

March 21, 2007

COLUMBIAGRID

**DEVELOPMENTAL AND STAFFING RELIABILITY
FUNCTIONAL AGREEMENT**

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COLUMBIAGRID

DEVELOPMENTAL AND STAFFING RELIABILITY FUNCTIONAL AGREEMENT

THIS DEVELOPMENTAL AND STAFFING RELIABILITY FUNCTIONAL AGREEMENT is entered into as of April 18, 2007 by and among Avista Corporation; the Bonneville Power Administration (“Bonneville”); Public Utility District No. 1 of Chelan County, Washington; Public Utility District No. 2 of Grant County, Washington; Puget Sound Energy, Inc.; the City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department; Public Utility District No. 1 of Snohomish County, Washington; the City of Tacoma, Department of Public Utilities, Light Division (dba Tacoma Power); and ColumbiaGrid, a Washington state nonprofit corporation.

RECITALS

A. ColumbiaGrid is intended to promote, in the public interest, coordinated and reliable planning, expansion, and operation of the interconnected transmission systems in the Pacific Northwest, taking into consideration environmental concerns, regional interests, and cost-effectiveness.

B. This functional agreement (“Agreement”) is intended to help maintain and enhance the reliability of the systems of the participating transmission owners or operators and the Regional Interconnected Systems.

C. The Parties intend that ColumbiaGrid will provide services under this Developmental and Staffing Reliability Functional Agreement that will result in ColumbiaGrid establishing a presence in certain reliability forums and developing experience and knowledge in certain reliability areas, and that ColumbiaGrid will (i) assist in regional efforts to enhance transmission system visibility; (ii) monitor and evaluate Bonneville’s 2007 Reliability Redispatch Pilot; (iii) monitor regional outage coordination processes; and (iv) evaluate Area Control Error diversity interchange programs (“ACE Diversity Interchange Program” or “ADI Program”).

D. Presently, Congress, the Federal Energy Regulatory Commission, North American Electric Reliability Corp. (“NERC”), state public utility commissions and energy offices, transmission owners and operators, electric utilities, and industry groups and organizations are actively assessing the reliability of the interconnected transmission systems and evaluating options to enhance such reliability. The products of these deliberations may affect the intended role of ColumbiaGrid. It is expected that ColumbiaGrid will gain knowledge and experience regarding the ongoing deliberations and their outcomes, and may propose amendments to this Agreement as a result of such outcomes.

E. The Parties anticipate that ColumbiaGrid will offer additional reliability services to promote increased transmission reliability pursuant to another reliability functional agreement (or through amendment to this Agreement), which will provide mechanisms that the parties thereto may determine should be adopted to implement ColumbiaGrid recommendations made

pursuant to this Agreement. Such services may include the provision by ColumbiaGrid of developmental or operational activities or services relating to the following:

- (i) Increased visibility of transmission system conditions and enhanced modeling, monitoring, and analysis of transmission system conditions;
- (ii) Enhancements of existing outage management system programs;
- (iii) Generation redispatch to help maintain transmission system reliability by relieving pre-operating hour and real-time transmission congestion;
- (iv) ADI Programs and enhancement of existing reserve-sharing programs;
- (v) Feasibility analysis and design work relating to consolidation of the performance of reliability or traditional control area functions; or
- (vi) Other reliability measures.

F. ColumbiaGrid's study and evaluation services under this Agreement will be performed in the context of, and will endeavor to achieve, the long-term goal of maintaining and enhancing the reliability of the systems of the participating transmission owners or operators and the Regional Interconnected Systems.

AGREEMENT

1. Definitions

1.1 "Agreement Limiting Liability Among Western Interconnected Systems" or "WIS Agreement" means at any time the Agreement Limiting Liability Among Western Interconnected Systems as it may have then been amended.

1.2 "Allocated Share" with respect to each Payor means at any time the percentage for such Payor as determined by ColumbiaGrid pursuant to the formula set forth in section 7.4, as such percentage may have then been adjusted pursuant to section 7.5; *provided that* the Allocated Share of any New Payor of any Invoice submitted to such New Payor pursuant to section 7.7.3 shall be equal to the \$500 amount of such Invoice.

1.3 "Board of Directors" or "Board" means the Board of Directors of ColumbiaGrid.

1.4 "Bylaws" means the then current bylaws of ColumbiaGrid.

1.5 "Claims Committee" means a committee established pursuant to section 12.4 of this Agreement upon the receipt of a claim or prior to such time.

1.6 “Commission” means the Federal Energy Regulatory Commission or any successor entity.

