they shall not voluntarily suspend such contracts without agreement of the BPA customer whose load is served by such General Transfer Agreement.]**

9.3.2 Effect of Suspension. If an Executing Transmission Owner's customer elects to convert Pre-Existing Transmission Agreements and Obligations, then the customer, the Executing Transmission Owner and RTO West shall also enter into an Agreement to Suspend Provisions of Pre-Existing Transmission Agreement(s) And Obligations, as set forth in Exhibit K hereto, on and after the Transmission Service Commencement Date or the effective date of the

Agreement to Suspend, whichever is later. RTO West shall replace the Executing Transmission Owner as the provider of the Transmission Services specified in those suspended Pre-Existing Transmission Agreements And Obligations set out in Exhibit C. Upon suspension or termination of some or all Pre-Existing Transmission Agreements And Obligations, Transmission Service provided to the customer by RTO West pursuant to the Agreement to Catalogue shall satisfy all of the Executing Transmission Owner transmission provider's obligations to the customer under the Pre-Existing Transmission Agreements And Obligations; provided, however, (1) that the Executing Transmission Owner transmission provider has supplied RTO West with the Congestion Management Assets required by Attachment __, and (2) that upon suspension or termination by an Executing Transmission Owner's customer, any scheduling rights contained in the suspended Pre-Existing Transmission Agreements And Obligations shall be replaced by RTO West scheduling practices.

9.3.3 Manner of Suspension. Suspension of the Executing Transmission Owner's Pre-Existing Transmission Agreements And Obligations shall be implemented in a manner consistent with the suspension arrangements negotiated with other Initial Participating Transmission Owners. Any disagreements as to the appropriate provisions to be suspended shall be resolved pursuant to the Dispute Resolution provisions of Section 20.

9.4 Non-Converted Transmission Agreements.

9.4.1 Identification of Non-Converted Transmission Agreements. Exhibit C to this Agreement also lists all of the Executing Transmission Owner transmission provider's Pre-Existing Agreements And Obligations to which RTO West is providing Non-Converted Transmission Service (Non-Converted Transmission Agreements). The Executing Transmission Owner transmission provider shall notify RTO West if any additional Pre-Existing Transmission

Agreements And Obligations are suspended or terminated and shall amend Exhibit C at such time to reclassify any such agreements as a suspended or terminated agreement.

9.4.2 Transmission Service to Non-Converted Transmission Agreements. In providing Non-Converted Transmission Service to an Executing Transmission Owner transmission provider, RTO West shall preserve the balance of burdens and benefits for the parties and shall not alter the Executing Transmission Owner's customers' Pre-Existing Transmission Agreements And Obligations. Unless the customer makes other arrangements with RTO West and the Executing Transmission Owner transmission provider, or the provider's applicable scheduling provisions provide otherwise, the Executing Transmission Owner's transmission provider or its Scheduling Coordinator will submit schedules for the customer taking Non-Converted Contract Transmission Service.

9.4.3 Incentives to Make Available Transmission Capacity Available Before Pre-Schedule. RTO West shall provide incentives for Executing Transmission Owner customers to schedule or to have Non-Converted Transmission Service scheduled prior to the day-ahead pre-schedule in order to permit the RTO to make full use of existing transmission capacity available earlier than would otherwise be feasible. The Executing Transmission Owner transmission provider shall cooperate with the RTO to facilitate making such capacity available and to that end shall waive any contract provision or other objection that would impede or prevent an Executing Transmission Owner's customer from participating voluntarily in any such incentive program.

9.4.4 Effect of Accepting Incentive for Early Scheduling. If an Executing Transmission Owner's customer taking Non-Converted Transmission Service voluntarily accepts incentives to schedule early through an RTO West program established pursuant to Section 9.4.3, the customer may make or have made for the customer schedule changes permitted by its Pre-

Existing Agreements And Obligations; provided, however, that the customer accepts responsibility for any applicable transmission charges, including, without limitation, any congestion or imbalance energy charges, incurred as a result of the schedule change.

9.4.5 Effect of Rejecting Incentive for Early Scheduling. If an Executing Transmission Owner customer taking Non-Converted Contract Transmission Service does not voluntarily accept incentives to schedule early through an RTO West program established pursuant to Section 9.4.3, RTO West may, in its discretion, anticipate the customer's expected use of its Pre-Existing Transmission Agreements And Obligations and sell any anticipated expected unencumbered capacity, provided that a decision by RTO West to sell any such anticipated expected capacity shall not affect the exercise of the customer's rights under its Pre-Existing Transmission Agreements And Obligations or subject the customer to any additional charges.

10. Ancillary Services.

10.1 Provision of Ancillary Services by RTO West. RTO West shall determine the minimum required amounts of each Ancillary Services and, if necessary, the locations at which these services must be provided. RTO West shall provide Ancillary Services as the provider of last resort, on a prescheduled day-ahead or hour-ahead basis only, which are required by FERC to be either offered or provided by RTO West in connection with the provision of Transmission Services. RTO West shall make good faith efforts to encourage the development of Ancillary Services markets. To the extent necessary, RTO West may arrange to acquire a portfolio of Interconnected Operations Service necessary to provide Ancillary Services, for any period up to one (1) year from the date such arrangements are made, in a manner expected to minimize the cost and risk associated with fulfilling its obligations as the provider of last resort. RTO West shall be the sole provider of

Scheduling, System Control and Dispatch Services as set forth in the RTO West Tariff. RTO West, through contracts with the Executing Transmission Owner or with third-party providers, may provide Black Start Service and Voltage Support Service on other than a prescheduled day-ahead or hour-ahead basis. In carrying out its obligation to acquire Interconnected Operations Services, as well as other obligations under this Section 10, RTO West shall act as a reasonable and prudent provider of Ancillary Services.

10.2 Ancillary Service Tariffs. RTO West shall develop and administer an RTO West Tariff for provision of the Ancillary Services and shall comply with the RTO West Tariff.

10.3 Provision of Interconnected Operations Services by the Executing Transmission Owner.

10.3.1 Right of the Executing Transmission Owner to Self-Provision, to Self-Tracking and To Provide Interconnected Operations Services to Third Parties. The Executing Transmission Owner reserves the right, after the Transmission Service Commencement Date, to Self-Provision, to Self-Tracking and to provide to third parties through bilateral agreements any Interconnected Operations Service that the Executing Transmission Owner is permitted by FERC to provide. Self-Provision and Self-Tracking arrangements shall meet applicable RTO West reliability criteria and RTO West Tariff requirements. The Executing Transmission Owner shall provide any information concerning such arrangements that RTO West determines necessary to demonstrate such compliance.

10.3.2 Executing Transmission Owner Obligation To Provide Transitional Interconnected Operations Services. If RTO West determines during the first twelve (12) months after the Transmission Service Commencement Date that there will be no viable short-term or long-term market for one or more Interconnected Operations Services, and after giving reasonable notice

to the Executing Transmission Owner of this determination, RTO West shall have the right to require the Executing Transmission Owner to provide such Interconnected Operations Services to RTO West. The Executing Transmission Owner's obligation shall continue for no longer than three (3) months, and shall be thereafter terminated, unless RTO West, on the basis of subsequent quarterly market determinations, requires the Executing Transmission Owner to continue providing such Interconnected Operations Services for one (1) or more additional three- (3-) month periods during the twelve- (12-) month period. The right of RTO West to obtain such Interconnected Operations Services shall be limited to those Interconnected Operations Services needed by RTO West to supply the type and amount of Ancillary Services provided by the Executing Transmission Owner or by any predecessor or successor Electric Utility owners of the Transmission Facilities under the Executing Transmission Owner's Open Access Transmission Tariff over the twelve (12) months prior to the Transmission Service Commencement Date less any Interconnected Operations Services the Executing Transmission Owner provides within the RTO West Control Area through Section 10.3.1 above. Should RTO West exercise this right, RTO West and the Executing Transmission Owner will enter into good faith negotiations to translate the historic Ancillary Services provided by the Executing Transmission Owner into the equivalent Interconnected Operations Services defined by RTO West and to determine the amount to be paid by RTO West to the Executing Transmission Owner for those Interconnected Operations Services. The outcome of these negotiations will form the basis for a contract or series of contracts as described in Section 10.1. RTO West's determination that no viable market for Interconnected Operations Services exists shall be subject to dispute resolution under this Agreement; provided, however, that the Executing Transmission Owner shall comply with RTO West's request for such services through the date of any arbitration award.

10.3.3 Ensuring RTO West Responsibility To Provide Ancillary Services. If

any Eligible Customer seeks to compel the Executing Transmission Owner to provide any Ancillary Service, and the Executing Transmission Owner objects to providing such Ancillary Service, RTO West shall cooperate with the Executing Transmission Owner's efforts to ensure that RTO West, rather than the Executing Transmission Owner, will provide such Ancillary Service. If the Executing Transmission Owner is ordered by FERC or by a court of competent jurisdiction to provide such Ancillary Service, RTO West, pursuant to the RTO West Tariff, shall provide to the Executing Transmission Owner Ancillary Services as needed for the Executing Transmission Owner to comply with all such applicable orders.

10.4 RTO West's Facilitation of External Interconnected Operations Services

Market. RTO West shall facilitate the establishment of an external market for Interconnected Operations Services. To assist the development of such an external market, RTO West shall specify criteria that such an external market mechanism must meet and shall certify those market mechanisms that meet such criteria. The RTO West criteria shall include a requirement that such an external market mechanism provide the capability for market participants to buy, sell and trade Interconnected Operations Services for periods extending at least one month forward. For each Interconnected Operations Service, in the event that no external mechanism for the marketing of Interconnected Operations Services arises within a reasonable time that meets the RTO West criteria, RTO West shall issue a request for proposals to create such an external market in such Interconnected Operations Service.

10.5 Conditions on Operations. RTO West agrees not to require the Executing Transmission Owner's operation or non-operation of generating resources or shedding or

restoration of load, other than in a Transmission System Emergency, without the agreement of the Executing Transmission Owner.

11. Performance Plans and Standards.

11.1 Coordinated Maintenance for RTO West. RTO West shall coordinate maintenance planning for the RTO West Transmission System.

11.2 Maintenance Performance Plans. RTO West and the Executing Transmission Owner shall jointly develop an RTO West Controlled Transmission Facilities performance plan that specifies reasonable minimum annual reliability and availability requirements applicable to the RTO West Controlled Transmission Facility maintenance activities of the Executing Transmission Owner. The maintenance performance plan shall also take into account:

- Good Utility Practice
- Potential synergies among the maintenance activities of the Participating Transmission Owners
- Life-cycle costs
- Competitive maintenance management practices
- Appropriate new technologies
- Any unique Transmission Facility requirements
- Service requirements of wholesale and retail customers served from the RTO West Controlled Transmission Facilities
- System optimization strategies

If such maintenance performance plan has not been jointly completed within one (1) year of the Transmission Service Commencement Date, either RTO West or the Executing Transmission Owner may invoke the Dispute Resolution process to resolve any disputes as to the *minimum*

elements of an appropriate performance plan. Either RTO West or the Executing Transmission Owner may also invoke the Dispute Resolution process to resolve any disputes as to proposed changes to any performance plan then in effect. The Executing Transmission Owner shall thereafter comply with such performance plan. Executing Transmission Owner agrees to perform all maintenance on its Transmission Facilities consistent with industry standards to protect service to its Company Load. RTO West may request the Executing Transmission Owner to perform additional maintenance to protect the RTO West Transmission System

11.3 Maintenance Performance Plan Disputes. If, pursuant to the RTO West Tariff, any Transmission Customer and RTO West initiate a dispute resolution process related to the Executing Transmission Owner's compliance with the performance plan or performance standards as set forth in Section 11.2, (1) RTO West shall notify the Executing Transmission Owner before initiation of such dispute resolution process and shall arrange for the Executing Transmission Owner, upon its request, to intervene as a party to all phases of such process; and (2) the Executing Transmission Owner, at RTO West's request, shall intervene as a party in all phases of such dispute resolution process.

11.4 Annual Performance Reports. Within four (4) months after the end of each calendar year in which a maintenance performance plan, created under Section 11.2, is in effect, the Executing Transmission Owner and RTO West shall submit their actual maintenance performance data to the other for such calendar year, in a format and containing such information as the other reasonably specifies, so that (1) RTO West can assess the Executing Transmission Owner's compliance with the maintenance performance plan in effect for such calendar year, and (2) the Executing Transmission Owner can assess RTO West's compliance with its performance standards in effect for such calendar year.

12. RTO West Critical Control Facilities. The following provisions shall apply to the extent that the Executing Transmission Owner owns or has the contractual right to control facilities that meet the definition of RTO West Critical Control Facilities:

12.1 Designation of RTO West Critical Control Facilities. Exhibit E sets forth the initially designated RTO West Critical Control Facilities. Upon the request of either Party, the Parties shall amend Exhibit E to supplement or redesignate the RTO West Critical Control Facilities. If either Party disputes whether facilities should be added to or removed from Exhibit E as RTO West Critical Control Facilities, such dispute shall be subject to Dispute Resolution.

12.2 Control and Operation of RTO West Critical Control Facilities. To the extent consistent with constitutional and statutory provisions applicable to the Executing Transmission Owner and consistent with applicable third-party contract rights, the Executing Transmission Owner shall make all reasonable efforts to permit all RTO West Critical Control Facilities otherwise subject to the Executing Transmission Owner's control to be operated in such manner as RTO West may reasonably request, which may include RTO West's provision, at its expense, of direct automatic or manual control of such RTO West Critical Control Facilities. If the Executing Transmission Owner disputes that direct control requested by RTO West is necessary in order to maintain RTO West Transmission System Total Transmission Capability and reliability, such dispute shall be subject to Dispute Resolution.

13. RTO West Compliance and Coordination Standards.

13.1 Compliance by RTO West with Regulatory Requirements. RTO West shall at all times comply with (1) Good Utility Practice; (2) all applicable standards of NERC and WSCC, or

their successors, related to planning and operations; (3) all applicable requirements of regulatory agencies with authority over such planning and operations; (4) with respect to operation of the RTO West Controlled Transmission Facilities, the operating reliability criteria, dispatch standing orders and operating bulletins and other similar documents and criteria of the Executing Transmission Owner as provided to RTO West unless and until modified by RTO West, provided that any such modifications comply with applicable NERC and WSCC standards; and (5) all applicable environmental laws and regulations applicable to facilities under its control or operation. If any new law applicable to the Executing Transmission Owner's operation of its Transmission Facilities is enacted after the Transmission Service Commencement Date, RTO West shall comply with such new law. The Executing Transmission Owner shall consult with RTO West in developing provisions implementing such new law. Except as provided in Section 2.3.2, this Section 13.1 is enforceable only through equitable relief.

13.2 Compliance by the Executing Transmission Owner with Regulatory

Requirements. In carrying out the requirements of this Agreement, the Executing Transmission Owner shall not be required to take actions that would violate NERC or WSCC (or their successors') standards, standards of any other entity applicable by FERC rule or policy to approved RTOs, its FERC licenses, other FERC requirements, its NRC licenses or NRC standards, applicable governmental laws or regulations, applicable nonpower requirements with which the Executing Transmission Owner is obligated to comply (including, without limitation, environmental laws, regulations, court and administrative orders or biological opinions) or its safety requirements.

