

PACIFICORP/PORTLAND GENERAL ELECTRIC

PNW AC Intertie FOIA Request

DOJ File No. 150302-GT0373-02

November 19, 2002

Customer	Contract No.
PACIFICORP	29224
	92299
	94278
	94285
	94332
	94333
	94600
	94628
PORTLAND GENERAL	29225
	56747
	63627
	92277
	92340
PGE/PAC/USBR	59840

7/8/86

INTERTIE AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PACIFIC POWER & LIGHT COMPANY

Index to Sections

<u>Section</u>	<u>Page</u>
1. Term of Agreement.....	4
2 Exhibits.....	4
3. Plan-of-Service for AC Intertie.....	4
4. AC Intertie Construction and Ownership up to Approximately 4800 MW.....	5
5. Rights of Use.....	14
6. Upgrades of the AC Intertie Above Planned Upgrade.....	21
7. Scheduling.....	22
8. Losses.....	22
9. Waivers.....	22
10. Construction and Operation of Parallel Facilities.....	23
11. Sale or Assignment.....	24
12. Extension of Existing Agreements.....	25
13. Execution of Other Agreements.....	26
14. Arbitration.....	26

<u>Section</u>	<u>Page</u>
15. Rules of Law.....	27
16. Delay of Performance.....	28
17. Regulatory Jurisdiction.....	28
18. Severability and Breach.....	28
19. Definitions.....	29
Exhibit A ("Sharing of Costs in Current Plans for Modification of Malin Substation").....	4
Exhibit B ("Annual Charge Component for Transmission Facilities Owned by Pacific").....	4
Exhibit C ("Alvey to Meridian Investment Allocation").....	4
Exhibit D ("Sharing of Costs of Potential Reinforcements if Alvey-Meridian is Built and Bonneville does not Participate").....	4
Exhibit E ("Lines Serving Pacific's Load Area").....	4

-----

This INTERTIE AGREEMENT, executed July 8, 1986 by the BONNEVILLE POWER ADMINISTRATION (Bonneville) and PACIFIC POWER & LIGHT COMPANY (Pacific), an assumed business name of PacifiCorp, a corporation organized and existing under the laws of Maine.

W I T N E S S E T H:

WHEREAS Bonneville and Pacific have entered into Contract No. DE-MS79-79BP90091 (Midpoint-Medford Agreement) and have interpreted the Midpoint-Medford Agreement in a letter dated July 8, 1986 (Letter of Interpretation); and

WHEREAS the Parties hereto desire to amend the Midpoint-Medford Agreement in this Agreement; and

WHEREAS Pacific presently has a 115 kV interconnection with Pacific Gas & Electric Company at Delta, California; and

WHEREAS Bonneville and Pacific are Parties to Contract No. 14-03-59840 (Malin Substation Construction Agreement) which provides for rights and obligations regarding construction, operation, ownership and use of the Malin Substation and desire to continue such agreement for the term of this Agreement; and

WHEREAS Pacific intends to build a 500 kV line from Alvey Substation to Meridian Substation (Alvey-Meridian Line) to provide increased Load Carrying Capability; and

WHEREAS Bonneville may wish to expand the Rated Transfer Capability of the AC Intertie above 3200 MW and any such expansion may require Bonneville to own or use 50 percent of the Incremental Capacity of the Alvey-Meridian Line; and

WHEREAS nothing in this Agreement is intended to be determinative of transmission or ownership rights of utilities not party to this Agreement;

NOW, THEREFORE, in the interest of resolving issues of AC Intertie rights and service to Pacific's Load Area, now and in the future, Bonneville and Pacific are entering into this Agreement to accomplish the following goals:

(a) To enable Bonneville's planning, construction, operation and maintenance of an AC Intertie with a Rated Transfer Capability of approximately 4800 MW; and to enable Pacific's planning, construction, operation and maintenance of facilities to serve its Load Area.

(b) To permit Bonneville's acquisition of a portion of, or right to use Incremental Capacity in, Pacific's planned Alvey-Meridian Line and specified use of the existing Meridian-Malin line in order to achieve an AC Intertie Rated Transfer Capability of up to 4800 MW.

(c) To permit the Parties' specified use of the Buckley-Alvey Loop in a manner that does not jeopardize reliable service on either Party's system.

(d) To limit Pacific's right to use its own facilities to schedule power and energy from its Load Area to adjoining areas and to ensure that this right is exercised in a manner that does not reduce the Operational Transfer Capability of the AC Intertie.

(e) To facilitate joint development of facilities by Bonneville and Pacific as specified in this Agreement.

(f) As between the Parties, to facilitate the economical development and fair allocation of any AC Intertie transfer capability above 4800 MW.

•It is the intention of the Parties that this Agreement be implemented and interpreted to best effectuate the above-stated goals. To the extent this Agreement makes reference to not unreasonably withholding consent or agreement, the reasonableness of each Party's position will be judged with reference to the above-stated goals.

1. Term of Agreement. This Agreement shall be effective on the date of execution (Effective Date) and shall terminate on December 31, 2016, unless the Parties execute a comprehensive amendment of the Midpoint-Medford Agreement, in which case this Agreement will terminate on December 31, 2025.

2. Exhibits. Exhibits A through E are incorporated as part of this Agreement. Revisions to the Exhibits shall be by mutual consent.

3. Plan-of-Service for AC Intertie.

(a) Bonneville's Right to Establish Plan-of-Service. Pacific agrees that Bonneville alone shall have the right to locate the Southern Oregon Substation and the right to establish any Plan-of-Service for upgrading the AC Intertie to approximately 4800 MW, provided such Plan-of-Service is in keeping with Prudent Utility Practice, and further provided such Plan-of-Service does not result in reducing Pacific's Load Carrying Capability.

(b) Pacific's Right to Comment. Bonneville shall provide Pacific the opportunity to comment on any such Plan-of-Service Bonneville may establish.

4. AC Intertie Construction and Ownership up to Approximately 4800 MW.

(a) Alvey-Meridian Line Option. To achieve the upgrade of the AC Intertie to a Rated Transfer Capability of approximately 4800 MW, the Parties hereto recognize that Bonneville may require Incremental Capacity in Pacific's Alvey-Meridian Line as defined herein. Pacific hereby grants Bonneville an irrevocable option for the term of this Agreement to acquire a 50 percent undivided ownership interest in the Alvey-Meridian Line, which ownership interest shall survive the term of this Agreement. Pacific's present sunk costs in existing lines, facilities, or rights-of-way used in building the Alvey-Meridian Line shall not be included in any cost computation made in implementing the provisions of this section. For the term of this Agreement, Bonneville agrees to limit the use of such ownership interest to support and provide AC Intertie transfer capacity. If Bonneville exercises the irrevocable option described below, Bonneville shall own 50 percent of the Incremental Capacity in such line. Pacific provides such irrevocable option pursuant to the following terms and conditions:

(1) If Bonneville requires the Alvey-Meridian Line in order to implement its Plan-of-Service, Bonneville shall exercise its option to acquire a 50 percent ownership interest by providing Pacific an irrevocable notice of such requirement in writing no later than 36 months prior to the date Bonneville requests the line to be in service.

(A) Pacific shall construct the Alvey-Meridian Line on Bonneville's schedule for the AC Intertie upgrade; provided, however, that Pacific may construct and Bonneville shall acquire a 50 percent

ownership interest in such line on an accelerated schedule if Pacific requires an earlier in-service date; and

(B) Bonneville and Pacific shall share, in accordance with the percentages specified in Exhibit C, the actual costs of facilities associated with construction of the Alvey-Meridian Line; and

(C) Bonneville shall pay 42 percent and Pacific shall pay 58 percent of the operation and maintenance costs of those facilities specified in Exhibit C, for which Bonneville and Pacific are to share in construction costs. Pacific shall bear all operation and maintenance costs for those facilities used exclusively to serve Pacific's own loads.

(D) Pacific and Bonneville shall act in good faith and use best efforts, including utilization of all reasonable legal remedies, to obtain and protect all necessary permits and licenses for the Alvey-Meridian Line. If Bonneville exercises its option by providing Pacific notice, as provided above, and Pacific is unable to obtain permits and licenses necessary to complete construction on or prior to Bonneville's schedule, Bonneville may, without acquiring an interest in or right to use the Alvey-Meridian Line, proceed with alternatives to the Plan-of-Service. If Pacific chooses to participate in Bonneville's alternate Plan-of-Service, the alternate Plan-of-Service shall provide Pacific up to 1875 MW of Load Carrying Capability, and Bonneville and Pacific shall equitably share the costs. Bonneville and Pacific shall negotiate their respective cost shares in good faith. An alternate Plan-of-Service may include construction of the Alvey-Meridian Line by Bonneville, and if so:

(i) Pacific will make its right-of-way interest available to Bonneville, and

(ii) There shall be no limitations on Bonneville's use of its share of the Alvey-Meridian Line.

(2) If Bonneville has not exercised its option as provided in paragraph 4(a)(1) and Pacific requires the Alvey-Meridian Line, Pacific shall give Bonneville written notice of its election to proceed with construction. Pacific agrees to limit the use of the Alvey-Meridian Line to support Load Carrying Capability. In the event that Bonneville subsequently requires the Alvey-Meridian Line to implement its Plan-of-Service, Bonneville may elect any one of the following three options:

(A) At any time prior to the termination of this Agreement, Bonneville may give Pacific written notice of an election to pay a monthly wheeling charge and thereby obtain rights to use 50 percent of the Incremental Capacity of the Alvey-Meridian Line. Pacific will file such wheeling rate with the Federal Energy Regulatory Commission (FERC) or its successor agency. Bonneville's rights and payments hereunder become effective upon acceptance of such filing by FERC. In the event the rate finally accepted by FERC differs from the filed rate, a retroactive adjustment will be made. Such rate shall be designed to recover 50 percent of Pacific's annual capital costs of the shared facilities specified in Exhibit C and shall include Bonneville's share of the operation and maintenance costs consistent with the provision of subparagraph 4(a)(1)(C). Pacific's annual capital costs shall be determined in accordance with Exhibit B; or

(B) At any time prior to January 1, 2000, Bonneville may acquire a 50 percent undivided ownership interest in the Alvey-Meridian Line and 50 percent of the Incremental Capacity by paying Pacific 50 percent of the original cost plus capital improvements less depreciation, as determined in accordance with generally accepted accounting principles, of the shared facilities specified in Exhibit C. If Pacific incurs any additional income tax expense or gains as a result of such acquisition by Bonneville, Pacific shall correspondingly adjust the purchase price of the facilities specified in Exhibit C to reflect such tax expense or gains. If Pacific incurs any other unavoidable expense as a result of an acquisition by Bonneville, Pacific shall increase the purchase price by an amount equal to 50 percent of such unavoidable expense. Thereafter, Bonneville shall pay a share of operation and maintenance costs consistent with the provisions of subparagraph 4(a)(1)(C); or

(C) At any time including and after January 1, 2000, and prior to the termination of this Agreement, Bonneville may acquire a 50 percent undivided ownership interest in the Alvey-Meridian Line and 50 percent of the Incremental Capacity by paying Bonneville's share of the actual capital costs for the facilities described in Exhibit C, adjusted by the change in the Handy-Whitman Index for electric utilities, Pacific Coast Region, for the period commencing with construction to the time of such acquisition. If Pacific incurs any additional income tax expense or gains as a result of such acquisition by Bonneville, Pacific shall correspondingly adjust the purchase price of the facilities specified in Exhibit C to reflect such tax expense or gains. If Pacific incurs any other unavoidable

expense as a result of an acquisition by Bonneville, Pacific shall increase the purchase price by an amount equal to 50 percent of such unavoidable expense. Thereafter, Bonneville shall pay a share of the operation and maintenance expense consistent with the provisions of subparagraph 4(a)(1)(C).

(3) Bonneville and Pacific agree to interconnect their respective systems at Spencer or the Alvey Substation, or the vicinity thereof, coincident with the energization of the Alvey-Meridian Line. Bonneville and Pacific shall enter into agreements as specified in sections 12 and 13 of this Agreement.

(4) Notwithstanding any of the foregoing provisions, if Bonneville has not exercised any of the options set forth in paragraphs 4(a)(1) or 4(a)(2) by the date that Pacific's retail load in its Load Area plus transfer obligations for Bonneville into the Load Area, exclusive of transfers to Surprise Valley Electric Cooperative pursuant to Contract No. DE-MS79-82BP90049, exceeds 1800 MW, Bonneville shall forfeit all such options.

(5) Bonneville is not required by this Agreement to acquire or use any capacity in Pacific's Alvey-Meridian Line.

(b) Southern Oregon Substation. Bonneville shall have the right to locate, construct, and own the Southern Oregon Substation and the associated interconnection to COTP. Bonneville's ownership shall include the land on which the substation and the interconnection are located. If Bonneville has (1) acquired an interest in or the right to use the Alvey-Meridian Line, as provided for in this Agreement, or (2) provided notice pursuant to paragraph 4(a)(1) and Pacific is unable to complete the Alvey-Meridian Line because of an inability to obtain necessary permits and licenses, Bonneville shall have

the right to connect the Southern Oregon Substation to Pacific's 500 kV system between Meridian Substation and Summer Lake Substation where the COTP may interconnect with the AC Intertie subject to the following terms, conditions and exceptions:

(1) Bonneville shall not be required to acquire an interest in or right to use the Alvey-Meridian Line in order to connect the COTP with facilities not owned by Pacific including facilities at Malin Substation, Summer Lake Substation, and the Grizzly-Malin Intertie lines.

(2) Bonneville shall construct and own terminal equipment, lines, and facilities required to interconnect the COTP with the Southern Oregon Substation.

(3) Bonneville shall construct and own the series and shunt compensation equipment and facilities located in or near the Southern Oregon Substation or on the associated line required to connect to the COTP.

(4) If Bonneville decides to connect the Southern Oregon Substation to Pacific's Summer Lake-Malin-Meridian 500 kV line:

(A) Pacific shall have the right to construct, or cause Bonneville to construct, terminal equipment and facilities, which Pacific shall own, including the land on which such facilities are located, required to loop Pacific's 500 kV line into the Southern Oregon Substation, and Pacific and Bonneville will share equally in the cost of such facilities. To the extent that other entities agree to pay for power circuit breakers at the Southern Oregon Substation, those payments will be shared by Bonneville and Pacific in proportion to their investment in such power circuit breakers.

(B) Bonneville and Pacific shall enter into an agreement governing the operation and maintenance of the Southern Oregon Substation; and

(C) Pacific, at its expense and subject to Prudent Utility Practice, may install transformation equipment at the Southern Oregon Substation and Bonneville shall cooperate in the original design of such substation so as to facilitate subsequent installation of transformation equipment by Pacific. Pacific agrees to provide Bonneville the one-line-diagram and plot plan for the installation of transformation equipment in a timely fashion for inclusion in Bonneville's Plan-of-Service. Subsequent changes in the one-line-diagram or plot plan of transformation equipment are subject to mutual consent.

(c) Modification of Facilities.

(1) Except in regard to the Malin Substation, which is separately provided for in paragraphs (2), (4), and (5) below, Pacific agrees that it will make or permit Bonneville to make, at Bonneville's expense, any improvements or modifications of Pacific's facilities in the Buckley-Alvey Loop that are required to accomplish Bonneville's Plan-of-Service. Bonneville shall own such improvements or modifications unless they cannot be removed without impairment or damage to Pacific's facilities, in which case such modifications or improvements shall be jointly owned by Bonneville and Pacific.

(2) Pacific hereby consents to those improvements or modifications in the Buckley-Alvey Loop including the Malin Substation necessary for Bonneville to: (A) upgrade the AC Intertie to approximately 3200 MW; (B) upgrade the DC Intertie to approximately 3100 MW; and (C) implement

presently-planned reliability enhancements. By giving this consent, Pacific shall not be deemed to be agreeing to share in the costs of any such improvements or modifications, except as provided in paragraph (4) below. The Parties shall negotiate in good faith to establish a fair allocation of costs associated with modifications in the Malin Substation not provided for in paragraph (4) below.

(3) Prior to such time as Bonneville gives notice to Pacific, as provided for in this Agreement, of its election to acquire an interest in or right to use the Alvey-Meridian Line, Pacific shall be free, at its expense, to make improvements or modifications of its facilities in the Buckley-Alvey Loop west of Malin.

(4) Pacific shall permit Bonneville to make the improvements to the Malin Substation specified in Exhibit A and shall pay a share of the actual costs of such improvements as specified in Exhibit A. Pacific's ownership interest in such improvements shall be equal to the percentages specified in Exhibit A.

(5) Except as provided for in paragraphs (1), (2), (3), or (4) above, any improvements or modifications of the Buckley-Alvey Loop shall be by mutual consent, which consent shall not be unreasonably withheld. Except as provided for in paragraph (4) above, installation of any equipment in the Malin Substation shall be made pursuant to the terms of the Malin Substation Construction Agreement.

(6) At any time after Bonneville acquires an ownership interest in or the right to use the Alvey-Meridian Line as provided in this Agreement, if Bonneville determines additions or modifications to the Alvey-Meridian Line are necessary to implement the Plan-of-Service or to maintain the Rated Transfer Capability or Operational Transfer Capability associated

with such upgrade, Bonneville may by written notice cause Pacific to add such equipment or make such modifications, and Bonneville and Pacific shall share equally in the costs and ownership of such additions and modifications. Pacific and Bonneville shall share equally any Incremental Capacity resulting from such modification.

(d) Financing by Pacific.

(1) At Bonneville's request, Pacific shall arrange for the sale or issuance of obligations to finance Bonneville's costs associated with the Southern Oregon Substation, the tap line to the COTP, and Bonneville's acquisition of a 50 percent ownership interest in the Alvey-Meridian Line as provided for in this Agreement. Such request shall be made in writing and shall allow Pacific reasonable time to make such arrangements. Bonneville shall have the right to approve or disapprove such arrangements prior to the sale or issuance of any obligation or financing arranged by Pacific pursuant to this paragraph. In the event Bonneville approves such arrangements for financing, Pacific, to the extent it holds the proceeds of the financing, shall keep such proceeds, net of the issuance costs, separately identified and distinguished from all other Pacific funds.

(2) The proceeds of any financings, net of issuance costs, shall be paid into a trust. Bonneville and Pacific shall mutually agree on a form of trust agreement and the selection of a trustee. The trustee shall pay construction costs or amounts owing to Pacific, as applicable, together with payments of any capitalized financing costs incurred during construction and capitalized carrying costs on such costs, if any.

(3) Pacific shall attempt to obtain the least possible cost financing available. Pacific shall not be required to seek financing based on its own credit unless financing based solely on Bonneville's

payment obligations is not available. Pacific need not make available to Bonneville any financing opportunities that Pacific intends to use to finance other Pacific costs. Pacific will not use any financing opportunity that results from any financing proposal made at Bonneville's request to finance any other Pacific costs.

(4) Pacific need not attempt any form of financing that:

(A) May cause Pacific to become a Holding Company under the Public Utility Holding Company Act of 1935, 15 USC § 79 et seq.;

(B) Would be contrary to the restrictions of any law, order, regulation, or judicial decree of any applicable jurisdiction; or

(C) Would be contrary to any Pacific bond indenture, preferred stock covenant, or other Pacific financial commitment.

(5) In addition to its payment of operation and maintenance expenses otherwise provided for in this Agreement, Bonneville shall reimburse Pacific for any and all payments of principal and interest owing on obligations issued by Pacific and approved by Bonneville pursuant to subsection 4(d).

## 5. Rights of Use.

(a) Determination of AC Intertie Rated Transfer Capability and Operational Transfer Capability. Pacific agrees that Bonneville may determine the Rated Transfer Capability and Operational Transfer Capability of the AC Intertie, provided such determination is in keeping with Prudent Utility Practice, and further provided it does not have the effect of reducing Pacific's ability to serve up to its Load Carrying Capability as specified in this section.

(b) Bonneville's Right to Use of Pacific's Malin-Meridian Line. Commencing on the date Bonneville determines that the AC Intertie Rated

Transfer Capability is at least 4000 MW and provided that Bonneville has (1) acquired an interest in or right to use the Alvey-Meridian Line as provided in this Agreement or (2) provided notice pursuant to paragraph 4(a)(1) and Pacific is unable to complete the Alvey-Meridian Line because of an inability to obtain necessary permits and licenses, Pacific shall provide Bonneville, at no charge, sufficient capacity in the Malin-Meridian line for Bonneville's AC Intertie transactions for itself or on behalf of other parties to enable Bonneville to operate the AC Intertie at its Rated Transfer Capability. To the extent modifications in the Malin-Meridian line are required to effectuate this subsection the cost of such modifications shall be borne equally by Bonneville and Pacific.

Pacific shall operate and maintain the Malin-Meridian line to maintain the Rated Transfer Capability on the AC Intertie in keeping with Prudent Utility Practice.

(c) Bonneville's Rights and Obligations for Intertie Service. Pacific agrees that Bonneville has the right to operate the AC Intertie up to its Rated Transfer Capability or Operational Transfer Capability, subject to the following terms and conditions:

(1) Bonneville shall provide reactive support to maintain the Rated Transfer Capability of the AC Intertie.

(2) Bonneville shall provide transmission reinforcement to maintain the Rated Transfer Capability of the AC Intertie.

(3) Bonneville shall not rate or operate the AC Intertie in a manner that interferes with Pacific's use of its Load Carrying Capability as described in paragraphs 5(d)(1), 5(d)(2), and 5(d)(3) below. However, Bonneville may make use of Pacific's unused Load Carrying Capability for

AC Intertie transactions for itself or on behalf of other parties at no additional charge, except as otherwise provided in this Agreement.

(d) Pacific's Rights and Obligations for Service to Load.

(1) Until such time as Pacific modifies its facilities as provided in section B(1)(c)(3)(a) of Contract No. DE-MS79-82BP90924, Pacific shall have a Load Carrying Capability of 1150 MW.