1.7 “Confidential Information” shall mean: all information, regardless of the manner in which it is furnished, marked as “Confidential Information” at the time of its furnishing; *provided that* Confidential Information shall not include information: (1) in the public domain or generally available or known to the public; (2) disclosed to a recipient by a Third Person who had a legal right to do so; (3) independently developed by the receiving Party or known to such Party prior to its disclosure under this Agreement; (4) normally disclosed by entities in the Western Interconnection without limitation; (5) disclosed in aggregate form; or (6) required to be disclosed without a protective order or confidentiality agreement by subpoena, law or other directive of a court, administrative agency or arbitration panel.

1.8 “Critical Energy Infrastructure Information” or “CEII” means information as defined in 18 C.F.R. § 388.113(c), as may be amended from time to time, about existing and proposed systems or assets, whether physical or virtual, relating to the production, generation, transportation, transmission, or distribution of energy that could be useful to a person in planning an attack on such systems or assets, the incapacity or destruction of which would negatively affect security, economic security, or public health or safety.

1.9 “Effective Date” means the date this Agreement becomes effective as set out in section 2.1.

1.10 “Electric System” has the meaning given for the words “electric system” in the WIS Agreement and means (a) electric distribution facilities or (b) generation facilities or (c) transmission facilities, or any combination of the three, and includes transmission lines, distribution lines, substations, switching stations, generating plants, and all associated equipment for generating, transmitting, distributing or controlling flow of power. The Electric System of a Person includes the facilities of another entity operated or controlled by such Person. “Electric System” includes any devices or equipment (1) by which information is originated on an electric system or by the Person operating such system, (2) by which such information is transmitted, and (3) by which such information is received either for information or for operation of a system, whether by the originating system or by another system.

1.11 “Interested Person” means any Person who has expressed an interest in the business of ColumbiaGrid and has requested notice of its public meetings. Such Interested Persons will be identified on the Interested Persons List compiled by ColumbiaGrid in accordance with Section 4.2 of the ColumbiaGrid Bylaws.

1.12 “Invoice” means an invoice submitted by ColumbiaGrid to all Payors (or to a New Payor) pursuant to section 7.7 for services rendered and corporate overhead under section 7.2.

1.13 “Maximum Payor Obligation” for each Payor means the maximum total of Payment Amounts (specifically excluding any interest such Payor is obligated to pay under section 7.7.6.3 due to such Payor’s failure to pay its Allocated Share of a Payment Amount when due) such Payor is obligated to pay under section 7.3 of this Agreement.

1.14 “Maximum Total Payment Obligation” or “MTPO” means the maximum total of Payment Amounts (specifically excluding any interest any Payor is obligated to pay under section 7.7.6.3 due to such Payor’s failure to pay its Allocated Share of a Payment Amount when due), which maximum total is the sum to be provided to ColumbiaGrid in the aggregate by the Payors. The Maximum Total Payment Obligation equals an amount equal to \$650,000.

1.15 “New Payor” means a Qualified Person that enters into this Agreement, and thereby becomes a Reliability Party, subsequent to the Effective Date by executing a counterpart of this Agreement and delivering it to each Party; *provided that* a consortium of similarly situated Reliability Parties, none of which operates a control area, may elect at the time they enter into this Agreement to be designated as a single Payor and shall thereby become jointly and severally liable for the fixed payment amount (of \$12,500) pursuant to section 7.4 and the New Payor fee (of \$500) pursuant to section 7.7.3.

1.16 “Open Access Transmission Tariff” or “OATT” means, for each Reliability Party, such Reliability Party’s open access transmission tariff and, if such Reliability Party does not have such a tariff, the Commission’s pro forma open access transmission tariff.

1.17 “Operational Data” means:

- (a) operational or transmission system data arising out of the Reliability Redispatch Pilot, the outage coordination processes, or the ADI Program processes, including utility-, plant-, or facility-specific data and including redispatch bids or results; or
- (b) CEII

that is (i) obtained from a Reliability Party, or observed, by ColumbiaGrid in its activities with a Reliability Party and (ii) obtained or observed in the performance by ColumbiaGrid of services with respect to the Reliability Redispatch Pilot, the outage coordination processes, or the ADI Program processes; *provided* Operational Data shall not include data: (1) in the public domain or generally available or known to the public; (2) disclosed to ColumbiaGrid by a Third Person who had a legal right to do so; (3) independently developed by ColumbiaGrid or known to ColumbiaGrid prior to its disclosure under this Agreement; (4) normally disclosed by entities in the Western Interconnection without limitation; (5) disclosed in aggregate form; (6) required to be disclosed without a protective order or confidentiality agreement by subpoena, law or other directive of a court, administrative agency or arbitration panel; or (7) for which the source of such data has given its prior written consent to its disclosure by ColumbiaGrid.