13.3 Regional and Interregional Transmission Coordination. RTO West shall become

a member of appropriate regional and interregional transmission reliability and planning forums, committees and work groups applicable to the geographic areas served by the RTO West

Transmission System. Subject to Section 21, RTO West shall submit RTO West Transmission System data as required by such forums, committees and work groups, including, but not limited to, power flow, stability, and market monitoring data and studies; FERC 715 filing requirements; data needed for transmission planning studies; and reports concerning significant RTO West Transmission System expansion plans.

14. Upgrades to and Expansion of RTO West Controlled Transmission Facilities.

14.1 Right of Executing Transmission Owner to Upgrade or Expand Its RTO West Controlled Transmission Facilities. The Executing Transmission Owner may upgrade or expand the RTO West Controlled Transmission Facilities subject to the provisions of this Section and Section 15.1.1.

14.2 Right of RTO West to Arrange for Upgrades to or Expansion of Executing Transmission Owner's RTO West Controlled Transmission Facilities. RTO West may arrange for an upgrade or expansion of the Executing Transmission Owner's RTO West Controlled Transmission Facilities if RTO West determines that upgrades or expansions are necessary to (1) ensure compliance with the Transmission Adequacy Standards (after providing the Executing Transmission Owner with prior written notice and reasonable opportunity to satisfy such standards); and (2) address chronic commercial congestion that the RTO West Board of Trustees in consultation with the Market Monitoring Unit determines has not been mitigated due to market failure, provided RTO West shall not act as the project manager and the Executing Transmission Owner shall be entitled to submit a bid to construct the upgrade or expansion. RTO West shall be authorized to assign the costs of upgrades or expansions it has arranged through Transmission Facility Cost Sharing Payments.

14.3 Support of Upgrades to and Expansion of RTO West Controlled Transmission

Facilities. ~~In support of upgrades or expansions to the RTO West Controlled Transmission~~

~~Facilities that RTO West determines are necessary under Section 14.2,~~ The Executing

Transmission Owner shall, upon the request of RTO West and consistent with applicable law take

the following actions to support upgrades or expansions to the RTO West Controlled Transmission

Facilities that RTO West determines are (i) necessary under Section 14.2 or (ii) third-party projects

that meet the standards of Section 15.1.1:

14.3.1 Interconnection. Permit the installation of such expansions and upgrades and the interconnection of such upgrades or expansions with the RTO West Controlled Transmission Facilities; provided that, except as provided in rates charged pursuant to an RTO West Tariff conforming to the provisions of Sections 16 and 17 of this Agreement, the Executing Transmission Owner shall not, by virtue of its duty to interconnect an upgrade or expansion, ~~hereby~~ be obligated to incur or assume any of the costs of such installations or interconnections, and RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs.

14.3.2 Cooperation. To the extent permitted under applicable law, cooperate with RTO West in connection with the obtaining of necessary siting and other permits and licenses, with the shared use or expansion of the Executing Transmission Owner's rights-of-way as needed for the upgrade or expansion, with requests for the sale or assignment of necessary rights-of-way and with the planning and construction of the upgrades or expansions by a third party designated by RTO West; provided that (i) at a minimum, the Executing Transmission Owner shall be allowed to coordinate with the third-party contractor to ensure the safety and reliability of the Executing Transmission Owner's facilities, and (ii); except as provided in rates charged pursuant to an RTO

West Tariff that conforms to Sections 16 and 17 of this Agreement, the Executing Transmission Owner shall not, [by virtue of its duty to cooperate](#), ~~hereby~~ be obligated to incur or assume any of the costs of such cooperation, and RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs.

14.3.3 Exercise of Eminent Domain Authority. To the extent permitted under applicable law, take necessary and appropriate steps, which (if and to the extent necessary) would include (1) exercising its eminent domain authority, (2) taking appropriate regulatory and judicial actions to condemn the necessary rights-of-way for such upgrades or expansions, and (3) if necessary to support such exercise of eminent domain authority, acquiring legal ownership of such upgrades or expansions; provided that the Executing Transmission Owner (i) subject to applicable governmental siting requirements, may consider facility locations that it finds less disruptive to the public than the location or locations that RTO West may have selected and that will meet the service requirements of RTO West and its transmission customers and (ii), except as provided in rates charged pursuant to an RTO West Tariff conforming to Sections 16 and 17 of this Agreement, shall not, [by virtue of its duty to exercise eminent domain authority](#), ~~hereby~~ be obligated to incur or assume any of the cost of such exercise of eminent domain authority, of such regulatory or judicial actions or of such legal ownership, and RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs. If the Executing Transmission Owner is an entity that may not under applicable law be required by RTO West to take the actions specified herein, RTO West reserves all other remedies, including, but not limited to, [\[the filing of a request for construction of transmission facilities pursuant to sections 210 and 211 of the Federal Power Act or successor statutes.\] \[filing with FERC a request for an order requiring the Executing Transmission Owner to comply?\]](#)

14.4 RTO West's Remedy. If the Executing Transmission Owner fails promptly and completely to comply with the requirements of Section 14.23, RTO West reserves the right to exercise all remedies available to it, including, but not limited to, ~~(1) filing with FERC a request, under sections 210 or 211 of the Federal Power Act (or successor statutes), for an order requiring the Executing Transmission Owner to comply;~~ ~~or (2) arranging for the upgrade or expansion through a third party; provided RTO West shall not act as the project manager, the Executing Transmission Owner shall be entitled to submit a bid to construct the upgrade or expansion, and, at a minimum, the Executing Transmission Owner shall be allowed to coordinate with the third party contractor to ensure the safety and reliability of the Executing Transmission Owner's facilities. RTO West shall be authorized to assign the costs of upgrades or expansions it has arranged, pursuant to the provisions of Sections 16 and 17 and the RTO West Tariff.~~

14.5 Revenue Recovery for Expansion of RTO West Controlled Transmission Facilities. If the Executing Transmission Owner is requested by RTO West or is ordered by FERC to construct, purchase or otherwise acquire additional transmission facilities, or otherwise to include any other such facilities as RTO West Controlled Transmission Facilities hereunder, RTO West will support the inclusion by the Executing Transmission Owner of the reasonable cost of such transmission facilities in the Executing Transmission Owner's rates. Nothing in this Section 14.5 shall restrict the right of the Executing Transmission Owner to request and to receive revenue recovery with respect to any other additional transmission facilities, pursuant to applicable orders authorizing such revenue recovery.

14.6 Executing Transmission Owner's Rights in Connection with Upgrades or Expansions of RTO West Controlled Transmission Facilities. The Executing Transmission Owner [shall have the right] [may retain the obligation] to maintain any facilities constructed or

added as part of an upgrade or expansion project to which it takes legal ownership. Unless otherwise arranged between RTO West, the Executing Transmission Owners and the third-party sponsor, the third-party sponsor shall provide adequate assurances of the following to the Executing Transmission Owners prior to the commencement and upgrade or expansion of RTO West Controlled Transmission Facilities by RTO West: (1) that the third-party sponsor shall assume sole responsibility for the construction and, if applicable, maintenance of the upgrade or expansion; (2) that the third-party sponsor shall indemnify the Executing Transmission Owner and RTO West against any claims or liabilities arising out of the construction or, if applicable, maintenance of the upgrade or expansion; (3) if the Executing Transmission Owner is required to exercise its eminent domain authority pursuant to Section 14.3.3, that the third-party sponsor shall accept cost responsibility, provide commercially adequate security for such costs, and indemnify the Executing Transmission Owner against any claims arising from any acquisition by the Executing Transmission Owner of legal ownership of any upgrade or expansion facilities. In the event that the Executing Transmission Owner participates in an upgrade or expansion pursuant to Section 14.6.1, RTO West shall not arrange for and proceed with the upgrade or expansion with a third-party sponsor in the absence of an agreement between such third-party sponsor and the Executing Transmission Owner with respect to the terms and conditions of each upgrade or expansion, construction and maintenance responsibilities, ownership rights, and the allocation of costs and benefits resulting from the upgrade or expansion including an allocation of transmission rights assigned to the upgrade or expansion by RTO West pursuant to Section 14.6.1.2~~7~~, and a resolution of cost responsibility if the Executing Transmission Owner is required to exercise its eminent domain authority pursuant to Section 14.3.3.

14.6.1 Executing Transmission Owner's Rights to Participate in Certain

Upgrades or Expansions of RTO West Controlled Transmission Facilities. The Executing

Transmission Owner has the right to participate in an upgrade or expansion proposed to RTO West by a third party that creates added capability on its RTO West Controlled Transmission Facilities with respect to (1) any upgrades or expansion in which (i) the upgrade or expansion has been fully engineered and (ii) the project sponsor has applied for all relevant siting and other required permits within two (2) years after the Transmission Service Commencement Date; and (2) any upgrades or expansion that the Executing Transmission Owner has included on its Pending Project List. ~~The~~

~~Executing Transmission Owner shall have the right to participate in an upgrade or expansion that (1) is determined to be necessary by RTO West pursuant to Section 14.2 or that is proposed to RTO West by a third party and (2) that creates added capacity on its RTO West Controlled Transmission~~

~~Facilities.~~ The Executing Transmission Owner shall have the right to receive a portion of the transmission rights resulting from such upgrade or expansion in exchange for an appropriate cost-sharing responsibility in accordance with the following provisions.

~~14.6.1.1~~ ~~Types of Projects in Which Executing Transmission~~

~~Owner May Participate.~~ The Executing Transmission Owner has the right to participate in an upgrade or expansion referred to in Section 14.6.1 with respect to (1) any upgrades or expansion in which (i) the upgrade or expansion has been fully engineered and (ii) the project sponsor has applied for all relevant siting and other required permits within two (2) years after the RTO West Transmission Service Commencement Date; and (2) any upgrades or expansion that the Executing Transmission Owner has included on its Pending Project List.

14.6.1.12 Election by Executing Transmission Owner to Participate.

If the Executing Transmission Owner elects to exercise its right to participate in a proposed upgrade

or expansion under ~~this~~ Section [14.6.1](#), it shall notify RTO West of that election within thirty (30) days of receipt of notice from RTO West of the proposed upgrade or expansion. If the Executing Transmission Owner and such third-party sponsor have not reached a mutually acceptable agreement with respect to the Executing Transmission Owner's participation within sixty (60) days of the Executing Transmission Owner's election, RTO West shall have the right to require the Executing Transmission Owner to participate in Dispute Resolution with the third-party sponsor to resolve any disputes concerning appropriate terms and conditions governing Executing Transmission Owner's participation in such upgrade or expansion.

14.6.1.27 Allocation of Transmission Use Rights to an Upgrade or

Expansion. RTO West shall have the right to determine (1) the level of transmission use rights attributable to an upgrade or expansion taking into account (i) the capacity and other value created on the RTO West Transmission System by the upgrade or expansion and (ii) whether the upgrade or expansion increases both Operational Transmission Capability and Total Transmission Capability (or just Operational Transmission Capability); and (2) the allocation of the transmission use rights [in any expanded capacity as](#) between the Executing Transmission Owners and third-party sponsor(s) [if the Executing Transmission Owner is participating under Section 14.6.1](#) taking into account (i) the cost contribution of existing facilities, (ii) the needs of the Executing Transmission Owner to meet its Pre-Existing Transmission Agreements And Obligations, and (iii) the cost of the upgrade or expansion. [To implement determinations made pursuant to this Section 14.6.1](#), RTO West may require Transmission Facility Cost Sharing Payments by the Executing Transmission Owner's Company Loads. RTO West's determinations [regarding](#), the level and allocation of transmission use rights to an upgrade or expansion, and any Transmission Facility Cost Sharing

Payment allocated to the Executing Transmission Owner, shall be made consistent with the RTO West Tariff and are subject to Dispute Resolution. [This section still under discussion.]

[Agreements applicable to facilities of Puget Sound Energy and Portland General Electric only:]

[14.8 Upgrades to Certain Distribution Facilities. RTO West will include Certain Distribution Facilities in its planning processes and will determine Total Transmission Capability based in part on such facilities. Should RTO West determine that upgrades to such facilities are necessary to support or improve Total Transmission Capability or for regional reliability, the owner of such facilities will undertake such upgrades, subject to prior resolution of the cost allocation for the upgrades or reimbursement by RTO West. Any such costs shall be allocated to those parties that benefit from the improvement of Total Transmission Capability and regional reliability, taking into account the reliability improvements to systems that benefit, the impact on the value of other Transmission Rights and those who wish to buy newly created transmission rights or financial options. The Executing Transmission Owner shall provide facility ratings for Certain Distribution Facilities to RTO West and shall ensure RTO West has data necessary to determine Operational Transmission Capability.]

15. Planning.

15.1 RTO West's Planning Responsibility. RTO West shall have ultimate authority for long-range planning for the RTO West Controlled Transmission Facilities and the adequacy of the RTO West Controlled Transmission Facilities. RTO West shall develop a planning process that provides for meaningful input from the Participating Transmission Owners. RTO West shall,

through its planning process, encourage and facilitate market solutions to identified transmission expansion needs within RTO West and the Western Interconnection.

15.1.1 RTO West's Determinations Related to Additions, Modifications, and

Expansions. RTO West shall have the right to review all proposals for additions, modifications or expansions to RTO West Controlled Transmission Facilities (including those RTO West has arranged for pursuant to Section 16) and shall only allow their interconnection if RTO West determines that (i) project sponsors have appropriately mitigated negative impacts to system transfer capability or reliability, provided project sponsors shall not be required to mitigate negative commercial impacts, (ii) project sponsors offered interested parties an opportunity to participate in its planning process and allow such parties an opportunity to modify the proposed project in a manner that would increase its transfer capability or reliability benefits subject to the interested parties assuming responsibility for the increased costs resulting from the modification, and (iii) the proposed additions or modifications satisfy applicable interconnection and integration requirements set out in Section 5. Additionally, if an Executing Transmission Owner is proposing additions, modifications or expansions to RTO West Controlled Transmission Facilities to meet Transmission Adequacy Standards, RTO West must approve such proposal upon (i) confirming the Executing Transmission Owner's demonstration that its proposal satisfies the Transmission Adequacy Standards, (ii) finding that the proposal was developed in a least-cost planning proposal or, in the alternative, upon the request of the Executing Transmission Owner, evaluating the proposal in an RTO West's least-cost planning process; provided RTO West approval of such proposal shall not be unreasonably delayed or withheld.

15.2 Planning by the Executing Transmission Owner. [THIS IS LANGUAGE

FROM DECEMBER 2000 TOA. It may be possible to address these concepts elsewhere in

Section 15.1 With respect to facilities owned or controlled by the Executing Transmission Owner, the Executing Transmission Owner shall have primary responsibility for planning its transmission facilities and for making additions, modifications and expansions to its transmission facilities if (1) FERC determines that such Executing Transmission Owner is independent from control of market participants as defined by FERC or (2) the Executing Transmission Owner is entitled to exercise such authority. RTO West shall retain ultimate planning responsibility and final decision-making authority with respect to RTO West Controlled Transmission Facilities; provided that if the additions, modifications and expansions to such facilities do not impair reliability or Total Transmission Capability of the RTO West Controlled Transmission System, the requested approval of RTO West shall not be unreasonably delayed or withheld.

