

**Interconnection Agreement**  
**between Pacific Gas and Electric Company and**  
**the City of Santa Clara, Silicon Valley Power**

**Service Agreement No. 343 under**  
**PG&E FERC Electric Tariff Volume No. 5**

## **SILICON VALLEY POWER INTERCONNECTION AGREEMENT**

### **1 PREAMBLE**

This Interconnection Agreement is made this \_\_\_\_\_ day of \_\_\_\_\_, 2018 by and between Pacific Gas and Electric Company (“PG&E”), a corporation organized and existing under the laws of the State of California, and the City of Santa Clara, California, a chartered California municipal corporation doing business as Silicon Valley Power (“SVP”). PG&E and SVP are referred to individually as a “Party” and collectively as “the Parties.”

### **2 RECITALS**

**2.1** Whereas, it is the policy of the Federal Energy Regulatory Commission (“FERC”) that open and non-discriminatory access to transmission be provided through transmission systems comprising as large an area as possible under the supervision and direction of an independent system operator or a regional transmission organization; and

**2.2** Whereas, PG&E is registered with the North American Electric Reliability Corporation (“NERC”) as, among other things, a Transmission Owner (“TO”), and as a Transmission Operator (“TOP”) in accordance with the NERC compliance registry process; and

**2.3** Whereas, PG&E is a public utility providing both wholesale and retail electric power and energy sales and transmission and distribution services in northern and central California and owns an extensive electric transmission system within that area; and

**2.4** Whereas, PG&E transferred operational control of its transmission system to the California Independent System Operator Corporation (“CAISO”) as a part of the CAISO Controlled Grid, and is now a Participating Transmission Owner and a party to the CAISO’s Transmission Control Agreement, under which PG&E is subject to the direction of the CAISO in the operation of its transmission system and under which the CAISO becomes the provider of transmission service over PG&E’s transmission system, pursuant to the terms of the CAISO Tariff, the PG&E TO Tariff, Transmission Control Agreement, Scheduling Coordinator Agreements, and Utility Distribution Company Operating Agreement, all of which enable PG&E to satisfy the obligations of operating within the CAISO’s Balancing Authority Area; and

**2.5** Whereas, SVP is registered with NERC as, among other things, a TO and as a TOP in accordance with the NERC compliance registry process; and

**2.6** Whereas, SVP is a municipal electric utility that generates, purchases, sells, transmits and distributes electric power and energy to wholesale and retail customers within the City of Santa Clara, Santa Clara County, California and elsewhere; and

**2.7** Whereas, SVP has entered into certain agreements with the CAISO including a Metered Subsystem Agreement (“MSS Agreement”), a Scheduling Coordinator Agreement and appropriate Meter Service Agreements, and will have electric power delivered to it at Points of Interconnection using transmission service available to it; and

**2.8** Whereas, this Agreement is intended to provide for the terms and conditions of interconnections between the Electric Systems of the Parties from and after the termination of and to replace the existing September 1, 2002 Interconnection Agreement (“2002 IA”) between them; and

**2.9** Whereas, the Parties intend to replace the existing Special Facilities Agreements that have been part of the 2002 IA, either with Small Generator Interconnection Agreements or Transmission Facilities Agreements, as applicable, among SVP, PG&E and the CAISO; and

**2.10** Whereas the Parties do not intend to change the underlying rights and responsibilities of the Parties to the Special Facilities Agreements by transitioning to the new format of the Small Generator Interconnection Agreements or Transmission Facilities Agreements, or to impose additional requirements or obligations on existing SVP generators; and

**2.11** Whereas, the Parties agree to operate their respective Electric Systems in accordance with Good Utility Practice consistent with the requirements of this Agreement; and

**2.12** Whereas, the Parties intend to cooperate in the operation of their respective Electric Systems to maximize their mutual benefits under this Agreement.

### **3 AGREEMENT**

NOW, therefore, in consideration of the mutual covenants herein set forth, the Parties agree as follows:

### **4 DEFINITIONS**

The following terms, when used in this Agreement with initial capitalization, shall have the meanings indicated below. Unless specifically defined in this Section 4 of this Agreement, all terms used in this Agreement with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement, included as Appendix A to the CAISO Tariff. If and to the extent this Agreement contains a definition for a term where that same term is also found in the Master Definitions Supplement, included as Appendix A, to the CAISO Tariff, the applicable term definition contained in this Agreement shall govern.

#### **4.1 Adverse Impact**

An effect on a Party's Electric System resulting from a Modification, New Facility Addition, or Long-Term Change to Operations to the other Party's Electric System that (1) materially degrades the reliability of the affected Party's Electric System or (2) materially reduces the ability of the affected Party's Electric System to physically transfer power into, out of, or within said Electric System.

#### **4.2 Agreement**

This Interconnection Agreement between PG&E and SVP and its Appendices, as it may be amended.

#### **4.3 Applicable Requirements**

Any applicable law or regulation; and any standards, procedures or requirements of an entity with lawful authority to plan, control or govern the applicable transmission system including but not limited to FERC, NERC, WECC, the Reliability Coordinator, and the Balancing Authority.

#### **4.4 Balancing Authority Area Arrangements**

Arrangements, which may include an MSS Agreement or MSS Aggregator Agreement, between a Party and its Balancing Authority, or, if a Party is its own Balancing Authority, between a Party and WECC or the Reliability Coordinator, in which the Party agrees to self-provide or procure the necessary resources and services and perform operations to meet Balancing Authority Area operating requirements and Applicable Requirements to maintain the operating reliability and integrity of the Balancing Authority Area's electric power system(s) in an economic manner consistent with Good Utility Practice.

#### **4.5 Cost**

All just, reasonable, necessary and prudently incurred expenses or capital expenditures, including but not limited to those for operation, maintenance, engineering and facilities studies, Adverse Impact identification, Adverse Impact mitigation, contract modification, administrative and general expenses, taxes, depreciation, and fees for consultants, as determined in accordance with the FERC Uniform System of Accounts as such may be amended or superseded from time to time, and capital costs.

#### **4.6 CPUC**

The California Public Utilities Commission or its regulatory successor.

#### **4.7 [not used]**

#### **4.8 Effective Date**

The date specified as the Effective Date of this Agreement in Section 5.2 hereof.

#### **4.9 Electric System**

All properties and other assets, now or hereafter existing, that are leased to, licensed to, owned by, or controlled by a single person or entity, that are located within or interconnected to that same person or entity's electric service area or are part of the CAISO Controlled Grid, and used for or directly associated with the generation, transmission, transformation, distribution,

purchase or sale of electric power, including all additions, extensions, expansions, and improvements thereto. To the extent a person or entity is not the sole owner of an asset or property, only that person's or that entity's ownership interest in such asset or property shall be considered to be part of its Electric System. For purposes of this Agreement, SVP's Electric System shall include only the facilities in the San Francisco Bay Area within northern California.

#### **4.10 Engineering and Operating Committee ("E&O Committee")**

A joint PG&E and SVP committee established pursuant to Section 9.8.

#### **4.11 Existing Contracts**

The contracts between the Parties in existence on April 1, 1998 (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time or by order or requirement of FERC or any court having jurisdiction, provided that any contract shall cease to be an Existing Contract when its initially specified term ends, unless extended by agreement of the parties thereto, or when it may be earlier terminated; and contracts between PG&E and the Western Area Power Administration, and contracts between or tariffs involving PG&E and the Transmission Agency of Northern California, in which SVP has a beneficial interest.

#### **4.12 Facility Study**

An engineering study conducted to determine required modifications to the Interconnection Facilities, including the estimated cost and scheduled completion date for such modifications that will be required to provide service.

#### **4.13 Interconnection Capacity**

The rated maximum capability of Interconnection Facilities for power transfers at Points of Interconnection.

#### **4.14 Interconnection Facilities**

Facilities that establish or modify Points of Interconnection. Interconnection Facilities comprise all electric facilities, equipment, meters, protective equipment, and communications and telemetry devices, and land/land rights necessary to maintain and operate the Points of Interconnection in compliance with Applicable Requirements.

#### **4.15 Interconnection Service**

Interconnection Service involves the on-going safe and reliable operation and maintenance of, and the Parties' rights and responsibilities associated with, the relevant Interconnection Facilities.

#### **4.16 Long-Term Change to Operations**

Action intentionally taken, or an event permitted, by a Party without the other Party's express, written agreement (which shall not be unreasonably withheld) that materially alters, on a long-term basis, the configuration or other operational characteristics of its Electric System shall be considered a Long-Term Change to Operations. For purposes of this Section 4.16, an action or event shall be deemed to have been taken, or to have occurred on a long-term basis if the action or event remains in effect for a period of more than 30 consecutive days or occurred on more than 60 days within any period of twelve (12) consecutive months. The following are examples of actions and events that qualify as a Long-Term Change to Operations when taken or occurring on a long-term basis, though this list is not exhaustive:

- (a) materially modifying a Remedial Action Scheme (RAS) or a Special Protection System (SPS) or disarming such facilities contrary to the manner and conditions for which it is designed to operate;
- (b) opening switches that are generally kept closed under normal operating conditions, except in those cases where a modified switching configuration has been agreed to by the Parties in accordance with Applicable Requirements;

- (c) closing switches that are generally kept open under normal operating conditions, except in those cases where a modified switching configuration has been agreed to by the Parties in accordance with Applicable Requirements;
- (d) material changes to System Operating Limits (SOLs), as that term is defined by NERC, or to ratings or operating limits of any element of a Party's Electric System;
- (e) changing the operation of a phase-shifting transformer outside of agreed upon parameters;
- (f) the retirement/extended outage of an existing generator on a Party's Electric System; or
- (g) action or events similar in nature and/or effect to the foregoing.

A Long-Term Change to Operations as defined does not include (i) Outages taken for maintenance or System Emergencies in accordance with Good Utility Practice; or (ii) actions taken during maintenance or to perform maintenance or respond to System Emergencies or (iii) actions taken by, or required by a Third Party, including the CAISO, that are beyond the control of the Parties.

#### **4.17 Modification**

The removal of or alteration or physical change to any element of a Party's Electric System.

#### **4.18 New Facility Addition**

The addition of a new transmission facility or the addition of a new generation facility directly connected to a Party's Electric System, whether owned by that Party or not.

#### **4.19 PG&E Transmission Owner (“TO”) Tariff**

PG&E Transmission Owner Tariff on file with the FERC as PG&E FERC Electric Tariff Volume No. 5, as it may be modified from time to time.

#### **4.20 PG&E Wholesale Distribution (“WD”) Tariff**

PG&E Wholesale Distribution Tariff on file with the FERC as PG&E FERC Electric Tariff Volume No. 4, as it may be modified from time to time.

#### **4.21 Point(s) Of Interconnection**

The physical connections of PG&E’s transmission or distribution lines with SVP’s Electric System as specified in Appendix A hereto, as that Appendix may be modified from time to time.

#### **4.22 Reliability Coordinator**

An entity certified by NERC to provide Reliability Coordinator services to entities in the Western Interconnection. The Reliability Coordinator for both PG&E and SVP is currently Peak Reliability, but may change from time to time.

#### **4.23 Remote Telemetry Unit (“RTU”)**

A device that relays real-time data: kW, kVar, voltage, breaker status, etc., to central points designated by the Parties, generally a control room, for monitoring purposes.

#### **4.24 Responsible Meter Party**

A Party having the responsibility for providing, installing, owning, operating, testing, servicing and maintaining meters and associated recording or telemetering equipment at each Point of Interconnection. Unless otherwise specified herein, SVP shall be the Responsible Meter Party under this Agreement.

#### **4.25 Service Area**

That area within the geographic boundaries of the areas electrically served at retail, now or in the future, by PG&E or by SVP.

#### **4.26 SVP Electric Control Center**

SVP's electric operations control center that is staffed at all times and is responsible for, among other things, its electric system switching operations.

#### **4.27 System Impact Study**

An engineering study conducted to determine System Reinforcements required on a Party's Electric System, at the request of the other Party, necessary to establish or modify a Point(s) of Interconnection, or by one Party to the other Party to address a Significant Operational Change pursuant to Section 10.

#### **4.28 System Reinforcements**

Reinforcements to a Party's Electric System, including but not limited to those identified by a System Impact Study, necessary to continue to meet NERC reliability criteria as a result of the interconnection and establish or maintain the Transfer Capability to a Point of Interconnection. System Reinforcements may be required when a Point of Interconnection is added or modified when a Significant Operational Change pursuant to Section 10 is proposed, or when necessary to serve electric load reliably, or required by Good Utility Practice. System Reinforcements are limited to facilities required on a Party's Electric System and ordinarily would not include Interconnection Facilities required at the Point of Interconnection.

#### **4.29 Third Party**

A person or entity other than PG&E or SVP.

#### **4.30 Transfer Capability**

The measure of the capability of interconnected Electric Systems to move or transfer power in a reliable manner from one point to another over all transmission lines between those points under specified system conditions.

#### **4.31 Transmission Arrangement**

An agreement or tariff, either the CAISO Tariff or a separate contract or tariff that enables SVP to deliver power and energy to meet its electric power requirements.

#### **4.32 Transmission Facilities Agreement**

An agreement made between the Parties for services, including, but not limited to, the design and installation of new transmission-related facilities.

#### **4.33 Transmission Operations Center**

PG&E's operations center from which it directs operations of its transmission system.