1.18 “Pacific Northwest” means the (i) sub region within the Western Interconnection comprised of Alberta, British Columbia, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming and (ii) any portions of the area defined in 16 U.S.C. § 839a(14) that are not otherwise included in (i).

1.19 “Party” means a signatory to this Agreement.

1.20 “Payment Amount” means the total amount of payment to be provided to ColumbiaGrid by the Payors (or by a New Payor(s)) in the aggregate pursuant to section 7.3 in response to an Invoice.

1.21 “Payor” means each Reliability Party; *provided that* a consortium of similarly situated Reliability Parties, none of which operates a control area, may elect at the time they enter into this Agreement to be designated as a single Payor and shall thereby become jointly and severally liable for the fixed payment amount (of \$12,500) pursuant to section 7.4 and the New Payor fee (of \$500) pursuant to section 7.7.3; *provided further that* each such Reliability Party shall otherwise be a separate Reliability Party under this Agreement.

1.22 “Person” means an individual, corporation, cooperative corporation, municipal corporation, quasi-municipal corporation, joint operating entity, limited liability company, mutual association, partnership, limited partnership, limited liability partnership, association, joint stock company, trust, unincorporated organization, government entity or political subdivision thereof (including a federal power marketing administration), or organization recognized as a legal entity by law in the United States or Canada.

1.23 “Reliability Redispatch Pilot” means Bonneville’s 2007 Pilot Reliability Redispatch Project which will test the effectiveness of redispatch to address reliability concerns.

1.24 “Qualified Person” means (i) any Person that operates or proposes to operate an Electric System in the Pacific Northwest, (ii) any user, owner, or operator of the bulk power system (within the meaning of Section 215 of the Federal Power Act) in the Pacific Northwest, or (iii) any governmental entity having authority under state, provincial, or federal law to regulate any of the foregoing in connection with reliability of the Regional Interconnected Systems.

1.25 “Regional Interconnected Systems” or “RIS” means the interconnected transmission systems in the Pacific Northwest.

1.26 “Reliability Party” means each Party other than ColumbiaGrid.

1.27 “Remaining Maximum Total Payment Obligation” means, at any time during the Term, the amount of Maximum Total Payment Obligation for which Invoices have not been issued. Upon the addition of a New Payor, the Remaining Maximum Total Payment Obligation shall equal the Maximum Total Payment Obligation minus the sum of (i) the aggregate of all Invoices as of the date the New Payor executes and delivers this Agreement to each Party plus (ii) the Payment Amount requested by the Initial Invoice to such New Payor pursuant to section 7.7.3.

1.28 “Term” means the period set out in section 2.3.

1.29 “Third Person” means any Person other than a Party.

1.30 “Transmission System” means the transmission facilities in the Pacific Northwest owned or operated by a Reliability Party.

1.31 “Uncontrollable Force” means any act or event that delays or prevents a Party from timely performing obligations under this Agreement, including an act of God, strike, lock-out, labor dispute, labor disturbance, act of the public enemy, act of terrorism, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident to or breakage, failure or malfunction of machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities (other than, as to its own performance, by such Party that is a federal power marketing administration, municipal corporation or other federal, tribal or state governmental entity or subdivision thereof), or any other cause beyond such Party’s reasonable control and to the extent without such Party’s fault or negligence. Economic hardship shall not constitute an Uncontrollable Force under this Agreement.

1.32 “Visibility” means monitoring, understanding, and predicting the state and the condition of one or more of the Transmission Systems and the Regional Interconnected Systems.

1.33 “Website” means the website maintained by ColumbiaGrid at www.columbiagrid.org.

1.34 “Western Electricity Coordinating Council” or “WECC” means the Western Electricity Coordinating Council or any successor entity.

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

1.36 “WIS Agreement” see definition 1.1 above.

2. Effective Date and Term

2.1 Original Parties

Except as provided in section 2.2, this Agreement shall become effective upon execution by and delivery to all Parties.

2.2 Subsequent Reliability Parties

With respect to any Qualified Person who executes this Agreement after the Effective Date established pursuant to section 2.1, this Agreement shall be effective as to such Qualified Person as of the date it executes this Agreement and delivers such Agreement to each of the Parties.

2.3 Term

This Agreement shall become effective on the Effective Date and continue in effect through April 18, 2008. All obligations and liabilities accrued under this Agreement through such date are hereby preserved until satisfied.

3. ColumbiaGrid Services

ColumbiaGrid shall provide to the Reliability Parties the services specified in this section 3.