15.2 [ALTERNATIVE] **Planning by the Executing Transmission Owner.** Subject to the requirements of Section 15.1.1, the Executing Transmission Owner shall have primary responsibility for planning its non-RTO West Controlled Transmission Facilities and for making additions, modifications and expansions to such transmission facilities. Further, the Executing Transmission Owner may develop plans to ensure that its RTO West Controlled Transmission Facilities satisfy Transmission Adequacy Standards, which plans shall be subject to the approval of RTO West. Nothing in this Agreement shall prevent the Executing Transmission Owner from planning and constructing facilities to mitigate congestion; provided that the interconnection of such facilities shall be governed by Section 15.1.1.

16. Executing Transmission Owner's Rates. [Note: During the Company Rate Period, Section 15 would not be applicable to any Participating Transmission Owner whose

transmission rates are not subject to the jurisdiction of FERC or of a Canadian Regulatory Authority.]

16.1 Executing Transmission Owner's Rate Schedules. The Executing Transmission Owner retains its rights to file rate schedules for use of the Transmission Facilities as provided hereunder, as follows:

16.1.1 Company Rate Period Rate Schedules. During the Company Rate Period, the Executing Transmission Owner shall establish Company Costs and Company Billing Determinants to be applied to its Company Loads, except as otherwise provided in Section 17. RTO West, acting as billing agent for the Executing Transmission Owner, shall apply Company Costs and other costs as set forth in Sections ___, to derive Company Rates paid by the Executing Transmission Owner's Company Loads for the Company Rate Period as set out in Sections 16 and 17 and Exhibit G to this Agreement.

16.1.2 Post-Company Rate Period Rate Schedules. After conclusion of the Company Rate Period, the Executing Transmission Owner shall continue to establish, in accordance with applicable law and as provided herein, its tariffs or rate schedules for charges to or by RTO West, pursuant to the RTO West Tariff.

16.2 Initial and Revised Rates. [For public utilities as defined by the Federal Power Act: The initial and revised rates, charges and fees (including, during the Company Rate Period, Company Costs and Company Billing Determinants) of the Executing Transmission Owner, shall be as set forth in rate schedules as accepted for filing by FERC. Nothing contained in this Agreement shall be construed as affecting in any way the right of the Executing Transmission Owner to unilaterally make application to FERC for a change in its rates, charges and fees (including, during the Company Rate Period, its Company Costs or

Company Billing Determinants) for the services provided hereunder under section 205 of the Federal Power Act or any successor statute and pursuant to FERC's rules and regulations promulgated thereunder; provided, however, that the Executing Transmission Owner shall not make such unilateral filings to the extent prohibited by law.]

[For the Bonneville Power Administration: The initial and revised rates, charges and fees (including, during the Company Rate Period, Company Costs and Company Billing Determinants) of the Executing Transmission Owner, shall be (1) as established by the Executing Transmission Owner in a rate proceeding as specified in section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act and as thereafter confirmed and/or approved by FERC on an interim or final basis or (2) as established and, if necessary, approved in accordance with applicable law if the rate-setting or other cost-recovery authority or procedures applicable to the Executing Transmission Owner are subsequently revised by statute. Nothing contained in this Agreement shall be construed as limiting or otherwise affecting in any way (1) the Executing Transmission Owner's right to change its rates, charges and fees (including, during the Company Rate Period, its Company Costs or Company Billing Determinants) pursuant to applicable law; provided, however, that the Executing Transmission Owner shall not make such unilateral filings to the extent prohibited by law; or (2) any duty or authority of the Executing Transmission Owner under any new legislation enacted after the date of this Agreement to recover costs, whether by way of rate, tax, rent, lease, payment, assessment, user charge or any other fee.]

16.3 Incentive Rate Making. With respect to facilities owned or otherwise controlled by Executing Transmission Owners, such Executing Transmission Owners may make incentive rate filings or proposals to the extent permitted herein, or as otherwise authorized by law.

16.3.1 Incentive Proposals to FERC. Executing Transmission Owner shall retain the right to unilaterally file at FERC for modification of its rates and rate recovery mechanisms, including performance-based rates and other incentive-oriented rate recovery mechanisms, if FERC determines that such Executing Transmission Owner is independent from control of market participants or otherwise is entitled by law to obtain such recovery. Such rate filings must be designed so as to ensure that they will not lead to unjust, unreasonable or otherwise unduly discriminatory results for other participants in RTO West. The Executing Transmission Owner shall consult with RTO West whenever possible prior to making a filing under this provision. RTO West will conform its tariffs and practices as necessary to ensure collection of rate recovery mechanisms accepted by FERC for the Executing Transmission Owner.

16.4 Recovery of Stranded Costs. Nothing included in or omitted from this Agreement is intended to create, modify or extinguish any right or obligation, if any and whether now or hereafter existing, of either Party regarding recovery by the Executing Transmission Owner through transmission charges or other means of the Executing Transmission Owner's Stranded Costs, and such rights or obligations, if any, shall be as if this Agreement had not been executed. The Executing Transmission Owner expressly reserves the right to file rate schedules with FERC or with any other entity with applicable jurisdiction for the recovery of Stranded Costs and to collect Stranded Costs under such rate schedules, as accepted for filing or approved by the entity with jurisdiction, with respect to wholesale or retail loads with access to the Executing Transmission Owner's Transmission Facilities. Any such load shall be deemed, for purposes of this Section 16.4, to access such Transmission Facilities if and to the extent that, (1) either as of the date of this Agreement or at any time thereafter, the point(s) of interconnection of such load with the RTO West Transmission System are or were with such Transmission Facilities or (2) such load is not, as

of the date of this Agreement or at any time thereafter, directly connected to the Transmission Facilities but, in the absence of RTO West, would have had insufficient transmission interconnections with transmission providers other than with the Executing Transmission Owner to receive the power being wheeled to such load. Demonstration of sufficient transmission interconnections with other transmission providers requires (a) a reasonable showing that the alternative path(s) would have sufficient available transmission capacity to provide the wheeling, based on the capability of those paths and uses of those paths before RTO West formation, and (b) the cost of wheeling over the alternative path(s) would have been economical when compared to the total cost of wheeling over the Executing Transmission Owner's Transmission Facilities, including the payment of Stranded Costs. The RTO West Tariff shall contain an automatic adjustment clause or other provision that provides for the recovery of such Stranded Costs as a surcharge for Transmission Service to such loads.

16.5 Annual Reporting Requirements. By June 1 of each year, the Executing Transmission Owner shall make a report to RTO West of its costs in the most recent calendar year for those items that are the basis of the rates to RTO West in the Executing Transmission Owner's applicable rate schedule. The report will be supplied using information equivalent to the information provided by FERC jurisdictional utilities in FERC Form No. 1. Such annual report shall include, but shall not necessarily be limited to, (1) Transmission Facility rate base (plant balances for Transmission Facilities, depreciation, allocated general plant, etc.), (2) Transmission Facility expenses (depreciation, Transmission Facility operation and maintenance, allocated portions of administrative and general, etc.), and (3) a list of Transmission Facilities constructed or retired during the reporting period. This annual reporting requirement shall be satisfied by an entity that is a public utility (as defined in the Federal Power Act) by the provision of any applicable

nonconfidential data that such public utility has provided to FERC pursuant to FERC's reporting requirements.

17. RTO West's Rate Schedules. RTO West shall have the right to file rate schedules for its Transmission Services and Ancillary Services, subject to the following provisions: [**Note: During the Company Rate Period, Section 16 and Exhibit G generally would not apply to any Participating Transmission Owner whose Transmission Rates are not subject to the jurisdiction of FERC or of a Canadian Regulatory Authority.**]

17.1 Initial and Revised Rates. The initial and revised rates charged to the Executing Transmission Owner by RTO West shall be under rate schedules as accepted for filing or approved by FERC, provided that RTO West shall not add any charges to the Executing Transmission Owner's revenue requirement that would provide RTO West with a profit or return on the Executing Transmission Owner's assets. Nothing contained in this Agreement shall be construed as affecting in any way the right of RTO West to unilaterally make application to FERC for a change in the rates for the services provided hereunder under section 205 of the Federal Power Act or any successor statute and pursuant to FERC's rules and regulations promulgated thereunder; provided, however, that the Executing Transmission Owner shall not make such unilateral filings for incentive rates to the extent prohibited by law. If, for any period after the Company Rate Period, RTO West implements a rate structure other than the Company Rate structure as set forth herein, RTO West agrees to develop and implement rates to recover revenues (1) adequate to meet the Executing Transmission Owner's annual revenue requirement as allowed by law, (2) consistent with recovery of rate mechanisms submitted pursuant to Section 16.3 and approved by FERC, and (3) that continue to be collected in a manner that satisfies all obligations of Bonneville for the net

billing and payment of costs of nuclear-generating projects owned in whole or in part by Energy Northwest or Eugene Water and Electric Board, whether or not such projects are terminated or operating, and to continue to ensure that revenues of the Bonneville Power Administration from the use of transmission facilities owned by the Bonneville Power Administration are not subject to diversion to pay obligations other than those of the Bonneville Power Administration. RTO West and the Executing Transmission Owner agree to cooperate, before any termination of the Company Rate structure, in developing such rate structure.

17.2 RTO West's Rates During the Company Rate Period.

17.2.1 Rates Charged by RTO West. Notwithstanding any other provision of this Agreement, during the Company Rate Period, RTO West's charges for all Transmission Service using the RTO West Transmission System shall be composed of (1) Company Rate charges (which for the Executing Transmission Owner shall be imposed by RTO West as billing agent for the Executing Transmission Owner) payable by Company Loads; (2) Transfer Charges allocated pursuant to any requirements of the Transmission Operating Agreement or as a condition of obtaining Historic Reservation Rights and Financial Transmission Options by a transmission customer converting and suspending Pre-Existing Transmission Agreements And Obligations; (3) Transmission Reservation Fees charged for acquisition of Unrestricted Reservation Rights; (4) a Grid Management Charge [**not to exceed one half dollar per megawatt hour**] compensating RTO West for its costs of day-to-day operations, including, but not limited to, start-up costs and administrative costs [**a cap for the GMC is under discussion**]; (5) compensation to RTO West for such other costs it incurs related to management of congestion on the RTO West Controlled Transmission Facilities, real-power losses and Ancillary Services, to the extent those costs are not offset by revenues from any rates, charges and fees for such services, as accepted for filing by

FERC; (6) other costs of operations; and (7) any allocation of Stranded Costs, as provided in Section 16.4.

17.3 Initial Pricing Method. For the Company Rate Period, RTO West shall assign its costs of operation in a manner consistent with its pricing proposal set forth in Attachment ___ [to the Stage 2 Compliance Filing and Request for Declaratory Order Pursuant to Order 2000 filed with FERC on March 1, 2002], and the rates, charges and fees set forth below shall be derived in the manner specified in this Agreement. To the extent not otherwise provided in this Agreement, RTO West shall assign its costs of operation to Company Loads on a 12 CP basis.

17.3.1 Calculation of Company Rates. The Company Rate component of the RTO West Tariff shall be derived in the manner set out in Exhibit G to this Agreement.

17.3.2 Calculation of the Transmission Reservation Fee and Allocation of Revenues. For the period of the Company Rate Period, the Transmission Reservation Fee component of the RTO West Tariff shall be derived in the manner set out in Exhibit I to this Agreement. Exhibit I shall also set forth the method for allocating the revenues from the Transmission Reservation Fee.

17.3.3 Calculation of the Grid Management Charge. The Grid Management Charge component of the RTO West Tariff shall be derived in the manner set out in Exhibit J to this Agreement.

17.3.4 Options for Company Load Taking Pre-Existing Service Only Under Order 888 Point-to-Point Service. For any Company Load of the Executing Transmission Owner that takes only Point-to-Point Service under the Executing Transmission Owner's Open Access Transmission Tariff immediately prior to the Transmission Service Commencement Date, the Company Load will not be subject to the Company Rate if it (1) converts all of its Pre-Existing

Transmission Agreements and agrees to take Transmission Service other than Non-Converted Transmission Service for an amount of Transmission Use equal to its total load less its Historic Reservation Rights or (2) takes Non-Converted Transmission Service for its Pre-Existing Agreements and agrees to take Transmission Service other than Non-Converted Transmission Service for an amount of transmission use equal to its total load less its Catalogued Transmission Rights. A Company Load selecting option (1) shall pay a Transfer Charge to the Executing Transmission Owner for its Historic Reservation Rights and Financial Transmission Options and pay the Transmission Reservation Fee for an amount of additional transmission use not less than its total load less its Historic Reservation Rights. A Company Load selecting option (2) shall pay the Executing Transmission Owner for its Non-Converted Transmission Agreement at the contract price and the Transmission Reservation Fee for an amount of additional transmission use not less than its total load less its Catalogued Transmission Rights.

17.3.5 Option for Service to Load Growth. Any Company Load of the Executing Transmission Owner that has rights to load growth under Pre-Existing Transmission Agreements and Obligations may accept Catalogued Transmission Rights for load growth pursuant to Section ___ and pay the Company Rate, as adjusted for such load growth. In that event, the Company Load shall also pay the Transmission Reservation Fee for any transmission use outside the scope of Catalogued Transmission Rights or Historic Reservation Rights. If the Company Load elects not to accept Catalogued Transmission Rights for load growth, the billing determinants for the Company Rate for that load will not be adjusted to reflect the load growth and the Company Load will pay the Transmission Reservation Fee for an amount of transmission use not less than its total load less its Catalogued Transmission Rights and any Historic Reservation Rights.

17.3.6 Service to New Loads. Any Company Load executing a Load Integration Agreement after the RTO West Transmission Service Commencement Date shall take RTO Transmission Services and shall pay the Transmission Reservation Fee for an amount of transmission use not less than its total load.

17.3.7 Paying Agent. RTO West shall specify in the RTO West Tariff that the Company Rates for the Executing Transmission Owner's Company Loads, any successor rates, the Transfer Charges to be paid to the Executing Transmission Owner and the Executing Transmission Owner's allocation of revenue from Transmission Reservation Fees are to be billed by RTO West as a billing agent for the Executing Transmission Owner. RTO West shall have no ownership interest in the proceeds or receivables of the amounts billed by RTO West as the billing agent for the Executing Transmission Owner. All applicable bills sent by RTO West shall provide for payment of the Company Rate, any successor rate, Transfer Charge and Transmission Reservation Fee portion of the bill directly to a paying agent designated by the Executing Transmission Owner for receipt of its funds. As billing agent for the Executing Transmission Owner, RTO West shall (1) impose on behalf of the Executing Transmission Owner such charges on delinquent[] billings as are established by lawful tariffs of the Executing Transmission Owner and (2) employ such actions to collect delinquent payments and such remedies for nonpayment as RTO West employs for delinquent payments due RTO West, supplemented by any remedies established pursuant to lawful tariffs of the Executing Transmission Owner. The requirement to use a Paying Agent shall not be restricted to the Company Rate Period.

17.3.8 Paying Agent Agreement. The Parties, concurrently with execution of this Agreement, have executed a Paying Agent Agreement among the Initial Participating Transmission Owners. RTO West shall ensure that all Participating Transmission Owners also execute the forms

of such agreements as are attached hereto as Exhibit L, contemporaneously with their execution of a Transmission Operating Agreement.