#### **4.34 Uncontrollable Force**

Any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm, flood, earthquake, explosion, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities or any other cause beyond the reasonable control of the Parties which could not be avoided through the exercise of Good Utility Practice.

#### **4.35 Upgrade Facility**

A new or upgraded Interconnection Facility and/or System Reinforcement constructed or installed pursuant to this Agreement.

## **5 SCOPE**

### **5.1 Interconnected Operations**

This Agreement governs the interconnected and coordinated operation of PG&E's Electric System, a portion of which has been turned over to the operational control of the CAISO, and SVP's Electric System. As of the Effective Date of this Agreement, the CAISO operates the Balancing Authority Area in which the Parties operate their respective Electric Systems. The Parties agree that, during the term of this Agreement and unless otherwise provided for by amendment of this Agreement, that portion or those portions of the Parties' Electric Systems that are interconnected shall be operated in parallel pursuant to the terms and conditions of this Agreement and consistent with Good Utility Practice and their respective Balancing Authority Area Arrangements and any directives issued by the Reliability Coordinator. Each Party shall at all times to the maximum extent practicable avoid causing any Adverse Impact on the other Party's Electric System.

### **5.2 Effective Date**

The term "Effective Date" as used in this Agreement shall mean 0000 hours of August 1, 2017, or the date on which FERC accepts this Agreement for filing and permits it to be placed into effect without material change or material new condition unacceptable to either Party, whichever is later.

If FERC sets this Agreement for hearing to determine whether it is just and reasonable and otherwise lawful, then this Agreement shall become effective on the date it is permitted to be placed into effect and subject to any conditions imposed by FERC. The ordering of such a hearing in and of itself shall not be considered a material change. However, in the event FERC makes any material change or imposes a material new condition unacceptable to either Party, the Parties shall promptly enter into good faith negotiations in an attempt to achieve a mutually agreeable modification to this Agreement to address any such material change or material new condition. The Parties agree to work diligently to obtain timely acceptance of this Agreement and all of its provisions by FERC, and agree that SVP shall be entitled to prior review of PG&E's initial filing with FERC seeking acceptance of this Agreement for filing.

### **5.3 Termination**

This Agreement shall terminate on: (i) the occurrence of the tenth anniversary of the Effective Date or the fifteenth anniversary of the Effective Date if the Parties have agreed to such five-year extension by no later than the ninth anniversary of the Effective Date; or (ii) the end of the 12th month following the date on which either Party gives the other Party written notice that this Agreement shall be terminated, which notice shall not be given prior to the ninth anniversary of the Effective Date; or (iii) as provided in Section 10.

## **6 INTERCONNECTIONS**

### **6.1 Interconnection Capacity**

Interconnection Capacity is determined by engineering studies that consider the physical ratings and other criteria in accordance with applicable requirements of all equipment installed within the Interconnection Facilities at the Points of Interconnection. The E&O Committee shall periodically review the Interconnection Capacity to ensure that it is sufficiently maintained throughout the term of this Agreement. Unless otherwise agreed by the E&O Committee, any required engineering studies shall be performed by PG&E and reviewed with the E&O Committee and SVP shall cooperate with PG&E by providing any information necessary for such studies.

### **6.2 Establishing or Modifying Point(s) of Interconnection**

Whenever SVP decides to add or modify a Point of Interconnection at transmission voltage, 60 kV or more, it shall so notify the CAISO, in accordance with the CAISO Tariff, and PG&E, in accordance with the PG&E TO Tariff. Upon PG&E's receipt of such notice, the Parties shall follow the procedures described in Sections 8 through 10 of the PG&E TO Tariff. Regarding disputes that might arise under this Section 6, if the dispute resolution procedures of the PG&E TO Tariff conflict with Section 23 of this Agreement, the dispute resolution procedures of the PG&E TO Tariff shall govern.

If SVP decides to either modify or add a Point of Interconnection at distribution voltage, less than 60 kV, it shall so notify PG&E in accordance with the requirements of the PG&E WD

Tariff. Upon PG&E's receipt of such notification, PG&E shall follow the applicable procedures and requirements of the PG&E WD Tariff to determine what Upgrade Facilities, if any, shall be required. Upgrade Facilities required for the addition or modification of a Point of Interconnection at distribution voltage shall be accomplished pursuant to the requirements of the PG&E WD Tariff. Regarding disputes that might arise under this Section 6 as related to service under PG&E WD Tariff, if the dispute resolution procedures of the PG&E WD Tariff conflict with Section 23 of this Agreement, the dispute resolution procedures of the PG&E WD Tariff shall govern.

### **6.3 New Interconnection Facilities and Their Upgrades**

If Upgrade Facilities are needed as a result of a SVP notice to add or modify a Point of Interconnection pursuant to this Section 6, the Parties shall meet and confer on a mutually acceptable plan to complete the Upgrade Facilities. The Cost responsibility for Upgrade Facilities required as a result of SVP's notice to add or modify a Point of Interconnection shall be determined based on the provisions of Section 8.1.2 of the PG&E TO Tariff or Section 15 of the PG&E WD Tariff, as applicable, and Appendix C of this Agreement.

Any dispute regarding the actual capability of the existing transmission, distribution, or Interconnection Facilities, or the need for Upgrade Facilities, that will support the new or upgraded Point of Interconnection, or how the Cost responsibility for the necessary Upgrade Facilities should be allocated, shall be resolved through the dispute resolution procedures as set forth in Section 23 of this Agreement.

### **6.4 Construction Plan and Agreement**

Unless otherwise provided under the PG&E TO or WD Tariffs, or otherwise agreed to by the Parties, within thirty (30) calendar days after completion of a Facility Study as provided in the PG&E TO Tariff, SVP shall notify PG&E if it intends to proceed with the Upgrade Facility. The Parties shall then meet and confer on a mutually acceptable plan to complete the Upgrade Facility. If the Parties reach agreement on a plan for construction or installation of an Upgrade Facility, including responsibility for payment of the applicable Cost, the Parties shall enter into a separate agreement pursuant to Appendix C. If the Parties fail to reach such agreement, the

matter should be resolved through the dispute resolution provisions in Section 23 of this Agreement.

### **6.5 Test Period for Interconnection**

The Parties shall cooperate in the testing of the Point(s) of Interconnection and of the Parties' Interconnection Facilities prior to becoming operable consistent with Good Utility Practice.

## **7 BALANCING AUTHORITY AREA ARRANGEMENTS**

All transmission, distribution and generation facilities within a Party's Electric System shall at all times during the term of this Agreement be within a Balancing Authority Area operated in accordance with Balancing Authority Area Arrangements. Failure by a Party to operate in a Balancing Authority Area or to operate its Electric System in accordance with, and to maintain in effect, Balancing Authority Area Arrangements shall be deemed a material breach of this Agreement and just cause for termination and disconnection, after that Party has a reasonable opportunity to obtain or re-establish such operation in a Balancing Authority Area or make the necessary Balancing Authority Arrangements. If any Party operates without being located in an established Balancing Authority Area or without Balancing Authority Area Arrangements in effect, that Party shall fully indemnify and make whole the other Party for any related costs imposed or other related damages caused to the other Party.

Each Party shall act as its own Scheduling Coordinator or employ a Scheduling Coordinator to act for it. Neither Party shall have any obligation under this Agreement to serve as Scheduling Coordinator for the other Party or take on any other role in which it acts on behalf of the other Party as to the other Party's transactions.

PG&E has and will have in effect various existing arrangements with the Balancing Authority in which its Electric System is located. These arrangements include the Transmission Control Agreement, the Transmission Owner Tariff, Scheduling Coordinator Agreements, and Utility Distribution Company Operating Agreement, all of which enable PG&E to satisfy the obligations of operating within the CAISO's Balancing Authority Area. This Agreement is

subject to PG&E's obligations and responsibilities under those arrangements, and in the event of any inconsistency between those arrangements and this Agreement, the former shall control. SVP has, and will have, in effect various existing agreements with the Balancing Authority in which its Electric System is located. These agreements include, but are not limited to, SVP's MSS Agreement with the CAISO, and such an agreement qualifies as a Balancing Authority Area Arrangement that may be needed by the CAISO for operation of the Balancing Authority Area. This Interconnection Agreement is subject to SVP's obligations and responsibilities under those arrangements, and in the event of any inconsistency between those arrangements and this Interconnection Agreement, the former shall control.

## **8 SYSTEM PLANNING COORDINATION**

Each Party is responsible for the monitoring, engineering, design and planning of their own transmission system. However, the Parties recognize that the transmission system of SVP is embedded within the footprint of the transmission system of PG&E, and that coordinated planning is critical to the reliability and safety of the entire transmission system. Pursuant to the CAISO Tariff and this Section 8, PG&E conducts planning studies of its Electric System annually to identify System Reinforcements or other modifications of its Electric System necessary to determine the Transfer Capability to reliably serve the expected loads connected to its Electric System including expected SVP loads at Point(s) of Interconnection.

### **8.1 Planning Process**

In order for PG&E to include the effects of growth of SVP's Electric System loads in its planning studies, which are performed pursuant to the CAISO Tariff, each year, on or about November 15, SVP shall provide electric load planning forecast data to PG&E, including 1-in-2, 1-in-5, and 1-in-10 non-coincident peak load forecasts, in MW, on a yearly basis for the next ten years, and with sufficient detail and granularity (i.e. bus allocations) to enable PG&E to include SVP loading data into PG&E power flow models. SVP shall also provide PG&E with certain network modeling data as required pursuant to Applicable Requirements, including NERC Standard MOD-032, as such may be revised from time to time. Both Parties shall be responsible for participating in planning for the construction of any necessary System Reinforcements as

provided in the PG&E TO Tariff Sections 8 through 10. If PG&E disagrees with the electric load planning forecast data provided by SVP, PG&E shall discuss the area(s) of disagreement with SVP and, if necessary, either Party may request that an E&O Committee meeting be scheduled pursuant to Section 9.8.1 to review and discuss PG&E's disagreement with SVP's electric load planning forecast data. Further, either Party may request an E&O Committee meeting be scheduled in accordance with Section 9.8.1 to discuss any potential disagreements on load growth timing.

Additionally, PG&E and the CAISO are required to use load forecasts provided by the California Energy Commission ("CEC") for the CAISO's Transmission Planning Process ("TPP"). Specifically, PG&E is required to use electric load forecast data provided by the CEC for the entire PG&E TAC Area, but has flexibility with respect to the use of the CEC forecast data within its PG&E TAC Area, for purposes of the CAISO's TPP. If the electric load planning forecast data provided to PG&E by SVP differs from the load forecast for SVP provided to PG&E by the CEC for purposes of the CAISO TPP, PG&E shall use a load forecast for SVP at or between the load forecast data provided by SVP, and the CEC electric load forecast for SVP. Additionally, SVP reserves all of its rights to comment upon and challenge the CEC forecast (in regards to SVP) at both the CEC and CAISO, and PG&E commits to use the local load allocation percentages provided by SVP under all circumstances.

PG&E shall also share its electric load planning forecast with SVP. PG&E shall share updated electric system models (steady state and dynamic) in accordance with Applicable Requirements and processes established by the WECC, including network power flow models and dynamic data models in the GE PSLF format. PG&E shall also annually provide SVP with a copy of PG&E's planning models (which include 1-in-2, 1-in-5, and 1-in-10 PG&E electric load planning forecast data on a yearly basis for the next ten years) which includes data in the South Bay subset of the PG&E's Greater San Francisco Bay Area region. PG&E shall provide such planning models to SVP by June 1<sup>st</sup> of each year – where such submittal includes SVP electric load planning forecast data provided to PG&E on or about November 15<sup>th</sup> of the previous year.

## **8.2 System Reinforcements**

If, as a result of its annual planning review process, PG&E determines, through studies conducted pursuant to the CAISO Tariff, including Section 4.9.10.1 thereof, and in accordance with PG&E TO Tariff Section 9 and Applicable Requirements, that a need exists to construct System Reinforcements that will have a direct effect on SVP, PG&E shall inform SVP through a notice pursuant to Section 32. The Parties shall then follow the applicable procedures of the PG&E TO Tariff Sections 8 through 10.

## **9 OPERATING PROVISIONS**

### **9.1 Good Utility Practice and Applicable Requirements Obligation**

Each Party shall operate pursuant to this Agreement in accordance with Good Utility Practice and in compliance with Applicable Requirements of federal, state, and local laws, licenses, and permits. Each Party shall plan and operate its respective Electric System in accordance with Good Utility Practice and endeavor to minimize electrical disturbances on the Electric System of the other Party. No Party shall be obligated to operate in a manner contrary to Good Utility Practice. When satisfying its obligations pursuant to this Agreement, a Party shall in good faith, take all reasonable actions required to satisfy its obligations in accordance with Good Utility Practice and Applicable Requirements to timely avoid or mitigate Adverse Impacts to another Party's Electric System.

### **9.2 General**

The Parties agree to coordinate the operations of their respective Electric Systems so as to avoid or minimize any Adverse Impacts to the other Party's Electric System in accordance with Balancing Authority Area Arrangements, Good Utility Practice, and Appendix E.

### **9.3 Power Delivery and Quality Standard**

Power delivered is commonly designated as three-phase alternating current, at nominal 60 Hertz, and at the nominal voltage described in Appendix A for each Point of Interconnection.

Voltage and frequency fluctuations under normal system operating conditions shall be permitted consistent with Good Utility Practice and in compliance with Applicable Requirements.