(2) If the Alvey-Meridian Line is constructed, then Pacific shall have the right to serve Pacific's Load and parallel paths, pursuant to section 10, up to the Load Carrying Capability specified as follows:

(A) If Bonneville participates in the Alvey-Meridian Line, then Pacific shall have a Load Carrying Capability of 1875 MW.

(B) If Bonneville does not participate in the Alvey-Meridian Line, then Pacific shall have a Load Carrying Capability of 2350 MW subject to the energization of any additional facilities agreed to by the Parties under subsection 5(e).

(C) By the date when Pacific's Load is expected to exceed the Load Carrying Capability recognized in subparagraphs 5(d)(2)(A) and 5(d)(2)(B), Pacific shall provide additional facilities to supply power to its Load Area.

(3) The Load Carrying Capability specified in this section may be correspondingly increased if new transmission facilities are constructed or if modifications are made to transmission facilities that increase the Load Carrying Capability. The effect of any such additions or modification of transmission facilities on Load Carrying Capability shall be established by mutual agreement of the Parties using the results of joint planning studies conducted pursuant to paragraph 5(d)(4), and such mutual agreement shall not be unreasonably withheld.

(4) Pacific's Load in its Load Area, and the date that such load is expected to exceed the Load Carrying Capability, shall be mutually determined by joint planning studies conducted annually, or as otherwise mutually agreed, by Pacific and Bonneville in accordance with normal utility planning criteria. Such studies shall be based on mutually agreed to load forecasts for Pacific's Load, as well as records of actual metered power flows on the then existing transmission lines serving the Load Area. Pacific and Bonneville shall furnish any data reasonably required for the joint planning study.

(5) Pacific shall provide reactive support and internal transmission reinforcement for Pacific's Load, including, but not limited to, 500/230 kV transformation, and 230 kV and below transmission reinforcement. To the extent Pacific fails to provide such reinforcements Bonneville shall not be obligated to reduce the Rated Transfer Capability or Operational Transfer Capability of the AC Intertie.

(e) Planning for Facility Additions, and Participation in Reinforcements. If the Alvey-Meridian Line is constructed and Bonneville does not participate, Bonneville and Pacific recognize that in order to serve the combined requirements of the Load Carrying Capability specified in subparagraph 5(d)(2)(B) and the Rated Transfer Capability and Operational Transfer Capability of the AC Intertie, facility additions will be required. Based on preliminary studies, the list of potential facility additions in Exhibit D was developed. Bonneville and Pacific agree that on the basis of joint planning studies, conducted pursuant to paragraph 5(d)(4), a schedule for the needed reinforcements will be prepared, and the Parties will be obligated to participate in said reinforcements based on the cost share specified. If either Party does not participate, then the Load Carrying

Capability, Rated Transfer Capability and Operational Transfer Capability of that Party will be commensurately reduced, based on the principle that rights and obligations on the presently existing system shall not be impaired.

(f) Pacific's Scheduling Rights Between 3,200 MW and 4,000 MW.

Commencing on the date Bonneville determines that the Rated Transfer Capability of the AC Intertie is at least 3,200 MW and until such time as Bonneville determines that the Rated Transfer Capability of the AC Intertie is 4000 MW or more, Pacific's Scheduling Rights at Malin Substation as described in the Letter of Interpretation dated July 8, 1986, shall be increased by 0.125 MW for each megawatt of increase in the Rated Transfer Capability of the AC Intertie between 3200 MW and 4000 MW. Such increase in Scheduling Rights shall be subject to the following terms and conditions:

(1) To the extent Pacific has unused Scheduling Rights available in any hour, such unused Scheduling Rights shall be available to Bonneville for Intertie transactions at no charge.

(2) Any schedules by Pacific in excess of the sum of 300 MW per hour and the amount of additional scheduling rights available to Pacific pursuant to this subsection (f) shall be deemed to be transmitted over the AC Intertie from John Day Substation, or any other AC Intertie delivery point subsequently established by Bonneville, and shall be subject to Bonneville's then-effective Intertie Access Policy, Pacific's rights under other agreements, and the IS-85 Rate Schedule, or its successor, plus Intertie losses. Bonneville shall provide transmission services to Pacific pursuant to the same policies and rates that are generally applicable to Bonneville's other Regional utility customers.

(3) To the extent Pacific schedules energy through Malin pursuant to this subsection (f) and the Letter of Interpretation dated July 8, 1986,

it shall pay Bonneville's IS-85 transmission rate, or its successor, on a quantity of energy equal to the result of the following equation:

$$E = S - (800,000 + 2,667X)$$

Where:

E = Megawatt-hours of energy for which IS-85 wheeling charges are to be paid

S = Megawatt-hours of energy scheduled by Pacific through Malin during calendar year

X = Megawatts of additional scheduling rights available to Pacific pursuant to this subsection (f)

(4) If insufficient capacity exists in the Midpoint-Malin line segment for Pacific to use its Scheduling Rights of 300 MW per hour plus the amount of additional scheduling rights available to Pacific pursuant to this subsection (f), any increment shall be deemed to be transmitted from the John Day Substation, or any other AC Intertie delivery point subsequently established by Bonneville, and shall be subject to the IS-85 Rate Schedule, or its successor, plus Intertie losses. Transmission service over the Federal Transmission System shall carry charges and losses as specified in the Midpoint-Medford Agreement.

(5) Pacific's Load Carrying Capability, as described in subparagraph 5(d)(2)(b) shall be reduced by one and one-half megawatts for each one megawatt of increased scheduling rights obtained by Pacific pursuant to this subsection (f).

(6) During times when the AC Intertie Operational Transfer Capability is less than the AC Intertie Rated Transfer Capability, Pacific's Scheduling Rights shall be an amount determined by multiplying the Operational Transfer Capability by the ratio of 300 MW plus the

additional Scheduling Rights obtained by Pacific pursuant to this subsection (f) to the Rated Transfer Capability of the AC Intertie.

(g) Pacific's Scheduling Rights in Excess of 4,000 MW. Commencing on the date Bonneville determines that the Rated Transfer Capability of the AC Intertie is 4000 MW or more, neither the Letter of Interpretation dated July 8, 1986, nor subsection (f) will be used to establish the extent of Pacific's Scheduling Rights or Intertie charges to be paid by Pacific. Instead, at such time, Pacific shall have Scheduling Rights of 400 MW under the following terms and conditions:

(1) Pacific's rights to schedule 400 MW through Malin may be scheduled to the Southern Oregon Substation, if such substation is constructed and in service.

(2) To the extent Pacific has unused Scheduling Rights available in any hour, such unused Scheduling Rights shall be available to Bonneville for AC Intertie transactions at no charge.

(3) Any deliveries by Pacific in excess of 400 MW per hour shall be considered to be transmitted over the AC Intertie from John Day Substation, or any other AC Intertie delivery point subsequently established by Bonneville, and shall be subject to Bonneville's then-effective Intertie Access Policy, Pacific's rights under other agreements, and the IS-85 Rate Schedule, or its successor, plus Intertie losses. Bonneville shall provide transmission services to Pacific pursuant to the same policies and rates that are generally applicable to Bonneville's other regional customers.

(4) If insufficient capacity exists in the Midpoint-Malin line segment for Pacific to use its 400 MW per hour Scheduling Right, any increment shall be deemed to be transmitted from the John Day Substation,

or any other AC Intertie delivery point subsequently established by Bonneville, and shall be subject to the IS-85 Rate Schedule, or its successor, plus Intertie losses. Transmission services over the Federal Transmission System shall carry charges and losses as specified in the Midpoint-Medford Agreement.

(5) During times when the AC Intertie Operational Transfer Capability is less than the AC Intertie Rated Transfer Capability, Pacific's Scheduling Rights at Malin as described herein shall be an amount determined by multiplying the Operational Transfer Capability by the ratio of the 400 MW to the Rated Transfer Capability of the AC Intertie.

(6) If Pacific's Load Carrying Capability has been reduced pursuant to paragraph 5(f)(5) then such reduction shall continue.

(h) Amendment of Midpoint-Medford Agreement. The second sentence of section 4 of the Midpoint-Medford Agreement shall be amended to read:

"The Company shall have the use of 240 megawatts of scheduling capability in the Buckley-Summer Lake Line segment and Bonneville shall have the use of 500 megawatts of scheduling capability above the Company's 1,000 megawatts of capability in the Summer Lake-Malin Line segment; provided however that such amounts shall increase to 340 and 1,000 megawatts respectively upon completion of facilities to connect the Buckley-Summer Lake line to the AC Intertie or upon the increase of the transfer capacity of the AC Intertie to 4,000 megawatts or more."

6. Upgrades of the AC Intertie Above Planned Upgrade. After Bonneville has determined that the AC Intertie Rated Transfer Capability is at least 4800 MW, but not more than 4900 MW, Bonneville and Pacific agree that if any additions or changes to the Buckley-Alvey Loop or other jointly owned facilities are required to increase the Rated Transfer Capability of the AC Intertie, such additions or changes shall be by

mutual consent of the Parties hereto, which consent shall not be unreasonably withheld.

Bonneville and Pacific shall have the right, but not the obligation, to participate equally in such increase in the AC Intertie Rated Transfer Capability resulting from such additions or changes, and, if they do so, each shall share equally in the costs of such additions or changes to the Buckley-Alvey Loop or other jointly owned facilities required for such increases.

7. Scheduling.

(a) Bonneville and Pacific shall schedule through the Joint Intertie Scheduling Office all schedules to southwest entities at the Malin and Southern Oregon Substations.

(b) Pacific shall notify the Joint Intertie Scheduling Office each recognized workday of the planned schedules over Pacific's parallel facilities, as described and limited in section 10, for the following day or days. Pacific shall also provide Bonneville's schedulers with all preschedule modifications prior to the hour of such schedules in accordance with standard scheduling practices.

8. Losses. The provisions of this Agreement may alter the losses experienced on each Party's system. The Parties agree to assess the impact of this Agreement on losses and equitably allocate compensation for those losses.

9. Waivers.

(a) Pacific waives all rights under section 11(c) of the Midpoint-Medford Agreement.

(b) Except as specified in this Agreement, Pacific waives any claim to any ownership share or right to use the AC Intertie Rated Transfer

Capability or to additional Scheduling Rights based on its ownership of (1) existing facilities as such facilities may be modified or (2) the Alvey-Meridian Line.

10. Construction and Operation of Parallel Facilities.

(a) Pacific's right to construct and right to operate existing and new interconnections with Pacific Gas & Electric Company or other utilities adjoining Pacific's service territory in Southern Oregon and Northern California in parallel with the AC Intertie shall be subject to the following terms and conditions:

(1) The interconnection shall operate at 230 kV or below and shall include a phase shifter, unless the Parties mutually agree that a phase shifter is not required.

(2) On any given hour the sum of Pacific's Load and the schedule on the parallel path shall not exceed the Load Carrying Capability.

(3) Pacific's total Rated Transfer Capability on such interconnections shall not exceed 300 MW, provided, however, commencing on the date when the Rated Transfer Capability of the AC Intertie is at least 4000 MW Pacific's Rated Transfer Capability shall not exceed 400 MW. The total Rated Transfer Capability shall include the 100 MW Cottonwood Interconnection. The Operational Transfer Capability shall never exceed the Rated Transfer Capability.

(4) Pacific shall schedule as provided in subsection 7(b) herein. In no case shall such schedules exceed the Operational Transfer Capability of such interconnections.

(5) Pacific shall make available to Bonneville telemetry of the actual power flow over Pacific's parallel path interconnections.

(6) Construction or operation of such interconnections shall not reduce or adversely impact the Operational Transfer Capability of the AC Intertie. If Bonneville determines the operation of any such interconnection reduces or impacts the Operational Transfer Capability of the AC Intertie on any hour, and AC Intertie users have need of additional Operational Transfer Capability on the AC Intertie, upon Bonneville's request Pacific shall reduce schedules to the extent needed to eliminate such impact. Pacific shall not be required to reduce schedules on the parallel paths if the Operational Transfer Capability of the AC Intertie is reduced as a result of outages on the AC Intertie.

(b) Pacific shall not construct, participate in, or allow new interconnections for any 345 kV or above transmission lines or facilities from any point on Pacific's system in Oregon to the existing two Malin-Round Mountain-Table Mountain 500 kV lines or the COTP north of Table Mountain.

11. Sale or Assignment.

(a) This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the parties to this Agreement.

(b) Pacific and Bonneville agree not to sell, assign, lease, sublease, or otherwise transfer this Agreement or any interest therein, without the written consent of the other Party, such consent not to be unreasonably withheld. Pacific and Bonneville also agree not to sell, assign, lease, sublease, or otherwise transfer any direct or indirect

interest in the Malin Substation, Summer Lake-Malin line, Malin-Meridian line, or the Alvey-Meridian Line, without the written consent of the other Party, such consent not to be unreasonably withheld, provided, however, that Pacific's interest in such facilities may be conveyed to its respective trustees as security under a mortgage or deed of trust to secure indebtedness without such written consent, provided that each such trustee may act with respect to such interest only to the extent and in the manner that such act would have been authorized under this Agreement.

(c) If Bonneville or Pacific is acquired in total by other entities subsection 11(b) does not apply to such acquisition.

12. Extension of Existing Agreements.

Bonneville and Pacific agree that, with the exception of the Midpoint-Medford Agreement, the termination dates of the Malin Substation Construction Agreement and all agreements related to joint ownership or interconnection on the Buckley-Alvey Loop, including but not limited to arrangements for the operation and maintenance of new facilities, shall be the earlier of 30 years from: (1) the date that the Rated Transfer Capability of the AC Intertie is increased above 4000 MW; or (2) 2400 hours on December 31, 1995, provided that any such termination shall not affect any ownership rights contained in such agreements.

Bonneville and Pacific agree that the following agreements require amendments, revisions, or replacement and agree to negotiate in good faith and execute such amendments, revisions or replacement agreements:

- (a) the Midpoint-Medford Agreement, Contract No. DE-MS79-79BP90091;
- (b) Contract No. 14-03-37013;
- (c) Contract No. 14-03-62876;

- (d) Contract No. DE-MS79-83BP90909;
- (e) Contract No. 14-03-29245;
- (f) Contract No. DE-MS79-84BP91692; and
- (g) associated Transmission Agreements, including, but not limited to transmission service to Pacific's retail load over the Federal Columbia River Transmission System to Pacific's interconnection at Alvey Substation when the 500 kV Alvey-Meridian Line is energized.

13. Execution of Other Agreements. Bonneville and Pacific agree to negotiate in good faith and execute construction agreements, operation and maintenance agreements, transmission agreements, and other such agreements that may be required to implement the provisions of this Agreement.

14. Arbitration. In the event of any dispute related to rights or obligations of the Parties, or satisfaction thereof, under this Agreement, including but not limited to the amount or reasonableness of costs, identification of exclusive use facilities, extent of amortization of past costs, and the reasonableness of withholding consent, either Party may elect to submit such dispute to nonbinding arbitration. If one Party so elects, such Party shall notify the other Party in writing and both Parties shall participate pursuant to the following.

(a) If the Parties cannot agree on an arbiter within 30 days of such notification, the notifying Party shall request the American Arbitration Association to designate an arbiter with sufficient expertise in the subject under dispute.

(b) After an arbiter is agreed to or designated, the arbiter shall establish a schedule for submission of the Parties' written positions.

The Party electing the arbitration shall first state its position in a letter to the arbiter. The second Party shall then state its position in a letter to the arbiter. The first Party may then submit a response to the second Party's position and the second Party may thereafter submit a reply to the first Party's response.

(c) Each letter submitted to the arbiter shall be no more than 5 pages in length, unless the Parties otherwise mutually agree. The Parties may attach exhibits that they consider relevant to the dispute. A copy of each submission also shall be simultaneously served on the other Party.

(d) The arbiter shall provide the Parties with a written analysis of the dispute, and his or her proposed resolution of the dispute.

(e) The Parties shall equally share the fee and other costs of the arbiter.

In the event neither Party submits the dispute to nonbinding arbitration or if either Party elects not to accept the finding of the arbiter, the Parties may elect other approaches, including litigation, to resolve the dispute.

#### 15. Rules of Law.

(a) Pacific and Bonneville agree that each fully participated in the drafting of each provision of this Agreement. The rule of law interpreting ambiguities against the drafting Party shall not be applicable to or utilized in resolving any dispute over the meaning or intent of this Agreement or any of its provisions.

(b) The construction and interpretation of this Agreement shall be governed solely by Federal law.

(c) This Agreement shall not be construed to establish a partnership, association, joint venture, or trust. Neither Party shall be under the control of or shall be the agent of or have a right or power to bind the other Party without the other's express written consent, except as provided in this Agreement.

16. Delay of Performance. The time for each act specified in this Agreement shall be extended for a time equivalent to such delays, if any, as are occasioned by events which the Party hereto obligated to perform such act could not be reasonably expected to avoid by the exercise of reasonable diligence and foresight.

17. Regulatory Jurisdiction. The provisions of this Agreement are subject to such regulatory agencies having jurisdiction thereof. Nothing contained herein shall be construed as affecting in any way the right of Pacific to make application unilaterally to the FERC for a change in rates, charges, classification, or service, or any rule or regulation, or contract relating thereto, under section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

18. Severability and Breach.

(a) It is the intention of the Parties that the provisions of this Agreement be severable in the event that any of such provisions, or portions thereof, are held to be illegal, invalid or unenforceable by a court of competent jurisdiction; provided that if section 10, or any portion thereof, is found to be illegal, invalid or unenforceable by a court of competent jurisdiction, Bonneville shall have firm transmission rights to 50 percent of the total Rated Transfer Capability of any parallel interconnections other than the 100 MW Cottonwood Interconnection between Pacific and Pacific Gas & Electric or other

utilities adjoining Pacific's territory in southern Oregon and northern California. In any legal proceeding, Bonneville and Pacific shall act in good faith to defend the enforceability of all provisions of this Agreement.

(b) The Parties agree that breach of this Agreement, or any of its provisions, will cause irreparable harm and that the appropriate remedy is injunctive relief.

19. Definitions.

(a) AC Intertie. For the purposes of this Agreement, the AC Intertie consists of transmission facilities for transferring power and energy between Oregon and California as follows: two 500 kV lines extending from and including portions of the John Day Substation to and including a portion of the Malin Substation; a portion of the Buckley-Summer Lake line; Bonneville's rights in the 500 kV Summer Lake-Malin line; and, if Bonneville requires, subject to the provisions of this Agreement shall include: the use of the 500 kV Meridian-Malin line; the Southern Oregon Substation; and Bonneville's ownership of or rights to use the planned 500 kV Alvey-Meridian Line.

(b) Alvey-Meridian Line. The 500 kV transmission line facilities and substations planned by Pacific that will extend from the interconnection with Bonneville's system at Spencer or the Alvey Substation, or the vicinity thereof, to Pacific's Meridian Substation near Medford, or the successor to such planned line.

(c) Buckley-Alvey Loop. The 500 kV transmission lines, facilities, and substations from Buckley Substation south to Summer Lake Substation, continuing south to Malin Substation, west to Meridian Substation, including the Southern Oregon Substation, and the Alvey-Meridian Line.

(d) COTP. The 500 kV transmission line proposed by the California-Oregon Transmission Project, or a successor line, which will operate in parallel with the existing 500 kV AC Intertie in California.

(e) Scheduling Rights. Pacific's right to schedule through the Malin Substation as provided in this Agreement and as recognized in and under the terms and provisions of the Midpoint-Medford Agreement and the Letter of Interpretation.

(f) Incremental Capacity. For the purpose of this Agreement, Incremental Capacity means capacity realized through the construction of the Alvey-Meridian Line in excess of the capacity on the existing 230 kV Alvey-Meridian Line that must be removed as a result of construction of such 500 kV line.

(g) Joint Intertie Scheduling Office. The group of Bonneville, Pacific, and Portland General Electric schedulers presently located at Bonneville's Dittmer Control Center in Vancouver, Washington, that said entities from time-to-time appoint and designate to schedule energy over the Intertie as originally established pursuant to the Exportable Agreement, Contract No. 14-03-73155.

(h) Load Area. The geographic area encompassing portions of Southern Oregon and Northern California which is generally south of Eugene, Oregon and Bonneville's Summer Lake Substation and west of Burns, Oregon. Such geographic area shall be limited to:

(1) That area in which Pacific is authorized to provide retail electric service, now and in the future; and

(2) That area in which Pacific provides wholesale electric service at the date of execution of this Agreement;

provided that such areas are normally within Pacific's load control area.

connected to Pacific's transmission system, and served by the transmission lines in Exhibit E.

Revisions to the Load Area shall be by mutual agreement of the Parties, and such agreement shall not be unreasonably withheld.

(i) Load Carrying Capability. The capability of Pacific's transmission system, as specified in Exhibit E, serving the Load Area and parallel paths as limited by section 10 to provide firm transmission service in accordance with Prudent Utility Practice.

(j) Operational Transfer Capability. Rated Transfer Capability less reductions caused by, but not limited to, physical limitations beyond the control of the parties, operational limitations imposed by California utilities, line or equipment outages, stability limits or loop flow.

(k) Plan-of-Service. The project plans that Bonneville develops to realize an increase of the AC Intertie Rated Transfer Capability up to approximately 4800 MW, which shall include but are not necessarily limited to plans, schedules, costs, and facility and equipment requirements.

(l) Pacific's Load. Pacific's net firm load obligations within the Load Area excluding Bonneville's Surprise Valley Electric Cooperative Load transferred by Pacific pursuant to Contract No. DE-MS79-82BP90049.

(m) Prudent Utility Practice. At any particular time, the generally accepted practices, methods, and acts in the electrical utility industry prior thereto or the practices, methods or acts, which, in the exercise of reasonable judgment in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result consistent with reliability and safety.

(n) Rated Transfer Capability. The ability of a transmission line or system to transfer power in a reliable manner as determined in accordance with Prudent Utility Practice.