17.4 Costs Inconsistent with FERC Standards. After the Company Rate Period, any amounts payable by RTO West to a Participating Transmission Owner, the rates of which are not required to be accepted for filing or approved by FERC, with respect to costs of such Participating Transmission Owner that would not be allowed under FERC standards applicable to public utilities as defined in the Federal Power Act, adapted as necessary and appropriate to recognize relevant differences between such Participating Transmission Owner and such public utilities, shall be recoverable only from rates paid by loads taking Transmission Services at points of delivery on the Electric System of such Participating Transmission Owner.

17.5 Costs of Loss of Tax-Exempt Status of Existing Tax-Exempt Bonds.

17.5.1 Avoidance or Mitigation of Damages. In the event that it is reasonably foreseeable that the transfer by the Executing Transmission Owner to RTO West, pursuant to this Agreement, of Operational Control of any or all of the Transmission Facilities, or the use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, would cause any of the outstanding tax-exempt bonds of the Executing Transmission Owner to become taxable as private activity bonds or otherwise under regulations, rulings or other pronouncements issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended, the Executing Transmission Owner shall use its reasonable efforts to avoid or mitigate any potential damages or liabilities resulting from such loss of tax-exempt status of such bonds.

17.5.2 Costs Recoverable from Transmission Facility Loads. In the event that the transfer by any Participating Transmission Owner to RTO West, pursuant to a Transmission Operating Agreement, of Operational Control of any or all of such Participating Transmission

Owner's Transmission Facilities, or the use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, causes any of the then outstanding tax-exempt bonds of such Participating Transmission Owner to become taxable as private activity bonds or otherwise under regulations, rulings or other pronouncements issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended, or results in a breach or violation of any covenant of such Participating Transmission Owner in any indenture for any outstanding tax-exempt bonds issued by such Participating Transmission Owner, any costs, charges, losses, liabilities, penalties or damages incurred by such Participating Transmission Owner as a proximate result of such loss of tax-exempt status of such bonds, or such breach or violation of any such covenant in any such indenture, shall, subject to the provisions of Section 17.4.3, be recoverable only from rates paid by loads taking Transmission Services at points of delivery on the Transmission Facilities of such Participating Transmission Owner, as such Transmission Facilities are identified in the Transmission Operating Agreement of such Participating Transmission Owner.

17.5.3 Costs Recoverable Without Regard to the Provisions of Section 17.5.2.

Notwithstanding any other provision of this Agreement, the following amounts shall not in any event be subject to the limitations of Section 17.4.2, shall be paid to a Participating Transmission Owner by RTO West and shall be recoverable through the RTO West Tariff as an administrative and general cost item, without regard to the limitations of Section 17.5.2: (1) any fees, costs, charges and expenses reasonably incurred by a Participating Transmission Owner in connection with any issuance of bonds in replacement of any tax-exempt bonds allocable to any or all of such Participating Transmission Owner's Transmission Facilities whether (i) pursuant to a refinancing in contemplation of the transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (ii) in connection with a defeasance of any such

tax-exempt bonds pursuant to a change of use of any such Transmission Facilities as a result of (A) transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (B) any use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, so long as the amounts of such fees, costs, charges and expenses are recovered from RTO West pursuant to Section 17 on an amortized basis over the term of such bonds; and (2) the costs of any increased debt service, coverage or related requirements which a Participating Transmission Owner is obligated to recover as a result of issuance of bonds in replacement of any tax-exempt bonds allocable to any or all of such Participating Transmission Owner's Transmission Facilities, whether (i) pursuant to a refinancing in contemplation of the transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (ii) in connection with a defeasance of any such tax-exempt bonds pursuant to a change of use of any such Transmission Facilities as a result of (A) transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (B) any use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, so long as such increased debt service, coverage or related requirements are attributable to amounts accruing from and after such transfer.

18. Records, Information-Sharing and Audits.

18.1 Records Relevant to Operation of the RTO West Transmission System. RTO West shall keep such financial, operational and other records as may be necessary for the efficient operation of the RTO West Transmission System and, except as necessary to protect Confidential Information, shall make such records available upon request for inspection by the Executing Transmission Owner.

18.2 Audit of RTO West Records. The Executing Transmission Owner shall have the right to conduct an audit of RTO West's performance of its obligations to the Participating Transmission Owners under this Agreement. RTO West shall make its records, facilities and personnel available to the Executing Transmission Owner during the conduct of any such audit. The Executing Transmission Owner shall pay RTO West's reasonable costs of complying with such audit request.

18.3 Notice of Claim of Noncompliance by RTO West. In the event a third party questions or disputes RTO West's compliance with any of its obligations to the Executing Transmission Owner under the Transmission Operating Agreement, RTO West shall inform the Executing Transmission Owner of (1) the question or dispute, (2) any formal or informal processes used to resolve the dispute and (3) any resolution of the question or dispute.

18.4 Executing Transmission Owner Records and Information-Sharing.

18.4.1 Records. The Executing Transmission Owner shall maintain and make available for RTO West's inspection at the Executing Transmission Owner's facilities during normal business hours upon request current data, records and drawings describing the physical and electrical properties of the Transmission Facilities and relating to all inspections, maintenance, replacement and repairs performed on the Transmission Facilities.

18.4.2 Required Reports. The Executing Transmission Owner shall provide to RTO West, and, subject to Section 21, RTO West shall provide to the Executing Transmission Owner, timely information, notices or reports regarding matters of mutual concern, including:

(1) RTO West Transmission System emergencies and other incidents affecting the RTO West Transmission System;

(2) RTO West Transmission System planning studies, including studies prepared in connection with RTO West Transmission System interconnections or any Transmission Facility enhancement or expansion; and

(3) Maintenance outage requests and yearly forecasts of planned maintenance outages.

18.4.3 Other Reports. RTO West may, upon reasonable notice to the Executing Transmission Owner, request that the Executing Transmission Owner provide RTO West with such other information or reports as RTO West may reasonably deem necessary for the operation of the RTO West Transmission System. The Executing Transmission Owner shall make all such information or reports available to RTO West within a reasonable period of time and in a form specified by RTO West.

19. Insurance, Indemnification and Limitation of Liability.

Concurrently with the execution of this Agreement, RTO West and the Executing Transmission Owner shall execute an Insurance, Indemnification and Limitation of Liability Agreement, attached hereto as Exhibit ____.

20. Dispute Resolution.

20.1 Applicability.

20.1.1 General Applicability. The provisions of this Section 20 shall apply to all disputes that arise under this Agreement whether or not a specific provision for Dispute Resolution is made in a section of this Agreement pursuant to which the dispute arises, except: (i) where the right to Dispute Resolution under this section is expressly limited by this Agreement; (ii) as limited

by law (including the rights of any party to file a complaint with FERC under the relevant provisions of the FPA); and (iii):

(a) disputes between the parties to a Non-Converted Transmission Agreement that arise under the Non-Converted Transmission Agreement, except as the disputing parties may otherwise agree;

(b) disputes as to whether the terms of this Agreement are just and reasonable under the FPA, which shall be presented directly to FERC for resolution, except as the disputing parties may otherwise agree;

(c) applications, petitions, or complaints seeking changes to the terms of this Agreement or changes to any Service Agreement entered into under this Agreement, which shall be presented directly to FERC for resolution; and

(d) disputes that the parties agree to resolve through means other than under the RTO West Dispute Resolution Provisions, including presenting the matter directly to FERC for resolution.

20.1.2 Injunctive Relief. Where a court so determines, use of the procedures under the RTO West Dispute Resolution Provisions shall not be a condition precedent to a court action for injunctive relief.

20.2 Initiation of Arbitration.

20.2.1 Demand for Arbitration. An Executing Transmission Owner or RTO West may initiate arbitration by serving its demand for arbitration on the other disputing parties and the RTO West Arbitration Committee, which shall publish notice of the demand on the RTO West Web Site and by any other method the RTO West Arbitration Committee specifies.

20.2.2 Statement of Claim. Absent an agreement, RTO West or Executing Transmission Owner(s) shall, within fifteen (15) days after serving an arbitration demand under Section 20.2.1, serve a written statement of claim to each other disputing Party and the RTO West Arbitration Committee, which shall initiate the process specified in the RTO West Dispute Resolution Provisions. The parties may agree to delay the commencement of arbitration to attempt to resolve their dispute through good-faith negotiations or mediation or for any other reason. The statement of claim shall set forth in reasonable detail (i) each claim, (ii) the relief sought, (iii) a summary of the grounds for such relief and the basis for each claim, and (iv) the parties to the dispute. Each other party to the dispute shall deliver its response (including identification of any additional necessary parties) within fifteen (15) days following receipt of the initial statement of claim or such longer period as the parties agree or the RTO West Arbitration Committee may permit following an application by the responding party. If any responding party wishes to submit a counterclaim with its response to the initial statement of claim, the responding party shall include the counterclaim in its response. When a responding party includes a counterclaim, the initiating party may respond to that counterclaim within fifteen (15) days following receipt of the counterclaim. Any party named in a statement of claim that does not respond to the claim within the period specified in this Section 20.2.2 shall be deemed to have denied each claim against it. RTO West shall publish the statements of claim, responses, and any counterclaims on the RTO West Web Site and by any other method the RTO West Arbitration Committee specifies.

20.3 Arbitration Process.

20.3.1 Selection of Arbitrator.

20.3.1.1 Selection of a Single Arbitrator. Within ten (10) days following submission of responding parties' responses and counterclaims, the parties shall select an

arbitrator familiar with and knowledgeable about electric utility matters, including electric transmission and bulk power issues and related regulatory requirements. If the parties cannot agree upon an arbitrator or do not agree on a means of selecting an arbitrator that differs from that set forth in this Section 20.3.1, the parties shall take turns striking names from a list of ten (10) qualified individuals supplied by the RTO West Arbitration Committee from its standing list, with a party chosen by lot first striking a name. The last remaining name not stricken shall be designated as the arbitrator. If that individual is unable or unwilling to serve (or if a party objects to the arbitrator serving on the basis of a disclosure under Section 20.3.2.1 within five (5) days of that disclosure), the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is able and willing to serve. If a party issuing or named in a statement of claim served under Section 20.2.2 does not participate in the selection of an arbitrator within the time period specified under this Section 20.3.1.1, the remaining parties have the right to select the arbitrator without that party.

20.3.1.2 Party Option To Obtain Three-Arbitrator Panel. As an alternative to selecting one arbitrator under Section 20.3.1.1, any party may elect to constitute a three- (3-) member arbitration panel, and the other party or parties shall cooperate in the selection of the panel, subject to the following conditions:

- (a) Any party or parties so electing shall be responsible for five-sixths (5/6) of the costs of the arbitration (exclusive of each party's individual costs and attorneys' fees), regardless of the outcome of the arbitration, unless the disputing Parties agree to an alternate method of allocating costs. The remaining one-sixth (1/6) of the costs shall be allocated to the party (or allocated in equal parts among the parties) that did not participate in the election to use a three- (3-) arbitrator panel.

(b) Each arbitrator shall be subject to the requirements of Section 20.3.2.

(c) Unless otherwise agreed by the parties, the three arbitrators shall be selected in the following manner: (i) the RTO West Arbitration Committee shall provide to the parties a list of fifteen (15) qualified individuals from its standing list; (ii) the parties shall take turns striking names from the list, with a party chosen by lot first striking a name; and (iii) the three (3) remaining names not stricken shall constitute the arbitration panel.

(d) The arbitration panel shall decide all matters by majority vote.

(e) All other procedures, rights and obligations set out in the RTO West Dispute Resolution Provisions shall apply to the arbitration, and all references to the “arbitrator” also shall be deemed a reference to the three- (3-) member arbitration panel so chosen.

20.3.1.3 Communication with Candidates to Serve as Arbitrator.

No party and no one acting on behalf of any party shall communicate on any matter relating to the dispute, including selection of an arbitrator, with any potential arbitrator identified on the list provided by the RTO West Arbitration Committee, except that RTO West staff, under the direction of the RTO West Arbitration Committee, may communicate with potential arbitrators concerning arrangements for an arbitration.

20.3.1.4 Arbitrator’s Jurisdiction.

The arbitrator shall have the power to determine whether a dispute is subject to arbitration pursuant to the RTO West Dispute Resolution Provisions.

20.3.2 Disclosures Required of Arbitrators.

20.3.2.1 Initial Disclosure Obligation. The selected arbitrator shall be required to disclose to the parties any direct financial or personal interest in the outcome of the arbitration. The arbitrator shall be required to disclose to the parties any additional interests, relationships, facts, or circumstances including:

- (a) any existing or past financial, business, or professional interest or employment;
- (b) any relationship the arbitrator has with any party or its counsel, or with any individual whom the arbitrator has been told will be a witness; and
- (c) any family or personal relationship

if they are likely to affect the arbitrator's impartiality or might reasonably create an appearance of bias. All arbitrators shall make a reasonable effort to inform themselves of any interests or relationships described above.

20.3.2.2 Ongoing Disclosure Obligations. The obligation to make disclosure in accordance with Section 20.3.2.1 is a continuing duty. If, after initiation of an arbitration under the RTO West Dispute Resolution Provisions, the arbitrator must make a disclosure in accordance with Section 20.3.2.1, the arbitrator shall, at the time of disclosure, determine whether the information disclosed is grounds to disqualify the arbitrator from continuing with the arbitration. If the arbitrator determines that he or she is disqualified from continuing with the arbitration, the Parties shall select a new arbitrator in accordance with Section 20.3.1.

20.3.3 Arbitration Procedures.

20.3.3.1 Procedural Rules. The RTO West Arbitration Committee shall adopt Arbitration Procedural Rules consistent with the RTO West Dispute Resolution Provisions. The RTO West Arbitration Committee may modify the Arbitration Procedural Rules

from time to time. In any case where there is a conflict between the Arbitration Procedural Rules and the RTO West Dispute Resolution Provisions, the RTO West Dispute Resolution Provisions shall govern. The arbitrator shall conduct the arbitration in accordance with the RTO West Dispute Resolution Provisions and the Arbitration Procedural Rules, except as provided in Section 20.3.4.

20.3.3.2 Communication with Arbitrator. Except by agreement of or in the presence of all parties, no party or Participant and no one acting on behalf of any party shall communicate with the arbitrator concerning the arbitration outside of scheduled proceedings. Unless the parties agree otherwise or the arbitrator so directs, any written or electronic communication from any party to the arbitrator shall also be sent to all other parties and to the RTO West Arbitration Committee.

20.3.4 Modification of Arbitration Procedures. The parties may, by agreement of all the parties, modify the application of the Arbitration Procedural Rules for purposes of their specific dispute. Except where the terms of the RTO West Dispute Resolution Provisions specifically provide otherwise, the parties may not agree to modify any of the provisions set forth in the RTO West Dispute Resolution Provisions.