Each Party shall plan, design and operate its Electric System so as to minimize the interchange of reactive power at the Points of Interconnection.

#### **9.4 Coordination Of Operations**

PG&E and SVP shall at all times coordinate and communicate their planned and unplanned Outages and other switching operations that may have an effect on the operations of the other Party's Electric System and may reasonably be required to protect the integrity of the Balancing Authority Area during System Emergencies.

PG&E and SVP are also responsible for maintenance and switching operations of their Electric Systems. Both Parties, consistent with their requirements to maintain and operate their Electric Systems in accordance with Good Utility Practice, may from time to time remove various elements of their Electric Systems from operation or initiate other actions that may affect operations or transfer of energy across Point(s) of Interconnection.

The Parties shall endeavor to coordinate their activities in the operation and maintenance of their Electric Systems in order to avoid or minimize any adverse effects of those activities on each other.

#### **9.5 Relationship To Balancing Authority Area Operations**

SVP and PG&E currently operate in the CAISO Balancing Authority Area. SVP is a party to an MSS Agreement with the CAISO. Should this MSS Agreement terminate and not be replaced with a substantially similar agreement, SVP and PG&E shall coordinate the operation of their respective Electric Systems in accordance with Appendix E except as otherwise provided in this Agreement. Further, in the event that PG&E or SVP makes any changes that significantly or materially affect its relationship with the CAISO, including but not limited to interconnecting its Electric System with a non-CAISO Balancing Authority Area, the Party making the change shall give a minimum of 30 days' notice to the other Party.

### **9.6 Separate Balancing Authority Area**

Nothing in this Agreement shall prevent or limit either Party from interconnecting with, joining or forming a new or different Balancing Authority Area. In such event, this Agreement shall be revised as appropriate to reflect such change in Balancing Authority Area operations.

### **9.7 Reporting Significant Events**

Each Party shall promptly, after reporting to the Balancing Authority, report to the other Party any System Emergency or other significant operating event reasonably likely to affect operation of the other Party's Electric System at each Point(s) of Interconnection. For notice to PG&E, such notice shall be by telephone to PG&E's Transmission Operations Center personnel or to a PG&E substation or switching center as may be designated by PG&E. For notice to SVP, such notice shall be by telephone to the SVP Electric Control Center, or as otherwise designated by SVP. Each Party, upon request and on a case-by-case basis for reasonable cause related to operating conditions, shall, in a timely manner, provide to the other Party Electric System operating information, such as loading on lines and equipment and levels of operating voltages and electric power factors. In the event of interruptions, including power quality events, of electric service at any Point of Interconnection, the Party causing the interruption shall report, in a timely manner if known, to the other Party the nature and suspected cause of the event, actions being taken to restore electric service, and the estimated time until restoration of electric service. Within 30 days following the restoration of electric service to the affected Party, the Party causing the interruption shall provide a written report to the affected Party identifying the cause of the interruption, and what preventive actions may be taken in the future to mitigate further interruptions in electric service to the affected Party.

### **9.8 Engineering and Operating (“E&O”) Committee**

SVP and PG&E shall establish an Engineering and Operating (“E&O”) Committee. This E&O Committee shall agree upon and modify, as necessary, operating procedures and engineering planning matters required to implement this Agreement consistent with Good Utility Practice. In order to ensure reliable operations by and between the Parties, the E&O Committee may, at its discretion and upon agreement of both Parties, issue operating procedures in order for

the Parties' employees to implement the provisions of this Agreement. Such procedures may include, but not be limited to, the explaining, clarifying, or interpreting of the provisions of this Agreement without requiring an amendment or formal revision to this Agreement. However, any such procedures that substantially modify, add to or eliminate any provision of this Agreement shall require a formal amendment to this Agreement. Such operating procedures may also take the form of an operating agreement between the Parties.

The E&O Committee shall consist of two representatives designated in writing by each Party. Each Party shall also designate an alternate who may act instead of a representative at the option of that Party. Either Party may at any time change its representatives or alternates on the E&O Committee and shall promptly notify the other Party of any change in designation. Any representative, by written notice to the other Party, may authorize its alternate to act temporarily in its place. Each member of the E&O Committee may invite other members of its organization or others, as its advisors, to attend meetings of the E&O Committee. On SVP's request, PG&E shall send a San Jose-area operations employee to an E&O Committee meeting. The E&O Committee shall elect a chairman each year that shall alternate between the Parties.

### **9.8.1 E&O Committee Operating Procedures**

The E&O Committee shall establish procedures for the coordination and operation of their Electric Systems. Such procedures shall:

**9.8.1.1** Allow each Party to meet applicable coordination and operational requirements of the CAISO Tariff and Protocols including any CAISO agreements that it has entered into, including, but not limited to PG&E's Transmission Control Agreement and any Balancing Authority Area Arrangements, including the MSS Agreement or operating agreements, entered into by SVP;

**9.8.1.2** Allow each Party to meet applicable coordination and operational requirements of the PG&E TO Tariff and the PG&E WD Tariff;

**9.8.1.3** Provide that the Party whose E&O Committee representative is chairman of the Committee shall report the procedures adopted by the E&O Committee to the CAISO and, as applicable, to the Reliability Coordinator;

**9.8.1.4** Provide for the coordination of maintenance schedules and operation of the Parties' Electric Systems as may be required to maintain the reliability and power quality of the interconnected Electric Systems, reduce losses, maintain voltage levels, and minimize reactive interchanges; and

**9.8.1.5** Allow the Parties to work cooperatively in meeting any requirements or obligations of NERC and WECC and the procedures and directives of the Reliability Coordinator that are applicable to either Party's WECC and NERC registration categories.

### **9.8.2 E&O Committee Expenses**

The expenses of the members of the E&O Committee, their alternates and advisors shall be borne by the Party they represent. Expenses incurred by the E&O Committee in addition to those herein above mentioned shall be shared in a just and reasonable manner agreed to by the Parties. The sharing of such expenses shall be agreed to prior to the time that such additional expenses are incurred.

### **9.8.3 E&O Committee Meetings**

The E&O Committee shall meet to discuss the availability of additional or modified interconnection service requested by SVP, or proposed by PG&E. Such matters shall include but not be limited to the following:

- a. The E&O Committee shall examine potential alternatives to provide SVP's requested, or PG&E's proposed, interconnection service.
- b. The E&O Committee shall determine the studies that need to be performed and the manner in which the Cost of such studies shall be allocated unless the CAISO Tariff, PG&E TO or WD Tariffs provide otherwise.

c. In the event studies are required as a result of an SVP request or PG&E proposal for interconnection service, SVP may elect to make the studies in coordination with PG&E and the Parties will mutually agree on the parameters for the studies.

d. For studies conducted by PG&E for which SVP provides compensation, PG&E and SVP will agree initially on the scope of such studies, study parameters, and the compensation required from SVP. PG&E agrees to provide SVP with written monthly progress reports, unless agreed otherwise. Subsequent changes to the study scope will require SVP's agreement which shall not be unreasonably withheld.

e. For studies conducted by SVP for which PG&E provides compensation, SVP and PG&E will agree initially on the scope of such studies, study parameters, and the compensation required from PG&E. SVP agrees to provide PG&E with written monthly progress reports, unless agreed otherwise. Subsequent changes to the study scope will require PG&E's agreement which shall not be unreasonably withheld.

f. The E&O Committee shall meet when such studies are completed and, based on these studies, agree upon a plan for providing SVP's requested or PG&E's proposed interconnection service. The criteria for selecting such a plan shall be the CAISO planning criteria, Good Utility Practice and NERC and WECC Reliability Standards.

g. Review the consistency of the Parties' coordination and operation procedures with the requirements of Section 9.8.1 and adopt any revisions necessary to ensure such consistency.

#### **9.8.4 E&O Committee Guidelines**

The E&O Committee shall be responsible for reviewing and recommending operating procedures, standard practices and other matters affecting the interconnected operation of the Parties' respective Electric Systems. The E&O Committee shall meet at least twice per year, unless otherwise agreed by both Parties. Either Party may request a meeting of the E&O Committee. A written agenda incorporating any items proposed to be discussed by the requesting Party shall be provided in advance of such meeting. Meeting minutes shall be kept to document

the discussions and outcome of the meetings, and such meeting minutes shall be distributed to both Parties. The E&O Committee shall be responsible for, at a minimum, the following:

a. Examine and make recommendations on future Points of Interconnection in order to: (i) ensure that the proposed Points of Interconnection will be consistent with Good Utility Practice, (ii) determine necessary additions or modifications to equipment or operating procedures to ensure (a) that PG&E's and SVP's Electric System reliability and service to their customers will not be adversely affected and (b) that each Party can meet its NERC and WECC Reliability Standard obligations, and (iii) determine the allocation of Costs associated with the above additions or modifications.

b. Review and recommend arrangements for metering, communication, scheduling, and dispatching that may be necessary for the interconnected operation of the Parties' respective Electric Systems.

c. Establish administrative and billing procedures that may be necessary for implementing various provisions of this Agreement.

d. Establish a mutual obligation communications protocol as described in Section 9.13.

e. Review reactive power requirement compliance and any other power quality issues at or affecting Points of Interconnection.

f. Review annual load forecasts (electric load planning data) and the results of PG&E's and SVP's relevant planning studies.

g. Review reliability and power quality performance of PG&E's and SVP's Electric Systems at Points of Interconnection.

#### **9.8.5 E&O Committee Authority**

The E&O Committee shall have no authority to modify, other than as mentioned above in Section 9.8, any of the provisions of this Agreement. All actions, recommendations and reports

shall become effective when signed, or otherwise approved, by all members of the E&O Committee and if necessary, referred to the Parties' respective management. Each Party's representatives shall be afforded ample time to review relevant details prior to finalization of any action, recommendation or report and may request up to 30 days to review the material to be acted upon.

### **9.9 Settlement of Disputes and Arbitration**

The Parties agree to make best efforts to settle all disputes between the Parties connected with this Agreement as a matter of normal business practice under this Agreement. Any unresolved disputes shall be resolved through the dispute resolution procedure set forth in Section 23.

### **9.10 Protective Devices**

Both Parties shall, consistent with CAISO requirements and Good Utility Practice, install, modify, set and adjust the protective relaying equipment associated with facilities within its respective Electric System. Such settings, adjustments or replacement shall be consistent with settings, adjustments or replacement made by PG&E to PG&E's protective relaying equipment. To that end, PG&E shall, in writing to SVP, set forth current settings of its protective relaying equipment that protects equipment listed in Appendix F, and shall, in writing, notify SVP of any adjustments to those settings. SVP shall install, modify, set, adjust or replace its protective relaying equipment in the event that such is required by PG&E's modification of PG&E's Electric System consistent with CAISO requirements and Good Utility Practice. Such changes shall be reviewed by the E&O Committee. The Parties shall exchange relay settings and fault duty information on a routine basis as agreed upon by the Parties, consistent with Good Utility Practice and Applicable Requirements.

#### **9.10.1 Protection System Maintenance & Testing**

Appendix F delineates each Party's responsibilities for the Maintenance and testing of Protection Systems at interconnection points. The term "Protection Systems" is defined by the NERC. The term "Maintenance" in regards to maintenance of Protection Systems is defined in

the September 13, 2007 NERC document titled "Protection System Maintenance -- A Technical Reference."

Generally, Maintenance and testing of the Protection System equipment at the interconnection points covered in Appendix F will be performed as follows: (1) each Party will be responsible for the Maintenance and testing of the Protection System equipment located within its own substation property, and (2) the owner of the protective relay(s) (which are part of the Protection System equipment) will be responsible for performing local Protection System maintenance on the relays. SVP will be responsible for performing the local Protection System maintenance and telecommunications-assisted line protection verification related to the two transmission lines owned by PG&E between SVP's Northern Receiving Station ("NRS") and Scott Receiving Station ("SRS") in coordination with PG&E as noted in Appendix F.

Additionally, the Parties will share documentation with each other related to the Maintenance and/or testing of Protection System equipment at the interconnection points covered in Appendix F within twenty (20) days of a written request of such documentation.

## **9.11 Continuity of Service**

### **9.11.1 Operation Actions To Maintain Continuity**

Each Party shall take actions that are reasonable and consistent with Balancing Authority Area Arrangements and Good Utility Practice as necessary to maintain continuity of service between the Parties. Such actions may include, but are not limited to, opening or closing circuit breakers or other components of the interconnections.

### **9.11.2 Unscheduled Interruptions**

Either Party may temporarily interrupt or reduce any service, or temporarily separate all or any part of the facilities of its Electric System from the other Party's Electric System to implement CAISO operating orders and their respective Balancing Authority Area Arrangements or Good Utility Practice at any time that: (i) a System Emergency exists, provided that if the unscheduled interruption is not undertaken pursuant to a CAISO operating order (a) such interruption, reduction of service or separation is necessary to remedy the System Emergency,

and (b) its duration is as short a time as reasonable under the circumstances; (ii) the action is necessary to prevent a hazard to life or property; or (iii) the operation of the Party's Electric System is suspended, interrupted or interfered with as a result of an Uncontrollable Force. Reasonable effort shall be made to coordinate any such interruption and such interruption will be immediately communicated to the other Party. In the event of such interruption or reduction in service, the Parties shall restore full service on a basis comparable to the restoration of other public service and safety facilities and consistent with their respective Balancing Authority Area Arrangements.