(o) Southern Oregon Substation. The substation where the COTP interconnects with the AC Intertie in the Pacific Northwest.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in several counterparts.

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By       /s/ Peter T. Johnson        
Administrator

Date       JUL 08 1986      

PACIFIC POWER & LIGHT COMPANY

By       /s/ Rodney M Boucher      

Title       Vice President      

Date       July 8, 1986      

(WP-PKT-0672e)

SHARING OF COSTS IN CURRENT PLANS FOR MODIFICATION OF MALIN SUBSTATION

Description	Planned Energization Date	Total (\$000)	PP&L Share
1. Replacement of the Substation Data System (SUDS) with Modern Sequential Events Recording System (SER).	Sep 1986	272	25%
2. Replacement of two oscillographs with one 32-channel, digital oscillograph with pre-fault capability.	Oct 1986	87	25%
3. Replacement of Sangamo P30F revenue meters with solid state type meters.	Oct 1986	39	25%
4. Replacement of 50A, 125 VDC battery chargers with two 75A, 125 VDC chargers.	Dec 1986	17	25%
5. Stability Control Upgrade			
Phase 1:			
Parts 1 and 2: Separate AC and HVDC Intertie stability controls; add redundant single-line-loss generator dropping from PG&E; reconfigure out-of-step lockout relays at Malin.	Completed	117	25%
Part 3: Improve line loss logic; replace obsolete transfer trip equipment.	Oct 1986	313	25%
Phase 2:			
Overbuild existing AC Intertie stability controls with an independent stability control set (Set 2).	Dec 1988	900	25%
Phase 3: Preliminary Planning Stage	Dec 1990	to be determined	
6. HVDC Modulation improvements at Malin.	Dec 1987	150	25%
7. Main control house expansion.	June 1987	300	25%

SHARING OF COSTS IN CURRENT PLANS FOR MODIFICATION OF MALIN SUBSTATION

<u>Description</u>	<u>Planned Energization Date</u>	<u>Total (\$000)</u>	<u>PP&amp;L Share</u>
8. Add two 500-kV power circuit breakers, required disconnect switches and required buswork.	Oct 1988	2,200	25%
9. Replace line and breaker protective relays on Malin-Round Mountain No. 1 & 2 lines.	Oct 1988	500	25%
10. Add a second 500/230-kV transformer on the north 500-kV main bus for service to Pacific's So. Ore. load.	Oct 1989	--	100%
11. Add two groups of 204.6 MVAR shunt capacitor banks in the 500-kV yard.	Dec 1990	3,000	0%

(WP-PKT-0672e)

ANNUAL CHARGE COMPONENT FOR TRANSMISSION  
FACILITIES OWNED BY PACIFIC

A. Return on Investment.

Return on Investment shall be the Investment Base multiplied by the Rate of Return, each as determined below:

1. The Investment Base for determining return on investment shall be the gross initial investment during the initial 12 months of billing for the facility and thereafter the net investment base at the beginning of the subsequent 12-month period. Such net investment base shall be gross initial investment less accumulated book depreciation and salvage credits. Such salvage credits shall be applicable if portions of the initial investment are subsequently removed or replaced.
2. The Rate of Return on investment shall be the weighted average of the component rates determined pursuant to subitem (a) below for long-term debt, subitem (b) below for preferred stock, and subitem (c) below for common stock equity. Weighting for each component shall be its respective proportion of Pacific's capital structure at the end of the month before the date the facility is ready for operation.
  - (a) The long-term debt interest rate shall be the effective cost rate to Pacific of the most recent issue of long-term bonds, excluding inapplicable special purpose debt issues, in the 15-month period prior to the date the facility is ready for operation. In the event there are not bond issues within the said 15-month period, then an estimated bond interest rate shall be used in the billings until such time as there is a bond issue, at which time all prior billings using the estimated bond interest shall be adjusted to reflect the actual cost to Pacific of the first bond issue subsequent to the date the facility is ready for operation. If such bonds are refunded, the rate shall be adjusted accordingly.
  - (b) The preferred stock earnings rate shall be based on the effective annual cost to Pacific of the most recent issue of preferred stock within the 15-month period prior to the date the facility is ready for operation. In the event there are not preferred stock issues within the said 15-month period, then an estimated preferred stock rate shall be used in the billings until such time as there is an issue, at which time all prior billings using the estimated preferred stock rate shall be adjusted to reflect the actual cost to Pacific of the first such issue subsequent to the date the facility is ready for

operation. If such preferred stock is refunded subsequently, the rate shall be adjusted accordingly.

- (c) Common stock equity earnings shall be that maximum percentage allowable by the Oregon Public Utility Commissioner at the time billing is made.

B. Book Depreciation.

Book depreciation charges shall be calculated on a straight-line rate based on a life of 45 years or such other life as may be applicable to Pacific's transmission facilities in Oregon utilized hereunder.

C. Income Tax.

Income tax requirements attributable to the Return on Investment determined pursuant to item A hereof shall be calculated using the following:

1. Actual Federal and state income tax rates in effect at the time billing is made.
2. Tax depreciation computed in the same manner as book depreciation and based on the life assumption utilized for book purposes.
3. Total initial investment for tax purposes deemed to be equal to total initial book investment, the entire amount of which is considered to be depreciable.

D. Property Taxes.

Property taxes shall be estimated for the current billing year. Adjustment to actual tax rates in the areas traversed by the transmission facilities shall be made when actual data is known for said year.

E. Other Taxes.

Other taxes related to the facility shall be estimated for the current billing year. Adjustment to actual tax rates shall be made when actual data is known for said year.

F. Direct Operation and Maintenance Expense.

Direct operation and maintenance expense shall be that expense incurred, including appropriate allocable costs not included in item G below. In the absence of actual operation and maintenance

figures associated with the investment in each transmission station or transmission line facility, operation and maintenance expense for the respective type of facility shall be determined by multiplying the investment in such facility by the ratio that Pacific's total system transmission station or transmission line operation and maintenance expense, including appropriate allocable costs not included in item G below, bears to Pacific's total system or transmission line investment for the year of billing. Such amounts will be calculated on an estimated basis until reporting the actual year is available.

G. Administrative and General Expense.

Administrative and general expense shall be the same percentage of operation and maintenance expense determined pursuant to item F above as total system administrative and general expense, less insurance costs included therein, bears to total system operations and maintenance expense, excluding fuel, purchase power, wheeling and administrative and general expense, for the year of billing. Estimated amounts will be used until report for the actual year is available.

H. Working Capital Expense.

Working capital expense shall be 15.0 percent of the total of 1/8 of annual operation and maintenance expense determined pursuant to item F above, plus material and supplies associated with the facilities for the most recent year report.

I. Insurance Expense.

Insurance expense shall be actual insurance expense associated with the facilities for the year of billing, or a reasonable allocation of such expense to the facilities.

J. Annual Charges for Additional Investment.

Annual charges resulting from capital investments in replacements or betterments made to a facility shall be computed in accordance with items A through I above. Life for book depreciation purposes will be deemed to be the shorter of: (1) the economic life of the replacement or betterment; or (2) the remaining life of the original facility.

ALVEY TO MERIDIAN INVESTMENT ALLOCATION  
 1986 \$

FACILITY		ESTIMATED TOTAL COST x10 <sup>3</sup>	ALLOCATION	
			PP&L	BPA
Alvey Sub	2-PCB's (BPA	\$ 4,300	50	50
Alvey-Spencer 500 kV Line 1/	1.7 mi Project)	2,200	50	50
Spencer-Dixonville 500 kV Line 1/	58.6 mi	28,000	50	50
Dixonville-Meridian 500 kV Line 1/	74.6 mi	44,800	50	50
Dixonville Sub	Transf	8,200	100	0
"	2-PCB's	3,200	50	50
"	2-110 MVAR Reac.	4,500	50	50
Meridian Sub	2-PCB's	3,100	50	50
"	1-110 MVAR Reac.	2,300	50	50
"	Transf	8,200	100	0
Communications & Control		2,300	50	50
(includes capability for single pole relaying)				
SERIES CAPACITORS				
Marion	329 MVAR-2400A	5,820	0	100
Dixonville	195 MVAR-2000A	4,100	50	50
Meridian	205 MVAR-1800A	4,300	50	50

1/ Includes costs of removal of any existing 230 kV facilities and also includes permitting and incremental right of way costs.

(WP-PKT-0672e)

SHARING OF COSTS OF POTENTIAL REINFORCEMENTS IF  
ALVEY-MERIDIAN IS BUILT AND BONNEVILLE DOES NOT PARTICIPATE

<u>FACILITY</u>	<u>Pacific Share (%)</u>	<u>Bonneville Share (%)</u>
1. Upgrade existing series capacitors at Bonneville's Bakeoven, Fort Rock, Sand Springs, and Sycan Stations to 1800 A	0	100
2. Loop Ashe-Marion 500-kV line into Buckley	0	100
3. Add series capacitors to Malin-Summer Lake (70% Compensation)	100	0
4. Add series capacitors to Alvey-Meridian Line (50% Compensation)	100	0
5. Loop Ashe-Buckley 500-kV line into Slatt	0	100
6. Alvey-Lane 500-kV line	0	100

(WP-PKT-0672e)

LINES SERVING  
PACIFIC'S LOAD AREA

Pacific's Load Area is the area serviced by the following existing transmission lines:

1. Pacific's Malin 500-230 kV transformer
2. Pacific's Yamsey-Chiloquin 230 kV line
3. Pacific's Alvey-Dixonville 230 kV line
4. Pacific's Spencer Tap-Dixonville 230 kV line
5. Pacific's Reston-Dixonville 230 kV line
6. Pacific's Malin-Meridian 500 kV line

(WP-PKT-0672e)



Department of Energy  
 Bonneville Power Administration  
 P.O. Box 3621  
 Portland, Oregon 97208-3621

OFFICE OF THE ADMINISTRATOR

AUG 16 1991

In reply refer to:  
 PMTI

Amendment No. 1  
 Contract No. DE-MS79-86BP92299

Mr. Thomas Lockhart, Vice President  
 Power Systems  
 PacifiCorp Electric Operations  
 920 SW. Sixth Avenue  
 Portland, OR 97208

Dear Mr. Lockhart:

Pursuant to subsection 4(a) of Contract No. DE-MS79-86BP92299, as amended, (Intertie Agreement) between PacifiCorp Electric Operations (Pacific) and Bonneville Power Administration (Bonneville), Bonneville hereby provides Pacific notice that, effective on the Effective Date, Bonneville is exercising its option to acquire a fifty percent undivided ownership interest in the Alvey-Meridian Line, as defined in such agreement and as modified herein. Pacific and Bonneville hereby agree to amend the Intertie Agreement by supplementing it with the following provisions, and replacing Exhibit C to such agreement with the attached Revision No. 1 to such Exhibit. ←

1. Completion of the Alvey-Meridian 500 kV Line.

(a) Design and Construction. Pacific and Bonneville shall use best efforts to complete the Alvey-Meridian Line by November 1993. Pacific shall design and construct the Dixonville 500 kV Substation including the series capacitors, the terminal facilities at Meridian Substation for the Dixonville-Meridian Line including series capacitors, and the Alvey-Dixonville portion of the Alvey-Meridian Line (Alvey-Dixonville Line) and the Dixonville-Meridian portion of the Alvey-Dixonville Line (Dixonville-Meridian Line). Bonneville shall design and construct the Alvey 500 kV Substation (Alvey Substation) including the Alvey Substation series capacitors. The Parties shall seek opportunities to utilize the capabilities of the other to minimize the installed cost and operation and maintenance cost and maintain schedules. The Parties shall agree at a later date upon the prudent design and construction of the Dixonville-Meridian Line, Dixonville 500 kV Substation series capacitors, and the Meridian Substation series capacitors. Each Party shall have the right to comment on the design and construction to be performed by the other Party.

(b) Maintenance and Operation. Pacific shall assume system operation and maintenance responsibilities of the Dixonville 500 kV Substation including the series capacitors, the terminal facilities at Meridian Substation for the Dixonville-Meridian Line including the series capacitors, and the Alvey-Meridian Line. Bonneville shall assume system operation and maintenance responsibilities of the Alvey Substation including the series capacitors. The Parties shall jointly develop maintenance standards and responsibilities that seek to limit the total annual operation and maintenance charges. Payment for operation and maintenance costs associated with these facilities shall be as specified in the Intertie Agreement, including Revision No. 1 to Exhibit C.

(c) Ownership.

(1) Pacific and Bonneville shall have undivided joint ownership of the Alvey-Meridian Line based upon the ownership percentages specified in Revision No. 1 to Exhibit C of the Intertie Agreement.

(2) Pacific and Bonneville shall have undivided joint ownership of incremental land acquisitions necessary to complete the Alvey-Meridian Line. Pacific shall convey to Bonneville any rights of use of Pacific's existing land sufficient to allow Bonneville to facilitate use of its right to fifty percent of the Incremental Capacity and ownership.

(3) The transfer of property titles (equipment, land, etc.) by the Parties in order to provide for undivided joint ownership shall occur at the time of energization of the Alvey-Meridian Line.

(4) Ownership of the communications systems shall be determined in accordance with section 6.

(d) Expansion of Facilities.

(1) Pacific shall have the right to modify the Dixonville 500 kV Substation and Meridian Substation, at its expense, as necessary for future required facilities without agreement by Bonneville, provided that Bonneville's ownership right to fifty percent of the Incremental Capacity of the Alvey-Meridian Line, as defined in the Intertie Agreement (Incremental Capacity), is not diminished.

(2) Upon expiration of the Intertie Agreement, Bonneville shall have the right to make additional facility connections at the Meridian Substation, at its expense, to facilitate use of its right to fifty percent of the Incremental Capacity, provided that such new connections do not increase loadings on Pacific's exclusively-owned facilities, diminish Pacific's rights to the Alvey-Meridian Line, or adversely impact Pacific's system.

(3) Bonneville shall have the right to modify the Alvey Substation, at its expense, as necessary for future required facilities without agreement by Pacific, provided that Pacific's ownership right to fifty percent of the Incremental Capacity is not diminished.

(4) Upon expiration of the Intertie Agreement, Pacific shall have the right to make additional facility connections at the Alvey Substation, at its expense, to facilitate use of its fifty percent share of the Incremental Capacity, provided that such new facility connections do not increase loadings on Bonneville's exclusively owned facilities, diminish Bonneville's rights to the Alvey-Meridian Line, or adversely impact Bonneville's system.

(e) Cost Sharing/Payment. Cost sharing for design and construction of the Alvey-Meridian Line shall be as specified in Revision No. 1 to Exhibit C. The Parties agree to develop mutually agreeable terms and conditions for payment for design and construction of the line. Such terms and conditions shall include provisions for progress payments, recognition of any payments made by either Party, or expenses incurred by either Party that are associated with the interim agreements (Contract Nos. DE-MS79-90BP92901, DE-MS79-91BP93112, DE-MS79-91BP93112, and DE-MS79-90BP93070) between the Parties as replaced by this amendment.

2. Alvey Substation 500 kV Terminal. Contract No. DE-MS79-90BP92901 shall terminate as of the Effective Date of this amendment.

3. Captain Jack Substation Connection/Terminal.

(a) Contract No. DE-MS79-91BP93112 shall terminate as of the Effective Date of this amendment.

(b) Pacific and Bonneville agree to equally share the cost of the following work performed by Pacific:

(1) procurement of the right-of-way from the Meridian-Malin transmission line structures to Captain Jack Substation;

(2) design and construction of the new 500 kV transmission line from Meridian-Malin 500 kV line structures to the Captain Jack Substation dead end towers;

(3) removal of certain Meridian-Malin 500 kV transmission line facilities; and

(4) design and construction of the strain bus connection between the Captain Jack dead end towers in Bay 3 to connect the Meridian-Malin line segments.

(c) Pacific and Bonneville agree to equally share the cost of the following work performed by Bonneville:

(1) design and construction of Captain Jack Substation dead end structures at Bay 3; and

(2) design and construction of power circuit breakers and associated Bay 3 terminal equipment including relays, and facilities to connect the Meridian-Malin line.

(d) Pacific shall own the land, right-of-way, power circuit breakers, terminal equipment including relays, and facilities up to the dead end towers, the dead end towers, and the strain bus between such towers at Bay 3.

(e) Bonneville shall assume system operation and maintenance responsibilities for all facilities at Captain Jack Substation except terminal Bay 3 relays and communications owned by Pacific, which shall be assumed by Pacific.

4. Sycan.

(a) The following provisions of Contract No. DE-MS79-91BP93157 shall terminate as of the Effective Date of this amendment:

(1) payment provisions specified in Section 4 and Exhibit A;

(2) cost sharing provisions specified in Sections 5 and 6; provided, however, the duties of the Parties described in such Sections shall remain; and

(3) ownership provisions specified in Section 7; provided, however, Pacific shall own the protective relays for the Summer Lake-Malin terminals pursuant to Revision No. 1 to Exhibit C of the Intertie Agreement.

(b) Contract No. DE-MS79-90BP93070 shall terminate as of the Effective Date of this amendment.

(c) Bonneville shall design and construct the series capacitors. Bonneville shall pay the design and construction costs and own the series capacitors until the Parties reach agreement pursuant to subsection 4(f) below.

(d) Bonneville shall operate and maintain the Sycan Compensation Station, including the series capacitors and bypass switch and associated structures; provided, however, the Summer Lake-Malin terminal relays shall be operated and maintained by Pacific. Payment for such operation and maintenance costs shall be as specified in Revision No. 1 to Exhibit C of the Intertie Agreement.

(e) The Sycan dead end tower shall be operated and maintained by Pacific.

(f) The Parties shall mutually agree to the terms and conditions for cost sharing for the Sycan series capacitors, bypass switch and

associated structures, Summer Lake-Malin terminal relays, Summer Lake-Malin communications down-link, and dead end tower.

5. Coordinated Operations. The Parties shall jointly develop coordinated operating procedures for the Alvey-Meridian Line, Captain Jack Substation, and Sycan Compensation Station such that Bonneville may adequately perform as the system operator for the combined AC Intertie, and that maximize the Operational Transfer Capability of the AC Intertie and maximize Pacific's capability to serve its southern Oregon and northern California loads pursuant to Section 5(d)(2)(A) of the Intertie Agreement.

6. Communications. The Parties are in substantial agreement as to the terms, conditions, and ownership associated with requirements for communication facilities and equipment described herein, and shall complete such terms and conditions as soon as practicable following execution of this amendment. Such terms and conditions shall be incorporated in a separate agreement.

7. Liability. The Parties agree that if any injunction is issued by a court of competent jurisdiction against either Party's implementation of this amendment, such injunction shall not constitute a basis for a breach of contract action.

8. Effective Date. This amendment shall be effective on the later of:

(a) the issuance of a biological opinion by the United States Fish and Wildlife Service regarding the northern spotted owl which is acceptable to both Parties; or

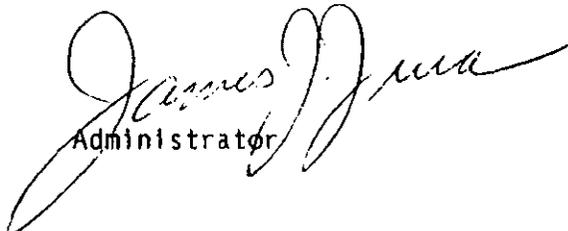
(b) the date Bonneville receives a copy of this amendment signed by Pacific (Effective Date).

If this amendment is acceptable to Pacific, please sign and return one copy to Bonneville. The remaining copy is for your files. Please have your staff

contact Allen Burns, at (503) 230-3367, to establish a schedule for discussions made necessary by the execution of this amendment.

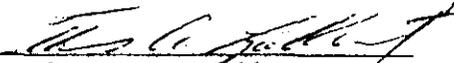
Sincerely,

/s/ JAMES J. JURA

  
Administrator

ACCEPTED:

PACIFICORP ELECTRIC OPERATIONS

By 

Thomas A. Lockhart

Title Vice President

Date August 16, 1991

/s/ THOMAS A. LOCKHART

Effective Date November 18, 1991

(VS6-PMTI-6802d)

**INVESTMENT ALLOCATIONS**

Facility	Design		Cost Share %		Ownership %		Operation		Maintenance		O&M Payment %	
			Bonneville/Pacific	Pacific/Bonneville								
A. <u>Alvey-Meridian Line:</u>												
• Alvey 500 kV Substation		Bonneville	50/50		50/50		Bonneville		Bonneville		42/58	
- 3 PCB's												
• Alvey-Dixonville 500 kV Line 1/		Pacific	50/50		50/50		Pacific		Pacific		42/58	
• Dixonville 500 kV Substation												
- Transformer		Pacific	0/100		0/100		Pacific		Pacific		0/100	
- 3 PCB's		Pacific	50/50		50/50		Pacific		Pacific		42/58	
- 1 180 MVAR Reactor		Pacific	50/50		50/50		Pacific		Pacific		42/58	
• Dixonville-Meridian 500 kV Line 1/		Pacific	50/50		50/50		Pacific		Pacific		42/58	
B. <u>Captain Jack Substation Bay 3 Terminal Facilities and Loop Line:</u>												
• Terminal Facilities for Dixonville-Meridian Line at Meridian 500 kV Sub												
- 2 PCB's		Pacific	50/50		50/50		Pacific		Pacific		42/58	
- 1 180 MVAR Reactor		Pacific	50/50		50/50		Pacific		Pacific		42/58	
• Series Capacitors												
- Alvey		Bonneville	50/50		50/50		Bonneville		Bonneville		42/58	
- Dixonville		Pacific	50/50		50/50		Pacific		Pacific		42/58	
- Meridian		Pacific	50/50		50/50		Pacific		Pacific		42/58	
• 500 kV Line Meridian-Malin to Captain Jack Substation 2/		Pacific	50/50		0/100		Pacific		Pacific		0/100	
• Bay 3 Dead End Towers		Bonneville	50/50		0/100		Bonneville		Bonneville		0/100	
• Power Circuit Breakers and Terminal Equipment Bay 3		Bonneville	50/50		0/100		Bonneville		Bonneville		0/100	
• Relays		Bonneville	50/50		0/100		Pacific		Pacific		0/100	

INVESTMENT ALLOCATIONS

Facility	Design		Cost Share		Ownership		Operation		Maintenance		O&M Payment %
			Bonneville/Pacific	Pacific	Bonneville/Pacific	Pacific	Bonneville/Pacific	Pacific	Bonneville/Pacific	Pacific	Bonneville/Pacific
C. Sycan:											
• Relay Replacement - Summer Lake-Malin Terminals	Pacific		3/		0/100		Pacific		Pacific		42/58
• Series Capacitors	Bonneville		3/		4/		Bonneville		Bonneville		100/0
• Bypass Switch and Associated Support Structures and Foundations	Bonneville		3/		0/100		Bonneville		Bonneville		0/100
• Dead-End Tower	Pacific		3/		0/100		Pacific		Pacific		0/100
D. Communications:											
• Summer Lake-Malin Communication Downlink	Pacific		5/		0/100		Pacific		Pacific		0/100
• All other communications											

- 1/ Costs of (1) removal of any existing 230 kV facilities; (2) permitting; and (3) incremental right-of-way to be included.
- 2/ Includes procurement of right-of-way from Meridian-Malin transmission line structures to Captain Jack Substation.
- 3/ To be determined pursuant to subsection 4(f).
- 4/ To be determined pursuant to subsection 4(c).
- 5/ All other communications arrangements to be determined pursuant to section 6.