20.3.5 Rights Relating to Intervention.

20.3.5.1 Time for Intervention. RTO West or any Participating Transmission Owner not named as a party in a statement of claim initiating an arbitration as provided in Section 20.2.2 or in a counterclaim submitted in response thereto may apply to intervene in the arbitration as a party within thirty (30) days from publication of the statement of claim. Late intervention may be permitted in the arbitrator's discretion for good cause shown. Any intervening party must (i) accept the record as established prior to the intervention, including any procedural or substantive rulings or orders, (ii) proceed in accordance with any established

schedule, and (iii) pay a share of the costs of arbitration as determined by the arbitrator taking into account, among other things, the differing procedural rights of parties and the stage of the arbitration when intervention is sought. In addition, any late-intervening party must not cause a conflict of interest for the arbitrator objectionable to any existing party.

20.3.5.2 Application and Order. An application to intervene shall be served on the parties and the RTO West Arbitration Committee. Any such application shall demonstrate the applicant's satisfaction of the criteria stated in Section 20.3.5.4. Any objection by a party to the intervention request must be filed with the arbitrator, if an arbitrator has been selected, and served upon the applicant, the parties and the RTO West Arbitration Committee, within ten (10) days of service of the application. Promptly upon selection of the arbitrator pursuant to Section 20.3.1, the arbitrator will issue an order determining whether, based upon the criteria established by Section 20.3.5.4, any applicant that has timely filed an application pursuant to Section 20.3.5.1 may intervene in the arbitration.

20.3.5.3 Intervenor Status and Rights of an Intervening Party. The arbitrator, in an order responding to an application to intervene, shall, upon the requisite showing as established by Section 20.3.5.4, grant party status to RTO West or a Participating Transmission Owner with full rights and responsibilities in relation to all other parties, provided that the arbitrator may condition party status as necessary to assure that the rights of other parties are not unduly prejudiced or that the arbitration is not unduly delayed.

20.3.5.4 Requisite Showing. Subject to the provisions of Sections 20.3.5.1 and 20.3.5.3,

- (A) a Participating Transmission Owner shall be permitted to intervene as a party upon a showing that:

- (i) the applicant has an interest relating to the property or the transaction that is the subject of the arbitration,
- (ii) the applicant is so situated that the disposition of the matter subject to arbitration may as a practical matter impair or impede the applicant's ability to protect that interest, and
- (iii) no existing party adequately represents the applicant's interest.

20.3.6 Timetable. Promptly after the appointment of the arbitrator, the arbitrator shall set a date for the issuance of the arbitration decision, which shall be no later than six (6) months (or such later date as the parties and the arbitrator may agree) from the date of the appointment of the arbitrator, with other dates, including the dates for an evidentiary hearing or other final submissions of evidence, set in light of this date. The parties may, by agreement, modify any dates set by the arbitrator (other than the maximum time allowed for issuance of the arbitration decision). The arbitrator shall not change the date for the evidentiary hearing or other final submissions of evidence absent extraordinary circumstances. The arbitrator shall have the power to impose sanctions, including imposition of costs and dismissal of the proceeding, for dilatory tactics or undue delay in completing the arbitration proceedings.

20.3.7 Discovery Procedures. The Arbitration Procedural Rules shall include adequate provision for the discovery of relevant facts, including the taking of testimony under oath, production of documents and other things, the presentation of evidence, the taking of samples, conducting of tests, and inspection of land and tangible items. The nature and extent of such discovery shall take into account (i) the complexity of the dispute, (ii) the extent to which facts are disputed, (iii) the extent to which the credibility of witnesses is relevant to a resolution, (iv) the

need to provide fair access to information by all parties where information has been obtained under statutory right by one or more parties from another party or parties outside the discovery process, and (v) the amount in controversy. The forms and methods for taking such discovery shall be as described in the Federal Rules of Civil Procedure, except as modified by agreement of the parties.

20.3.8 Confidentiality. The Arbitration Procedural Rules shall provide a means for protecting confidential information disclosed in the course of an arbitration under the RTO West Dispute Resolution Provisions. Any information determined to be confidential in the course of an arbitration shall not be included in any published or publicly available summary or copy of the arbitration award.

20.3.9 Summary Disposition. The Arbitration Procedural Rules shall provide a means for summary disposition of an arbitration proceeding under the RTO West Dispute Resolution Provisions. The arbitrator may grant summary disposition of the proceeding, in whole or in part, if there is no genuine issue of fact material to the decision. Any uncontroverted fact established through summary disposition shall be deemed established for the remainder of the proceeding. Any grant of summary disposition under this Section 20.3.9 is subject to appeal pursuant to Section 20.5 after the final award in the proceeding has been issued.

20.3.10 Evidentiary Hearing. The Arbitration Procedural Rules shall provide for an evidentiary hearing with respect to matters not resolved through summary disposition under Section 20.3.9, unless all parties consent to the resolution of the matter on the basis of a written record. Hearing rules shall include provision for the cross-examination of witnesses.

20.3.11 Evidence. The Arbitration Procedural Rules shall include provisions addressing submission and admissibility of evidence. The arbitrator shall compile and certify a

complete evidentiary record of the arbitration, which, upon completion, shall be available to any party at that party's request.

20.4 Awards, Remedies, and Enforcement.

20.4.1 Award.

20.4.1.1 Award Based on Arbitrator's Decision. Except as provided below with respect to "baseball" style arbitration, the arbitrator shall issue written reasons for the award, including findings of fact and conclusions of law. The arbitration award shall be based on (i) the evidence in the record, (ii) the terms of this Agreement, (iii) applicable United States federal law, regulations, treaties, and agreements, and any relevant FERC decisions or then-applicable FERC standards or policies, (iv) other applicable law, and (v) consideration of relevant awards in previous arbitration proceedings. The arbitrator may, but need not, treat previous awards under this Section 20.4.1.1 as determinative. The arbitrator's award shall be published and maintained, in searchable form, on the RTO West Web Site and by any other method the RTO West Arbitration Committee specifies. The RTO West Office of General Counsel shall maintain a copy of the complete award and written explanation.

20.4.1.2 Award Based on "Baseball" Style Arbitration. In arbitration conducted "baseball" style, the arbitrator shall issue written reasons for adopting one of the awards proposed by the parties. The arbitrator's choice among the proposed awards shall be based on (i) the evidence in the record, (ii) the terms of this Agreement, (iii) applicable United States federal law, regulations, treaties, and agreements and any relevant FERC decisions or then-applicable FERC standards and policies, (iv) other applicable law, and (v) consideration of relevant awards in previous arbitration proceedings. If the arbitrator concludes that none of the proposed awards are consistent with the factors enumerated in (i) through (v) above, or address all of the

issues in dispute, the arbitrator shall specify how each proposed award is deficient and direct that the parties submit new proposed awards that cure the identified deficiencies. A summary of the disputed matter and the arbitrator's award shall be published on the RTO West Web Site and by any other method the RTO West Arbitration Committee specifies. An award under this Section 20.4.1.2 shall not be considered and may not be cited in any other proceeding.

20.4.1.3 Panel Decision by Majority Vote. Where a panel of arbitrators is appointed pursuant to Section 20.3.1.2, a majority of the arbitrators must agree on the decision.

20.4.2 Remedies.

20.4.2.1 Arbitrator's Discretion. The arbitrator shall have discretion to grant the relief sought by a party, or determine such other remedy as is appropriate, unless the parties agree to conduct the arbitration "baseball" style. Except as limited by law, the arbitrator shall have the authority to award any remedy or relief available from FERC or any court of competent jurisdiction. Where this Agreement leaves any matter to be agreed between the parties at some future time and provides that in the absence of agreement the matter shall be resolved in accordance with the RTO West Dispute Resolution Provisions, the arbitrator shall have authority to decide upon the terms of the agreement that, in the arbitrator's opinion, it is reasonable that the parties should reach, having regard to the other terms of the RTO West Tariff and the arbitrator's opinion as to what is fair and reasonable in all the circumstances. **[List sections of this agreement to which this section applies.]**

20.4.2.2 "Baseball" Arbitration. If the parties agree to conduct the arbitration "baseball" style, the parties shall submit to the arbitrator and exchange with each other their last best offers in the form of the award they consider the arbitrator should make, not less than

seven (7) days in advance of the date fixed for the hearing, or such other date as the arbitrator may decide. If a party fails to submit its last best offer in accordance with this Section 20.4.2.2, that party shall be deemed to have accepted the offer proposed by the other party. Except as provided in Section 20.4.1.2, the arbitrator shall be limited to awarding only one of the proposed offers and may not determine an alternative or compromise remedy.

20.4.3 Costs. Except as otherwise provided in Sections 20.3.1.2, 20.3.5.1, and 20.3.6, the costs of the time, expenses, and other charges of the arbitrator shall be borne by the parties to the dispute, with each party on an arbitrated issue bearing its pro-rata share of such costs, and each party to an arbitration proceeding bearing its own costs and fees. If the arbitrator determines that a demand for arbitration or response to a demand for arbitration was made in bad faith, the arbitrator shall have discretion to award the costs of the time, expenses, and other charges of the arbitrator to the prevailing party.

20.4.4 Compliance. Unless the arbitrator's decision is appealed under Section 20.5, the disputing parties shall, upon receipt of the decision, immediately take whatever action is required to comply with the award to the extent the award does not require regulatory action. An award that is not appealed shall be deemed to have the same force and effect as an order entered by FERC or any court of competent jurisdiction.

20.4.5 Enforcement. Following the expiration of the time for appeal of an award pursuant to Section 20.5.3, any party may apply to FERC or any court of competent jurisdiction for entry and enforcement of judgment based on the award. Parties to arbitration under the RTO West TOA Dispute Resolution Provisions shall be deemed to have consented that judgment upon the arbitration award may be entered in any federal or state court having jurisdiction.

20.5 Appeal of Award.

20.5.1 Basis for Appeal. A party may apply to FERC to hear an appeal of an arbitration award upon the grounds that: (i) the arbitrator's decision is contrary to applicable law or regulation (including the FPA or FERC's then-applicable standards or policies); (ii) the arbitrator's decision is not supported by the findings or is otherwise arbitrary and capricious; (iii) the arbitrator failed to afford one or more parties to the dispute an opportunity for a fair and meaningful hearing; (iv) the arbitrator engaged in material misconduct in connection with the arbitration; (v) the arbitrator exceeded the authority conferred upon him or her under the RTO West Dispute Resolution Provisions or as otherwise established by agreement of all the parties; or (vi) the arbitrator's decision is contrary to the provisions of Section 20.4.1. Where there is concurrent jurisdiction between a court of competent jurisdiction and FERC, the party shall appeal to FERC. Where FERC does not have jurisdiction, a party may appeal to a court of competent jurisdiction on any grounds provided by law.

20.5.2 Appellate Record. The arbitration process set forth in the RTO West Dispute Resolution Provisions contemplates that FERC or the court of competent jurisdiction should afford substantial deference to the factual findings of the arbitrator. No party shall seek to expand the record before FERC or the court of competent jurisdiction beyond that assembled by the arbitrator, except (i) by making reference to legal authority that did not exist at the time of the arbitrator's decision, or (ii) if such party contends the decision was based upon or affected by fraud, collusion, corruption, misconduct or misrepresentation.

20.5.3 Procedures for Appeals. Appeals shall, unless otherwise ordered by FERC or the court of competent jurisdiction, conform to the procedural limitations set forth in this Section 20.5.3.

20.5.3.1 Notice. If a party to an arbitration desires to appeal an award,

it shall provide notice of appeal to the RTO West Board of Trustees, all parties, and the arbitrator within fourteen (14) days following the date of the award. The appealing party must likewise provide notice to the RTO West Arbitration Committee, which shall publish notice of the appeal on the RTO West Web Site and by other method the RTO West Arbitration Committee specifies.

Within ten (10) days of the filing of the notice of appeal, the appealing party must file an appropriate application, petition or motion with FERC to trigger review under the FPA or with a court of competent jurisdiction. Such filing shall state that the subject matter has been the subject of an arbitration under the RTO West Dispute Resolution Provisions.

20.5.3.2 Evidentiary Record. Within thirty (30) days of filing the

notice of appeal (or such period as FERC or the court of competent jurisdiction may specify) the appellant shall file the complete evidentiary record of the arbitration and a copy of the award with FERC or with the court of competent jurisdiction. The appellant shall serve copies of a description of all materials included in the certified evidentiary record.

20.5.4 Award Implementation. Implementation of the award shall be deemed

stayed pending an appeal unless and until, at the request of a party, FERC or the court of competent jurisdiction to which an appeal has been filed issues an order dissolving, shortening, or extending such stay.

20.5.5 Judicial Review of FERC Orders. FERC orders resulting from appeals

shall be subject to judicial review pursuant to the FPA.

20.6 Exclusion of Liability. Neither the RTO West Arbitration Committee nor any

arbitrator shall be liable to any party for any act or omission in connection with any arbitration conducted under the RTO West Dispute Resolution Provisions.

21. Uncontrollable Force.

A Party shall not be in breach of this Agreement as a result of such Party's failure to perform its obligations under this Agreement when such failure is caused by an Uncontrollable Force that such Party, despite the exercise of due diligence, is unable to remove with reasonable dispatch; provided, however, that such Party shall have the right to suspend performance of such obligations only to the extent and for the duration that the Uncontrollable Force actually and reasonably prevents the performance of such obligations by such Party. In the event of the occurrence of an Uncontrollable Force that prevents a Party from performing any of its obligations under this Agreement, such Party shall (1) immediately notify the other Party of such Uncontrollable Force with such notice to be confirmed in writing as soon as reasonably practicable; (2) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform and resume full performance of its obligations hereunder; (3) keep the other Party apprised of such efforts on an ongoing basis; and (4) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of any strike, lockout or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this Agreement involved in such strike, lockout or labor dispute; and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and/or mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts or labor disputes.

22. Assignments and Conveyances.

22.1 Successors and Assigns. This Agreement is binding on and shall inure to the benefit of the Parties and their respective successors, permitted assigns and legal representatives.

22.2 Assignment of RTO West's Rights and Obligations. Except as otherwise provided in Section 22.5, RTO West shall not, without the prior written consent of the Executing Transmission Owner, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law.

22.3 Assignment of the Executing Transmission Owner's Rights and Obligations. Except as otherwise provided in Section 22.5, the Executing Transmission Owner shall not, without the prior written consent of RTO West, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; provided, however, that the Executing Transmission Owner may, without the consent of RTO West but subject to Section 22.4, assign its rights and obligations under this Agreement to any person or entity (1) into which the Executing Transmission Owner is merged or consolidated or (2) to which the Executing Transmission Owner sells, transfers or assigns all or substantially all of the Transmission Facilities, so long as the survivor in any such merger or consolidation, or the purchaser, transferee or assignee of such Transmission Facilities, provides to RTO West a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the Executing Transmission Owner under this Agreement.

22.4 Transfer of Transmission Facilities. Unless otherwise approved by RTO West in writing, the Executing Transmission Owner shall not sell, transfer or assign all or any portion of the Transmission Facilities used for or useful to the provision of Transmission Services hereunder unless (1) the purchaser, transferee or assignee provides to RTO West a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the Executing Transmission Owner under this Agreement with respect to the sold, transferred or assigned Transmission Facilities; or (2) RTO West and the transferee have entered into an agreement

comparable to this Agreement with respect to the sold, transferred or assigned Transmission Facilities. In the event of any permitted sale, transfer or assignment permitted under this Agreement and as a condition thereof, the party to whom the asset is sold, transferred or assigned shall sign an Insurance, Indemnity and Limitation of Liability Agreement as described in Section 19.