### **9.11.3 Scheduled Interruptions**

All scheduled interruptions of service shall be made as mutually agreed by the Parties and in accordance with Balancing Authority Area Arrangements and Good Utility Practice. The Parties shall provide a minimum of 72 hours advance notice of any such interruption, reduction or separation, and its estimated duration.

### **9.11.4 Interruption by Protective Devices**

PG&E and SVP utilize automatic protective devices in order to assist in maintaining the integrity and reliability of their respective Electric Systems and to protect their customers from damage, injury or prolonged Outages. Service on the Parties' Electric Systems is subject to interruption in the event of operation of such devices. In the event of such interruption, service will be restored consistent with Good Utility Practice, Balancing Authority Area Arrangements and NERC and WECC Reliability Standards. In addition, PG&E and SVP shall coordinate such restoration and all installations, upgrades, and replacements of protective devices at Point(s) of Interconnection in accordance with Good Utility Practice.

### **9.11.5 Jeopardy**

If at any time continuity of service within the CAISO Balancing Authority Area is being jeopardized due to failure of facilities, PG&E and/or SVP shall coordinate their responses to the jeopardy, to implement CAISO operating orders in accordance with their respective Balancing Authority Area Arrangements, and Good Utility Practice, and any relevant standard promulgated

by NERC or another body authorized to promulgate such standards. Such coordination may include the reduction of load; provided, except as otherwise set forth in the Parties' Balancing Authority Area Arrangements, that such reduction shall maintain, as far as may be practicable, the relative sizes of load served by each Party in the same proportion as existed before such reduction so that no Party is required to reduce its load disproportionately.

Either Party may also temporarily interrupt or reduce deliveries to Points of Interconnection or separate all or a part of the facilities of its Electric System from all or a part of the Electric System of the other Party, or the Electric System that directly or indirectly serves the other Party, if the first Party determines that the following conditions exist or that the described action is necessary: (i) a System Emergency; (ii) in order to install equipment on, make repairs or replacements to, make investigations and inspections of, or perform maintenance or other work on a Party's Electric System; (iii) to prevent a hazard to life or property; (iv) as necessitated by Good Utility Practice; or (v) where the operation of a Party's Electric System is suspended, interrupted or interfered with as a result of Uncontrollable Force. The Parties understand and agree that load curtailment under such circumstances should be coordinated among PG&E, SVP and the CAISO based upon the CAISO Tariff and any Balancing Authority Area Arrangements entered into between PG&E, SVP and the CAISO. The Parties shall endeavor to provide notice to the affected Party prior to such interruptions or reductions of deliveries, and such interruptions or reductions of deliveries shall be minimized and implemented after all other practical remedies have been exhausted.

### **9.12 Operating Records**

Each Party shall maintain operating records in accordance with Good Utility Practice. Each Party shall have reasonable access to such operating records kept by the other Party which reasonably relate to interconnected operation of the Parties' Electric Systems; provided, that if requested to do so by the other Party, a Party requesting such records shall be required to keep such records confidential to the extent permitted by applicable law, including, in the case of SVP, the Ralph M. Brown Act and the Public Records Act, and in accordance with Section 13. Such records shall include, but not be limited to, operating logs, line loadings, Outage and power quality reports, voltages and reactive power.

### **9.13 Mutual Obligation Communications Protocol**

The Parties shall establish a mutual obligation communications protocol that will cover clear and timely communication between the Parties regarding items such as, but not limited to (a) complying with maintenance schedules that conform to Good Utility Practice, and (b) the reporting of system disturbances. The E&O Committee shall be the venue for establishing such a protocol.

## **10 SIGNIFICANT REGULATORY OR OPERATIONAL CHANGE**

The procedures set forth in this Section 10 shall apply in the event of a Significant Regulatory Change or a Significant Operational Change as described below.

### **10.1 Significant Regulatory Change**

A “Significant Regulatory Change,” as this term is used in this Section 10, shall be deemed to occur if FERC, the CPUC, or any other agency or court having jurisdiction, the California Legislature, the United States Congress or a governmental authority (or other lawfully established regulatory authority having jurisdiction) issues an order or decision or adopts or modifies a tariff or filed contract, or enacts a law that materially interferes with the ability of either Party to perform any of its obligations under this Agreement.

### **10.2 Significant Operational Change**

A “Significant Operational Change,” as this term is used in this Section 10, shall consist of any of the following: (i) either Party’s making a new interconnection of its Electric System with the Electric System of a Third Party, including any generation, that could reasonably be expected to create an Adverse Impact on the operation of the other Party’s Electric System; (ii) installation, operation, termination or expansion by either Party or a Third Party of a generation facility within either Party’s Electric System where power or energy from such generation is intended to or may possibly flow through a Point of Interconnection and could reasonably be expected to create an Adverse Impact on the other Party’s Electric System; (iii) a Long-Term Change to Operations; (iv) any other operational change proposed by a Party that could reasonably be expected to create an Adverse Impact on the other Party’s Electric System; (v)

material amendments and/or revisions to any tariffs, CAISO business practice manuals, contracts or other applicable documents referenced in this Agreement that directly affect a Party's obligations under this Agreement, including but not limited to, the CAISO Tariff, PG&E's TO Tariff or PG&E's WD Tariff; or (vi) an action taken by the Balancing Authority that may have a material impact on the way a Party operates or must operate its Electric System or the Points of Interconnection between the Parties.

### **10.3 Change in Functions or Scope**

The Parties recognize that there may be a change in the functions performed by the CAISO or in the scope of the facilities under the operational control of the CAISO, or the replacement of the CAISO with a Regional Transmission Organization that may perform different functions or have a different scope than the CAISO as of the Effective Date. Such a change shall not be deemed to be a Significant Regulatory Change unless the conditions described in Section 10.1 of this Agreement are satisfied. Any transfer from PG&E to the CAISO of any functions contemplated in this Agreement can be a Significant Regulatory Change if the conditions described in Section 10.1 of this Agreement are satisfied.

### **10.4 Notification of Significant Regulatory or Operational Change**

At any time during the term of this Agreement, if either Party anticipates the occurrence of a Significant Regulatory Change that may reasonably be expected to create an Adverse Impact on either or both Parties' obligations or operations under this Agreement, or a Significant Operational Change, such Party shall provide written notice to the other Party as soon as practicable. The notice shall contain a description of the change, including expected time schedules, and of the effect of the significant change to the affected Party's Electric System. If the Party giving notice believes that it will be necessary to amend this Agreement to address the anticipated change, then the notice to the other Party may include a proposal that the Parties meet to negotiate an appropriate amendment to this Agreement. The Parties shall promptly enter into good faith negotiations and attempt to achieve a mutually agreeable and timely modification to this Agreement to address any such significant change. If a Party is uncertain as to whether a proposed change might be Significant or might create an Adverse Impact, or if it wishes to have

certainty under Section 10.8 before proceeding, the Party should also give notice to the potentially affected Party as soon as practicable. With respect to Large and Small Generating Facility Interconnections submitted to the CAISO pursuant to the Generator Interconnection Procedures (“GIP”), currently Appendix Y to the CAISO Tariff, a Party is not obligated to give notice under this Section 10.4, as notifications will be made by the CAISO pursuant to Section 3.7.1 of the CAISO’s Generator Interconnection and Deliverability Allocation Procedures, currently Appendix DD to the CAISO Tariff.

#### **10.4.1 Failure to Provide Reasonable or Timely Notice**

To the extent that a Party has a reasonable belief that the other Party failed to provide reasonable or timely written notice as required in Section 10.4, above, and that the other Party proceeded with a Significant Operational Change on its Electric System that could reasonably be expected to affect materially either or both Parties’ rights, obligations or operations under this Agreement or that may result or may have resulted in an Adverse Impact on the Electric System of the Party not receiving written notice as required in Section 10.4, above, the Party not receiving written notice may demand that a study be undertaken to determine whether the action(s) taken by the other Party will result or has resulted in an Adverse Impact on the Electric System of the Party not receiving written notice. Under such circumstances, upon receipt of a demand for such a study, the Parties shall choose a mutually agreeable Third Party to conduct the study. Once the Parties agree upon the Third Party, the Parties shall jointly engage the Third Party to conduct the study, and all services and costs charged by the Third Party relating to the study will be divided equally between the Parties, and both Parties will each be initially responsible for half of the costs to perform the study.

#### **10.4.2 Responsibility for Study Costs When Reasonable or Timely Notice Not Provided**

If the study described in Section 10.4.1, above, concludes that the action(s) of the Party that failed to provide written notice will not or did not result in an Adverse Impact on the Electric System of the other Party or does not affect materially either or both

Parties' rights, obligations or operations under this Agreement, then the other Party must reimburse the Party that failed to provide written notice for the portion of the Costs paid by that Party to the Third Party that performed the study. If, on the other hand, the study described in Section 10.4.1, above, concludes that the action(s) or proposed action(s) of the Party that failed to provide written notice will or did result in an Adverse Impact on the Electric System of the other Party or does affect materially either or both Parties' rights, obligations or operations under this Agreement, then the Party that failed to provide written notice must reimburse the other Party for the portion of the Costs paid by that Party to the Third Party that performed the study.

### **10.5 Amendment of Agreement**

If the Parties agree that an amendment to this Agreement is necessary to address a Significant Regulatory Change or a Significant Operational Change, the Parties will proceed to negotiate such amendment. If the Parties have not reached agreement within sixty (60) calendar days of the date of the first meeting, any unresolved issues may be submitted for resolution through the dispute resolution procedures set forth in Section 23; provided that both Parties agree to such procedures. After the sixty (60)-day period stated above, either Party may, but is not required to, unilaterally initiate an appropriate proceeding respecting this Agreement with FERC pursuant to Sections 205 or 206 of the FPA, which proceeding could include a request for termination of this Agreement, and the other Party may exercise its rights under the FPA to protest or oppose such filing. In the event of filing for termination, PG&E shall make an appropriate regulatory filing of a replacement agreement such that the replacement agreement is effective contemporaneously with the termination date of this Agreement.

### **10.6 Studies of Significant Operational Change**

#### **10.6.1 System Impact Study**

##### **10.6.1.1 Determination of Need of System Impact Study**

The Party receiving notice of a Significant Operational Change will respond to the Party submitting such notice within thirty (30) calendar days. If

the Party receiving such notice believes that there will be no Adverse Impact resulting from the Significant Operational Change, the response shall so state. If the Party receiving notice of a Significant Operational Change believes that the proposed change may reasonably be expected to have an Adverse Impact on the operation of its Electric System, in its response it may request a System Impact Study to determine the potential for any Adverse Impacts, and any potential avoidance or mitigation measures thereto.

#### **10.6.1.2 System Impact Study Agreement**

Within twenty (20) Business Days of a response which requests a System Impact Study, the receiving Party shall tender a draft System Impact Study Agreement. The scope, content, assumptions and terms of reference for such study, the estimated time required to complete it, and such other provisions as the Parties may reasonably require, are to be developed jointly by the Parties and included in the System Impact Study Agreement.

#### **10.6.1.3 Costs of System Impact Study**

All System Impact Study costs shall be the responsibility of the Party whose proposal or actions will cause the Significant Operational Change, or will be shared equally by the Parties if the CAISO is the entity that causes or will cause the change; provided that such Costs may be paid by a responsible Third Party. If the Party submitting notice of the Significant Operational Change does not agree with the estimated costs of the System Impact Study, or that it should be responsible for the System Impact Study costs, it may request the receiving Party to proceed with the System Impact Study and either commence dispute resolution through the E&O Committee, or commit to abide by the terms, conditions, and cost assignments ultimately determined under the dispute resolution procedures set forth in Section 23, including any determination by FERC or appeal of a FERC determination in accordance with that process. If such request is made, the receiving Party shall promptly proceed with the System Impact Study provided

that such request is accompanied by payment for the reasonable estimated cost of the System Impact Study, and the Parties shall commence with dispute resolution through the E&O Committee or the dispute resolution procedures set forth in Section 23.

#### **10.6.1.4 Obligation to Cooperate to Complete System Impact Study in a Timely Manner**

The Parties shall cooperate in providing all information necessary for the receiving Party to conduct the System Impact Study in a timely manner. Upon the execution of a System Impact Study Agreement, or initiation of dispute resolution procedures and receipt of payment for estimated study costs, the Parties will use due diligence to complete the System Impact Study within sixty (60) calendar days. In the event that the receiving Party is unable to complete the System Impact Study within such time period, it shall so notify the other Party, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the System Impact Study. Upon completion of the System Impact Study, the Parties will review the study results and discuss any recommendations for avoidance and/or mitigation of Adverse Impacts.

### **10.6.2 Facility Study**

#### **10.6.2.1 Facility Study Agreement**

If it is determined, based on the results of the System Impact Study that, in addition, a Facility Study is required, within fifteen (15) Business Days of the completion of the System Impact Study, the receiving Party shall tender a draft Facility Study Agreement. The scope, content, assumptions and terms of reference for such study, the estimated time required to complete it, and such other provisions as the Parties may reasonably require, are to be developed jointly by the Parties and included in the Facility Study Agreement.

#### **10.6.2.2 Costs of Facility Study**

All Facility Study costs shall be the responsibility of the Party whose proposal or actions will cause the Significant Operational Change, or will be shared equally by the Parties if the CAISO is the entity that causes or will cause the change; provided that such Costs may be paid by a responsible Third Party. If the Party submitting notice of the Significant Operational Change does not agree with the estimated costs of the Facility Study, or that it should be responsible for the Facility Study costs, it may request the receiving Party to proceed with the Facility Study and commit to abide by the terms, conditions, and cost assignments ultimately determined under the dispute resolution procedures set forth in Section 23, including any determination by FERC or appeal of a FERC determination in accordance with that process. If such request is made, the receiving Party shall promptly proceed with the Facility Study provided that such request is accompanied by payment for the reasonable estimated cost of the Facility Study, and the Parties shall commence with the dispute resolution procedures set forth in Section 23.