**AUTHENTICATED COPY**

Amendatory Agreement No. 2 to  
Contract No. DE-MS79-86BP92299  
03/09/93

AMENDATORY AGREEMENT NO. 2

TO THE INTERTIE AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PACIFICORP

Index to Sections

---

<u>Section</u>	<u>Page</u>
1. Term of Amendment.....	3
2. Termination of Prior Agreement.....	4
3. Definitions.....	4
4. Revision of Exhibits.....	8
5. Accounting and Record Keeping.....	9
6. Capital Budgets.....	10
7. Payment Provisions.....	10
8. Audit.....	15
9. Ownership of Facilities.....	17
10. Operation and Maintenance of Facilities.....	17
11. Environmental Requirements .....	18
12. Capital Replacements.....	20
13. Decommissioning Costs.....	20

14. Land and Improvements.....	20
15. Notices.....	23
16. Liability.....	24
Exhibit F (Plan of Service).....	8
Exhibit G (Bonneville Cash Flow).....	8
Exhibit H (PacifiCorp Cash Flow).....	8
Exhibit I (Land Drawings).....	8
Exhibit J (Capital Replacements).....	8
Exhibit K (Calculation of O&M Charges).....	8

-----

This AMENDATORY AGREEMENT NO. 2 to the Intertie Agreement, Contract No. DE-MS79-86BP92299, executed March 16, 1993, by the BONNEVILLE POWER ADMINISTRATION (Bonneville) and PACIFICORP with its principal office in Portland, Oregon (hereinafter collectively referred to as "Parties" and individually as "Party").

W I T N E S S E T H :

WHEREAS the Parties hereto desire to make progress payments towards the design and construction of those facilities identified in Exhibit C to the Intertie Agreement, as amended; and

WHEREAS the Parties have entered into an Interim Payment Agreement, Contract No. DE-MS79-92BP93772 (Interim Payment Agreement), as amended, which provides for partial payment by Bonneville to PacifiCorp in the net amount of \$10,000,000 for each Party's costs through May 31, 1992, related to the Alvey-Meridian Line and the AC Intertie (such payment represents a \$16,000,000 payment to PacifiCorp and a \$6,000,000 payment to Bonneville); and

WHEREAS the Parties have entered into a Cooperative Communication Agreement, Contract No. DE-MS79-92BP93740 (Communications Agreement), which

provides for, among other things, construction of microwave communication facilities needed for the AC Intertie (Intertie Communication Facilities); and

WHEREAS the Parties have entered into a Remedial Action Scheme Agreement, Contract No. DE-MS79-92BP93039, which provides for, among other things, cost-sharing and payment by the Parties for the remedial action scheme equipment needed to support the rated transfer capability of the AC Intertie; and

WHEREAS the Parties have entered into the Sycan Interconnection Agreement, Contract No. DE-MS79-92BP93644 (Sycan Interconnection Agreement), which provides for, among other things, the installation and connection of series capacitors and related equipment (Sycan Addition) to PacifiCorp's Summer Lake-Malin 500 kV transmission line at the Sycan Compensation Station and Summer Lake and Malin Substations; and

NOW, THEREFORE, to establish the Parties' payment obligations throughout the construction phase of the Alvey-Meridian Line; the Alvey, Dixonville, Meridian, and Captain Jack 500 kV Substations; the Sycan Addition; and the Parties' Intertie Communication Facilities; and for continued obligations related to the AC Intertie, the Parties agree to the following:

1. Term of Amendment. This Amendatory Agreement No. 2 shall be effective on the date of execution (Amendment Effective Date) and shall remain in effect concurrently with the Intertie Agreement. All liabilities incurred hereunder shall be preserved until satisfied. Section 1 of the Intertie Agreement is hereby amended to include "Prior to the termination date of this Agreement, and no later than December 31, 2009, the Parties will commence negotiations for a follow-on agreement concerning services associated with the AC Intertie unless this Agreement is extended past 2016 then the Parties will commence negotiation of a follow-on agreement 7 years prior to termination."

2. Termination of Prior Agreement. The Interim Payment Agreement is hereby terminated upon the Amendment Effective Date. All obligations and liabilities incurred thereunder have been satisfied.

3. Definitions.

(a) Section 19(o) of the Intertie Agreement is hereby amended to read:

"(o) Captain Jack Substation. The Substation where the COTP interconnects with the AC Intertie in the Pacific Northwest and is sometimes referred to as the Southern Oregon Substation."

(b) Section 19 of the Intertie Agreement is hereby amended to add the following definitions:

"(p) Actual Costs are Bonneville and PacifiCorp Direct Costs, Indirect Costs, Overhead Costs, AFUDC, Interest and Credits as defined herein which are recorded monthly to construction work in progress (CWIP), retirement work in progress, removal work in progress, or electric plant in service according to generally accepted accounting principles and Prudent Utility Practice allocable to the Alvey-Meridian Line and other related facilities identified in Exhibit C herein. Costs related to construction that would not be capitalized, such as relocation, switching, and conductor transfer shall also be included in Actual Costs. The sharing of AFUDC on CWIP and Interest on electric plant in service is dependent on the timing of payments from the other Party relative to when costs are incurred. Bonneville's normal allocation of Bonneville Overheads and Bonneville Indirect Costs shall be included in the Actual Costs. PacifiCorp's normal allocation of PacifiCorp Overheads shall be included in the Actual Costs.

"(q) Advances are the monthly amounts of projected cash flow estimates for the Cost Shared Facilities expected to be incurred as Actual Costs in a given month as specified in Exhibits G and H.

"(r) Allowance for Funds Used During Construction (AFUDC) shall be as defined in the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts found in 18 CFR, Part 101, Electric Plant Instructions 3.A [17]. AFUDC shall be an Actual Cost until the Party constructing the Cost Shared Facilities is funded by the other Party. AFUDC shall be included in CWIP.

"(s) Bonneville Direct Costs are costs which are readily identifiable or obviously traceable to a specific program, project, or other cost objective and will not be included in Bonneville's Overhead or Indirect Costs.

"(t) Bonneville Indirect Costs are any costs incurred for common objectives which cannot be directly charged to any single point of cost application. Indirect costs are often allocated to various categories of work in proportion to the benefit to each category and will not be included in Bonneville's Direct or Overhead Costs.

"(u) Bonneville Overhead Costs. Bonneville's Overhead Costs are subject to change as Bonneville's methodology for computing Overhead Costs may change and shall be reflected in the Actual Costs. Bonneville's Overhead Costs include the following and will not be included in Bonneville's Direct or Indirect Costs:

"(1) Costs that are distributed each month to benefiting programs using an annual direction of effort basis which may include automated data processing, materials and procurement, tools and work equipment, fixed wing aircraft, helicopter, General Services Administration (GSA) rent and building management, general and administrative, laboratory, and Electric Power Research Institute;

"(2) Costs that are charged to benefiting projects and programs based upon a fixed rate for services performed which include vehicle maintenance, general shops, and equipment use;

"(3) Costs that are loaded to labor charged to specific projects or programs which include personnel benefits and leave accrual; and

"(4) Costs that benefit all construction projects and are charged to all projects as construction overhead.

"(v) Cost Shared Facilities are those facilities identified in the cost share percentage column of Exhibit C herein. Such facilities shall include but are not limited to costs for land, environmental impact studies, preconstruction materials, and construction which PacifiCorp and Bonneville agree to pay through an exchange of payments in accordance with the cost share percentages as provided in Exhibit C.

"(w) Credits are the applicable portion of any income, rebate, allowance, or other receivable relating to any Cost Shared Facilities received by either Party. This includes, but is not limited to, materials, surplus property, scrap, timber revenues and future sales of Jointly-Owned and cost-shared land (Fee-Owned and Easement Rights). Proceeds from Credits shall be paid to the other Party either as a billing credit or by cash refund based on the original Cost Shared Facility proration between Bonneville and PacifiCorp.

"(x) Hazardous Substances mean any hazardous, toxic, or dangerous substance, waste, or material that is now or becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination, or cleanup, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C.

9601 et seq., the Resource Conservation and Recovery Act (RCRA), 42 U.S.C. 6901 et seq., the Federal Water Pollution Control Act (CWA), 33 U.S.C. 1251 et seq., the Clean Air Act (CAA), 42 U.S.C. 7401 et seq., the Toxic Substances Control Act (TSCA), 15 U.S.C. 2601 et seq. and all comparable programs under Oregon Law.

"(y) Historic Contamination means all contamination through seepage, spill, disposal, or release by any other method, of a Hazardous Substance at or from any facility which occurred prior to the Amendment Effective Date.

"(z) Interest based on AFUDC rates and applicable to electric plant in service, shall be applied to Cost Shared Facilities placed in service before cost reimbursement has occurred.

"(aa) Jointly-Owned refers to those facilities identified in Exhibit C which are not solely owned by either Party.

"(bb) PacifiCorp Direct Costs are costs which are readily identifiable or obviously traceable to a specific program, project, or other cost objective and will not be included in PacifiCorp's Overhead Costs.

"(cc) PacifiCorp Overhead Costs are costs incurred which cannot be directly charged to any single point of application. PacifiCorp Overhead Costs are assigned to various categories in proportion to the benefit of each category. PacifiCorp overhead transactions are made by either allocations or by clearing. PacifiCorp's Overhead Costs are subject to change as PacifiCorp's methodology for computing Overhead Costs may change and shall be reflected in Actual Costs. PacifiCorp Overhead Costs include the following components and will not be included in PacifiCorp's Direct Costs:

"(1) Labor Loading. These costs are directly associated personnel costs and include payroll taxes, leave, and benefits.

"(2) Material Overheads (for stores issues and for direct purchases) includes the costs of purchase, storage, handling and distribution of materials and supplies.

"(3) Tool Overheads represent the costs incurred to the purchase, use, and maintenance of small tools for force account work.

"(4) Transportation Overheads represent the costs incurred to purchase, lease, rent, operate, and maintain the fleet of PacifiCorp vehicles.

"(5) Construction (General) Overheads are all other construction costs incurred as a corporation, but which are not assignable to a specific project. Construction Overheads are applied to PacifiCorp's Direct Costs plus PacifiCorp's Overhead Costs described above in Sections cc(1) through cc(4).

"(dd) Prior Costs. Actual Costs for Cost Shared Facilities incurred by the Parties through December 31, 1991, which are identified in section 7(b) to this Amendment.

"(ee) Project Diagram. Exhibit F to this Amendment describes the plan-of-service for the Eugene-Medford (Alvey-Meridian) project."

4. Revision of Exhibits. Section 2 of the Intertie Agreement is hereby deleted in its entirety and replaced with the following:

"2. Exhibits. Exhibits A through K are hereby incorporated as part of the Intertie Agreement as amended. Revisions to the Exhibits, except for Exhibit K shall be by mutual consent."

The monthly Operation and Maintenance (O&M) charge in Exhibit K may be revised unilaterally by Bonneville once every year to be effective on July 1, but not until after January 1, 1994.

5. Accounting and Record Keeping.

(a) Record Keeping. Each Party shall keep up-to-date books and records of financial transactions, and other arrangements in carrying out the terms of this Amendatory Agreement No. 2. Such books and records shall be kept in accordance with the system of accounts prescribed for electric utilities by FERC and shall be available for inspection on a regular basis to the other Party. Each Party shall have access to such records of the other Party as required for audit, for state and local tax preparation purposes, for regulatory purposes, and as necessary for engineering, design, and project management review.

(b) Continuing Property Records. Each Party shall maintain the complete cost records and investment reports on facilities they constructed in accordance with the Project Diagram, as well as investment records which delineate the ownership percentage in facilities constructed by the other Party.

For example, Bonneville will record 100 percent of the facilities constructed by Bonneville with an offsetting credit for PacifiCorp's percentage of ownership of those facilities and record Bonneville's ownership percentage of facilities constructed by PacifiCorp.

In conjunction with the final accounting and true-up of project costs, Bonneville and PacifiCorp shall exchange investment records and appropriate support documentation normally required for FERC account investment analysis. This may include, but is not limited to, structure/hardware lists, plan and profile drawings, and bills of materials. Bonneville and PacifiCorp shall provide periodic exchanges of information as necessary to properly identify

replacements, retirements, additions and improvements as such activities occur on the Jointly-Owned facilities.

(c) Capital Spare Parts. Capital spare parts for the Jointly-Owned facilities are subject to joint-ownership and cost-sharing if they are unique to a specific Jointly-Owned or Cost Shared Facility and if they are stored at or near the Cost Shared Facilities. Spare parts that are charged to inventory shall not be cost-shared until the spare part is placed in service at a Jointly-Owned facility.

6. Capital Budgets. Four years prior to the year costs are expected to be incurred, each Party shall provide to the other Party a forecast of capital budget expenditures related to the planned construction and operation activities of the Cost Shared Facilities except for the excluded facilities identified by a footnote in Exhibit C. This forecast shall be provided to the other Party on or before July 1 of each year and shall include updates of any estimated costs for the next 3 years. The Parties shall exchange and review any necessary data as needed to determine the necessity and adequacy of the proposed construction and operation activities. This notification requirement shall not apply to emergency replacement of equipment.

7. Payment Provisions.

(a) Payments made under this Amendment shall be made in accordance with provisions in this section 7 and shall be made for the following periods:

(1) Actual Costs for Cost Shared Facilities incurred for Prior Costs;

(2) Advances and Actual Costs for the Cost Shared Facilities incurred for the period from January 1, 1992, through the last month listed in the cash flow exhibits, Exhibits G and H by monthly invoices in accordance with Section 7(c) Progress Payments;

(3) Payment or refund for the final accounting of Actual Costs in accordance with Section 7(d) Final Accounting of Costs;

(4) Payment for future capital replacements in accordance with Section 7(e) and tables to Exhibit J; and,

(5) Payment for Operation and Maintenance shall be in accordance with Exhibit K.

Bonneville and PacifiCorp shall specify the financial institution and account number in a written notice to each other at the invoicing address and provide updates as necessary for the transfer of funds. Each invoice shall include a reference to Contract No. DE-MS79-86BP92299 and an invoice number.

(b) Prior Costs Payments. Bonneville shall pay PacifiCorp by check or electronic transfer of funds within 30 days after the date of an itemized invoice for PacifiCorp's Prior Costs, \$10,047,832.97 as agreed to by the Parties pursuant to the audit dated February 4, 1993. The date of such invoice shall be no earlier than the mailing date of such invoice. Such amount represents payment to PacifiCorp of Prior Costs through December 31, 1991, except for land and related land costs which may be subject to adjustment after Bonneville's receipt and review of all PacifiCorp's legal conveyance documents in accordance with Sections 8 and 14. Adjustments of Prior Costs as a result of PacifiCorp's final analysis of accounts performed for the final accounting of costs shall also be made upon mutual agreement of the Parties.

PacifiCorp shall pay Bonneville by check or electronic transfer of funds within 30 days after the date of an itemized invoice for Bonneville's Prior Costs, \$4,920,877.92, as agreed to by the Parties pursuant to the audit dated December 31, 1992. The date of such invoice shall be no earlier than the mailing date of such invoice. Such amount represents payment to Bonneville of

Prior Costs through December 31, 1991, except for land and related land costs which may be subject to adjustment after PacifiCorp's receipt and review of all Bonneville's legal conveyance documents in accordance with Sections 8 and 14. Adjustments of Prior Costs as a result of Bonneville's final analysis of accounts performed for the final accounting of costs shall also be made upon mutual agreement of the Parties.

(c) Progress Payments. Each Party shall make monthly payments to the other Party for the Cost Shared Facilities incurred after January 1, 1992, in accordance with Sections 7(c)(1) and 7(c)(2) below. The initial invoice shall also include amounts due for all past months from January 1, 1992, through the Amendment Effective Date with a credit for the amount previously paid under the Interim Payment Agreement.

(1) Payment by PacifiCorp. Each month Bonneville shall submit an itemized invoice to PacifiCorp (Jerry Walker, 800 PSB, 920 SW. Sixth Avenue, Portland, Oregon 97204) for the next month's Advance, in accordance with Exhibit G, and any adjustments for the previously invoiced Advance amounts when Actual Costs for such month(s) are known. The date of such invoice shall be no earlier than the mailing date of such invoice. The Actual Costs adjustment shall identify the Cost Shared Facilities with an itemization of cost elements by Bonneville work functions (i.e., materials, design, construction, etc.)

PacifiCorp shall pay Bonneville by check or electronic transfer of funds within 30 days after the date of the invoice. Should the 30th day be a Saturday, Sunday, or holiday, as observed by PacifiCorp, then the due date shall be the next following business day.

A credit balance on an invoice of \$100,000 or less shall be carried forward to the next month's invoice. A credit balance on an invoice of

more than \$100,000 shall be refunded to PacifiCorp by check or electronic transfer of funds within 15 days of the date of Bonneville's credit invoice. A refund of the credit balance shall also be made, regardless of the amount, if the sum of the remaining Advances is less than the credit balance.

(2) Payment by Bonneville. Each month PacifiCorp shall submit an itemized invoice to Bonneville (Bonneville Power Administration, P.O. Box 3621 - DSAC, Portland, Oregon 97208-3621) for the next month's Advance in accordance with Exhibit H, and any adjustments for the previously invoiced Advance amounts when Actual Costs for such month(s) are known. The date of such invoice shall be no earlier than the mailing date of such invoice. The Actual Costs adjustment shall identify the Cost Shared Facilities with an itemization of cost elements (i.e., labor, materials, purchase services, miscellaneous and overheads, etc.)

Bonneville shall pay PacifiCorp by check or electronic transfer of funds within 30 days after the date of the invoice. Should the 30th day be a Saturday, Sunday, or holiday as observed by Bonneville, then the due date shall be the next following business day.

A credit balance on an invoice of \$100,000 or less shall be carried forward to the next month's invoice. A credit balance on an invoice of more than \$100,000 shall be refunded to Bonneville by electronic transfer of funds within 15 days of the date of PacifiCorp's credit invoice. A refund of the credit balance shall also be made, regardless of the amount, if the sum of the remaining Advances is less than the credit balance.

(d) Final Accounting of Costs. Within 3 years after the date of commercial operation of all the Jointly-Owned and Cost Shared Facilities,

Bonneville and PacifiCorp shall each prepare a final accounting of all Actual Costs Incurred for the Cost Shared Facilities identified in Exhibit C.

Each Party shall prepare an itemized invoice for the total final Actual Costs with either a refund or payment due the other Party. Payments and refunds shall be made in accordance with Sections 7(c)(1) and 7(c)(2).

(e) Payment Provisions for Capital Replacements:

(1) For reimbursable Capital Replacements, either Party shall prepare, for execution by the Parties hereto, an additional table to Exhibit J each time the Parties hereto agree that facilities shall be added or replaced to those facilities identified in Exhibit C to the Intertie Agreement. Those facilities identified by footnote one in Exhibit C shall be exempt from further cost sharing on capital replacements. Each table shall specify the facilities to be installed, the work to be performed by each Party, and the estimated costs to be borne by each Party. Payments shall be made as provided in each table to Exhibit J for the work to be performed in amounts and at times requested by the Party due reimbursement.

(2) Upon execution by the Parties hereto, new tables to Exhibit J shall be attached to and deemed to be a part of this Amendment to the Intertie Agreement and shall be effective on the date specified therein.

(f) Operation and Maintenance Charges. Effective on December 18, 1992, and pursuant to Exhibit K, PacifiCorp shall pay Bonneville for 50 percent of the operation and maintenance of the three Alvey 500 kV power circuit breaker terminals. Such operation and maintenance charge shall be included in PacifiCorp's monthly Wholesale Power Bill and shall remain in effect until such time the Alvey 500 kV facilities are available for commercial operation as part of the AC Intertie. Effective on December 18, 1992, PacifiCorp shall

pay Bonneville 35 percent of the operation and maintenance of the series capacitors at the Sycan Compensation Station (Sycan) pursuant to Exhibit K. Such operation and maintenance charge shall be included in PacifiCorp's monthly Wholesale Power Bill and shall remain in effect until such time as the Alvey-Meridian transmission line is available for commercial operation as part of the AC Intertie. However, the payments for such operation and maintenance charges shall be provided for in the follow-on Operations and Maintenance Agreement from the date of commercial operation as part of the AC Intertie.