22.5 Assignment for Security Purposes. Notwithstanding any other provision of this Agreement, (1) the Executing Transmission Owner may, without RTO West's consent, pledge or assign all or any portion of the Transmission Facilities for financing purposes; and (2) either Party may, without the consent of the other, pledge or assign all or any portion of its proceeds or receivables under this Agreement for financing purposes.

22.6 Effect of Permitted Assignment. In the event of any permitted sale, transfer or assignment hereunder, the transferor or assignor shall, to the extent of the transferred or assigned obligations, and only to such extent, be relieved of obligations accruing from and after the effective date of such transfer or assignment; provided, however, that (1) under no circumstances shall any sale, transfer or assignment relieve the transferor or assignor of any liability for any breach of this Agreement occurring before the effective date of such transfer or assignment; (2) the provisions of Sections 6.2 and 6.3 (and the related Dispute Resolution provisions of Section 20) shall continue to apply with respect to any portion of the Electric System retained by the assignor; (3) the provisions of Section 9 will continue to apply with respect to any Non-Converted Transmission Agreements retained by the assignor; (4) the obligations of Section 10 with respect to the provision of Ancillary Services shall continue to apply with respect to any electric generation facilities retained by the assignor; and (5) any other provisions of this Agreement that would otherwise apply with respect to the Electric System or to the electric generation facilities under this Agreement will continue to apply to the assignor for so long as it retains such facilities.

22.7 Consent Not Unreasonably Denied or Delayed. Consents to assignment, pledge or transfer requested pursuant to this Section 22 shall not be unreasonably denied or delayed.

23. RTO West's Confidentiality Obligations.

23.1 Protection of Confidential Information. RTO West shall maintain the confidentiality of all Confidential Information of the Executing Transmission Owner provided to RTO West pursuant to this Agreement; provided, however, that, notwithstanding the foregoing, RTO West may disclose such Confidential Information (1) if such disclosure is permitted in writing by the Executing Transmission Owner that furnished the Confidential Information or (2) if RTO West is required to make such disclosure by order of a court or regulatory agency of competent jurisdiction or by applicable laws or regulations.

23.2 Disclosure Required by Law or Pursuant to Administrative or Judicial Order. If RTO West is required by applicable law, or compelled by order of a court or regulatory agency of competent jurisdiction, to disclose Confidential Information of an Executing Transmission Owner, as soon as RTO West learns of the disclosure requirement, and before making such disclosure, RTO West shall notify the Executing Transmission Owner of the requirement and the terms thereof. The Executing Transmission Owner may, in its sole discretion and at its sole cost and expense, undertake any challenge to or defense against such disclosure requirement. RTO West shall cooperate with the Executing Transmission Owner to the maximum extent practicable, at the Executing Transmission Owner's sole cost and expense, to minimize or eliminate the disclosure of Confidential Information consistent with applicable law and to obtain proprietary or confidential treatment of Confidential Information by any person to whom such information is disclosed

pursuant to Section 23.1 before any such disclosure. This Section 23.2 does not apply to disclosure of information to FERC or its staff.

24. Open Architecture.

With respect to facilities owned or otherwise controlled by the Executing Transmission Owner, the Executing Transmission Owner shall have the right to unilaterally request approval from FERC to perform additional regional transmission organization functions and responsibilities reserved by FERC for performance by entities meeting independence criteria established by FERC. To the extent such requests are approved by FERC, this Agreement shall be amended accordingly, and the RTO West Tariff and other governing documents shall be amended as required to conform to the new grant of authority or responsibility. If appropriate and necessary to codify the new functions and responsibilities, the Executing Transmission Owner shall submit for FERC approval a separate tariff codifying the functions and responsibilities to be performed by the Executing Transmission Owner on the facilities it owns or otherwise controls. Notwithstanding the most-favored-nations provisions of Section 3.3 of this Agreement, any other Executing Transmission Owner seeking comparable functions and responsibilities for its facilities shall be required to separately seek such approval from FERC before receiving comparable functions and responsibilities.

25. Miscellaneous.

25.1 Notices.

25.1.1 Permitted Methods of Notice. 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 to the address of the receiving Party set forth below (1) upon delivery if delivered in person; (2) upon execution of the return receipt, if sent by registered U.S. or Canadian mail, postage prepaid, return receipt requested; or (3) upon delivery if delivered by prepaid commercial courier service.

The address of RTO West shall be:

Attn: _____

The address of the Executing Transmission Owner shall be:

Attn: _____

25.1.2 Change of Notice Address. Either Party may at any time, by notice to the other Party, change the designation or address of the person specified to receive notice on its behalf.

25.1.3 Routine Notices. Any notice of a routine character in connection with service under this Agreement or in connection with the 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.

25.2 Amendment. This Agreement may not be modified by either Party except by subsequent mutual written agreement, duly executed by the Parties.

25.3 Construction of Agreement. Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the purpose of this Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

25.4 Integration. This Agreement, including the exhibits hereto, constitutes the complete agreement of the Parties and supersedes all prior or contemporaneous representations, statements, negotiations, understandings and inducements with respect to the subject matter hereof.

25.5 Existing Agreements Preserved. Nothing in this Agreement shall be interpreted to supersede the requirements of any existing agreement, unless otherwise expressly stated herein.

25.6 Governing Law. This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the state of Washington, except to the extent that such laws may be preempted by the laws of the United States, as applicable; provided, however, that notwithstanding the foregoing, if the Executing Transmission Owner is a U.S. government entity (including, but not limited to, a federal power marketing administration), this Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the United States.

25.7 Severability. The rights of each Party shall be as set forth in Section 2.1 if this Agreement (1) is not accepted for filing or approved by FERC, (2) is accepted for filing or approved by FERC with changes unacceptable to either Party, or (3) is accepted for filing or approved by FERC, but such acceptance or approval is, as a result of judicial review, subsequently reversed or modified in a manner unacceptable to either Party. If this Agreement is not rendered void in accordance with the provisions of Section 2.1, and thereafter 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 not prohibited by law, and all other terms, covenants and conditions of this Agreement, and the application thereof, 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.

25.8 Equitable Relief. If the Executing Transmission Owner seeks injunctive or other equitable judicial relief for the failure of RTO West to comply with its obligations to the Executing Transmission Owner under this Agreement, RTO West agrees not to challenge such action on the basis that monetary damages would be a sufficient remedy.

25.9 Singular and Plural; Use of “Or.” Any use of the singular in this Agreement also includes the plural, and any use of the plural also includes the singular, and references to “or” shall be deemed to be disjunctive but not necessarily exclusive.

25.10 Headings for Convenience Only. The section headings in this Agreement are intended for convenience and reference only and are not intended to define, limit or describe the scope or intent of any provisions of this Agreement.

25.11 Relationship of the Parties.

25.11.1 No Partnership, etc. Nothing contained in this Agreement shall be construed to create an association, joint venture, trust, partnership, leasehold or other property interest, or to impose a trust or partnership covenant, obligation or liability on or with regard to

either of the Parties. Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

25.11.2 Rights Several. All rights of the Parties are several, not joint.

Except as expressly provided in this Agreement, neither Party shall have a right or power to bind the other Party without such Party's express written consent.

25.12 No Third-Party Beneficiaries. Except for the rights of intervenors as specified in Section 20, this Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

25.13 No Dedication of Facilities. No undertaking by either Party to the other Party under or pursuant to any provision of this Agreement shall constitute or be deemed to constitute a dedication of all or any portion of the RTO West Transmission System to RTO West, to the Executing Transmission Owner or to the public.

25.14 Nonwaiver. Any waiver at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any other default or other matter arising in connection with this Agreement. Any waiver must be delivered in writing and executed by an authorized representative of the Party granting such waiver. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

25.15 Exhibits Incorporated. The several exhibits to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if fully set forth herein.

25.16 Further Actions and Documents. Each Party agrees to do all things, including, but not limited to, the preparation, execution, delivery, filing and recording of any instruments or agreements, reasonably requested by the other Party to carry out the provisions of this Agreement.

25.17 Counterparts. This Agreement may be executed in counterparts, which may be executed at different times. Each counterpart shall constitute an original, and both counterparts together shall constitute one and the same instrument.

25.18 Governing Agreement. In the event of a conflict between the terms of this Agreement and the terms of (1) the RTO West Tariff or (2) the Executing Transmission Owner's Rate Schedules, the terms of this Agreement shall govern.

25.19 Provisions Applicable to Federal Power Marketing Agencies. Nothing in this Agreement shall be construed to prevent the pass-through of third-party claims to a federal power marketing agency by RTO West under circumstances where the federal power marketing agency directs actions of RTO West pursuant to this Agreement to the extent this Agreement provides for the payment of damage claims by such federal power marketing agency. Nothing in this Agreement shall be construed to require the U.S. Department of Justice to defend any Parties to this Agreement except the Bonneville Power Administration.

25.20 Tax Allocation. RTO West shall allocate all taxes, rates, duties, levies, local improvement rates and assessments that are lawfully imposed, assessed, levied, rated, or charged against RTO West in respect of RTO West Controlled Transmission Facilities to loads taking service from facilities located within a lawful taxing authority's boundaries and taking transmission services from points of delivery on the Electric System of the Participating Transmission Owner whose transmission facilities are subject to such tax.

25.21 Prohibited Ownership and Activities. RTO West shall not (i) own any transmission or distribution facilities, (ii) own any interest in generation facilities or the output thereof (except as necessary to meet its obligations as a provider of last resort for Ancillary Services), or (iii) operate, or have any financial interest in, any power exchange.

26. Retail Power Deliveries on Transmission Facilities. [OPTIONAL LANGUAGE IF ELECTED BY THE EXECUTING TRANSMISSION OWNER].

RTO West agrees that it will not use the Transmission Facilities of the Executing Transmission Owner to deliver service to or on behalf of end-use customers if FERC would be prohibited from ordering such service under section 212(h) of the Federal Power Act unless (1) unbundled retail transmission access to such customer is required by an authority of competent jurisdiction under federal, state, provincial, local or tribal law; (2) such end-use customer is an “existing direct service industrial customer” of the Bonneville Power Administration as defined in section 5(d)(4)(A) of the Northwest Power Act (16 U.S.C. § 839c(d)(4)(A)) or a successor in interest to such customer so as to qualify for service under section 5(d), unless such service is prohibited by federal law; or (3) unbundled retail transmission access to such customer has been agreed to by the retail utility that formerly served the end-use customer.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names.

RTO WEST

[Executing Transmission Owner]

By: _____

By: _____

Title: _____

Title: _____

EXHIBIT A

SCHEDULE OF DEFINITIONS

“**Additional Participating Transmission Owner**” means any Participating Transmission Owner that is not an Initial Participating Transmission Owner.

“**Agreement to Suspend Provisions of Pre-Existing Transmission Agreements**” means the agreement, the form of which is attached as Exhibit I.

“**Ancillary Services**” means all services as RTO West may offer to support the use of its Transmission Services, and which shall include all ancillary services a transmission provider is required by FERC to provide, while maintaining reliable operation of the RTO West Transmission System in accordance with Good Utility Practice.

“**Arbitration Procedural Rules**” shall have the meaning specified in the RTO West Tariff.

“**Available System Capacity**” means the capacity on the RTO West Controlled Transmission Facilities that is unencumbered by either Catalogued Transmission Rights or Historic Transmission Rights. [This concept replaces the concept of Available Transmission Capacity under a physical rights model.]

“**Black Start Service**” means that service needed to restart electric generation facilities following a forced outage of such facilities.

“**Canadian Regulatory Authority**” means the agency or agencies established under the laws of Canada or the applicable provinces of Canada and having jurisdiction over facilities,

interconnections, transmission rates, charges, terms and conditions of service of a Canadian Participating Transmission Owner.

“Catalogued Transmission Rights” means a catalogue of rights granted by RTO West to the Executing Transmission Owner and set forth in Section 8.4 of this Agreement, established initially in conformance with Attachment _.

[In Puget Sound Energy and Portland General Electric Agreements only: “Certain Distribution Facilities” means those facilities that are classified as distribution pursuant to state or federal order, but that also meet the definition of RTO West Controlled Transmission Facilities (because the facilities may have secondary impacts on Total Transmission Capability between some injection and withdrawal points), will not be considered to be RTO West Controlled Transmission Facilities. Such facilities are identified in Exhibit _____.]

“Columbia River Treaty” means the Treaty between Canada and the United States of America Relating to Cooperative Development of the Water Resources of the Columbia River Basin including its Annexes A and B, signed at Washington, D.C., United States of America, on the 17th day of January, 1961, and the Protocol, brought into force by exchange of instruments of ratification and an exchange of notes on September 16, 1964.

“Company Billing Determinants” means those billing determinants for calculating the Company Loads to which Company Rates will apply, in such amount and calculated in such manner as proposed by the Executing Transmission Owner and accepted for filing or approved by FERC. The Executing Transmission Owner may propose multiple Company Billing Determinants in order to allow its Company Loads to choose among such alternative Billing Determinants.

Exhibit Page 2 - [RTO WEST TRANSMISSION OPERATING AGREEMENT](#)

ATTACHMENT A

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“Company Costs” [This is the December 2000 definition and needs to be revised]

means the costs of the Executing Transmission Owner incurred in connection with the ownership and operation of the Transmission Facilities or of alternatives that avoid construction of such Transmission Facilities, including any applicable performance or incentive payments, as the Executing Transmission Owner may propose and FERC may accept for filing or approve.

Company Costs shall not include (1) any Transfer Charges to be made or to be received by the Executing Transmission Owner or (2) any payment or receipt of Transmission Facility Cost Sharing Payments allocated under the RTO West Tariff. Company Costs shall be reduced by any Company Rate revenue credits proposed by the Executing Transmission Owner.

“Company Loads” means, if the Executing Transmission Owner is the Bonneville Power Administration or a “public utility” as defined by the Federal Power Act, those loads interconnected with the Electric System of the Executing Transmission Owner; provided that loads served under General Transfer Agreements (including loads served through new delivery points but not loads served in additional service territories annexed after the date of this Agreement) shall be deemed the Company Loads of the Executing Transmission Owner taking service for such loads under the applicable General Transfer Agreement. **[Notes: (1) The Transmission Operating Agreement with TransConnect, LLC will need to define Company Loads with respect to the Electric Facilities of the public utilities that have contributed their Transmission Facilities to TransConnect, LLC. TransConnect, LLC may reserve the right either to retain each of the individual public utility Company Loads and Company Rates or to merge the Company Loads and Company Rates of some or all of the public utilities that contributed Transmission Facilities. (2) The Applicants expect the Transmission Operating Agreement for Canadian Entities to be executed by a Canadian**

transmission grid operator. Canadian entities participating through such grid operator collectively will have a Company Rate or Company Rates. The Canadian entities may decide whether to subdivide a Canadian Company Rate into individual Canadian utility Company Rates. (3) Non-FERC jurisdictional transmission owners located in the United States, other than the Bonneville Power Administration, that execute a Transmission Operating Agreement will not be required to file their Company Costs with FERC and will not have a separate Company Rate. Instead, such entities will pay the Company Rate of the Participating Transmission Owner whose rate was applicable prior to execution by such entity of the Transmission Operating Agreement.]