#### **10.6.2.3 Obligation to Cooperate to Complete Facility Study in a Timely Manner**

The Parties shall cooperate in providing all information necessary for the receiving Party to conduct the Facility Study in a timely manner. Upon the execution of a Facility Study Agreement, or initiation of dispute resolution procedures and receipt of payment for estimated study costs, the Parties will use due diligence to complete the Facility Study within sixty (60) calendar days. In the event that the receiving Party is unable to complete the Facility Study within such time period, it shall so notify the other Party, in writing, and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the Facility Study. Upon completion of the Facility Study, the Parties will review the study results and discuss any recommendations for avoidance and/or mitigation of Adverse Impacts.

### **10.6.3 Disputes Regarding Studies**

Any disputes over the necessity of particular studies, the parameters of such studies, or the cost of or cost responsibility for such studies shall be resolved through the dispute resolution procedures set forth in Section 23.

### **10.7 Mitigation and Costs**

Unless otherwise agreed by the Parties, the Party whose proposal or action causes the Significant Operational Change (“Modifying Party”) shall be responsible for avoiding or fully mitigating an Adverse Impact to the Electric System of the other Party (“Affected Party”), and to the extent Adverse Impacts cannot be avoided or fully mitigated, fully compensating the Affected Party for all Costs incurred pursuant to the Adverse Impact; provided, that such Costs may be paid by a responsible Third Party. Any reasonable Cost incurred by the Affected Party in its cooperation with the Modifying Party shall be reimbursed by the Modifying Party. All avoidance or mitigation measures shall be completed before the Significant Operational Change is made. Any dispute regarding the need for, the nature of, or the Cost of mitigating Adverse Impacts or compensating the Affected Party for those Adverse Impacts that cannot be mitigated shall be resolved through the dispute resolution procedures set forth in Section 23. For avoidance of doubt, SVP’s load growth is not a Significant Operational Change that can result in causing an Adverse Impact, as defined herein, and PG&E shall pay for all Upgrade Facilities and System Reinforcements required on PG&E’s Electric System due to load growth within or on SVP’s Electric System.

In the event changes in transmission delivery voltages, relocation of facilities serving Points of Interconnections or other changes in transmission facilities are necessary on PG&E’s side of any Point of Interconnection with SVP because of changes to PG&E’s transmission as a result of Good Utility Practice or CAISO planning requirements, these changes shall be made by PG&E at its expense. For similar changes made to SVP’s side of Points of Interconnection, such changes shall be at SVP’s expense unless the change is made for PG&E’s benefit and at PG&E’s sole discretion or as otherwise agreed. Such change made at PG&E’s sole discretion shall be submitted to the E&O Committee for its determination of respective long term benefits of such

changes, if any. The E&O Committee shall recommend a methodology for allocating the Cost of such changes based on the projected net long-term benefits to each Party. Changes required on PG&E's side due to any changes made for SVP's benefit and at SVP's sole discretion shall be made at SVP's expense, unless submitted to the E&O Committee for its determination of an appropriate allocation between the Parties based on projected net long term benefits to each Party.

Notwithstanding the provisions of this Section 10.7, the Modifying Party will not be responsible for their share of any Costs associated with the changes made under this Section that are approved by FERC, or other jurisdictional authority, for inclusion in the Affected Party's Transmission Revenue Requirement for recovery through Access Charges, as provided in Section 26 of the CAISO Tariff. Nothing in the foregoing sentence obligates or requires the Affected Party to seek recovery for any specific Costs in their Transmission Revenue Requirement (TRR).

### **10.8 Failure to Notify Of Significant Operational Changes**

Each Party has a duty to provide notice to the other Party of Significant Operational Changes planned for its Electric System that could reasonably be expected to have an Adverse Impact on the Electric System of the other Party. If a Party implements a Significant Operational Change without providing such notice, the Affected Party shall have the right to open any affected Point(s) of Interconnection if, in its judgment, it is necessary to protect the integrity of its Electric System, and the right to file with FERC under Sections 205 or 206 of the FPA seeking appropriate relief, including, but not limited to, amendment or termination of this Agreement.

## **11 INSTALLATION AND ACCESS**

Where it is necessary for either Party to install any of its facilities on the other Party's premises in order to accomplish the interconnection or otherwise to perform the duties contemplated by this Agreement, the Parties hereby grant to each other, subject to any legal and regulatory requirements for any specific installation, for the term of this Agreement: i) the right to make such installation along the mutually agreed route (subject to each Party's right to protect

its operations or that of its customers in its Service Area) of sufficient width to provide full legal clearance from all structures on such property; and ii) access to each Party's premises upon reasonable notice and at reasonable hours for any purposes reasonably connected with this Agreement.

Neither Party shall be allowed or obligated to install such facilities unless and until all necessary licenses, permits, certificates, or other governmental authorizations or approvals that may be necessary are obtained, and any necessary easements for the installation of facilities are granted. Electric facilities belonging to one Party that are installed on the other Party's premises will be relocated only with the agreement of the owner of such facilities, which shall not be unreasonably withheld. The requesting Party shall pay the Cost, if any, of any such facility relocation. If such Costs are FERC jurisdictional, PG&E shall request and obtain FERC acceptance to assess such Costs prior to collection.

## **12 METERING**

### **12.1 Delivery Meters**

All real and reactive power deliveries shall be metered at each Point of Interconnection with meters meeting the requirements of: (i) the CAISO Tariff for interconnections at 60 kV and above; and (ii) the PG&E WD Tariff for interconnections below 60 kV. Any conflicts with regard to metering standards that may arise between this Agreement, the PG&E WD Tariff, or the CAISO Tariff shall be resolved consistent with the applicable tariff. Power deliveries shall be metered at delivery voltages described in Appendix A. At a minimum, the Responsible Meter Party shall meter all power flowing across each Point of Interconnection in either direction. The Parties shall cooperate in the installation and provision of access to the meters, as necessary for each Party to obtain the information needed to perform as contemplated under this Agreement.

### **12.2 Requirements For Meters And Meter Maintenance**

The Responsible Meter Party is obligated to install and maintain metering equipment, including where necessary RTUs, in accordance with CAISO standards, at each Point of Interconnection that shall measure and record real and reactive power flows and shall be capable

of recording flows in both directions. Such "in" and "out" meters shall be designed to prevent reverse registration and measure and continuously record such deliveries. Each Party shall provide their own telemetry from their own meters at their own cost and shall strive not to be reliant on the other Party other than for physical access.

### **12.3 SVP's Obligation To Provide Meter Data To PG&E**

SVP, pursuant to its MSS Agreement with the CAISO, subject to any exemptions granted by the CAISO, supplies the CAISO, via CAISO certified meters, with both telemetry and settlement quality meter data for each Point of Interconnection. The telemetry data includes generator status, voltage and energy output. SVP will be the Responsible Meter Party for each meter at each Point of Interconnection and will grant PG&E access to the same metering data in accordance with Schedule 15.2 of the MSS Agreement. SVP will reasonably cooperate with PG&E to ensure that PG&E can successfully access metering data under this Section 12.3. Should the MSS Agreement terminate for any reason, the Parties shall cooperate in determining an alternative method for supplying PG&E the same level of access to data as it had under Schedule 15.2 of the MSS Agreement and this Agreement.

### **12.4 Consequences of Failing to Provide Meter Data**

In the event that SVP, acting as the Responsible Meter Party, fails to provide to PG&E access to available meter data in accordance with Section 12.3, PG&E shall be entitled to make reasonable assumptions necessary for the operation of its transmission system. The assumptions shall be based on reasonably available information including, but not limited to, records of historical usage, available data and meter readings and general characteristics of SVP's operation and facilities.

### **12.5 Periodic Meter Testing**

All meters necessary to operate each Point of Interconnection shall be installed, tested, and maintained in accordance with the CAISO Tariff and Good Utility Practice, and shall be tested periodically by the Party owning the meter, at intervals consistent with the CAISO Tariff, and at any other reasonable time upon request by PG&E (if SVP) or SVP (if PG&E). Meters

shall be sealed and the seals shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted, and representatives of PG&E (if SVP) or SVP (if PG&E) shall be afforded reasonable opportunity to be present upon such occasions. Notwithstanding a Party's obligation to afford reasonable opportunity for other Parties to be present for meter inspections, testing or adjustments, if metering equipment that is used to collect settlement quality data requires immediate maintenance or repair, such maintenance or repair may be completed by the owning Party at its sole discretion.

### **13 CONFIDENTIALITY**

The Parties anticipate that during the course of the Parties' relationship under this Agreement, they will at times supply copies of confidential or proprietary information to each other, including information that should be kept confidential from and not disclosed to certain departments within a Party (*e.g.*, transmission planning information that cannot be disclosed to marketing personnel) or to Third Parties, including the public. If one Party supplies confidential information to the other, it is the responsibility of the supplying Party to inform the receiving Party that such information is confidential and to label or otherwise mark each confidential document or electronic file "CONFIDENTIAL". It shall be the responsibility and obligation of the Receiving Party to maintain the confidentiality of such information in accordance with the supplying Party's reasonable instructions, and to not disclose information designated confidential to any Third Party or entity to whom disclosure is prohibited under applicable regulations (*e.g.*, the FERC Standards of Conduct), unless required to do so by law. Meter information collected or received electronically shall be treated as confidential.

If a Party ("Receiving Party") receives a request from a Third Party, whether under the California Public Records Act, California Government Code Sections 6250-6270, as amended, or otherwise, for access to, or inspection, disclosure or copying of, any of the other Party's (the "Supplying Party") confidential data or information ("Disclosure Request"), then the Receiving Party shall provide notice to and a copy of the Disclosure Request to the Supplying Party within three Business Days of receipt of the Disclosure Request. Within three Business Days of receipt of such notice, the Supplying Party shall provide notice to the Receiving Party either:

- (a) that the Supplying Party believes there are reasonable legal grounds for denying or objecting to the Disclosure Request, and the Supplying Party requests the Receiving Party to deny or object to the Disclosure Request with respect to identified confidential information. In such case, the Supplying Party will either defend the denial of the Disclosure Request at its sole Cost (with reasonable assistance by the Receiving Party), or it shall indemnify the Receiving Party for all Costs associated with denying or objecting to the Disclosure Request. Such indemnification by the Supplying Party of the Receiving Party shall include all of the Receiving Party's Costs reasonably incurred with respect to denial of or objection to the Disclosure Request, including but not limited to Costs, penalties, and the Receiving Party's attorneys' fees; or
- (b) that the Supplying Party shall agree that the Receiving Party may grant the Disclosure Request without any liability by the Receiving Party to the Supplying Party.

## **14 BILLING AND PAYMENT**

PG&E shall bill SVP, and SVP shall pay any amounts agreed to by the Parties that are owed to PG&E pursuant to this Agreement in accordance with Appendix D. SVP shall bill PG&E and PG&E shall pay any amounts owed to SVP pursuant to this Agreement, where Sections D.1 through D.9 of Appendix D shall hereto apply to PG&E's payment obligations to SVP, substituting "SVP" for "PG&E" and "PG&E" for "SVP", respectively, in accordance with Appendix D.

## **15 ACCOUNTING**

### **15.1 Accounting Procedures**

PG&E and SVP each shall record relevant Cost(s) and maintain its accounting records in accordance with generally accepted accounting practices, with PG&E also required to maintain its records in accordance with the FERC Uniform System of Accounts.

### **15.2 Audit Rights**

For good cause and upon reasonable notice, each Party shall have the right to audit, at its own expense, the relevant records of the other Party for the limited purpose of determining whether the other Party is meeting its obligations under this Agreement. Such audits shall be limited to only those records reasonably required to determine compliance with this Agreement, and each Party agrees to disclose the information obtained in such audit only to those persons, whether employed by such Party or otherwise, that are directly involved in the administration of this Agreement and that are permitted to have access to such information under applicable regulations, including the FERC Standards of Conduct. Each Party agrees that under no circumstances will it use any information obtained in such an audit for any commercial purpose or for any purpose other than assuring enforcement of this Agreement. The right to audit shall be limited to data for two prior years from the date of the final billing for a matter or from the date of the questioned event, as applicable.

## **16 ADVERSE DETERMINATION OR EXPANSION OF OBLIGATIONS**

### **16.1 Adverse Determination**

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

### **16.2 Expansion Of Obligations**

If, after the Effective Date of this Agreement, FERC or any other regulatory body, agency or court of competent jurisdiction orders or determines that this Agreement should be interpreted, modified, or significantly extended in such a manner that PG&E or SVP may be required to extend its obligations under this Agreement to a Third Party, or to incur significant new or different obligations to the other Party or to Third Parties not contemplated by this

Agreement, then the Parties shall be relieved of their obligations to the extent lawful and necessary to eliminate the effect of that order or determination, and the Parties shall attempt to renegotiate in good faith the terms and conditions of the Agreement to restore the original balance of benefits and burdens contemplated by the Parties at the time this Agreement was made.