(g) Disputed Billing. In the event of a disputed billing, full payment shall be made with written notification of the disputed amount. If it is determined that an adjustment is required, the adjustment shall be made on the next invoice allowing reasonable notice and time to make the adjustment. Refunds of the disputed amount shall include interest at the same interest rate specified in Section 7(h) below.

(h) Late Payment by Bonneville or PacifiCorp. Invoices not paid in full on or before the close of business on the due date shall be subject to an interest charge on the amount due from the due date to the date paid consistent with the Prompt Payment Act Renegotiation Board's Interest Rate published in the Federal Register.

8. Audit. Each Party, at its expense, shall have the right to review and audit any cost on the other Party's books, records, and documents that directly pertain to the billings, investments, and costs of the Cost Shared Facilities. Any audit(s) shall be undertaken by either Party's representative(s) upon reasonable notice to the other Party and at reasonable times and in conformance with generally accepted auditing standards. The foregoing shall not be construed to permit either Party to conduct a general audit of the other Party's records beyond those needed to perform an audit of the Cost Shared

Facilities. The Party being audited agrees to cooperate fully with any such audit(s). The right to audit a cost shall extend for a period of 3 years following the last day of the fiscal year in which such cost was incurred or the final accounting of costs under this Amendment. If either Party does not audit the costs of the other Party for fiscal years 1992, 1993, or 1994, prior to the completion of the final accounting of costs, the right to audit those costs shall extend for a period of 3 years after the date of completion of the final accounting of costs. The Parties agree to retain all records and documentation prepared in the normal course of business for the entire length of this audit period and in accordance with generally accepted accounting principles.

The Party being audited shall be notified promptly in writing of any exception taken as a result of an audit after completion of the audit. The Party being audited shall have 30 days to review the notice of exception. If the Parties agree upon any exception(s) found as a result of the audit, the owing Party shall directly refund the amount of such exception(s) within 30 days of such agreement to the other Party. In the event of late payment, the Late Payment Provisions of Section 7(h) shall apply to amounts not paid in full by the due date.

Prior to the Amendment Effective Date, the Parties performed audits of each Party's Prior Costs. Such costs shall not be subject to additional audits, except for the audit of supporting documentation required for accounting adjustments that may have originated from the Prior Cost audit. However, both Parties reserve the right to review Prior Costs billed under Section 7(b) for land and related land costs. Any Prior Cost adjustment shall be determined after a Party receives and reviews all legal conveyance documents

from the other Party. The results of the Prior Cost audits and resulting amounts due are reflected in Section 7(b).

9. Ownership of Facilities.

(a) Transfer of legal ownership pursuant to Amendatory Agreement No. 2 shall be effective at such time the facilities are energized and made available for commercial operation as part of the AC Intertie and shall remain in effect so long as any facilities of the Alvey-Meridian Line are in existence and operable and shall survive the term of the Intertie Agreement.

(b) All Jointly-Owned equipment, facilities, and capital spare parts shall be identified as such with co-ownership tags and signs. Either Party, at such Party's sole expense, shall provide the tags and signs.

10. Operation and Maintenance of Facilities.

(a) The Parties agree that Section 1(b) to Amendment No. 1 to the Intertie Agreement is hereby replaced in its entirety by the following:

"(b) Maintenance and Operation. PacifiCorp shall assume system operation and maintenance responsibilities of the Dixonville 500 kV Substation including the series capacitors; the terminal facilities at Meridian Substation for the Dixonville-Meridian Line, including the series capacitors; the Alvey-Meridian Line; PacifiCorp's relays, digital fault recorder, and SCADA remote terminal unit at Captain Jack Substation; the loop-in of PacifiCorp's Malin-Meridian 500 kV Line at Captain Jack Substation; PacifiCorp's relays installed at Summer Lake and Malin Substations; PacifiCorp's Dead-End Tower installed at Sycan as part of the Sycan Addition; and all communication facilities owned by PacifiCorp. Bonneville shall assume system operation and maintenance responsibilities of the Alvey Substation including the series capacitors; all the facilities at Captain Jack Substation other than PacifiCorp's relays,

digital fault recorder and SCADA remote terminal unit; the Sycan Addition other than PacifiCorp's Dead-End Tower; and all communication facilities owned by Bonneville. The Parties shall exchange maintenance standards with each other and shall carry out their respective maintenance responsibilities according to Prudent Utility Practices. Payment for operation and maintenance costs associated with these facilities shall be as specified in the Intertie Agreement, including Exhibit C, as amended."

(b) The Parties shall use best efforts to develop and execute a new AC Intertie Operation and Maintenance Agreement for the facilities identified in Exhibit C by December 1993. During the period between the energization date of any of these facilities and the date that such facilities are available for commercial operation as part of the AC Intertie, operation and maintenance shall be provided by the Parties as identified in Section 10(a) above and Exhibit C to the Intertie Agreement, without charge to the other Party, except for those facilities identified in Section 7(f) of this Amending Agreement.

#### 11. Environmental Requirements.

(a) Historic Contamination. Neither Party shall be liable for any fines, penalties and assessments, costs for investigation, response, removal and remediation, arising from Historic Contamination of facilities owned by the other Party or operated by the other Party prior to becoming Jointly-Owned facilities pursuant to this Amendment.

(b) Disclosure of Information. Bonneville shall provide PacifiCorp, within 90 days after the Amendment Effective Date, a summary of all known and suspected Hazardous Substance release, spill and disposal events at facilities described herein which occurred prior to the Amendment Effective Date. PacifiCorp may request and Bonneville shall provide, for the purpose of establishing baseline contamination data for the facilities transferred to

Jointly-Owned facilities pursuant to this Amendment, all information including records, files and documentation pertaining to all known and suspected Hazardous Substance release, spill and disposal events at such transferred facilities. Such information shall also include correspondence, requests, determinations, findings and orders made by or to Federal, state or local agencies in connection with known and suspected Hazardous Substance release, spill and disposal events.

PacifiCorp shall provide Bonneville, within 90 days after the Amendment Effective Date, a summary of all known and suspected Hazardous Substance release, spill and disposal events at PacifiCorp's facilities described herein which occurred prior to the Amendment Effective Date. Bonneville may request and PacifiCorp shall provide, for the purpose of establishing baseline contamination data for the facilities transferred to Jointly-Owned facilities pursuant to this Amendment, all information including records, files, and documentation pertaining to all known and suspected Hazardous Substance release, spill and disposal events at such transferred facilities. Such information shall also include correspondence, requests, determinations, findings and orders made by or to Federal, state or local agencies in connection with known and suspected Hazardous Substance release, spill and disposal events.

(c) Emergency Environmental Responsibility. The Party in operational control of a Jointly-Owned facility shall prepare and obtain approval required for emergency response plans for Hazardous Substance releases from all appropriate Federal, state and local agencies and shall be responsible for management and implementation of all laws and regulations pertaining to Hazardous Substances at the Jointly-Owned facility. Costs associated with

approval and implementation of such plans shall be included in the Actual Costs.

12. Capital Replacements. Cost sharing for replacement of facilities specified in Exhibit C, due to obsolescence or major failure, shall be shared by the Parties according to the original cost share percentage of such facilities and in accordance with Exhibit J and Section 7(e) except for the excluded facilities identified by footnote one in Exhibit C.

13. Decommissioning Costs. The Parties shall pay decommissioning costs of Jointly-Owned facilities in accordance with their ownership shares as specified in Exhibit C. Proceeds from the disposal of Jointly-Owned surplus property or facilities shall be equitably distributed or allocated to the Parties in accordance with their ownership shares as specified in Exhibit C. The cost-sharing of decommissioning costs shall survive the term of the Intertie Agreement.

14. Land and Improvements. Right-of-way and land costs for the Alvey-Meridian Line and for Alvey, Dixonville, Meridian, and Captain Jack Substations will be cost-shared consistent with Exhibit C and the following principles. Bonneville's land maps are attached as Exhibit I, 1 and 2. PacifiCorp's land drawings attached as Exhibit I 3 through I 9 represent the Parties intent using such generic examples.

(a) Alvey-Spencer Line. Right-of-way and/or land costs shall conform to the following:

(1) If Bonneville acquires new right-of-way (Easement Rights) on land not owned by Bonneville, Bonneville and PacifiCorp will each pay 50 percent of the Actual Cost to purchase such Easement Rights and will each receive 50 percent interest in such Easement Rights. Exhibit I, pages 1 of 13 and 2 of 13, provide an example of such right-of-way.

(2) If PacifiCorp uses existing right-of-way (Fee-Owned Land), Bonneville will not share in the cost and will receive easement for access only for such Fee-Owned Land. This includes land owned by PacifiCorp adjacent to PacifiCorp's Spencer Switchstation (Section 22, Township 18 South, Range 3 West, W.M.).

(b) Spencer-Meridian 500 kV Line. Right-of-way and/or land costs shall conform to the following:

(1) If PacifiCorp acquires new right-of-way (Easement Rights) on land not owned by PacifiCorp, Bonneville and PacifiCorp will each pay 50 percent of the Actual Cost to purchase such Easement Rights and will each receive 50 percent interest in such Easement Rights. Exhibit I, page 4 of 13, page 6 of 13, and page 7 of 13, provides examples of such right-of-way.

(2) If PacifiCorp acquires new land (Fee-Owned Land) for the sole purpose of providing right-of-way for the Spencer-Meridian Line, Bonneville and PacifiCorp will each pay 50 percent of the Actual Cost of acquiring such Fee-Owned Land and will each receive 50 percent ownership of the Fee-Owned Land actually utilized to provide the necessary right-of-way. This includes land that is excess to normal right-of-way requirements which was purchased to provide necessary right-of-way and has been rendered non-marketable due to the transmission line construction. Exhibit I, page 5 of 13 and page 8 of 13, provides examples of such right-of-way.

(3) If PacifiCorp acquires new land (Fee-Owned Land) to provide right-of-way for the Spencer-Meridian Line, which it intends to market or retain portions thereof for its own purposes, PacifiCorp will provide and maintain Easement Rights for the portion of such Fee-Owned Land necessary

for such right-of-way. Bonneville and PacifiCorp will each pay 50 percent of the Actual Costs to provide Easement Rights and will each receive 50 percent interest in such Easement Rights. Exhibit I, page 5 of 13, provides an example of such right-of-way.

(4) If PacifiCorp uses existing right-of-way (Easement Rights or Fee-Owned Land), Bonneville will not share in the cost and will receive easement for access only in addition to an ownership interest in the Alvey-Meridian 500 kV Transmission Line.

(5) If PacifiCorp secures any permits for right-of-way across public lands, Bonneville and PacifiCorp will each pay 50 percent of the Actual Costs associated with such permits and will each receive 50 percent interest in such permits. Exhibit I, page 7 of 13, provides an example of such right-of-way.

(6) If, in the future, PacifiCorp markets any of the Fee-Owned Land as described in Section 14(b)(2) herein for which Bonneville has paid PacifiCorp 50 percent of the Actual Costs, Bonneville will receive 50 percent of the sale proceeds, less expenses.

(c) Substations. Right-of-way and/or land costs shall conform to Exhibit C and the following:

(1) Alvey Substation. Land will be cost-shared jointly on square footage of usage within the area shown on Exhibit I, page 10 of 13, and each Party will receive a 50 percent ownership.

(2) Dixonville Substation. Land will be cost-shared jointly on square footage of usage within the area shown on Exhibit I, page 11 of 13, and each Party will receive a 50 percent ownership.

(3) Meridian Substation. Land will not be cost-shared jointly on the existing land as shown in Exhibit I, page 12 of 13. Bonneville will receive Easement Access only.

(4) Captain Jack Substation. Land will be cost-shared jointly on square footage of usage within the area shown on Exhibit I, page 13 of 13, and PacifiCorp will receive a 100 percent ownership of such specific area.

(d) Title Transfer. Title and easement rights will be transferred by and to the Parties by a recordable conveyance document agreeable to both Parties after energization of the Alvey-Meridian Line.

To accomplish this, each Party will provide the other a copy of each recorded conveyance instrument and all permits obtained. Each instrument will be identified by category Exhibit I, page 4 of 13 through page 9 of 13. A full set of property maps will also be provided by each Party to the other depicting ownership acquisition. Both acquisition documents and a full set of property records (Plans) will be given by each Party to the other within 30 days after execution of this Amendment.

15. Notices. Any notice required to be served in accordance with the terms of this Agreement, shall be in writing and sent by registered or certified mail, return receipt requested, to the appropriate address listed below:

Bonneville Power Administration  
P.O. Box 3621 - P  
Portland, OR 97228-3621

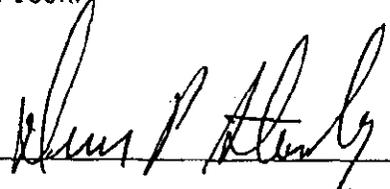
PacifiCorp  
Jerry Walker, 800 PSB  
920 SW. Sixth Ave.  
Portland, OR 97204

16. Liability.

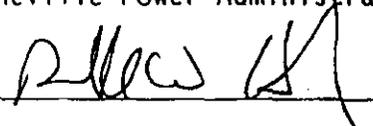
(a) Bonneville and PacifiCorp assert that neither Party is the agent or principal for the other or that they are partners or joint venturers; and the Parties agree that they will not represent to any other party that they act in the capacity of agent or principal for the other. Any judgments in tort obtained against either Party shall not be an Actual Cost of the Cost Shared Facilities.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendatory Agreement in several counterparts.

PACIFICORP

By   
Name Dennis P. Steinberg  
(Print/type)  
Title Vice President  
Date March 16, 1993

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By   
Name Randall W. Hardy  
(Print/type)  
Title Administrator  
Effective Date March 16, 1993

(VS10-PMTT-3568e)

/s/ DENNIS P. STEINBERG  
Vice President  
March 16, 1993

/s/ RANDALL W. HARDY  
Administrator  
March 16, 1993





Bonneville Cash Flow  
 (Dollars in Thousands)

<u>Year</u>	<u>Month</u>	<u>Advances</u>
1992	January through September	\$ 5,534
	October	3,047
	Less Interim Payment	(6,000)
	November	392
	December	220
1993	January	585
	February	585
	March	769
	April	750
	May	325
	June	132
	July	166
	August	166
	September	78
	October	<u>73</u>
	Total	\$ <u>6,822</u>

Source Document:

Bonneville Eugene-Medford Project Cash Flow Estimates  
 Prepared by J. Quinata, dated 1/25/93

Prior Costs are excluded.

(VS10-PMTT-3596e)

PacifiCorp Cash Flow  
(Dollars in Thousands)

<u>Year</u>	<u>Month</u>	<u>Advances</u>
1992	January through September	\$ 25,125
	October	3,897
	Less Interim Payment	(16,000)
	November	3,000
	December	4,500
1993	January	2,896
	February	1,995
	March	1,853
	April	1,788
	May	2,076
	June	2,103
	July	2,026
	August	1,800
	September	1,492
	October	1,579
	November	1,101
	December	234
	<u>Total</u>	\$ <u>41,465</u>

Source Document:

PacifiCorp; October 1992 Project Forecast  
Southern Oregon 500 kV Project  
Prepared by T. Jestrab, dated 12/31/92

Prior Costs are excluded.

(VS10-PMTT-3596e)



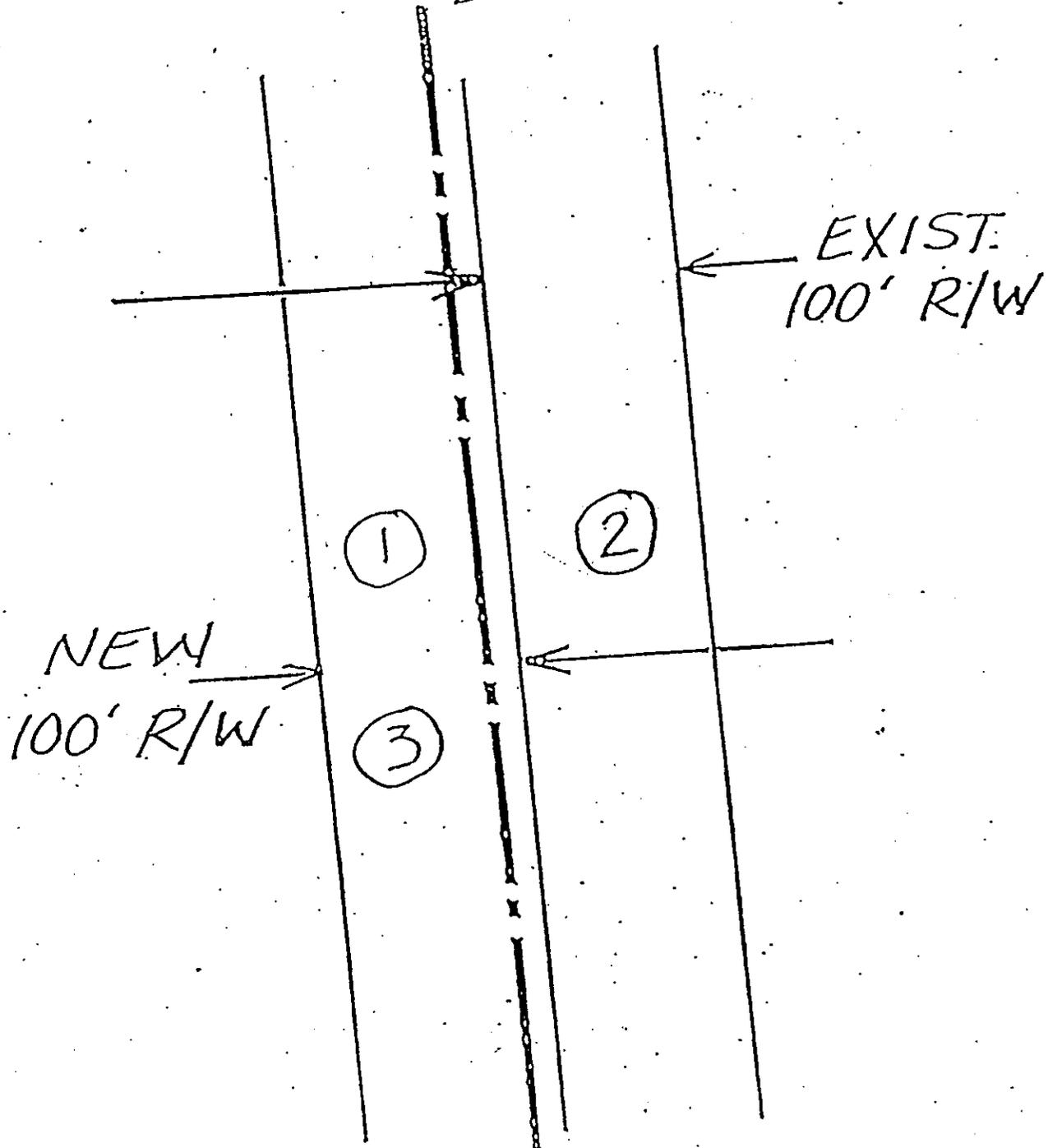


LEGEND

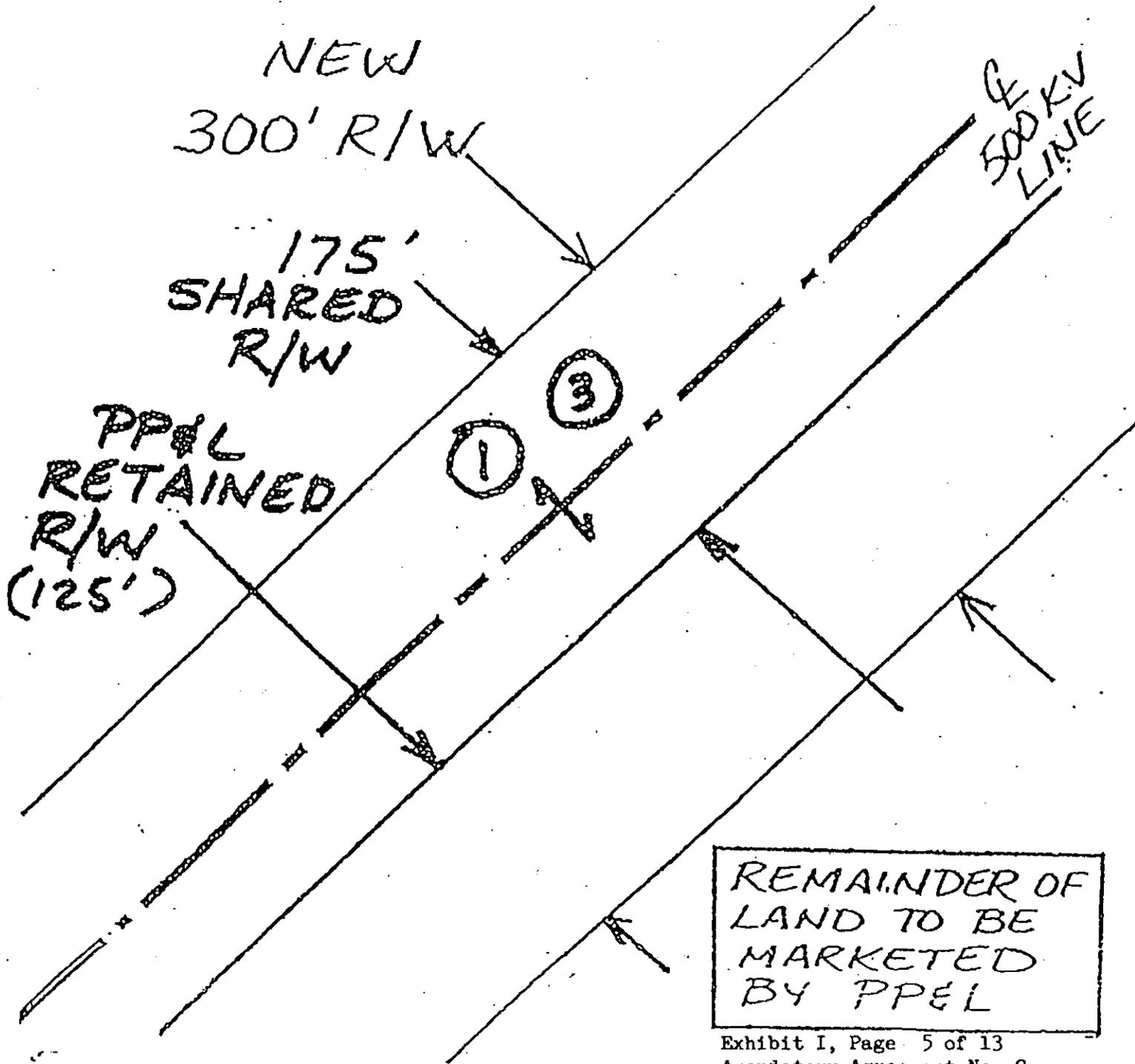
- ① - SHARED COST
- ② - SHARED EASEMENT ACCESS ONLY
- ③ - SHARED EASEMENT RIGHTS