“**Company Rate Period**” means the period commencing on the Transmission Service Commencement Date and extending through December 14, 2011.

“**Company Rates**” means rates charged to the Company Loads, determined as specified in Exhibit G, during the Company Rate Period and any extended period during which RTO West determines to apply such rate.

“**Confidential Information**” means any documents, data or other information received by a Party from the other Party, whether in written, oral or machine readable form, (1) that the provider has identified in writing to be confidential and (2) that (i) would produce a commercial disadvantage to the providing Party if disclosed or (ii) is confidential under Article 9, Section 9.4 of the RTO West Bylaws, provided that Confidential Information shall not include (1) information subject to disclosure on the RTO West Web Site pursuant to the RTO West Tariff; (2) information that becomes available to the public on a nonconfidential basis, other than as a result of the disclosing Party’s breach of its confidentiality obligations; (3) information received

by the disclosing Party from a third party without claim of confidentiality; or (4) information independently developed by the disclosing Party.

“**Congestion Management Assets**” means the physical facilities and contractual and operational mechanisms that each Participating Transmission Owner makes available to RTO West so that RTO West has the means to honor and manage all Participating Transmission Owners’ Catalogued Transmission Rights. Physical facilities may include transmission lines, substations, phase shifters, and other hardware. Contractual and operational mechanisms may include items such as remedial action schemes (RAS), redispatch services, and rights to restrict service under pre-existing contracts.

“**Control Area**” means, unless otherwise defined in the RTO West Tariff, an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

“**Converted Rights**” means the set of Historic Reservation Rights and Financial Transmission Options that the Executing Transmission Owner or other Participating Transmission Owner receives from RTO West upon the conversion of Pre-Existing Transmission Agreements And Obligations and suspension or termination of such Pre-Existing Transmission Agreements And Obligations.

Exhibit Page 5 - [RTO WEST TRANSMISSION OPERATING AGREEMENT](#)

ATTACHMENT A

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“Dispute Resolution” means that process for resolving disputes set forth in Section 20.

“Electric System” means a single integrated electric power grid usually characterized by ownership, rental, lease, control or operation by a single person or entity. An “Electric System” consists of electric distribution facilities or transmission facilities, or any combination thereof, and includes transmission lines, distribution lines, substations, switching stations and all associated equipment for transmitting or distributing the flow of power. The term “Electric System” shall include any devices or equipment by which information is originated on an electric system, by which such information is transmitted and by which such information is received either for information or for operation of the system.

“Electric Utility” means (1) a “public utility” as defined by the Federal Power Act, (2) a municipal electric utility, (3) a cooperative public utility formed under applicable state law, (4) a public utility district, (5) a peoples utility district, (6) a federal power marketing agency (7) a joint operating entity as defined in P.L. 106-273 or (8) a public utility or utility cooperative formed under applicable tribal law.

“Eligible Customer” means an Eligible Customer as defined in the RTO West Tariff, as amended from time to time.

“Emergency Measures” means actions that the Security Coordinator may direct to be taken in abnormal system conditions to protect the reliability, security and stability of the RTO West Transmission System but which do not include directives to maintain reserve margins or increase transfer capability.

“Executing Transmission Owner” means the transmission owner executing this Agreement and its successors and assignees.

“Executing Transmission Owner Rate Schedules” means the Executing Transmission Owners’ rate schedules established pursuant to Section 16 and applicable to RTO West’s use of the Transmission Facilities, and for any other services provided by the Executing Transmission Owner to RTO West pursuant to this Agreement.

“Federal Power Act” or **“FPA”** means the Federal Power Act, 16 U.S.C. § 824, et seq., as amended.

“Federal Rules of Civil Procedure” shall have the meaning specified in the RTO West Tariff.

“FERC” means the Federal Energy Regulatory Commission, or any successor thereto.

“Financial Transmission Option” means a financial instrument that gives the holder the right to receive a credit from RTO West equal to: (a) the congestion price differential (within a specified hour) between its defined withdrawal and injection locations, multiplied by (b) the megawatt quantity specified in the instrument.

“General Transfer Agreements” means the following agreements and their successors:

(1) Agreement numbers DE-MS79-89BP92383 and DE-MS79-90BP92853 between Idaho Power Company and the Bonneville Power Administration, (2) Agreement number DE-MS79-85BP91989 between Montana Power Company and the Bonneville Power Administration, (3) Agreement numbers DE-MS79-79BP90000 and DE-MS79-88BP92436 between Sierra Pacific Power Company and the Bonneville Power Administration, (4) Agreement number DE-MS79-88BP92287 between Utah Power & Light Company (now PacifiCorp) and the Bonneville Power Administration, (5) Agreement numbers DE-MS79-86BP91970, 14-03-99107, 96MS-95114 and DE-MS79-90BP93116 between The Washington Water Power Company (now Avista Corporation) and the Bonneville Power Administration, (6) Agreement numbers DE-MS79-

82BP90049 and DE-MS79-88BP92458 between PacifiCorp and the Bonneville Power Administration, (7) Agreement number DE-MS79-89BP92384 between Portland General Electric Company and the Bonneville Power Administration, and (8) Agreement numbers 14-03-37043, 14-03-49101, 14-03-75365 and 14-03-75628 between Puget Sound Power & Light Company (now Puget Sound Energy) and the Bonneville Power Administration.

“Generation Integration Agreement” means an RTO West agreement substantially in the form of the agreement identified as a Generation Integration Agreement and attached as a service agreement to the RTO West Tariff.

“Generation Owner” means a third-party owner of an electric generation facility interconnected or to be interconnected with the Electric System of the Executing Transmission Owner.

“Good Utility Practice” means 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. Good 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.

“Historic Transmission Right” means a right to schedule one megawatt of electric power and energy over a designated pair of injection and withdrawal points in one direction for a particular hour. Historic Reservation Rights are limited rights to schedule based on Catalogued Rights that a transmission customer of an Executing Transmission Owner receives if such

customer executes an Agreement to Suspend and converts to scheduling rights and Financial Transmission Options.

“**Independent Operator**” means an entity within a Canadian jurisdiction and that satisfies the independence requirements of Order 2000.

“**Initial Participating Transmission Owners**” means those Participating Transmission Owners specified as such in the recitals to this Agreement.

“**Insurance, Indemnification and Limitation of Liability Agreement**” means the agreement, the form of which is attached as Exhibit M.

“**Interconnected Operations Services**” means the generation or load resources which create the ability to supply Ancillary Services.

“**Load Integration Agreement**” means an RTO West agreement substantially in the form of the agreement identified as a Load Integration Agreement and attached as a service agreement to the RTO West Tariff.

“**Load Service Obligation**” means transmission service to loads with respect to which the Executing Transmission Owner has a legal obligation to provide such transmission service.

“**Market Monitoring Unit**” means any division of RTO West or independent nonprofit corporation established to carry out a market monitoring plan for RTO West pursuant to Order 2000.

“**Merchant Function**” means (1) an electric wholesale power marketing or electric retail sales division of an Electric Utility and (2) an Electric Utility’s Affiliate (as defined in the Bylaws of RTO West) engaged in wholesale or retail electric power marketing.

“**NERC**” means the North American Electric Reliability Council or its successor organization.

“Non-Converted Transmission Agreement” means Pre-Existing Transmission Agreements or Obligations for which firm transmission rights have not been suspended.

“Non-Converted Transmission Service” means Transmission Service provided by RTO West to an Executing Transmission Owner in order to satisfy such owner’s obligation as a transmission provider to provide service under any Pre-Existing Transmission Agreements or Obligations, if and to the extent that the firm transmission service rights thereunder have not been suspended.

“Northwest Power Act” means the Pacific Northwest Electric Power Planning and Conservation Act, Public Law No. 96-501.

“NRC” means the Nuclear Regulatory Commission, or its successor.

“OASIS” means an open access same-time information system as prescribed by FERC or any successor or revised system to OASIS prescribed by FERC.

“Operational Control” means the rights of RTO West under this Agreement to direct the Executing Transmission Owner to operate the RTO West Controlled Transmission Facilities for the purpose of affording comparable nondiscriminatory transmission access under the RTO West Tariff meeting applicable reliability criteria for the RTO West Transmission System.

“Operational Transmission Capability” means the reliability limit of a transmission path at any specified point in time. Operational Transmission Capability is a variable quantity, depending on operating conditions in the near term as determined by RTO West under operating and reliability criteria that are consistent with applicable NERC and WSCC criteria.

“Pacific Northwest” means the “Pacific Northwest” as defined in the Northwest Power Act.

“Participating Transmission Owner” means any Transmission Owner that has executed a Transmission Operating Agreement with RTO West, which agreement remains in effect, as well as the successors and assignees of such owner.

“Paying Agent Agreement” means the Paying Agent Agreement among RTO West and the Initial Participating Transmission Owners, executed concurrently with this Agreement, as amended from time to time, the form of which is attached as Exhibit L.

“Pending Project List” means a list prepared by the Executing Transmission Owner and provided to RTO West within two (2) years of the Transmission Service Commencement Date and identifying existing RTO West Controlled Transmission Facilities that it anticipates upgrading or adding to in the foreseeable future in order to meet its load service and other obligations. The Pending Project List shall include a general description of the nature of the planned upgrade or expansion and a project plan of service including project implementation dates. If the Executing Transmission Owner does not construct an upgrade or expansion pursuant to the plan of service, as adjusted for any regulatory or environmental assessment delays, the upgrade or expansion shall be removed from the Pending Project List. The Executing Transmission Owner may update the Pending Project List to include a plan of service for any phased construction ~~or upgrades to~~ of any new RTO West Controlled Transmission Facilities and shall have the same rights with respect to such upgrades or expansions as if they were identified in the initial Pending Project List.

“Pre-Existing Transmission Agreements” means those firm Transmission Agreements with a term of more than one (1) year or with a termination date no longer than one (1) year from the Transmission Service Commencement Date, including those with the merchant function of the Executing Transmission Owner, which do not contain an express provision that permits the

Executing Transmission Owner's transmission provider to unilaterally convert the transmission services offered thereunder to RTO West Transmission Services other than Non-Converted Transmission Service, and remain in effect immediately prior to the Transmission Service Commencement Date. Such agreements shall include, without limitation, the 1964 or 1997 Pacific Northwest Coordination Agreements, or their successors, and arrangements pursuant to the Columbia River Treaty.

“Pre-Existing Transmission Agreements And Obligations” means those Transmission Agreements and Load Service Obligations, including those with the merchant function of the Executing Transmission Owner, in effect immediately prior to the Transmission Service Commencement Date.

“Remedial Action Scheme” means protective systems that typically utilize a combination of status and quantity detectors, conventional protective relays, computer-based processors or other logic devices, telecommunications, and the electric generation facilities, loads and other facilities that may be affected, to accomplish rapid, automated response to unplanned power system events.

“Reservation Rights” means the right to schedule one megawatt of electric power and energy over a pair of injection and withdrawal points in one direction for a particular hour. There are two types of Reservation Rights: Historic Reservation Rights and Unrestricted Reservation Rights.

“Rollover Rights” means the right to extend a Pre-Existing Transmission Agreement for the extension period selected by the holder of rights under such agreement, subject to the right-of-first-refusal limitations as set forth in section 2.2 of FERC's prescribed form of Open Access Transmission Tariff.

Exhibit Page 12 - [RTO WEST TRANSMISSION OPERATING AGREEMENT](#)

ATTACHMENT A

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“**RTO West Arbitration Committee**” shall have the meaning specified in section 5.14 of the Bylaws of RTO West.

“**RTO West Board of Trustees**” shall have the meaning specified in the Bylaws of RTO West.

“**RTO West Controlled Transmission Facilities**” means those Transmission Facilities specified in Exhibit D, which are those Transmission Facilities over which RTO West shall exercise Operational Control. Unless FERC approves an exception, the Transmission Facilities specified in Exhibit D shall include all facilities that have a material impact on RTO West’s ability to execute its congestion management function. A facility shall be deemed to have a material impact on ability to manage congestion if removal of the facility would cause system transfer capability to become insufficient to support the transmission rights managed by RTO West.

The classification of the low-voltage side of a transformer shall determine whether such transformer shall be included in Exhibit D, and substation facilities related to a transformer shall be included in Exhibit D if the transformer is included in Exhibit D. The Executing Transmission Owner shall not be required to include in Exhibit D those Transmission Facilities that are radial to load.¹

“**RTO West Controlled Transmission System**” means the RTO West Controlled Transmission Facilities plus the RTO West Controlled Transmission Facilities as specified in all other Transmission Operating Agreements with Participating Transmission Owners.

¹ Further work on this definition is needed to make sure that transmission facilities that are intended to be designated as “Class B” (permitted to be included for pricing purposes but not subject to Operational Control) are not brought within the sweep of required RTO West Controlled Transmission Facilities.

“RTO West Critical Control Facilities” means those protective relay systems, Remedial Action Schemes and other facilities specified in Exhibit E for which RTO West reasonably requires more direct control in order to meet applicable NERC and WSCC reliability criteria, while maintaining the Total Transmission Capability of the RTO West Controlled Transmission Facilities. RTO West and the Executing Transmission Owner also may by mutual agreement include any additional facilities in Exhibit E as RTO West Critical Control Facilities. Such more direct control shall be specified in Exhibit E and may include automatic control, supervisory control or other forms of manual control including verbal direction.

“RTO West Dispute Resolution Provisions” means the provisions of Section 20 of this Agreement.

“RTO West Tariff” means the tariff for the provision of Transmission Services by RTO West, including Ancillary Services, as accepted for filing or approved by FERC.

“RTO West Transmission System” means the Transmission Facilities, plus the “Transmission Facilities” as set forth in all other Transmission Operating Agreements with Participating Transmission Owners.

“RTO West Web Site” means an internet site through which RTO West will make available to market participants transmission system data, system demand data, system conditions, auction data, aggregated market data and other information as defined by RTO West.

“Scheduling Coordinator” means an entity certified and authorized by RTO West to submit schedules of transmission service and Ancillary Services on RTO West-Controlled Transmission Facilities on behalf of eligible customers under the RTO West Tariff.

“Scheduling, System Control and Dispatch Services” means “Scheduling, System Control and Dispatch Services” as defined in the FERC pro forma open access transmission tariff, as amended from time to time.

“Security Coordinator” means an entity carrying out the duties of a “Security Coordinator” as described in the WSCC document “WSCC Regional Security Plan.”

“Self-Provision” means provision by a Scheduling Coordinator of electric generation capacity or contracts for use of such electric generation capacity for deployment by RTO West to meet RTO West’s obligations to provide Ancillary Services. Self-Provision shall reduce the Scheduling Coordinator’s obligation to pay the RTO West charges for Ancillary Services provided to it in the amount of electric generation capacity so provided.

“Self-Tracking” means the use by a Scheduling Coordinator of electric generation capacity it controls or contracts for to reduce or eliminate its obligation to acquire Ancillary Services requirements from RTO West. Self-Tracking Scheduling Coordinators must match electric generation to load within an RTO West defined time standard.