### **16.3 Renegotiation**

If, within three months after an order or decision as described in Sections 16.1 and 16.2, the Parties either: (i) do not agree that a renegotiation is feasible or necessary; or (ii) the Parties cannot agree to amend or supersede this Agreement, then: (a) either Party may initiate dispute resolution in accordance with Section 23; (b) PG&E may unilaterally file an amendment to this Agreement or a replacement agreement; or (c) SVP may take any action before the FERC or elsewhere which it deems appropriate. The effect of such termination, and the rights of the Parties thereunder, shall be as provided in Sections 37 and 38. As used in this Section, the term "Agreement" includes both this Agreement and any tariff, rate or rate schedule that in whole or in part results from this Agreement.

## **17 ASSIGNMENT**

### **17.1 Consent Required**

No transfer or assignment of the rights, benefits or duties of either Party under this Agreement shall be effective without the prior written consent of the other Party except as provided herein, which consent shall not be withheld unreasonably; provided, that this Section 17 shall not apply to interests that arise by reason of any deed of trust, mortgage, indenture or security agreement heretofore granted or executed by any Party. No partial assignment of the rights, benefits or duties of either Party shall be permitted under this Agreement unless otherwise agreed to by the other Party.

### **17.2 Assignee's Continuing Obligation**

Any successor to or transferee or assignee of the rights or obligations of a Party, whether by voluntary transfer, judicial sale, foreclosure sale or otherwise, shall be subject to all terms and

conditions of this Agreement to the same extent as though such successor, transferee, or assignee were an original Party.

## **18 CAPTIONS**

All indices, titles, subject headings, section titles and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the contents or scope of the Agreement.

## **19 CONSTRUCTION OF THE AGREEMENT**

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

## **20 CONTROL AND OWNERSHIP OF FACILITIES**

The Electric System of a Party shall at all times be and remain in the exclusive ownership, possession and control of the Party, or licensed or leased to that Party as provided in the applicable arrangement, and nothing in this Agreement shall be construed to give the other Party any right of ownership, possession or control of all or any portion of that Electric System, except as provided in Section 6.6 with respect to SVP facilities within the control of PG&E or the Balancing Authority. All facilities owned and installed by one Party hereunder shall, unless otherwise agreed by the Parties, at all times be and remain the property of that Party.

## **21 COOPERATION AND RIGHT OF ACCESS AND INSPECTION**

Each Party shall give to the other all necessary permission to enable it to perform its obligations under the Agreement. Each Party shall give the other Party the right to have its agents, employees and representatives, on reasonable notice and accompanied by the agents, employees and representatives of the other Party, enter its premises at reasonable times and in accordance with reasonable rules and regulations for the purpose of inspecting the property and equipment of the other Party to the extent necessary and in a manner that is reasonable for assuring the performance of the Parties under the Agreement.

## **22 DEFAULT**

### **22.1 Termination For Default**

If either Party breaches its material obligations under this Agreement, such breach shall constitute an event of default. If any Party defaults under this Agreement, the other Party may terminate this Agreement as to the defaulting Party; provided that prior to such termination the non-defaulting Party must provide the defaulting Party with written notice stating: 1) the non-defaulting Party's intent to terminate; 2) the date of such intended termination; 3) the specific grounds for termination; 4) specific actions that the defaulting Party must take to cure the default, if any; and 5) a reasonable period of time, which shall not be less than 60 calendar days, within which the defaulting Party may take action to cure the default and avoid termination, provided there is any action that can be taken to cure the default. Termination shall not become effective without approval by FERC. Application of dispute resolution pursuant to Section 23 with regard to separate disputes shall not be deemed to limit the right to terminate this Agreement under this Section 22.1.

### **22.2 Other Remedies For Default**

The remedy under Section 22.1 is not exclusive and, subject to Section 23, either Party shall be entitled to pursue any other legal, equitable or regulatory rights and remedies it may have in response to a default by the other Party.

## **23 DISPUTE RESOLUTION**

The Parties shall make best efforts to resolve all disputes arising under this Agreement expeditiously and by good faith negotiation. Where this Agreement specifically calls for resolution of disputes pursuant to this Section 23, the Parties shall pursue dispute resolution according to the provisions of Appendix B.

## **24 GOVERNING LAW**

This Agreement shall be interpreted, governed by and construed under the laws of the State of California, as if executed and to be performed within the State of California.

## **25 INDEMNITY**

### **25.1 Definitions**

As used in this Section 25, with initial letters capitalized, whether in the singular or the plural, the following terms shall have the following meanings:

#### **25.1.1 Accidents**

(i) Accidents sustained by a Third Party ("Claimant"), which is an ultimate use customer of a Party;

(ii) arises out of delivery of, or curtailment of, or interruption to electric service, including but not limited to abnormalities in frequency or voltage; and

(iii) results from either or both of the following:

a. engineering, design, construction, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use, or ownership of either Party's Electric System; or

b. the performance or non-performance of either Party's obligations under the Agreement.

### **25.2 Indemnity Duty**

If a Claimant makes a claim or brings an action against a Party seeking recovery for loss, damage, Costs or expenses resulting from or arising out of an Accident the following shall apply:

#### **25.2.1**

That Party ("Indemnitee") shall defend any such claim or action brought against it, except as otherwise provided in this Section 25.2.

### **25.2.2**

A Party ("Indemnitor") shall hold harmless, defend and indemnify, to the fullest extent permitted by law, the other Party, its directors or members of its governing board, officers and employees ("Indemnitees"), upon request by the Indemnitee, for claims or actions brought against the Indemnitee allegedly resulting from Accidents caused by acts, errors or omissions of the Indemnitor.

### **25.2.3**

No Party shall, under this Agreement, be obligated to defend, hold harmless or indemnify the other Party, its directors or members of its governing board, officers and employees for Accidents resulting from the latter's gross negligence or willful misconduct.

### **25.2.4**

In the event a dispute under this Section 25 is litigated, each Party specifically agrees to pay its own incurred Costs including attorney's fees, expert and consultant fees, and other Costs of litigation.

## **26 JUDGMENTS AND DETERMINATIONS**

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

## **27 LIABILITY**

### **27.1 To Third Parties**

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any Third Party.

### **27.2 No Consequential, Special or Indirect Damages from Breach**

Except for its willful action, gross negligence or with respect to breach of this Agreement or the indemnity duty under Section 25.2, no Party, nor its directors or members of its governing board, officers, employees or agents shall be liable under this Agreement to another Party for any loss, damage, claim, Cost, charge or expense arising from or related to this Agreement. In the event of breach of this Agreement, neither Party, nor its directors or members of its governing board, officers, employees or agents shall be liable under this Agreement to the other Party for any consequential, special or indirect damages.

### **27.3 Protection Of A Party's Own Facilities**

Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty operation, or non-operation of the other Party's facilities, and such other Party shall not be liable for any such damage so caused; provided, this limitation on liability shall not extend to failure to observe the requirements of Section 9.

### **27.4 Liability For Interruptions**

Neither Party shall be liable to the other, and each Party hereby releases the other and its directors, members of its governing board, officers, employees and agents from and indemnifies them, to the fullest extent permitted by law, for any claim, demand, liability, loss or damage, whether direct, indirect or consequential, incurred by either Party, that results from the interruption or curtailment in accordance with i) this Agreement, ii) Good Utility Practice, or (iii) as directed by the CAISO, of power flows through a Point of Interconnection under this Agreement.

## **28 NO DEDICATION OF FACILITIES**

Any undertaking by either Party under any provision of this Agreement is rendered strictly as an accommodation and shall not constitute the dedication by the first Party of any part or all of its Electric System to the other, the public, or any Third Party. Any such undertaking by

any Party under a provision of, or resulting from, this Agreement shall cease upon the termination of that Party's obligations under this Agreement.

### **29 NO OBLIGATION TO OFFER SAME SERVICE TO OTHERS**

By entering into this Agreement to interconnect with SVP or any Third Party at SVP's request, and filing it with FERC, PG&E does not commit itself to furnish any like or similar undertaking to any other person or entity.

### **30 NO PRECEDENT**

This Agreement establishes no precedent with regard to any other entity or agreement. Nothing contained in this Agreement shall establish any rights to or precedent for other arrangements as may exist, now or in the future, between the Parties for the provision of any interconnection arrangements, Interconnection Service, or any form of electric service.

### **31 NO OTHER SERVICES PROVIDED**

Neither Party undertakes under this Agreement the obligation to provide or make available any transmission service, distribution service, power or energy sales or services or Ancillary Services for the other Party or any Third Party, unless otherwise agreed to by a Party, and where such provision or receipt of services will be made pursuant to a separate agreement. Provided, however, this Agreement does not supersede rights or obligations as provided in Existing Contracts.

#### **31.1 Limitation on Parties' Obligations**

The Parties specifically intend that this Agreement shall relate only to their rights and obligations pertaining to the interconnection of their Electric Systems. Under this Agreement, neither Party undertakes to provide or make available any Balancing Authority Area services, transmission service, distribution service, power or energy sales or services or Ancillary Services for the other Party or any Third Party, and in no circumstance shall either Party be responsible under this Agreement for providing any such services.

This Agreement does not supersede rights or obligations as provided in any other agreement between the Parties. Nothing in this Agreement shall prevent either party from seeking an order under Sections 211 or 212 of the FPA.

### **31.2 Transmission Arrangements**

SVP is currently a party to several contracts that, among other things, provide Transmission Arrangements for the delivery of power to SVP's Electric System. Nothing in this Agreement shall interfere with SVP's rights, including those for transmission services, provided under such contracts. Either Party may make Transmission Arrangements, other than or in addition to such service from the CAISO.

## **32 NOTICES**

### **32.1 Written Notices**

Any notice, request, declaration, demand, information, report, or item otherwise required, authorized or provided for in this Agreement shall be given in writing, except as otherwise provided in this Agreement, and shall be deemed properly given if delivered personally or by facsimile transmission (fax), sent by first class United States Mail or overnight or express mail service, postage or fees prepaid, or through electronic communication where such electronic communication shall be deemed delivered on the first Business Day following delivery, to each of the persons specified below:

- (1) To SVP:  
Utility Director  
Silicon Valley Power  
City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050
- (2) To PG&E:  
Mr. David Gabbard  
Senior Director, Transmission Asset Management  
Pacific Gas and Electric Company  
Mail Code N9G  
P.O. Box 770000  
San Francisco, CA 94177

With a copy to:

Mr. Yilma Hailemichael  
Manager, Electric Transmission Contract Management  
Pacific Gas and Electric Company  
Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

### **32.2 Changes Of Notice Recipient**

Either Party may change its designation of the person who is to receive notices on its behalf by giving the other Party notice thereof in the manner provided in this Section 32. No more than two persons shall be designated by a Party to receive notices.

### **32.3 Routine Notices**

Any notice of a routine character in connection with service under this Agreement or in connection with the operation of facilities shall be given in such a manner as the Parties may determine is appropriate from time to time, unless otherwise provided in this Agreement.

### **32.4 Reliance On Notice**

Each Party shall be entitled under this Agreement to rely on the other Party's notice when given (or not given, when a Party fails to provide notice within the time prescribed) as having all necessary approvals of that other Party's management, Board of Directors or other governing body, and any notice (or failure to provide timely notice) hereunder shall be binding on the noticing Party and shall obligate that Party to make such payments or to perform such duties as are necessarily associated with the notice or, if a Party fails to provide timely notice, that failure to give notice.

## **33 RESERVATION OF RIGHTS**

Nothing contained herein shall be construed as affecting in any way the Parties' rights under Sections 205 and 206 of the FPA or the regulations promulgated thereunder. The term "rates" as used herein shall mean a statement of rates and charges for or in connection with the services provided for in this Agreement, and all classifications, practices, rules or regulations that in any manner affect or relate to such rates and charges. PG&E may unilaterally make application to FERC for a change in rates, including rate methodology and the terms and conditions of service, under Section 205 of the FPA and pursuant to FERC's rules and regulations promulgated thereunder. Either party may seek changes to the terms of this Agreement pursuant to Section 206 of the FPA. Nothing contained herein shall be construed as affecting in any way the right of SVP to oppose such a change under Section 205 or FERC's rules and regulations or to exercise its rights under Section 206 of the FPA or FERC's rules and regulations.

### **34 RESPONSIBILITY FOR PAYMENTS AND SECURITY**

Both Parties shall be fully responsible and liable to each other for payments to be made under this Agreement. The Parties shall perform unconditionally and fully each and every obligation that each has under this Agreement; provided, that this Agreement shall not restrict any right either Party may otherwise have to pledge any of its revenues, funds, assets, rights, property or interests therein. The other Party's status as a creditor shall not be subordinate to the interest of any creditor, subject to any pledge or debt obligation, provision of law or existing obligations of a Party.

### **35 RULES AND REGULATIONS**

PG&E and SVP may each propose, from time to time, changes to such procedures, rules, or regulations as they shall determine are necessary in order to establish the methods of operation to be followed in the performance of this Agreement or requirements of the Balancing Authority; provided, that any such procedure, rule, or regulation shall not be inconsistent with the provisions of this Agreement. If a Party objects to a procedure, rule, or regulation proposed by the other Party, it will notify the other Party and the Parties will endeavor to modify the procedure, rule, or regulation in order to resolve the objection. No such procedure, rule or regulation shall be adopted absent the mutual written consent of the Parties.