A. EXISTING R/W  
PRIVATE LAND - (1)

500KV LINE



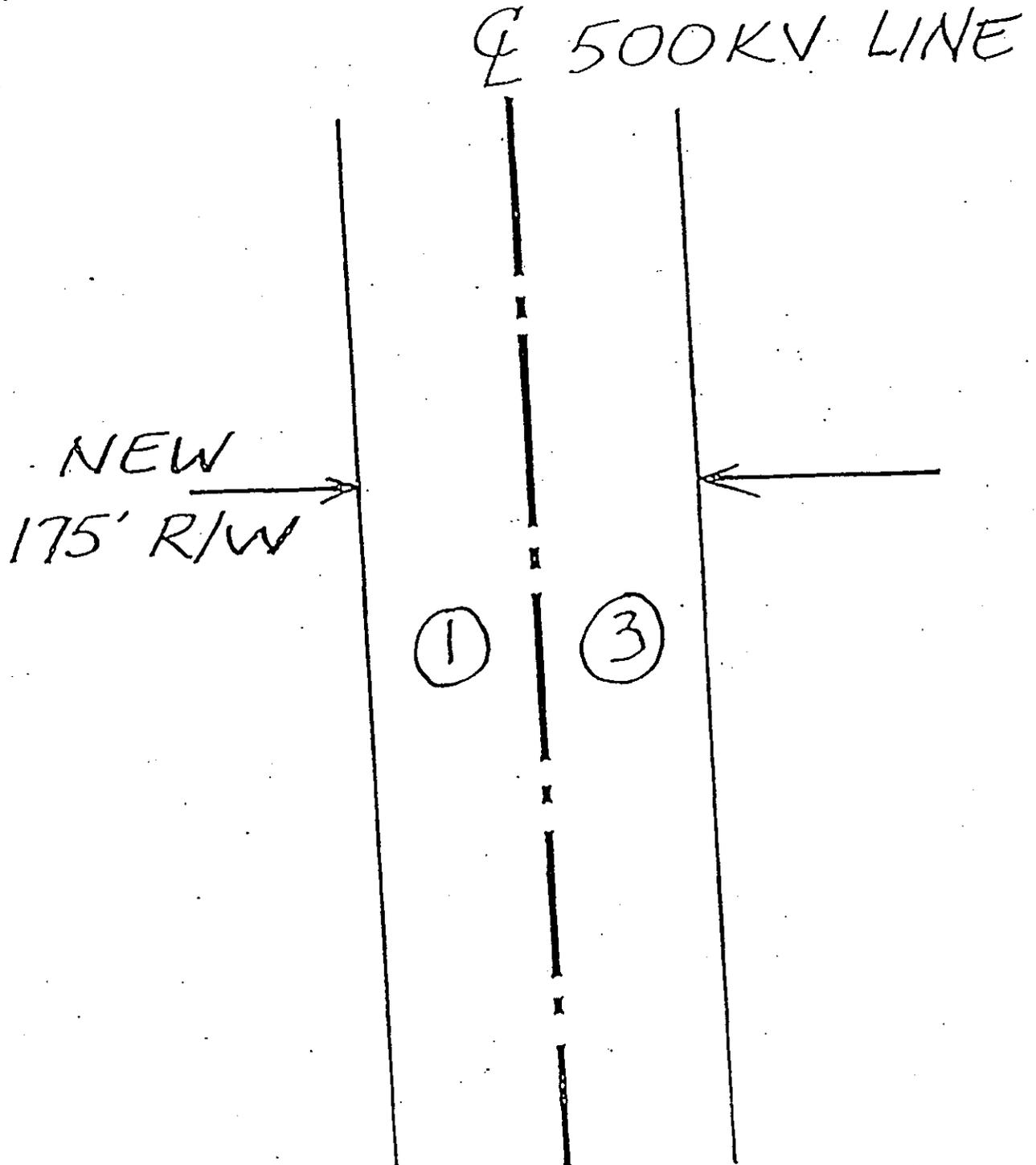
B. NEW R/W ON PP&L  
FEE OWNED LAND - (1)



REMAINDER OF  
LAND TO BE  
MARKETED  
BY PP&L

Exhibit I, Page 5 of 13  
Amendatory Agreement No. 2  
Contract No. DE-MS79-86BP92299  
PacifiCorp  
Effective at 2400 Hours  
on the Effective Date

C. NEW R/W  
PRIVATE LAND



D. NEW R/W ON GOVERNMENT LANDS

500KV LINE

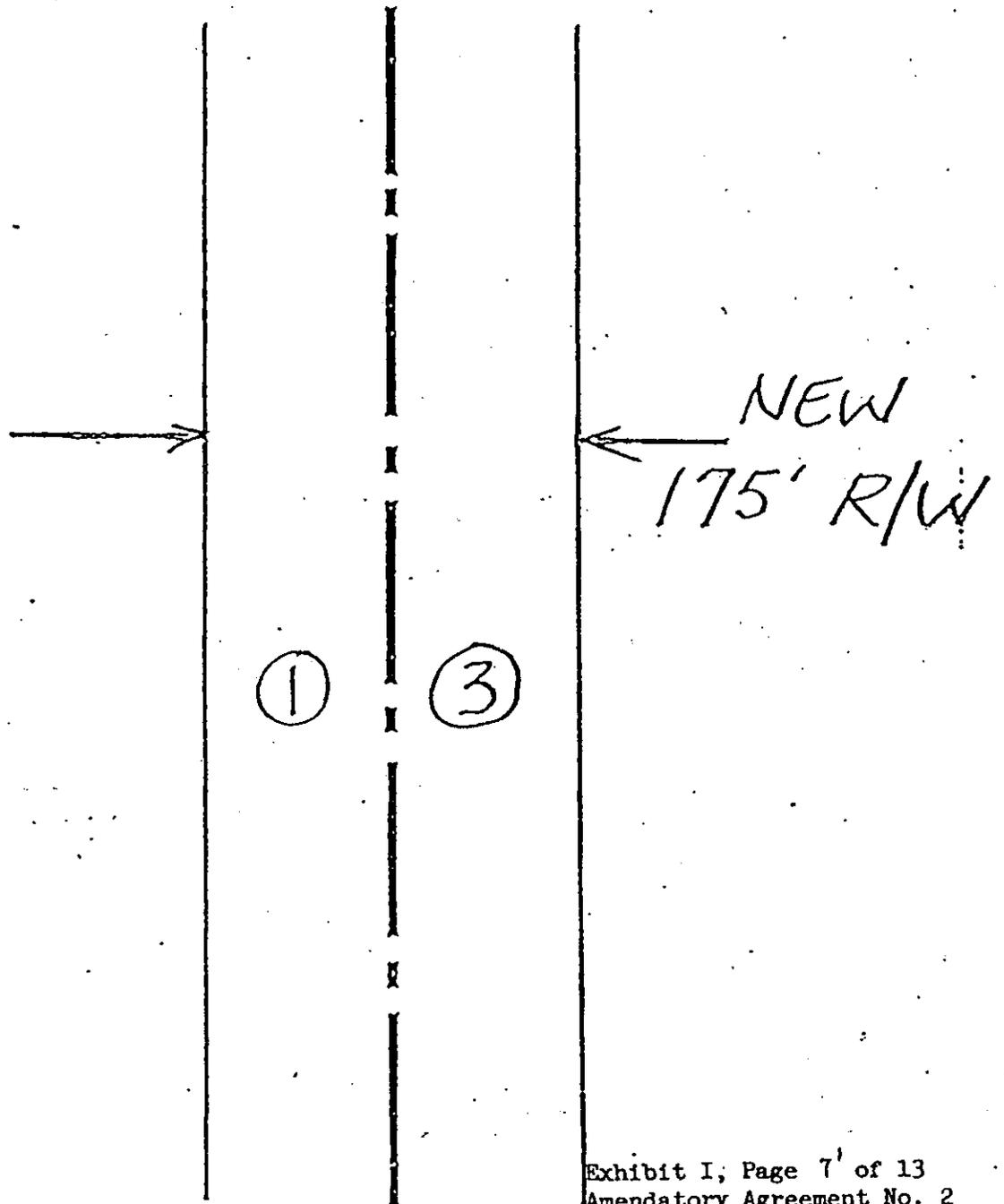


Exhibit I, Page 7 of 13  
Amendatory Agreement No. 2  
Contract No. DE-MS79-86BP92299  
PacifiCorp  
Effective at 2400 Hours  
on the Effective Date

# E. EXISTING R/W ON PP&L FEE OWNED LAND - (2)

## 500KV LINE

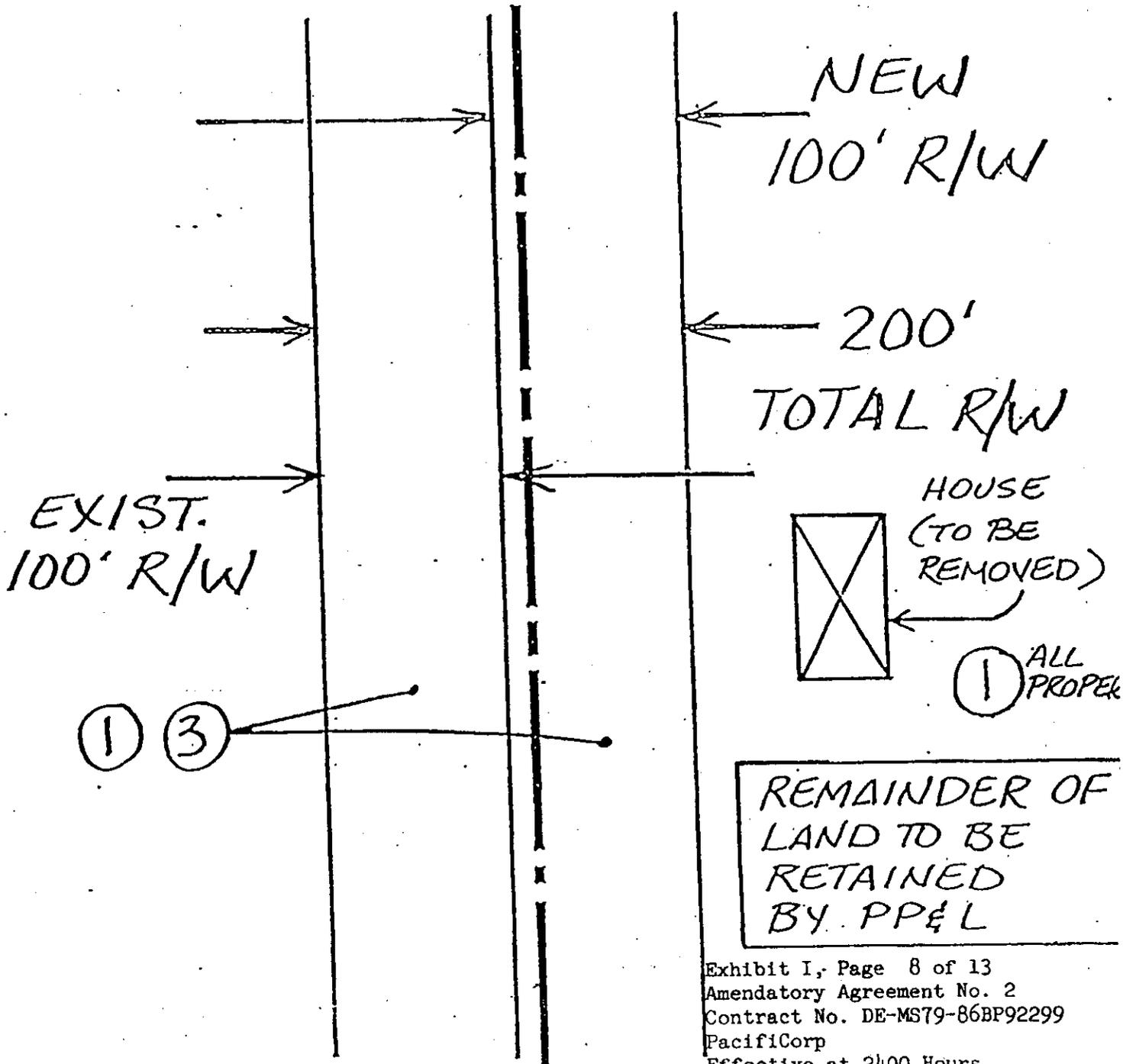


Exhibit I, Page 8 of 13  
Amendatory Agreement No. 2  
Contract No. DE-MS79-86BP92299  
PacifiCorp  
Effective at 2400 Hours  
on the Effective Date

F. EXISTING R/W ON PRIVATE LAND - (2)

⊥ 500KV LINE

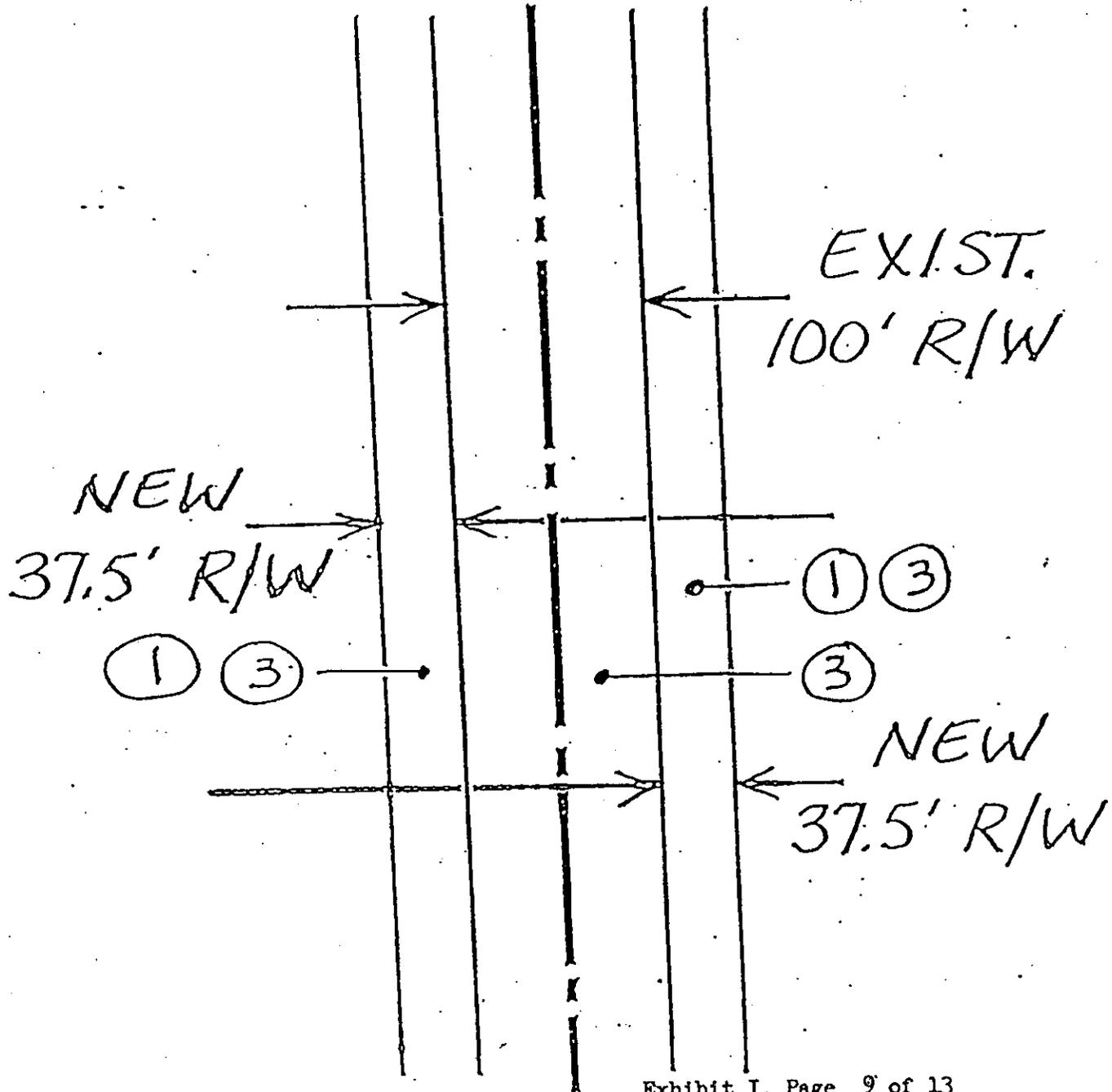
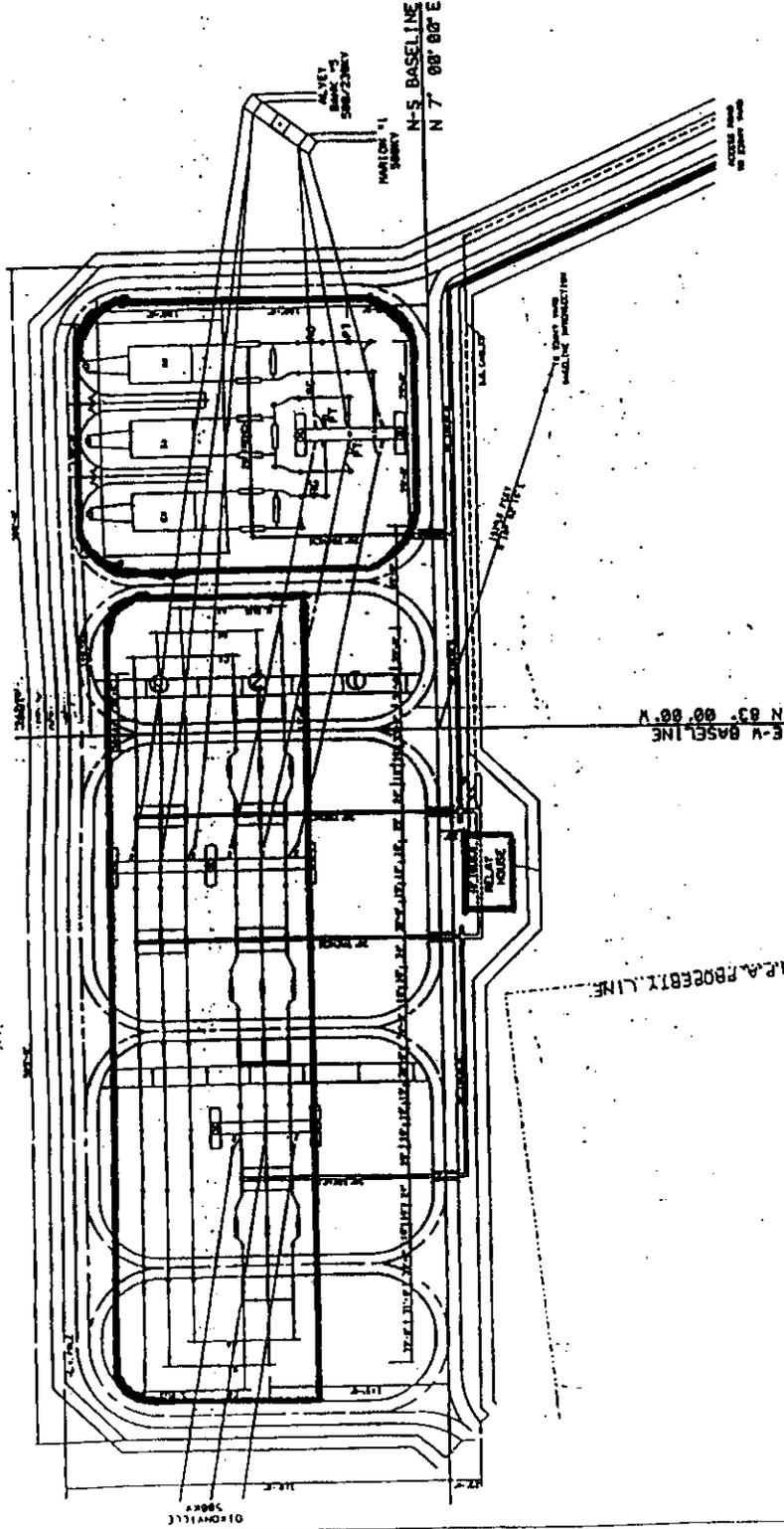


Exhibit I, Page 9 of 13  
Amendatory Agreement No. 2  
Contract No. DE-MS79-86BP92299  
PacifiCorp  
Effective at 2400 Hours  
on the Effective Date

Exhibit I, Page 10 of 13  
 Amendatory Agreement No. 2  
 Contract No. DE-MS79-86BP92299  
 PacifiCorp  
 Effective at 2400 Hours  
 on the Effective Date