3.1 Visibility Enhancements

ColumbiaGrid shall assist in Western Interconnection-wide and region-wide efforts to enhance the Visibility of the Regional Interconnected Systems with the goal of assisting the Reliability Parties in enhancing the Visibility of their Transmission Systems and the Regional Interconnected Systems.

Specifically, ColumbiaGrid shall, working with regional Persons involved in Visibility, assist in the development of WECC's West-wide System Model ("WSM") or similar Visibility tools, and assist in the development of WECC's Western Interchange Tool ("WIT") or similar Visibility tools. In doing so, ColumbiaGrid shall endeavor to (a) promote the usefulness of any such Visibility tools in the RIS and individual transmission system context to facilitate the use of such Visibility tools in the RIS and for the respective Transmission Systems of Reliability Parties, (b) communicate ColumbiaGrid's understanding of the interests of the Reliability Parties in such activities (although each Reliability Party may choose to be directly involved itself), (c) keep the Reliability Parties informed regarding such activities, and (d) coordinate such Reliability Parties with respect to their involvement in such activities.

As part of the services provided by ColumbiaGrid under this Agreement, ColumbiaGrid shall, no later than nine months after the Effective Date, provide a written report containing an interim recommendation to Reliability Parties regarding ColumbiaGrid's future roles in assisting the Reliability Parties to have access to and implement workable Visibility tools for their respective Transmission Systems and the Regional Interconnected Systems. ColumbiaGrid shall publish such interim recommendation on its Website.

Nothing in this section 3, in section 6, or elsewhere in this Agreement or any membership in ColumbiaGrid or participation in this Agreement, or any participation of or membership by ColumbiaGrid in WECC (or any other group, organization, or forum) shall authorize ColumbiaGrid to act as agent for, act on behalf of, or make commitments for any of the Reliability Parties.

3.2 Participation in and Support of Bonneville's Summer 2007 Reliability Redispatch Pilot

ColumbiaGrid shall monitor and evaluate the Reliability Redispatch Pilot scheduled for the summer of 2007. Recognizing that this is a Bonneville project, the specific role of ColumbiaGrid as it relates to such Reliability Redispatch Pilot shall, subject to the provisions of this Agreement, (i) be defined by Bonneville, (ii) be within the parameters set by Bonneville, and (iii) be limited to such roles as ColumbiaGrid consents to perform. However, subject to such provisions and parameters, ColumbiaGrid should participate to the extent practicable within the parameters set by Bonneville and should, at a minimum and to the extent feasible, assist in (a) evaluating the Reliability Redispatch Pilot's redispatch bids after the fact and the Reliability Redispatch Pilot's redispatch events after the fact and (b) Bonneville's evaluation of the

Reliability Redispatch Pilot at its conclusion. Notwithstanding any other provision of this Agreement, ColumbiaGrid (1) shall have no obligation to disclose any data that it reasonably concludes constitutes or may constitute Operational Data and (2) is excused from providing any recommendation or report under this Agreement, if and to the extent making such recommendation or report would require disclosure of data ColumbiaGrid reasonably concludes constitutes or may constitute Operational Data.

ColumbiaGrid shall provide a written comprehensive report on the Reliability Redispatch Pilot, which shall provide to the Reliability Parties ColumbiaGrid's independent analysis of the benefits, impediments, and value of the Reliability Redispatch Pilot. ColumbiaGrid's report shall include recommendations for next steps and an assessment of the potential for ColumbiaGrid to undertake in the future activities with respect to a redispatch program that involves more than one transmission system. ColumbiaGrid shall publish its comprehensive report on its Website.

Notwithstanding anything in this section 3, in section 6, or elsewhere in this Agreement, ColumbiaGrid shall neither operate or control any transmission facilities, generation, or load, nor direct the operation or control of any transmission facilities, generation, or load. To the extent ColumbiaGrid makes any recommendation relating to the operation or control of any transmission facilities, generation, or load, ColumbiaGrid's recommendation shall be made solely to Bonneville and Bonneville in its sole discretion may adopt, modify, or ignore any such recommendation.

3.3 Study of Enhancement of Scheduled Outage Coordination Process

ColumbiaGrid shall monitor regional outage coordination processes. Specifically, ColumbiaGrid shall become familiar with the Scheduled Outage Procedure of the Northwest Power Pool ("NWPP") and shall learn how the Coordinated Outage System ("COS") software tool or its successor used by the NWPP operates. ColumbiaGrid shall spend time with the Bonneville staff that produce the outage plans (and with such other Persons as ColumbiaGrid determines appropriate) and observe how this outage coordination process is performed.