### **36 SEVERABILITY**

If any term, covenant or condition of this Agreement or its application is held to be invalid as to any person, entity or circumstance, by FERC or any other regulatory body, or agency or court of competent jurisdiction, then such term, covenant or condition shall cease to have force and effect to the extent of that holding. In that event, however, all other terms, covenants and conditions of this Agreement and their application shall not be affected thereby, but shall remain in full force and effect unless and to the extent that a regulatory agency or court of competent jurisdiction finds that a provision is not separable from the invalid provision(s) of this Agreement.

### **37 CONTINUING RIGHTS OF SVP UPON TERMINATION**

Upon termination of the Agreement, SVP shall continue to have such rights, if any, to be connected to PG&E's Electric System that are provided by law, regulation or other contract or agreement; provided, that the existence of this Agreement, after its termination, shall not be used by either Party to establish or defeat the existence of any rights provided by law, regulation or other contract or agreement. Termination of this Agreement, if accepted or approved by FERC, also shall terminate any other tariff or rate schedule that in whole or in part results from this Agreement, to the extent not inconsistent with a Party's aforementioned rights at law. After termination of this Agreement and any required FERC acceptance or approval of such termination, all obligations and rights provided under this Agreement or such tariff or rate schedule shall cease, and neither Party shall claim or assert any continuing right other than as may be provided by law, regulation or other contract or agreement. Such termination shall not affect rights and obligations of a continuing nature or for payment of money for goods or services provided prior to termination. This Section shall not be construed as a bar to the assertion by SVP of any rights it may have to service following termination of this Agreement, independent and exclusive of the Agreement.

### **38 RIGHTS OF PG&E UPON TERMINATION**

Should FERC deny, condition, suspend or defer PG&E's notice of termination, PG&E shall under no circumstances be required to maintain any interconnections or to provide any services, based in whole or in part on the existence of this Agreement, beyond the minimum time necessary for compliance with FERC's denial, condition, suspension or deferral.

### **39 WAIVER OF RIGHTS**

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

#### **40 UNCONTROLLABLE FORCES**

A Party shall not be considered to be in default in the performance of any obligation under the Agreement (other than an obligation to make payments for bills previously rendered pursuant to the Agreement) when a failure of performance is the result of Uncontrollable Forces.

#### **41 ENTIRE AGREEMENT AND AMENDMENTS**

The Parties agree that the provisions of this Agreement, including any and all amendments, constitute the entire agreement between them regarding the subject matter of the Agreement and the Parties' rights and obligations with respect thereto. This Agreement is intended to be the complete and exclusive statement of the terms of the Parties' agreement that supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions or communications between the Parties that may have been made in connection with the subject matter of this Agreement. No representation, covenant, or other matter, oral or written, that is not expressly set forth, incorporated, or referenced in this Agreement (except for applicable laws and regulations) shall be a part of, modify, or affect this Agreement. This Agreement may be modified by written agreement of the Parties.

#### **42 NO THIRD PARTY RIGHTS OR OBLIGATION**

No right or obligation contained in this Agreement shall be applied or used for the benefit of any person or entity that is not a Party.

#### **43 WARRANTY OF AUTHORITY**

Each Party warrants and represents that this Agreement has been duly authorized, executed and delivered by such Party and constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, or similar laws effecting the enforcement of creditor's rights.

#### **44 COUNTERPARTS**

This Agreement may be executed in counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if the signatories to the counterparts had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

#### **45 APPENDICES INCLUDED**

The following Appendices to this Agreement, as they may be revised from time to time by written agreement by the Parties or by order of FERC, are attached hereto and are incorporated by reference as if fully set forth herein:

Appendix A – Points of Interconnection

Appendix B – Dispute Resolution and Arbitration

Appendix C – Upgrade Facilities (PG&E)

Appendix D – Billing and Payment

Appendix E – Operational Coordination

Appendix F – 230 KV – 115 KV Lines: Protection Systems Maintenance

Appendix G – Upgrade Facilities (SVP)

**46 EXECUTION**

IN WITNESS THEREOF, the Parties have, by signature of their duly authorized representative(s) shown below, caused this Agreement to be executed on the date(s) set forth below, but effective as set forth above.

PACIFIC GAS AND ELECTRIC  
COMPANY

CITY OF SANTA CLARA, CALIFORNIA  
d/b/a SILICON VALLEY POWER

By: \_\_\_\_\_  
DAVID GABBARD  
Senior Director  
Transmission Asset Management  
Pacific Gas and Electric Company

By: \_\_\_\_\_  
DEANNA J. SANTANA  
City Manager  
City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050  
Telephone: (408) 615-2210  
Fax: (408) 241-6771

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to Form:

By: \_\_\_\_\_  
Lisa S. Gast  
Duncan, Weinberg, Genzer & Pembroke, P.C.  
Suite 800  
Washington, D.C 20036

By: \_\_\_\_\_  
BRIAN DOYLE  
City Attorney

ATTEST:

\_\_\_\_\_  
JENNIFER YAMAGUMA  
Interim City Clerk

## **APPENDIX A POINTS OF INTERCONNECTION**

### Northern Receiving Station (NRS) (115 kV)

Newark – NRS No. 1	terminates (changes ownership) at NRS.
Newark – NRS No. 2	terminates (changes ownership) at NRS.
Nortech – NRS	terminates (changes ownership) at NRS.

### Kifer Receiving Station (KRS) (115 kV)

Newark – Kifer	terminates (changes ownership) at Kifer.
FMC – Kifer	terminates (changes ownership) at Kifer.

### SVP Switching Station (SSS) (230 kV)

SVP's NRS-SSS 230 kV line terminates at SSS. However, because SSS and PG&E's Los Esteros Substation are interconnected, the change of ownership point is at the fence line between SSS and Los Esteros Substation.

## **APPENDIX B DISPUTE RESOLUTION AND ARBITRATION**

### **B.1 NEGOTIATION AND MEDIATION**

As provided in Section 23, the Parties agree to seek settlement of all disputes arising under this Agreement by good faith negotiation before resorting to other methods of dispute resolution. In the event that negotiations have failed, but before initiating arbitration proceedings under this Appendix B, the Parties may by mutual assent decide to seek resolution of a dispute through mediation. If this occurs, the Parties shall meet and confer to establish an appropriate timetable for mediation, to pick a mediator, and to decide on any other terms and conditions that will govern the mediation.

### **B.2 TECHNICAL ARBITRATION**

The Parties agree to seek expedited resolution of arbitrable disputes arising under this Agreement that are technical in nature. Technical disputes may include, without limitation, disputes centered on engineering issues involving technical planning studies, the need for and Cost of Upgrade Facilities, and the Interconnection Capacity of a Point of Interconnection. Such technical issues may be resolved through expert application of established technical knowledge and by reference to Good Utility Practice and industry standards.

The Party initiating arbitration pursuant to Section B.3 below shall indicate in its notice to the other Party whether it regards the dispute to be technical in nature. If both Parties agree that a dispute is technical in nature, then the Parties shall meet and confer to develop an appropriate timetable and process for expedited resolution of the dispute by a neutral expert, or "technical arbitrator". If the Parties cannot agree that a dispute is technical in nature, or if they cannot agree on a neutral arbitrator, then the Parties may submit the dispute to arbitration under the procedures set forth in Appendix B, Section 3 below.

### **B.3 ARBITRATION**

#### **B.3.1 Notices And Selection Of Arbitrators**

In the event that a dispute is subject to arbitration under Section 23, the aggrieved Party shall initiate arbitration by sending written notice to the other Party. Such notice shall identify the name and address of an impartial person to act as an arbitrator. If either Party takes the position that the dispute is not arbitrable, either Party may take the dispute to FERC for resolution. Within ten (10) business days after receipt of such notice, the other Party shall, if it agrees that the decision is properly arbitrable, give a similar written notice stating the name and address of the second impartial person to act as an arbitrator. Each Party shall then submit to the two named arbitrators a list of the names and addresses of at least three persons for use by the two named arbitrators in the selection of the third arbitrator. If the same name or names appear on both lists, the two named arbitrators shall appoint one of the persons named on both lists as the third arbitrator. If no name appears on both lists, the two named arbitrators shall select a third arbitrator from either list or independently of either list. Each arbitrator selected under these procedures shall be a person experienced in the construction, design, operation or regulation of electric power transmission facilities, as applicable to the issue(s) in dispute.

### **B.4 PROCEDURES**

Within fifteen (15) business days after the appointment of the third arbitrator, or on such other date to which the parties may agree, the arbitrators shall meet to determine the procedures that are to be followed in conducting the arbitration, including, without limitation, such procedures as may be necessary for the taking of discovery, giving testimony and submission of written arguments and briefs to the arbitrators. Unless otherwise mutually agreed by the parties, the arbitrators shall determine such procedures based upon the purpose of the Parties in conducting an arbitration under Section 23 of the Agreement, specifically, the purpose of utilizing the least burdensome, least expensive and most expeditious dispute resolution procedures consistent with providing each Party with a fair and reasonable opportunity to be heard. If the arbitrators are unable unanimously to agree to the procedures to be used in the

arbitration, the arbitration shall be governed by the Commercial Arbitration Rules of the American Arbitration Association.

#### **B.5 HEARING AND DECISION**

After giving the Parties due notice of hearing and a reasonable opportunity to be heard, the arbitrators shall hear the dispute(s) submitted for arbitration and shall render their decision within ninety (90) calendar days after appointment of the third arbitrator or such other date selected upon the mutual agreement of the Parties. The arbitrators' decision shall be made in writing and signed by any two of the three arbitrators. The decision shall be final and binding upon the parties subject to rights to appeal the decision to FERC. Judgment may be entered on the decision in any court of competent jurisdiction upon the application of either Party.

#### **B.6 EXPENSES**

Each Party shall bear its own costs and the costs and expenses of the arbitrators shall be borne equally by the Parties.

## **APPENDIX C PG&E UPGRADE FACILITIES**

### **C.1 UPGRADE FACILITIES**

At least 60 calendar days prior to the date on which SVP is to commence payment of any Cost as a result of construction of an Upgrade Facility, PG&E shall determine and provide to SVP: (i) an estimate of all Cost, broken down by major activities, which PG&E expects to incur; and (ii) a schedule indicating the approximate dates when PG&E expects to pay such Cost for each major activity included in the estimate. PG&E may revise the payment schedule from time to time as appropriate.

**C.1.1** If needed, the Parties will enter into a Transmission Facilities Agreement that shall include an estimate and schedule of Cost and payments, and SVP shall advance such Cost to PG&E pursuant to such schedule or any revisions to it.

**C.1.2** SVP's total payments to PG&E for work performed under this Appendix C, Section 1 shall be for the actual Cost incurred by PG&E. PG&E shall document to SVP the actual Cost incurred upon completion, and shall refund any amount overpaid by, or request any additional payment from, SVP, with interest computed as provided in Appendix D, Section D.6 of this Agreement.

**C.1.3** Should SVP seek a ruling from the Internal Revenue Service that SVP's payments under this subsection should be treated as non-taxable contributions-in-aid-of-construction, PG&E shall cooperate reasonably with SVP in supporting SVP's filing with the Internal Revenue Service.

**C.1.4** SVP shall have the right pursuant to Section 15 of this Agreement to audit the supporting documents upon which PG&E bases its estimate of the Cost of work and actual work performed to be advanced by SVP pursuant to the Transmission Facilities Agreement, as well as documents that show the actual Cost incurred by PG&E.

### **C.2 ASSOCIATED FERC FILINGS**

If required by FERC or requested by SVP, PG&E shall file, or at its election may file, with FERC a Transmission Facilities Agreement to document and seek approval of any Cost charged by PG&E to SVP associated with any facility Modifications, changes, reinforcements or advances contemplated by this Agreement. SVP shall support this filing by an appropriate submittal to FERC stating its agreement with the charges; provided, that if the Parties are unable to agree on the need or design for an Upgrade Facility or the Cost of an Upgrade Facility or the amount thereof SVP shall be responsible for, SVP may oppose such PG&E filing.

### **C.3 LIMITATIONS ON RESPONSIBILITY FOR UPGRADE COSTS**

#### **C.3.1 No Double Collection**

PG&E may not charge SVP for any Costs associated with Upgrade Facilities that have already been or will be collected through rates paid by PG&E retail or wholesale customers or from a Third Party; provided, that this Section shall not preclude PG&E from charging SVP where refunds are made to those who originally paid for such Costs.

## APPENDIX D BILLING AND PAYMENT

**This Appendix D shall apply to all billing and payment performed in accordance with Section 14.**

SVP shall pay PG&E Costs owed pursuant to this Agreement at:

Pacific Gas and Electric Company  
Payment Processing Center  
Research Unit / B5A  
P.O. Box 770000  
San Francisco, CA 94177

PG&E shall pay SVP Costs owed pursuant to this Agreement at a place to be named by SVP.

PG&E (or SVP) may change the place where payment is made by giving SVP (or PG&E) notice thereof as provided in Section 32.

**D.1** PG&E shall prepare and submit bills to SVP on or after the first Business Day of each calendar month. The Payment of any bill shall be due and must be received by PG&E not later than the 30th calendar day following the day on which SVP receives the bill or, if that 30th day is a Saturday, Sunday or legal holiday, the next Business Day. Such date shall be referred to as the Payment Due Date. A bill shall be deemed delivered on the third Business Day after the postmarked date unless a copy of the bill is sent by electronic facsimile or e-mail (where emailed bills are confirmed back to the sender as received), in which case it shall be deemed delivered on the same day.