“State” means the political subdivision of the United States [in which the Transmission Facilities of one or more Participating Transmission Owners are located]. In the event that a Canadian transmission owner executes a Transmission Operating Agreement with RTO West, a reference to a state in Section 6.11 shall include a province in which the Canadian transmission owner’s transmission system is located.

“Stranded Costs” means any amounts charged by a Participating Transmission Owner to RTO West pursuant to Section 16.4 (1) for the recovery of power costs that the Participating Transmission Owner is unable to fully recover through its revenues for the sale of power or (2) for the recovery of any costs the Executing Transmission Owner is allowed by FERC to charge

loads that reduce or eliminate their purchases of power from the Executing Transmission Owner or that reduce or eliminate their contributions to paying for any portion of the Electric System of the Executing Transmission Owner.

“**Total Transmission Capability**” represents the reliability limit of a transmission path. It is a quantity representing forecasted conditions in the long term as determined by RTO West under operating and reliability criteria that are consistent with applicable NERC and WSCC criteria.

“**Transfer Charge Adjustment**” means the adjustment to Transfer Charges described in Exhibit H.

“**Transfer Charges**” means those charges to be paid to or received from other entities in connection with the suspension of Pre-Existing Transmission Agreements And Obligations.

[Unless agreed otherwise by the Executing Transmission Owner and its transmission customer,] the Transfer Charge shall equal the amount of money (or the internal credit) that the Executing Transmission Owner received for services provided under the Pre-Existing Agreements And Obligations during the Reference Year, adjusted, if applicable, for unit costs as set forth in Exhibit H. As Transfer Charges are established by other Participating Transmission Owners, RTO West shall set forth such Transfer Charges in Exhibit H and provide the Executing Transmission Owner with a revised copy of such Exhibit H. Transfer Charges for a Participating Transmission Owner may include amounts receivable from the Participating Transmission Owner’s Merchant Function. **[BRACKETED LANGUAGE STILL UNDER CONSTRUCTION]**

“**Transmission Adequacy Standards**” means standards developed by RTO West with the input of the Participating Transmission Owners that ensure that the RTO West [Controlled](#)

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Transmission ~~System~~ Facilities can deliver required power to the aggregate of Participating Transmission Owners' Company Load irrespective of the cost of power and congestion costs. Such standards shall be consistent with industry standards regarding liability.

“Transmission Agreements” mean any agreements between the Executing Transmission Owner and any party other than RTO West that call for the Executing Transmission Owner to provide or to receive transmission services using any portion of the RTO West Transmission System.

“Transmission Customer” means a Transmission Customer as defined in the RTO West Tariff, as amended from time to time.

“Transmission Facilities” means those transmission facilities identified in Exhibit B to this Agreement. The Transmission Facilities shall include at least all of the Executing Transmission Owner's transmission facilities that meet the definition of RTO West Controlled Transmission Facilities. The Transmission Facilities shall not include generation-integration transmission facilities.

“Transmission Facility Cost Sharing Payments” means payments relating to an RTO West cost allocation made pursuant to the RTO West Tariff. RTO West shall allocate costs when RTO West has arranged for the construction of upgrades or expansions to the RTO West Transmission System or when RTO West, consistent with its Bylaws, has implemented alternatives that avoid the construction of such upgrades or expansions to ensure transmission adequacy. RTO West shall allocate the costs of such upgrades, facilities or alternatives equitably among the Company Loads that benefit from the upgrade, facility or alternative. RTO West may allocate costs in response to requests by entities constructing upgrades or expansion to the extent they avoid the need for an Executing Transmission Owner to upgrade or expand its facilities to

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satisfy RTO West Transmission Adequacy Standards as determined by RTO West after notice and opportunity for a Participating Transmission Owner to take action to satisfy such standards. The cost of such upgrades, facilities or alternatives shall be allocated equitably among the project sponsor and the benefiting Participating Transmission Owners; provided that a benefiting Participating Transmission Owner shall not be allocated an amount greater than the cost of the avoided upgrade or expansion.

“Transmission Operating Agreement” means this Agreement, including all exhibits hereto, and any agreement or combination of agreements creating rights and obligations for a transmission owner similar to the rights and obligations created by this Agreement, including all exhibits hereto. Any such agreement, including exhibits thereto, shall be considered a Transmission Operating Agreement, even if some of the rights and obligations created therein differ in material respects from those of this Agreement, including all exhibits hereto.

“Transmission Service Commencement Date” means the date that RTO West commences its provision of Transmission Services and Operational Control over the RTO West Transmission System, pursuant to the notice specified in Section 6.3.2.

“Transmission Services” means all those transmission services, as set out in the RTO West Tariff, which shall include all transmission services that the Executing Transmission Owner otherwise would be required by FERC to provide. As used in this Agreement, the term “Transmission Services” shall not include “Ancillary Services.”

“Transmission System Emergency” means an urgent event or condition affecting the RTO West Transmission System that, in the determination of RTO West, has resulted in or creates an impending threat of one or more of the following:

(a) serious injury to human health or safety (provided, however, that interruption of transmission service to any load that RTO West or any other party has a firm obligation to serve shall not in itself necessarily be deemed to create a serious and impending threat of injury to human health or safety); or

(b) serious physical damage to elements of the RTO West Transmission System or any Electric System interconnected with the RTO West Transmission System; or

(c) unintended interruption(s) of transmission service across one or more major transfer paths: (i) within the RTO West Transmission System or (ii) within any other transmission system that is directly or indirectly interconnected with the RTO West Transmission System; or

(d) deviation(s) in frequency or voltage that, if uncorrected, will lead to the loss (by operation of protective relay equipment) of critical elements of the RTO West Transmission System or of any other transmission system that is directly or indirectly interconnected with the RTO West Transmission System.

“Uncontrollable Force” means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident to or breakage, failure or malfunction of machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities (other than (1) RTO West or (2) the Executing Transmission Owner, if the Executing Transmission Owner is a federal power marketing administration, municipal corporation or other federal, tribal or state governmental entity or subdivision thereof), or any other cause beyond a Party’s reasonable control and to the extent without such Party’s fault or negligence. Economic hardship shall not constitute an Uncontrollable Force under this Agreement.

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“Unrestricted Reservation Right” means an assignable and tradeable right to schedule one megawatt of electric power and energy over any pair of injection and withdrawal points in one direction for a particular hour. Unrestricted Reservation Rights are sold by RTO West in strips of the same quantity of megawatts each hour for one hour, one day, one week, one month, one year, or such other time period as RTO West shall determine.

“Voltage Support Service” means Ancillary Service needed to maintain acceptable voltage levels on the RTO West Transmission System and to meet reactive capacity requirements at points of interconnection on the RTO West Transmission System.

“Willful Misconduct” means an action taken or not taken by a Party, which action is knowingly or intentionally taken or failed to be taken, with intent that injury or damage would result there from or which action is wantonly reckless. Willful Misconduct does not include any act or failure which is involuntary, accidental, negligent or grossly negligent.

“WRTA” means the Western Regional Transmission Association or its successor organization.

“WSCC” means the Western System Coordinating Council or its successor.

EXHIBIT B

TRANSMISSION FACILITIES

EXHIBIT C

PRE-EXISTING TRANSMISSION AGREEMENTS

EXHIBIT D

RTO WEST CONTROLLED TRANSMISSION FACILITIES

EXHIBIT E

RTO WEST CRITICAL CONTROL FACILITIES

EXHIBIT F

CATALOGUED TRANSMISSION RIGHTS

[Note: The description of Catalogued Transmission Rights shall be as described in the applicable Congestion Management Proposal, Attachment __ to the Stage 2 Filing Letter.]

[The December 2000 Company Rate Exhibit is replaced by the proposal below. This Exhibit is a work in progress and the Lawyers Committee has not reviewed this Exhibit.]

EXHIBIT G

COMPANY RATES

The Company Rate to be included in RTO West's charges to the Executing Transmission Owner's Company Loads during the Company Rate Period shall be calculated pursuant to the following formula:

Company Rate = (Company Costs +/- Transfer Charges +/- Transmission Facility Cost Sharing Payments - Transmission Reservation Fee Revenue Allocation – Revenues from Non-Converted Contracts + Transmission Reservation Fee Payments for load service) / (Company Billing Determinants);

Each Participating Transmission Owner shall be allocated Transmission Reservation Fee revenue equal to the sum of :

- (1) All Transmission Reservation Fee revenue paid by the Participating Transmission Owner's affiliate(s) for transmission that could have been provided entirely by the Participating Transmission Owner's system; plus
- (2) The lower of Transmission Reservation Fee or the Company Rate applied to reservations for newly integrated loads and regional load electing to take incremental transmission under the TRF and connected to the PTO's system.

(3) The allocation of the remaining Transmission Reservation Fee for service to newly integrated loads and regional load electing to take incremental transmission under the TRF after subtracting the amount of revenues in (2) above (that is, the TRF directly assigned to PTO's where the load is being served). This third allocation will not include the PTO who received direct allocation in (2) and will be the owners relative share of the sum of:

- a. Reference year revenues from the sale of short-term and nonfirm transmission to entities other than affiliate(s); plus
- b. The amount, if any, by which actual long-term contract revenues (Transfer Charge revenues and Non-Converted Transmission Agreement revenues) are less than reference year long-term contract revenues. (The reference year shall be the last full calendar year prior to RTO West operation.)

(4) Total Transmission Reservation Fee revenue remaining after allocation to the Participating Transmission Owners under (1), (2) and (3) multiplied by the Participating Transmission Owner's relative share of the sum of:

- a. Reference year revenues from the sale of short term and nonfirm transmission to entities other than affiliate(s); plus
- b. The amount, if any, by which actual long term contract revenue (Transfer Charge revenues and Non-Converted contract revenues) are less than reference year long term contract revenue.

The reference year shall be the last full calendar year prior to RTO West operation.

The Transmission Reservation Fee Allocation will be forecasted for setting the initial Company Rate. Thereafter, the Company Rate will be adjusted automatically to reflect actual Transmission Reservation Fee Allocation.

[The December 2000 Annual Transfer Charge Amounts Exhibit is replaced by the proposal below. This Exhibit is a work in progress and the Lawyers Committee has not reviewed this Exhibit.]

EXHIBIT H

ANNUAL TRANSFER CHARGE AMOUNTS

The Executing Transmission Owner agrees that for purposes of calculating Company Rates, the Transfer Charges set forth herein and applicable to the Executing Transmission Owner shall be applied by RTO West when and if the associated agreements are converted to RTO West Transmission Use Service, for the term of the pre-existing agreements. This Exhibit H will be revised to include any additional Long-Term Agreements arranged prior to RTO West operations.

Participating Transmission Owner — Bonneville Power Administration

A. Transfer Charges receivable from:

(1) Electric Utility A

(a) Long-Term Wheeling Revenues [**Note: Amounts listed will include the total of all such Long-Term wheeling received revenues from the Electric Utilities and from its affiliates.**]

(list agreement, duration and amount)

(2) Electric Utility B, etc.

B. The Bonneville Power Administration does/does not elect for the Transfer Charge adjustment provisions of this Exhibit H to apply to all Transfer Charges set forth above (other than those Transfer Charges identified above as nonadjustable under applicable Pre-Existing Transmission Agreements).

[Repeat the same listings for every potential Participating Transmission Owner with Transfer Charge rights or obligations, including Canadian entities and Electric Utilities served under Company Rates of Participating Transmission Owners.]

Transfer Charge adjustment: If a Participating Transmission Owner has elected not to apply the Transfer Charge adjustment, its Transfer Charge entitlements as shown above throughout the Company Rate Period shall be the amounts as stated in this Exhibit H. If a Participating Transmission Owner has elected to apply the Transfer Charge adjustment, upon any filing of a Company Cost change (subsequent to the initial Company Cost filing), RTO West shall determine the increase or decrease in such Participating Transmission Owner's unit transmission costs, based on such Participating Transmission Owner's actual transmission costs during a historical period and pursuant to a formula to be determined by RTO West and to be specified in an amendment to the RTO West Tariff. Changes to such Participating Transmission Owner's unit transmission costs shall reflect, among other items, Transmission Reservation Fee Allocation and changes in Pre-Existing Contract revenues and Transfer Charges. Such unit cost percentage increase or decrease shall be applied to adjust all Transfer Charges specified in this Exhibit H as owed to such Participating Transmission Owner, other than those Transfer Charges identified above as non-adjustable under applicable Pre-Existing Transmission Agreements.

EXHIBIT I

TRANSMISSION RESERVATION FEE

Payment of the Transmission Reservation Fee provides Unrestricted Reservation Rights to schedule between any pair or pairs of injection and withdrawal points on the RTO West Grid up to the quantity purchased for the time period purchased. All schedules must be either (1) based on Non-Converted Contracts and load Serving Obligations, (2) accompanied by Historic Reservation Rights; or (3) Accompanied by Unrestricted Reservation Rights. Loads within RTO west may have any combination of the three but the sum of all three must equal the entire load obligation. Unrestricted Reservation Rights will be made available on an unlimited basis by RTO West hourly, daily, weekly, monthly, and annual blocks. Unrestricted Reservation Rights of may be remarketed.

A. Annual :

Higher of Company rate for loads or: $\frac{\text{Sum of PTOs' Annual Company Costs}}{0.9}$ x

Total 12 CP Loads plus Exports

B. Monthly Service

Higher of Company rate for loads or: $\frac{\text{Sum of PTOs' Company Costs}}{[(\text{Total 12 CP Loads plus Exports}) \times 12 \text{ months}]}$ x 0.93

C. Weekly Service:

Higher of Company rate for loads or: $\frac{\text{Sum of PTO's Company Costs}}{[(\text{Total 12 CP Loads plus Exports}) \times 52 \text{ weeks}]}$ x 0.97

D. Daily Service

Higher of Company rate for loads or: $\frac{\text{Sum of PTOs' Company Costs}}{[(\text{Total 12 CP Loads plus Exports}) \times 365 \text{ days}]}$

E. Hourly Service

Higher of Company rate for loads or: $\frac{\text{Sum of PTOs' Company Costs}}{(\text{Total 12 CP Loads plus Exports}) \times 8760 \text{ hours}}$

The 12 CP loads are the sum of the average monthly coincidental peak loads for all the PTOs' Company Loads. Exports are the sum of the RTO West average monthly coincidental peak exports. Exports include all power scheduled to withdrawal points outside the RTO West service area. The Transmission Reservation Fee for the first year of RTO West operations shall be based on the Company Costs and 12 CP Loads used to calculate the PTOs' Company rates. If a PTO's Company Billing Determinant is not based on 12 CP loads, then it will supply data to RTO west to calculate 12 CP Company Loads.

RTO West will adjust the Transmission Reservation Fee annually to reflect any changes in the

FERC-approved revenue requirements for participating owners and any changes in the actual total 12 CP loads within RTO West plus actual exports.

EXHIBIT J

GRID MANAGEMENT CHARGE

[This exhibit is not yet developed]

EXHIBIT K

FORM OF AGREEMENT TO SUSPEND PROVISIONS OF PRE-EXISTING
TRANSMISSION AGREEMENTS

EXHIBIT L

FORM OF PAYING AGENT AGREEMENT

EXHIBIT N

[Agreements for Puget Sound Energy and Portland General only:

Certain Distribution Facilities]

[This exhibit is not yet developed]