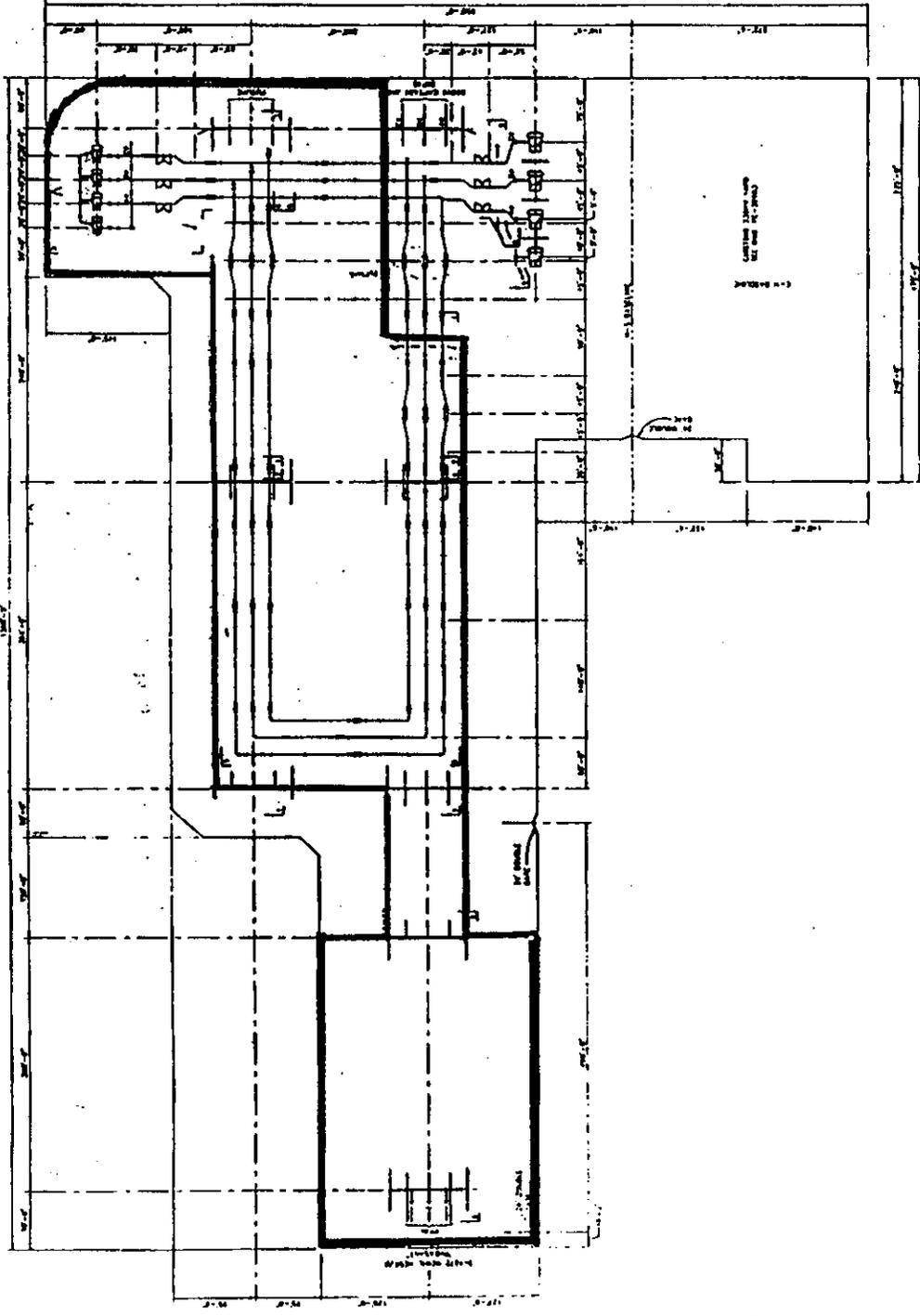
NO.	DATE	BY	DATE	APPROVED
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				
58				
59				
60				
61				
62				
63				
64				
65				
66				
67				
68				
69				
70				
71				
72				
73				
74				
75				
76				
77				
78				
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95				
96				
97				
98				
99				
100				

J.P. ALVEY SUBSTATION  
 500KV YARD  
 PLOT PLAN

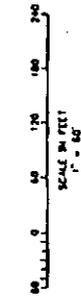
DATE	BY	DATE	APPROVED
249078	ESA	11	10



Exhibit I, Page 12 of 13  
 Amendatory Agreement No. 2  
 Contract No. DE-MS79-86BP92299  
 PacifiCorp  
 Effective at 2400 Hours  
 on the Effective Date



NOT TO BE USED FOR CONSTRUCTION



APPROVED BY: [Signature]  
 DATE: [Date]

DESIGNED BY	DATE
CHECKED BY	DATE
APPROVED BY	DATE
PROJECT NO.	DATE
REV.	DATE

MEDFORD, OREGON  
 MERIDIAN SUBSTATION  
 GENERAL PLAN



Exhibit J, Page 1 of 1  
Amendatory Agreement No. 2  
Contract No. DE-MS79-86BP92299  
PacifiCorp  
Effective at 2400 Hours On  
the Effective Date

Capital Replacements

Either Party shall be able to initiate Capital Replacement projects to be added under this Exhibit as additional tables.

(VS10-PMTT-3568e)

Calculation of O&M Charges

<u>Facilities</u>	<u>Annual Operation and Maintenance Charge 1/</u>	<u>Annual Payment Due From PacifiCorp</u>
Alvey (3) 500 kV PCB Terminals x (\$46,018 terminal) Monthly Charge = \$5752	\$138,054	\$69,027 2/
Sycan New Series capacitor bank (546 MVAR) in The Summer Lake-Malin 500 kV Line Monthly Charge = \$5290	\$181,381	\$63,483 2/

1/ O&M Cost: From Bonneville Power Administration's Annual O&M Charges for Customer-Owned or Leased Facilities dated September 30, 1991.

2/ Effective December 18, 1992

(VS10-PMTT-3568e)

**AUTHENTICATED COPY**

Exhibit C, Revision 3, Page 1 of 10  
 Ammendatory Agreement No. 2  
 Contract No. DE-MS79-868P2299  
 PacifiCorp  
 Effective at 2400 Hours on  
 the Date of Execution

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share</u>		<u>Ownership Percentage</u>		<u>Operation &amp; Maintenance</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
		<u>Bonneville/Pacific</u>	<u>Pacific</u>	<u>Bonneville/Pacific</u>	<u>Pacific</u>			
<u>Alvey Substation</u>								
<ul style="list-style-type: none"> <li>3-500 kV breakers/CT's, buswork, towers, MGO's, PT's, arresters, associated grounding, conduit, control and power cables, site dev. including landscaping, station service equipment for the 3 breaker ring bus layout.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	BPA to operate and maintain (including maintenance of conduit, trench and grounding systems at BPA discretion).	
<ul style="list-style-type: none"> <li>Environmental related work.</li> </ul>	Bonneville	50/50	N/A	N/A	N/A	N/A		
<ul style="list-style-type: none"> <li>Series capacitors and auxiliaries.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	BPA to operate and maintain (including maintenance of conduit, trench and grounding systems at BPA discretion).	
<ul style="list-style-type: none"> <li>Property acquired for 500 kV yard for Intertie purposes, excluding any additions, for future BPA projects.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	Requires identification of boundaries. O&M costs subject to non-routine work. BPA to maintain at 100% BPA costs, things like surface rock, sidewalks, roads, fence/line, aesthetics.	
<ul style="list-style-type: none"> <li>500 kV Relay House building.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	Future BPA/PP&L expansion will be done at 100% BPA/PP&L costs, otherwise 50/50 if Intertie related. General building maintenance should be at BPA discretion with 42/58 cost sharing.	
<ul style="list-style-type: none"> <li>Relaying and controls, data system equip. inside the 500 kV Relay House for the Alvey-Dixonville, Marion-Alvey and 500 kV Tie Line.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	BPA has future rights for BPA projects at 100% BPA costs otherwise 50/50 if Intertie related. O&M at 42/58 as per this Exhibit C for Intertie related facilities. BPA to maintain.	
<ul style="list-style-type: none"> <li>RAS related equip.</li> </ul>	Bonneville						Refer to Contract #93039.	
<ul style="list-style-type: none"> <li>Metering/Telemetering equipment on the Alvey-Dixonville Line.</li> </ul>	Bonneville	50/50	50/50	50/50	Bonneville	42/58	BPA to do the maintenance at BPA discretion.	

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/ Pacific</u>	<u>Ownership Percentage Bonneville/ Pacific</u>	<u>Operation &amp; Maintenance</u>	<u>Operation &amp; Maintenance Payments % Bonneville/ Pacific</u>	<u>Comments</u>
<u>500 kV Tie Line (Alvey 500-Ix, Bank #5)</u>						
• Transmission related costs.	Bonneville	50/50	50/50	Bonneville	100/0	50/50 ownership means PP&L has 50% capacity rights on the Tie Line but not physical ownership. Transfer rights over Bank #5 are not covered here.
<u>Marion-Alvey 500 kV Line Modifications</u>						
• Transmission costs only. 1/	Bonneville	50/50	100/0	Bonneville	100/0	
<u>34.5 kV Line Relocation</u>						
• Transmission costs only. 1/	Bonneville	50/50	100/0	Bonneville	100/0	
<u>Alvey-Dixonville 500 kV Line</u>						
• 1.4 mile Alvey-Spencer Tap Section. 2/	Pacific	50/50	50/50	Pacific	42/58	Applicable only to the ROW for Intertie purposes. Additional ROW at 100% BPA costs.
• Remaining 56.7 miles. 2/	Pacific	50/50	50/50	Pacific	42/58	Requires identification of specific properties upon which these percentages are applicable. Access roads must also be considered. Timber costs and revenues also to be included. 2/
<u>Spencer Tap</u>						
• Costs to reterminate the PP&L Alvey-Dix. 230 kV Line. 1/	Pacific	50/50	0/100	Pacific	0/100	
• Costs to reterminate the PP&L Alvey-Diamond Hill 230 kV Line. 1/	Pacific	0/100	0/100	Pacific	0/100	

INVESTMENT ALLOCATION

Facility Description	Design	cost share percentage Bonneville/ Pacific	Ownership Percentage Bonneville/ Pacific	Operation & Maintenance	Operation & Maintenance Payments % Bonneville/ Pacific	Comments
<u>Dixonville 500 kV Substation</u>						
<ul style="list-style-type: none"> <li>3-Breaker Ring Bus, 180 MVAR Reactor, arresters, grounding, conduit, control and power cables, site development, PT's, station service, isolating disconnect switches for 500 kV ring bus.</li> <li>Series capacitors and auxiliaries.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to operate and maintain (including maintenance of conduit, trench and grounding systems at PP&L discretion).
<ul style="list-style-type: none"> <li>500/230 kV Transformer and related 230 kV equipment. I/</li> <li>Wetland mitigation and other environmental requirements.</li> <li>Property acquired for 500 kV yard for Intertie purposes, excluding any additional future PP&amp;L projects and any property for PP&amp;L's 500/230 kV transformer.</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	PP&L to operate and maintain (including maintenance of conduit, trench and grounding systems at PP&L discretion).
<ul style="list-style-type: none"> <li>500 kV Control House building.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	Requires identification of boundaries. O&M costs subject to non-routine work. PP&L to maintain at 100% PP&L costs, things like surface rock, sidewalks, roads, fence/line, aesthetics.
<ul style="list-style-type: none"> <li>Relaying and controls, data system equip. inside the 500 kV Control House, excluding that associated with PP&amp;L's 500/230 kV transformer and 230 kV line position(s).</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	Future PP&L/BPA expansion will be done at 100% PP&L/BPA costs. Otherwise 50/50 if Intertie related. General building maintenance should be at PP&L discretion with 42/58 cost-sharing.
<ul style="list-style-type: none"> <li>RAS related equipment.</li> </ul>	Pacific					PP&L has future rights for PP&L projects at 100% PP&L costs. Otherwise 50/50 if Intertie related. O&M at 42/58 as per this Exhibit C for Intertie related facilities. PP&L to maintain.

Refer to Contract #93039.

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
<ul style="list-style-type: none"> <li>• Metering/Telemetry equipment on the Dixonville-Alvey Line.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to do the maintenance at PP&L discretion.
<u>Dixonville-Meridian 500 kv Line</u>						
<ul style="list-style-type: none"> <li>• Transmission costs. 2/</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	Requires identification of specific properties upon which these percentages are applicable. Access roads/bridge must also be considered. Timber costs and revenues also to be included.
<u>Hanna Tap Relocation</u>						
<ul style="list-style-type: none"> <li>• Transmission and switching modification costs. 1/</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	Ownership and O&M costs percentages reflect existing arrangements which will be maintained.
<u>Table Rock Switching Station</u>						
<ul style="list-style-type: none"> <li>• Costs to remove existing station.</li> </ul>	Pacific	50/50	N/A	N/A	N/A	Existing station is in the path of the new 500 kv Line.
<ul style="list-style-type: none"> <li>• Costs to reconnect Line #71 to south portion of Line #54. 1/</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	
<u>Meridian Substation</u>						
<ul style="list-style-type: none"> <li>• Installation of 2-500 kv breakers, CT's, 180 MVAR reactor, 2 Line Pt sets, isolating disconnect switches, arresters, buswork, conduit, control and power cables, grounding, including site development for Intertie purposes.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to operate and maintain (including maintenance of conduit, trench and grounding systems at PP&L discretion). 50/50 ownership does not apply to the existing property upon which such facilities lie.
<ul style="list-style-type: none"> <li>• Environmental related work associated with the 500 kv expansions required.</li> </ul>	Pacific	50/50	N/A	N/A	N/A	

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Bonneville/Pacific</u>	<u>Operation &amp; Maintenance % Bonneville/Pacific</u>	<u>Comments</u>
<ul style="list-style-type: none"> <li>Any additional new property required to support the project.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	Requires identification of boundaries. O&M costs subject to non-routine work. PP&L to maintain at 100% PP&L costs, things like surface rock, sidewalks, roads, fence/line, aesthetics.
<ul style="list-style-type: none"> <li>Access road improvements or new access road.</li> </ul>	Pacific	50/50	50/50	Pacific	0/100	Boundaries to be identified that conveys future BPA rights of use.
<ul style="list-style-type: none"> <li>Existing property. 1/</li> </ul>	Pacific	0/100	0/100	Pacific	0/100	PP&L to operate and maintain (including maintenance of conduit, trench and grounding systems at PP&L discretion).
<ul style="list-style-type: none"> <li>Series capacitors and auxiliaries.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to maintain.
<ul style="list-style-type: none"> <li>Data system equip. inside the existing 500 kv Control House associated with the 2 breakers, 180 MVAR reactor, and the Meridian-Dixonville and Meridian-Captain Jack Lines.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to maintain.
<ul style="list-style-type: none"> <li>Relaying and controls for the Meridian-Dixonville 500 kv Line.</li> </ul>	Pacific	50/50	50/50	Pacific	42/58	PP&L to maintain.
<ul style="list-style-type: none"> <li>Relaying and controls for the Meridian-Captain Jack #2 500 kv Line. 1/</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	PP&L to maintain. BPA retains the right to review any future relay replacements/modifications.
<ul style="list-style-type: none"> <li>Any modification to the existing Control House or construction of a new Control House as a result of the Eugene-Medford projects.</li> </ul>	Pacific	50/50	50/50	Pacific	0/100	Future PP&L/BPA expansion will be done at 100% PP&L/BPA costs, otherwise 50/50 if Intertie related. PP&L to maintain at their discretion.
<ul style="list-style-type: none"> <li>Construction of a new storage building</li> </ul>	Pacific	50/50	50/50	Pacific	0/100	Use of building to be audited later to confirm cost sharing percentages.
<ul style="list-style-type: none"> <li>RAS related equipment.</li> </ul>						Refer to Contract #93039.

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
<u>Malin-Meridian 500 kV Line Loop Into Captain Jack Substation</u>						
• Transmission line modifications. 1/	Pacific	50/50	0/100	Pacific	0/100	3/
<u>Captain Jack Substation</u>						
• Bay 3 facilities, including 2-500 kV breakers, 4-MOD's, buswork, PT's, conduit, grounding, towers.	Bonneville	50/50	0/100	Bonneville	0/100	BPA to operate and maintain (including maintenance of conduit, trench and grounding systems at BPA discretion).
• Property under Bay 3.	Bonneville	50/50	0/100	Bonneville	Prorate	Prorate based on 2/7. BPA to maintain.
• Relays and controls, data systems equip. for Bay 3 facilities.	Bonneville	50/50	0/100	Pacific	0/100	PP&L to maintain. BPA retains the right to review any future relay replacements/modifications.
• Remaining 5-500 kV breakers, MOD's, buswork towers, conduit, grounding, site develop. 1/	Bonneville	100/0	100/0	Bonneville	100/0	BPA to operate and maintain (including maintenance of conduit, trench and grounding systems at BPA discretion).
• Station service facilities for the entire station. 1/	Bonneville	100/0	100/0	Bonneville	Prorate	Prorate based on 2/7. BPA to maintain.
• Remaining relays and controls, data system equipment. 1/	Bonneville	100/0	100/0	Bonneville	100/0	BPA to maintain.
• Control House, exclusive of the property upon which it lies. 1/	Bonneville	100/0	100/0	Bonneville	100/0	Any future expansions due to PP&L additions will be at 100% PP&L costs but BPA to retain 100% ownership.
• All remaining property including access road. 1/	Bonneville	100/0	100/0	Bonneville	100/0	Requires identification of boundaries. PP&L has right to add transformer in future.
• Series capacitors. 1/	Bonneville	100/0	100/0	Bonneville	100/0	Cost sharing/ownership is with TANC as per Interconnection Agreement (short or long term, whatever prevails). BPA to maintain.

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share Percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
<ul style="list-style-type: none"> <li>• RAS related equipment.</li> </ul>	Bonneville	50/50	0/100	Bonneville	0/100	Refer to Contract #93039.
<ul style="list-style-type: none"> <li>• Metering/Telemetering equipment on the Captain Jack-Meridian and Captain Jack-Malin #2 Lines.</li> </ul>						BPA to do the maintenance at BPA discretion.
<u>Malin Substation</u>						
<ul style="list-style-type: none"> <li>• Any modifications/additions in PP&amp;L's Control House in support of the Eugene-Medford/Third AC Intertie project, which includes the relay replacement for the Malin-Captain Jack Line. 1/</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	BPA retains the right to review any future relay replacements and/or modifications.
<ul style="list-style-type: none"> <li>• Replacement of arresters on PacifiCorp's 500 KV reactor bank No. 4. 1/</li> </ul>	Pacific	0/100	0/100	Pacific	0/100	
<ul style="list-style-type: none"> <li>• Replacement of rod gaps with arrestors on PacifiCorp's C-J. Line terminal. 1/</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	
<ul style="list-style-type: none"> <li>• RAS related equipment.</li> </ul>						Refer to Contract #93039.
<ul style="list-style-type: none"> <li>• Any modifications in main control house.</li> </ul>	Bonneville	50/25	50/25	Bonneville	50/25	
<ul style="list-style-type: none"> <li>• Relay replacement for the Summer Lake line.</li> </ul>	Pacific	50/50	0/100	Pacific	42/58	Refer to Contract #93644.
<u>Line Relays at Dixonville, Meridian, and Malin and Related Accessories</u>						
<ul style="list-style-type: none"> <li>• Line relays at Dixonville, Meridian, and Malin for the Dixonville-Alvey, Dixonville-Meridian, Meridian-Captain Jack, and Malin-Captain Jack #2 Lines are to be supplied to PP&amp;L at BPA material cost plus BPA overheads. Any additional PP&amp;L overheads, subject to 50/50 cost share, is to be determined.</li> </ul>	Pacific	50/50				Ownership and O&M of such relays are as described under the respective substations.

See Comments

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
<ul style="list-style-type: none"> <li>Spare Equipment.</li> </ul>	Bonneville	50/50	50/50	N/A	N/A	Reference 7/12/91 Letter from Don Feltz to Susan Wiese. Such spare equipment are to be located at PP&L station(s) in Southern Oregon. In addition to that referenced in the 7/12/91 Letter, there may be other spare equipment supplied by PP&L also located in S. Oregon and subject to cost-share. Required test equipment and tools are to be 100% respectively acquired by either BPA or PP&L for 100% discretionary use.
<ul style="list-style-type: none"> <li>Specialized relay training costs. 1/</li> </ul>	N/A	50/50	N/A	N/A	N/A	Cost sharing only if agreed to capitalize such costs.
<u>General PSC Modifications</u>						
<ul style="list-style-type: none"> <li>PSC Modifications at Dittmer and ECC will be 100% BPA and similarly PSC modifications at PP&amp;L control centers will be 100% PP&amp;L.</li> </ul>			100% respectively			
<ul style="list-style-type: none"> <li>Any other modifications at other wholly owned substations will be 100% of the respective party.</li> </ul>			100% respectively			
<u>Summer Lake Substation</u>						
<ul style="list-style-type: none"> <li>Relay replacement for the Summer Lake-Malin 500 kv Line.</li> </ul>	Pacific	50/50	0/100	Pacific	42/58	Refer to agreement #93644.
<ul style="list-style-type: none"> <li>RAS related equipment.</li> </ul>	Bonneville	100/0	0/100	Pacific	0/100	Refer to Trust Tables 18 & 19, Contract # 37013.
<ul style="list-style-type: none"> <li>Replacement of rod gaps with arrestors on PacifiCorp's Malin Line terminal. 1/</li> </ul>						
<u>Sycan Series Compensation Station</u>						
<ul style="list-style-type: none"> <li>New series capacitor bank in the S. Lake-Malin 500 kv Line.</li> </ul>	Bonneville	65/35	65/35	Bonneville	65/35	Refer to agreement #93644.