**D.2** If charges under this Agreement cannot be determined accurately for preparing a bill, PG&E may use its best estimates in preparing the bill and such estimated bill shall be paid by SVP. Any estimated charges shall be labeled as such and PG&E shall, upon request, document the basis for the estimate used. Estimated bills shall be prepared and paid in the same manner as other bills under this Agreement.

**D.3** If SVP disputes all or any portion of a bill submitted to it by PG&E, it nevertheless shall, not later than the Payment Due Date of that bill, pay the bill in full. A dispute between either PG&E or SVP and any Third Party shall not be a proper basis for withholding

payment. Payments to PG&E of SVP's obligations arising under this Agreement are not subject to any reduction, whether by offset, payments into escrow, or otherwise, except for routine adjustments or corrections as may be agreed to by the Parties or as expressly provided in this Agreement.

**D.4** When final and complete billing information becomes available and a charge is determined accurately or billing errors are identified and corrected, PG&E shall promptly prepare and submit an adjusted bill to SVP, and any additional payments by SVP shall be made in accordance with the provisions of this Appendix D, Section 1. Refunds by PG&E shall be paid to SVP not later than thirty (30) calendar days after the date of the adjusted bill. All adjustments or corrections of bills under this Agreement shall be subject to the interest provisions of Appendix D, Sections 5 and 6.

**D.5** Interest on an additional payment shall accrue from the Payment Due Date of the applicable bill and interest on a refund shall accrue from the date payment of the applicable bill was received by PG&E.

**D.6** Any amount due under this Agreement that is not timely paid shall accrue interest from the date prescribed in Appendix D, Section 5 until the date payment is made. The interest amount shall be determined using the interest rate applicable to any amount due during a given month and shall be calculated using the methodology for refunds pursuant to Section 35.19(a) of FERC's Regulations, 18 CFR § 35.19(a). This interest rate shall not exceed the maximum interest rate permitted under California law. Interest shall be calculated for the period that the payment is overdue or the period during which the refund is accruing interest.

**D.7** As provided in Appendix D, Section 3, if any portion of a bill is disputed, SVP shall pay the full amount, without offset or reduction, by the Payment Due Date, however, SVP can challenge the accuracy of a bill even if no dispute was identified prior to SVP's payment of the bill and such right to dispute a bill shall extend to the end of the statutory period of limitations. In addition, SVP shall, on or before the Payment Due Date (if the disputed amounts are known or identified by this date), notify PG&E, in writing, of the amount in dispute and the specific basis for the dispute. PG&E and SVP shall endeavor to resolve any billing dispute

within thirty (30) calendar days of PG&E's receipt of SVP's notice of a dispute (or such extended period as the Parties may establish). If the Parties cannot agree, either Party may initiate dispute resolution pursuant to Section 23.

**D.8** If, after SVP has paid the full amount of a disputed bill directly to PG&E, the results of dispute resolution pursuant to Section 23 include a determination that the amount due was different than the amount paid by SVP, a refund by PG&E to SVP shall include interest for the period from the date SVP's overpayment was received by PG&E to the date the refund is paid to SVP. Likewise, an additional payment by SVP to PG&E shall include interest for the period from the original Payment Due Date to the date SVP's additional payment is received by PG&E. Interest paid pursuant to this Appendix D, Section 8 shall be at the rate determined pursuant to Appendix D, Section 6.

**D.9** A Party's failure to make any payment on or before the applicable Payment Due Date shall constitute a material breach of this Agreement if that failure is not corrected within seven (7) Business Days after the other Party delivers written notice to the non-paying Party. In such event, the Party not receiving payment shall be entitled to pursue any legal, equitable and regulatory rights and remedies it may have under this Agreement or otherwise.

## **APPENDIX E OPERATIONAL COORDINATION**

The Parties will perform operational coordination obligations and responsibilities, which consist of but are not limited to the following:

### **E.1 Maintenance Coordination**

The Parties shall coordinate, in conformance with their obligations to the Balancing Authority on an annual basis, any maintenance Outages of transmission facilities of their respective Electric Systems that may reasonably be expected to have an impact on the other Party's Electric System.

### **E.2 Underfrequency Load Shedding ("UFLS")**

The Underfrequency Load Shedding Schedule shall be updated from time to time, in conformance with the obligation of the Parties to the Balancing Authority, as determined by the E&O Committee.

### **E.3 Manual Load Shedding**

The Parties agree to maintain and implement their respective manual load shedding programs in compliance with Applicable Requirements and the Balancing Authority as system conditions warrant.

### **E.4 Load Restoration**

The Parties shall, in compliance with Applicable Requirements and their obligations to the Balancing Authority, coordinate the restoration of load following a system disturbance, and agree to do so in coordination with the Balancing Authority when required.

### **E.5 Records, Information and Reports**

The Parties' E&O Committee shall agree to required records, information and reports to be shared between the Parties and shall include, but not be limited to; (i) records of kW and kVar demands, and kWh for each Point of Interconnection; (ii) transmission Outage and power quality

information that may reasonably be expected to impact the other Party; and (iii) provide reports on any transmission Outages and power quality events that impacted the other Party.

**E.6 Reactive Power**

The Parties shall maintain reactive power flow on each of their Electric Systems so that the sum of the reactive flows at the transmission Points of Interconnection is within the power factor band of 0.97 lag and 0.99 lead. Both Parties will normally operate their respective systems to minimize kVar exchange between them. Operating conditions may require larger than normal kVar exchange between both Parties, and any such exchange will be done in accordance with Good Utility Practice and Applicable Requirements.

**E.7 Critical Protective Systems**

Should a Party's critical protective system(s) condition change in such a way as to possibly compromise the safe and reliable operation of its electric system and such compromise may reasonably be expected to affect the other Party, that Party shall notify the Balancing Authority and the other Party as soon as is reasonably practicable to do so.

## UNDERFREQUENCY LOAD SHEDDING SCHEDULE

This schedule shall be identical with Schedule 11 – Attachment A of the SVP MSS Agreement, which is included by reference herein.

**APPENDIX F 230 KV – 115 KV LINES: PROTECTION SYSTEMS MAINTENANCE**

No.	Equipment To Be Protected	Equipment Owner	Protection System	SVP Terminal	SVP CB No.'s	Protection System (PS) Maintenance Responsibility	
						Relay equipment testing	Applicable Maintenance Footnote
1	Los Esteros-SSS, 230 kV Bus 1 (LES-SSS 230 kV Bus Interconnection)	Ownership Changes at fenceline	230kV Bus 1 Differential Protection	SSS-230 kV	PG&E 282	SVP, PG&E	3
2	Los Esteros-SSS, 230 kV Bus 2 (LES-SSS 230 kV Bus Interconnection)	Ownership Changes at fenceline	230kV Bus 2 Differential Protection	SSS-230 kV	PG&E 382	SVP, PG&E	3
3	SSS-NRS, 230 kV Line	SVP	Set A and Set B Line Protection	SSS-230 kV	PG&E 282	SVP	5
4	SSS-NRS, 230 kV Line	SVP	Set A and Set B Line Protection	SSS-230 kV	PG&E 382	SVP	5
5	SSS 230 kV Breaker	SVP	Breaker Failure Protection	SSS-230 kV	PG&E 282	SVP	5
6	SSS 230 kV Breaker	SVP	Breaker Failure Protection	SSS-230 kV	PG&E 382	SVP	5
7	Newark-NRS #1, 115 kV Line	PG&E	Set A and Set B Line Protection	NRS-115 kV	442	SVP, PG&E	2,4
8	NRS 115 kV Breaker	SVP	Breaker Failure Protection	NRS-115 kV	442	SVP	
9	Newark-NRS #2, 115 kV Line	PG&E	Set A and Set B Line Protection	NRS-115 kV	342	SVP, PG&E	2,4
10	NRS 115 kV Breaker	SVP	Breaker Failure Protection	NRS-115 kV	342	SVP	
11	Nortech - NRS, 115 kV Line	PG&E	Set A and Set B Line Protection	NRS-115 kV	372	SVP, PG&E	2,4
12	NRS 115 kV Breaker	SVP	Breaker Failure Protection	NRS-115 kV	372	SVP	

13	NRS - SRS #1, 115 kV Line	PG&E	Set A and Set B Line Protection	NRS-115 kV	462	SVP	1
14	NRS 115 kV Breaker	SVP	Breaker Failure Protection	NRS-115 kV	462	SVP	
15	NRS - SRS #1, 115 kV Line	PG&E	Set A and Set B Line Protection	SRS-115 kV	142	SVP	1
16	SRS 115 kV Breaker	SVP	Breaker Failure Protection	SRS-115 kV	142	SVP	
17	NRS - SRS #2, 115 kV Line	PG&E	Set A and Set B Line Protection	NRS-115 kV	332	SVP	1
18	NRS 115 kV Breaker	SVP	Breaker Failure Protection	NRS-115 kV	332	SVP	
19	NRS - SRS #2, 115 kV Line	PG&E	Set A and Set B Line Protection	SRS-115 kV	102	SVP	1
20	SRS 115 kV Breaker	SVP	Breaker Failure Protection	SRS-115 kV	102	SVP	
21	Newark - KRS, 115 kV Line	PG&E	Set A and Set B Line Protection	KRS-115 kV	232	SVP, PG&E	2,4
22	KRS 115 kV Breaker	SVP	Breaker Failure Protection	KRS-115 kV	232	SVP	
23	FMC - KRS, 115 kV Line	PG&E	Set A and Set B Line Protection	KRS-115 kV	202	SVP, PG&E	2,4
24	KRS 115 kV Breaker	SVP	Breaker Failure Protection	KRS-115 kV	202	SVP	

<sup>1</sup> Lines owned by PG&E, however breakers at both ends owned by SVP, so SVP will perform local Protection System maintenance and telecommunications-assisted line protection verification in coordination with PG&E Operations.

<sup>2</sup> Lines owned by PG&E, however breakers and relays at one end owned by SVP, so PG&E and SVP will perform local Protection System maintenance on their own equipment in coordination with each other's operations departments.

<sup>3</sup> Joint ownership of the 230 kV Bus where the ownership changes at the fenceline, ownership of breaker is determined to be the owner of the property the breaker is on. Bus protective relays owned by PG&E. PG&E will perform maintenance per PG&E's standard test procedure in coordination with SVP Operations. PG&E and SVP will perform local Protection System maintenance on their own equipment in coordination with each other's operations departments.

<sup>4</sup> Telecommunications-assisted line protection verification - PG&E is responsible for verification and will coordinate with SVP on the overall scheme maintenance.

<sup>5</sup> Lines owned by SVP including breakers and relays, so SVP will perform local Protection System maintenance on its own equipment and perform telecommunications-assisted line protection verification.

NOTE 1: For the purposes of this Appendix F and Section 9.10.1 of the Agreement, the term "Telecommunications-assisted line protection verification" shall mean "Telecommunications-assisted line Protection System may be verified either by end-to-end tests, or by simulating internal or external faults with forced channel signal". This definition comes from the September 13, 2007 NERC document titled "Protection System Maintenance - A Technical Reference".

NOTE 2: For the purposes of this Appendix F and Section 9.10.1 of the Agreement, the term "Maintenance" shall mean "An ongoing program by which Protection System function is proved, and restored if needed. A maintenance program comprises verification of individual protection systems, which in turn is achieved by a combination of monitoring, testing, and calibration." This definition comes from the September 13, 2007 NERC document titled "Protection System Maintenance - A Technical Reference".

NOTE 3: For the purposes of this Appendix F and Section 9.10.1 of the Agreement, the term "Verification" shall mean "A means of determining that the Protection System or component is functioning correctly and is fit for service". This definition comes from the September 13, 2007 NERC document titled "Protection System Maintenance -A Technical Reference".

## **APPENDIX G SVP UPGRADE FACILITIES**

### **G.1 UPGRADE FACILITIES**

At least 60 calendar days prior to the date on which PG&E is to commence payment of any Cost as a result of construction of an Upgrade Facility, SVP shall determine and provide to PG&E: (i) an estimate of all Cost, broken down by major activities, which SVP expects to incur; and (ii) a schedule indicating the approximate dates when SVP expects to pay such Cost for each major activity included in the estimate. SVP may revise the payment schedule from time to time as appropriate.

**G.1.1** If needed, the Parties will enter into a Transmission Facilities Agreement that shall include an estimate and schedule of Cost and payments, and PG&E shall advance such Cost to SVP pursuant to such schedule or any revisions to it.

**G.1.2** PG&E's total payments to SVP for work performed under this Appendix G, Section 1 shall be for the actual Cost incurred by SVP. SVP shall document to PG&E the actual Cost incurred upon completion, and shall refund any amount overpaid by, or request any additional payment from, PG&E, with interest computed as provided in Appendix D, Section D.6 of this Agreement.

**G.1.3** PG&E shall have the right pursuant to Section 15 of this Agreement to audit the supporting documents upon which SVP bases its estimate of the Cost of work and actual work performed to be advanced by PG&E pursuant to the Transmission Facilities Agreement, as well as documents that show the actual Cost incurred by SVP.

### **G.2 LIMITATIONS ON RESPONSIBILITY FOR UPGRADE COSTS**

#### **G.2.1 No Double Collection**

SVP may not charge PG&E for any Costs associated with Upgrade Facilities that have already been or will be collected through rates paid by SVP retail customers; provided, that this Section shall not preclude SVP from charging PG&E where refunds are made to those who originally paid for such Costs.