INVESTMENT ALLOCATION

<u>Facility Description</u>	<u>Design</u>	<u>cost share percentage Bonneville/Pacific</u>	<u>Ownership Percentage Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Bonneville/Pacific</u>	<u>Operation &amp; Maintenance Payments % Bonneville/Pacific</u>	<u>Comments</u>
<ul style="list-style-type: none"> <li>• Bypass switch and associated support structures and foundations.</li> </ul>	Bonneville	65/35	0/100	Bonneville	0/100	Refer to agreement #93644.
<ul style="list-style-type: none"> <li>• Dead-End tower.</li> </ul>	Pacific	65/35	0/100	Pacific	0/100	Refer to agreement #93644.
<u>Capital Spare Parts</u> Various spare parts.		50/50	50/50		42/58	Capital spare parts subject to cost sharing and joint ownership are to be mutually agreed upon and consistent with this agreement.
<u>Overall Planning, Preliminary Engineering, Project Management</u> Related costs for the Eugene-Medford Project, including any costs to resolve/mitigate legal matters (e.g., spotted owl and union vs. non-union issues).		50/50	50/50			
<u>Communications:</u> <ul style="list-style-type: none"> <li>• Summer Lake-Malin Communication, Two Downlinks. ✓</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	Refer to the Sycan Agreement Contract No. DE-MS79-928P93644 and Cooperative Communications Agreement Contract No. DE-MS79-928P93740.
<ul style="list-style-type: none"> <li>• Dixonville - Two Microwave Terminals. ✓</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	Refer to the Cooperative Communications Agreement Contract No. DE-MS79-928P93740.
<ul style="list-style-type: none"> <li>• Meridian - Two Microwave Terminals ✓</li> </ul>	Pacific	50/50	0/100	Pacific	0/100	Refer to the Cooperative Communications Agreement, Contract No. DE-MS79-928P93740.
<ul style="list-style-type: none"> <li>• All Other Bonneville Communication Facilities</li> </ul>	Bonneville	100/0	100/0	Bonneville	100/0	Refer to the Cooperative Communications Agreement, Contract No. DE-MS79-928P93740.

INVESTMENT ALLOCATION

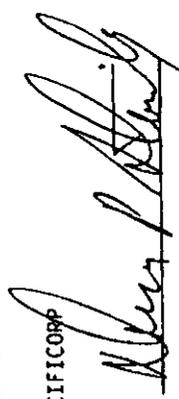
Facility Description	Design	cost share Percentage Bonneville/Pacific	Ownership Percentage Bonneville/Pacific	Operation & Maintenance Bonneville/Pacific	Operation & Maintenance Payments % Bonneville/Pacific	Comments
• Other Pacific Communication Facilities	Pacific	0/100	0/100	Pacific	0/100	Refer to the Cooperative Communications Agreement, Contract No. DE-MS79-92BP93740.

- 1/ Credits and sharing of costs for capital replacements will not be applicable to this item after completion of the initial construction. Proceeds from credits realized by either Party during the initial construction phase of this item shall be subject to cost-share and the final accounting of costs.
- 2/ Costs of (1) removal of any existing 230 KV facilities; (2) permitting; and (3) incremental right-of-way to be included.
- 3/ Includes procurement of right-of-way from Meridian-Malin transmission line structures to Captain Jack Substation.

UNITED STATES OF AMERICA  
 Department of Energy  
 Bonneville Power Administration

By   
 Administrator

ACCEPTED:  
 PACIFICORP

By  /s/ DENNIS P. STEINBERG /s/ RANDALL W. HARDY  
 Name Dennis P. Steinberg /s/ RANDALL W. HARDY  
 (Print/Type) (Print/Type) Administrator  
 Title Vice President  
 Date March 16, 1993  
 Date March 16, 1993



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

**AUTHENTICATED COPY**

OFFICE OF THE ADMINISTRATOR

In reply refer to: PMTI

Mr. Dennis P. Steinberg  
Vice President  
Power Systems & Development  
PacifiCorp  
700 NW. Multnomah, Suite 1600  
Portland, OR 97232

MAY 28 1993

Dear Mr. Steinberg:

PacifiCorp and the Bonneville Power Administration (Bonneville) have reached agreement on principles to resolve a number of outstanding issues related to the Intertie Agreement, Contract No. DE-MS79-86BP92299, and the Midpoint-Medford Agreement, Contract No. DE-MS79-79BP90091. Therefore, subject to Bonneville's statutory requirements, including appropriate environmental review, the parties agree to finalize appropriate agreements to implement the following:

1. PacifiCorp's South-to-North AC Intertie Scheduling Rights Under the Intertie Agreement. PacifiCorp will have the following rights:
  - (a) PacifiCorp's south-to-north (S>N) Intertie scheduling rights under the Intertie Agreement will equal 400 MW divided by the north-to-south (N>S) rated transfer capability (RTC) times the S>N RTC. PacifiCorp agrees to cooperate with Bonneville in its efforts to secure up to a 4800 MW S>N RTC.
  - (b) PacifiCorp shall have the right to net its N>S and S>N schedules.
  - (c) The Intertie Agreement shall be amended to explicitly state that the Agreement applies to the parties' S>N rights as well as to the parties' N>S rights.
2. Priority S>N Non-Firm Transmission for PacifiCorp:
  - (a) For a term of 30-years, on hours that PacifiCorp's S>N scheduling capability (including rights under 1(a), net schedules under 1(b), NFP under 3(a), and firm transmission services under 3(a) or 3(b)) is less than 582 MW on off-peak hours, Bonneville will provide PacifiCorp the right to utilize unused Bonneville S>N AC and DC capability at the IS-A rate. Unused Bonneville S>N capability, for up to a total of 582 MW of S>N scheduling capability, is defined as capability not required to satisfy Bonneville's firm contractual commitments as determined by Bonneville.

3. PacifiCorp's Additional Intertie Delivery Rights:

- (a) Non-Federal Participation (NFP). Bonneville's current draft of the Environmental Impact Statement (EIS) for NFP includes analysis of impacts of additional NFP above 725 MW. In the event that Bonneville offers additional NFP, Bonneville will propose to make 125 MW available to PacifiCorp. If the Administrator has not issued a Record of Decision in favor of proceeding with an additional NFP offer of at least 125 MW of NFP by January 1, 1994, then Bonneville shall offer PacifiCorp interim firm transmission contract(s) that will provide 125 MW of N>S wheeling for PacifiCorp's WAPA and Redding contracts and S>N wheeling equal to 125 x S>N RTC/4800. Such interim firm transmission contract demand for N>S shall be 75 MW starting January 1, 1994, and 125 MW starting June 1, 1994.
- (b) If PacifiCorp has not obtained 125 MW of NFP by January 1, 1995, then Bonneville shall offer long-term firm transmission contracts as described in 3(a). PacifiCorp may use such contracts for firm or non-firm schedules. PacifiCorp may use such contract rights up to a 100 percent load factor.
- (c) If PacifiCorp executes either an interim firm transmission or a long-term firm transmission contract, the transmission rate applicable to such contract shall be Bonneville's then applicable IS-B rate. PacifiCorp shall pay the IS-B rate based upon a 125 MW N>S contract demand plus a S>N contract demand equal to 125 x S>N RTC/4800 for a term equal to the WAPA and Redding Contracts. The agreement(s) shall otherwise include Bonneville's standard terms and conditions for firm transmission, provided that no mitigation charges shall be applied. The settlement of issues contained in this letter of understanding incorporates all necessary mitigation. If PacifiCorp executes long-term firm transmission contracts for deliveries for its WAPA and Redding contracts, Bonneville agrees that upon the termination date of such contracts, it will offer to extend such services for a period of up to 25 years, based upon Bonneville's then standard terms included in similar agreements, provided that no mitigation charges shall be applied, beyond the applicable FERC-approved Bonneville rates, if PacifiCorp requires such service.
- (d) If PacifiCorp executes a N>S interim firm transmission contract or a N>S long-term firm transmission contract pursuant to 3(a) or 3(b) PacifiCorp, in addition to the contract demand charges, agrees to pre-pay, on a take or pay basis, the then effective energy component of the IS-B rate based on a 85 percent load factor. PacifiCorp shall pay one-twelfth of such amount each month. Based on Bonneville's estimated IS-B (93) rate, such amount would be calculated as follows:  $125 \text{ MW} \times 8760 \text{ hr} \times 1.43 \text{ M/kWh} \times 0.85 \div 12 = \$110,914.37/\text{mo}$ .
- (e) If PacifiCorp executes a S>N interim firm transmission contract or a S>N long-term firm transmission contract pursuant to 3(a) or 3(b) PacifiCorp shall not be required to pre-pay any charges for such service beyond the contract

demand charges associated with such contract. (No pre-payment of the IS-B energy charge).

- (f) PacifiCorp's Main Grid Wheeling Rights to Access the AC Intertie. If PacifiCorp received NFP rights or if PacifiCorp executes interim or long-term firm transmission contracts pursuant to this Section 3, it is agreed that PacifiCorp shall require no additional main grid wheeling on the Federal System to use the rights described above. However, if insufficient capacity exists in the Midpoint-Malin 500 kV Transmission Line segment, then appropriate charges shall be applied consistent with the Intertie Agreement.
- (g) In order to implement these principles, the parties agree to establish Summer Lake, Malin, Captain Jack, and Alvey as Points of Delivery (POD) in the appropriate agreements. Bonneville also agrees to amend the Surplus Firm Capacity Sale Agreement, Contract No. DE-MS79-92BP93757, to include Summer Lake as a 500 kV POD. Use of the Summer Lake POD by the Parties shall not impact PacifiCorp's load carrying capability (LCC) (as defined in the Intertie Agreement) or Bonneville's usage of the AC Intertie.

4. S>N DC Intertie Rights and West-to-East (W>E) Summer Lake-Midpoint Rights:

- (a) Bonneville shall offer PacifiCorp a firm S>N wheeling contract on the DC Intertie for 200 MW. PacifiCorp may use such contract for firm or non-firm deliveries up to a 100 percent load factor. Such contract shall have a term equal to the term of the Intertie Agreement. The contract demand shall be 100 MW starting January 1, 1994, and 200 MW starting January 1, 1995. PacifiCorp shall pay the IS-B, or its successor rate, based upon the yearly contract demands as specified in this Section 4(a). PacifiCorp, in addition to the Contract Demand charges associated with its DC Intertie rights, agrees to pre-pay on a take or pay basis, the then effective energy component of the IS-B rate based on a 30 percent load factor. PacifiCorp shall pay one-twelfth of such amount each month. Based on Bonneville's estimated IS-B (93) rate such amount, based on a 100 MW contract demand, would be calculated as follows:  $100 \text{ MW} \times 8760 \text{ hr} \times 1.43 \text{ M/kWh} \times 0.30 \div 12 = \$31,317/\text{mo}$ . The Agreement shall also include Bonneville's standard terms and conditions for firm transmission, provided that no mitigation charges shall be applied beyond the applicable FERC-approved Bonneville rates. The settlement of issues contained in this letter of understanding incorporates all necessary mitigation.
- (b) Midpoint-Medford Transmission Agreement, Contract No. DE-MS79-79BP90091. The term of this Agreement shall be extended for the life of the facilities. Bonneville shall have an option to acquire up to 400 MW of W>E firm scheduling rights over PacifiCorp's Summer Lake-Midpoint 500 kV Line and an option to tap such line to serve loads and for inter-regional transfers. Bonneville's right to exercise its option shall be for the term of the Intertie Agreement. During periods when the W>E transfer

capability of PacifiCorp's Summer Lake-Midpoint 500 kV line is reduced, Bonneville's W>E scheduling rights shall be reduced pro-rata with such reduction. However, during periods when transfer capability is reduced, PacifiCorp will provide Bonneville the right to utilize its capability not required for PacifiCorp's firm needs, as determined by PacifiCorp, at no cost. If Bonneville exercises its options for W>E use of the Summer Lake-Midpoint 500 kV line, Bonneville will pay PacifiCorp's then effective applicable FERC filed tariff rate for transmission service. In the event Bonneville desires to tap PacifiCorp's Summer Lake-Midpoint 500 kV line, Bonneville and PacifiCorp shall mutually develop the plan of service for such tap. Such tap shall not degrade or reduce PacifiCorp's East-to-West (E>W) transfer capability on its Midpoint-Malin 500 kV line or reduce PacifiCorp's LCC as defined in the Intertie Agreement. Unless otherwise mutually agreed, Bonneville shall be responsible for all costs associated with such tap. Unless otherwise mutually agreed, such tap shall not increase Bonneville's W>E transfer rights on the Summer Lake-Midpoint line.

- (c) PacifiCorp shall enter into an FPT Transmission Agreement associated with its DC Intertie rights, pursuant to 4(a) to wheel power delivered to Big Eddy to PacifiCorp's Main System. If at some future date, PacifiCorp elects to convert to an IR wheeling agreement, then Big Eddy would become a point of integration or interconnection under such IR contract.
5. Intertie Agreement, Contract No. DE-MS79-86BP92299. The term of the Intertie Agreement shall be extended for the life of facilities.
  6. Additional Transformer Capacity in Southern Oregon:
    - (a) PacifiCorp shall provide Bonneville firm capacity in the existing 500/230 kV transformer at Malin, at a use-of-facilities rate, for Bonneville's firm requirements; provided, however, that such capacity will be made available to Bonneville only after PacifiCorp has determined the capacity necessary to meet its own requirements; provided further, that Bonneville's right to use the existing Malin transformer shall be limited to 200 MW.
    - (b) At such time as the Parties mutually agree, which agreement shall not be unreasonably withheld, that a second 500/230 kV transformer at Malin, or a 500/230 kV transformer at Captain Jack Substation is required, the Parties shall jointly develop the plan of service for such transformer(s). Each Party shall have the right to acquire up to a one-half ownership interest in such transformer(s) at a pro-rata share of cost, provided that PacifiCorp's LCC is not impacted. If a Party does not participate in the ownership at the time such transformer(s) are installed, such Party shall have the unilateral right to acquire up to a one-half ownership interest at a future date to the extent that capacity is available.

7. AC Intertie Reactive Support. After joint studies have been completed and parties mutually agree that additional reactive support is required at Malin or Captain Jack to support the AC Intertie, PacifiCorp shall be financially responsible for its share of such added reactive support.
8. Remedial Action Schemes (RAS) to Support PacifiCorp's AC and DC Intertie Schedules. PacifiCorp shall be responsible for providing or assuring at its cost the provision of its pro rata share of RAS required to support the RTC and OTC of the AC Intertie in either the N>S or S>N direction. In support of its obligations to provide generator dropping for its net N>S AC Intertie schedules, PacifiCorp shall provide generation dropping from its share of Mid-Columbia generation on-line at the time of the RAS requirement. Bonneville may, after it has exhausted its own capability to provide generator dropping in support of its obligation for net N>S AC Intertie Schedules, have access to PacifiCorp's total Mid-Columbia rights on-line at the time of the RAS requirement. Such access to PacifiCorp's Mid-Columbia generator dropping capability by Bonneville shall be at no cost. To the extent that PacifiCorp does not have the capability on-line to provide generator dropping from its Mid-Columbia rights for its net N>S AC Intertie schedules, Bonneville shall, to the extent it has available on-line generation, provide generator dropping capability to PacifiCorp at no cost. In support of PacifiCorp's net S>N schedules on the AC Intertie or its S>N schedules on the DC Intertie, PacifiCorp shall be responsible for making arrangements for any load dropping requirements. To the extent possible, as determined by Bonneville, Bonneville shall offer to sell RAS service to PacifiCorp to enable PacifiCorp to meet its obligations under this Section 8.
9. Midpoint-Medford Agreement Revisions. The following revisions will be made to the Midpoint-Medford Transmission Agreement, Contract No DE-MS79-79BP90091:
  - (a) Revise transmission charges in Exhibit E to reflect the elimination of the Hatwai Point of Interconnection.
  - (b) Revise Exhibit H to reflect the 1187 MW capability of PacifiCorp's Midpoint-Malin-Medford lines as agreed to by IPC/WWP/BPA and PacifiCorp in the Idaho-Northwest Uprate Agreement, Contract No. DE-MS79-90BP93103.
  - (c) Revise Exhibit H to reflect bypass of Burns capacitors.
10. Losses. Prior to energization of PacifiCorp's Dixonville-Meridian 500 kV line and the associated uprating of the AC Intertie N>S RTC to 4800 MW, the parties shall make best efforts to study and reach agreement on an equitable allocation of the parties' control area losses in Southern/Central Oregon associated with the parties' use pursuant to the Intertie Agreements. Such allocation of losses shall consider both heavy and light AC Intertie schedules and area loads, as well as S>N and N>S AC Intertie schedules.

11. Access to Palo Verde. For a period equal to the term of PacifiCorp's March 23, 1993, Transmission Service Agreement with Southern California Edison Company, PacifiCorp, on hours that it does not require its transmission capacity rights under the SCE/TSA, shall offer Bonneville a first right of refusal to utilize PacifiCorp's SCE/TSA transmission rights. PacifiCorp shall have the sole determination as to its requirements to use its SCE/TSA transmission rights. If Bonneville exercises its rights to use PacifiCorp's SCE-TSA transmission rights, Bonneville shall reimburse PacifiCorp its costs under the SCE/TSA. Such cost shall be based on PacifiCorp's then effective transmission demand costs paid to SCE under the SCE/TSA which shall initially be 4.0 M/kWh. If Bonneville exercises its first right of refusal to utilize PacifiCorp's SCE/TSA transmission rights, Bonneville shall use its own AC or DC, as the case may be, Intertie capacity to accept power scheduled under this Section 11. Additionally, such access by Bonneville to PacifiCorp's transmission rights under the SCE/TSA shall not preclude PacifiCorp from utilizing its transmission rights acquired under 3(a), 3(b) or 4(a).
12. Summer Storage. PacifiCorp and Bonneville shall enter into a 20-year agreement whereby PacifiCorp shall accept and store energy for Bonneville during the months of June and July of each year. Such energy shall be delivered to PacifiCorp at POD's specified in Exhibit C of Contract No. DE-MS79-92BP93757 or such other points as may be mutually agreed. PacifiCorp may, but shall not be required to, accept more than 100,000 MWh/mo and Bonneville shall be required to deliver a minimum of 25,000 MWh/mo. Bonneville shall store such energy with PacifiCorp prior to entering into the market to sell surplus energy. Bonneville shall provide notice to PacifiCorp, 1-week prior to the beginning of the month in which energy will be stored, of the amount of energy to be stored by PacifiCorp. The rate of delivery shall be determined by dividing the total energy to be stored in the month by the number of hours in such month, provided, on any hour PacifiCorp shall not be required to back down its thermal units to accept such energy. Except for system emergencies, once the parties have agreed to a schedule for such stored energy, Bonneville shall deliver such energy to PacifiCorp. PacifiCorp shall return such stored energy to Bonneville during the months of September, October, and November of each year in which such energy was delivered to PacifiCorp. The rate of return to Bonneville shall be determined by summing the total energy delivered to PacifiCorp during the prior June and July period, dividing such sum by 3 and dividing such product by the hours in the month in which the energy is to be returned to Bonneville. Except for system emergencies, PacifiCorp shall return such energy to Bonneville at the rate of delivery as determined above. Except for constraints on the parties' transmission systems, the first 110 MW of returned energy shall be delivered to Bonneville at Hot Springs with the remainder delivered to Summer Lake or such other mutually agreed to POD. Storage provided pursuant to this Agreement shall be at no cost to Bonneville.
13. March Energy Option. PacifiCorp and Bonneville shall enter into a 20-year agreement whereby PacifiCorp will deliver to Bonneville, at Hot Springs or such

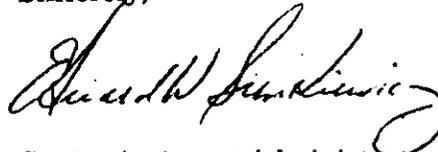
other mutually agreed to PODs, during off-peak hours, up to 50,000 MWh during the month of March of each year. The maximum rate of delivery for such energy shall be 200 MW/hr. To exercise its option to take this energy, Bonneville shall notify PacifiCorp by February 15 of each year as to the amount of energy Bonneville desires to have delivered during March of such year. Except for system emergencies, PacifiCorp shall deliver such energy to Bonneville. Bonneville shall return such energy to PacifiCorp during the following June 1 through July 15 period during off-peak hours and at a rate of delivery determined by dividing the amount of energy PacifiCorp made available to Bonneville during March by the number of off peak hours in the June 1 through July 15 period. Such March energy shall be returned to PacifiCorp at POD's specified in Exhibit C of Contract No. DE-MS79-92BP93757 or such other points as mutually agreed.

14. Firm Transmission/NFP Exchange Rights. PacifiCorp shall have the right to exchange all or a portion of its AC Intertie firm transmission contract rights acquired pursuant to 3(b) with any party receiving NFP rights for up to 125 MW of NFP rights, to the extent the NFP party has rights to assign all or a portion of its NFP allocation. To the extent Bonneville has a first right of refusal to acquire NFP rights from an NFP party, PacifiCorp's exchange rights under this Section 14 shall have priority. Such exchange between PacifiCorp and the NFP party shall be approved by Bonneville, which approval shall not be unreasonably withheld, and shall ensure that rights, benefits and obligations to Bonneville under the affected agreements are reserved.

The provisions of this letter of understanding are interdependent and not severable. The parties will proceed promptly to draft definitive agreements incorporating the provisions of this letter of understanding. Such definitive agreements shall be consistent with statutory requirements, appropriate environmental review by Bonneville and approval by the

Federal Energy Regulatory Commission. In the event either Party is unable to implement these principles hereunder, notwithstanding its best efforts to do so, this letter of understanding shall have no further force or effect.

Sincerely,



/s/ EDWARD W. SIENKIEWICZ  
Senior Assistant Administrator

Senior Assistant Administrator

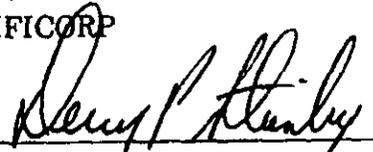
Name Edward W. Sienkiewicz  
(Print/Type)

May 28, 1993

Date May 28, 1993

IT IS SO AGREED:

PACIFICORP

By 

/s/ DENNIS P. STEINBERG

Name DENNIS P. STEINBERG  
(Print/Type)

Title Vice President

Vice President

Date June 1, 1993

June 1, 1993

(PMTI-7664-h:worddata\dpsbpa2.doc)