ColumbiaGrid shall, no later than nine months after the Effective Date, provide a written report containing an interim recommendation to the Reliability Parties regarding enhancements to the outage coordination among Reliability Parties, including the potential role of ColumbiaGrid in such enhancements. ColumbiaGrid shall publish such interim recommendation on its Website.

3.4 Study of ACE Diversity Interchange Programs

ColumbiaGrid shall, where practicable, assist and evaluate the ADI Programs under development, such as the NWPP effort. In doing so, ColumbiaGrid shall work with interested groups, committees, and other Persons, to understand the scope, benefits, and impacts of such ADI Programs and shall identify any constraints or concerns with implementation. ColumbiaGrid shall, where practicable, observe any system tests that are conducted to test ADI concepts. Nothing in this Agreement shall require any Reliability Party to participate in any ADI Program or ADI Program test. If it is not practicable for ColumbiaGrid to directly observe any

such tests, ColumbiaGrid shall request data and information from the results of any such test from the appropriate forum, group, or committee that is conducting such tests.

ColumbiaGrid shall report on progress at the monthly Board of Directors meetings, and no later than nine months after the Effective Date, provide a written report containing an interim recommendation to the Reliability Parties regarding ADI Programs, including the benefits, impacts, constraints, concerns and the potential future role of ColumbiaGrid in ADI Program testing or implementation. ColumbiaGrid shall publish such interim recommendation on its Website.

3.5 Review for Redaction of Operational Data

Prior to ColumbiaGrid providing its reports under sections 3.1 through 3.4, ColumbiaGrid shall submit such written reports to the Reliability Party(ies) who provided Operational Data to ColumbiaGrid or on whose premises ColumbiaGrid observed such Operational Data, so that such Reliability Party(ies) can confirm that such written reports do not contain any data that it determines constitutes Operational Data, and, to the extent it does, that it can redact such Operational Data. With regard to data provided to ColumbiaGrid by a Reliability Party, such Reliability Party assumes responsibility for any failure by it to redact any Operational Data.

3.6 Implementation of ColumbiaGrid Recommendations

Any modifications of ColumbiaGrid's roles under this Agreement, or the rights or obligations under this Agreement of any Party, whether pursuant to recommendations of ColumbiaGrid or otherwise, shall only be pursuant to an amendment to this Agreement pursuant to section 18.2.

4. General Requirements

4.1 Duty to Cooperate

Each Reliability Party shall endeavor to cooperate with and support ColumbiaGrid in the performance of its services under this Agreement; *provided that* each Reliability Party may take any position before the Commission, WECC, or any other group, organization, or forum, whether or not any such position is consistent with any position advanced by ColumbiaGrid or any other Reliability Party.

4.2 Coordinated, Open, and Transparent Developmental Process; Protection of Information

ColumbiaGrid shall not disclose Operational Data without the prior written consent of the source of such Operational Data. If, in connection with the performance of its services under this Agreement, ColumbiaGrid enters into any contractual commitment (other than any commitment in this Agreement) to protect information, ColumbiaGrid shall comply with any such commitment. ColumbiaGrid shall also protect from improper disclosure any CEII it receives in connection with the performance by ColumbiaGrid of services under this Agreement. ColumbiaGrid shall provide, subject to ColumbiaGrid's obligations under this Agreement to

protect any Confidential Information, Operational Data, CEII, or other information, (i) briefings regarding its development of recommendations and other ColumbiaGrid services under this Agreement at monthly ColumbiaGrid Board of Directors meetings and (ii) such written reports as ColumbiaGrid determines appropriate.

ColumbiaGrid shall endeavor to develop its recommendations under this Agreement regarding ColumbiaGrid's future reliability services in a coordinated, open, transparent, and participatory manner, subject to ColumbiaGrid's obligation to protect any Confidential Information, Operational Data, CEII, or other information. In developing such recommendations, ColumbiaGrid shall offer to meet or communicate with Reliability Party(ies) and any involved Interested Person(s) and endeavor to achieve consensus among such Reliability Party(ies) and any such Interested Person(s). ColumbiaGrid may establish terms and conditions it determines appropriate for participation by any Person in such development activities, including terms and conditions relating to protection of any Confidential Information, Operational Data, CEII, or other information. Participants in such development activities shall bear their own costs of participation. This process is not intended to create any Third Person rights or remedies as to the adequacy of ColumbiaGrid's processes or public review.

4.3 Notice to Parties and Interested Persons

ColumbiaGrid shall endeavor to notify the following Persons of ColumbiaGrid's processes under section 4.2: all Reliability Parties and all Persons on the Interested Persons list, including Pacific Northwest transmission owners and operators and State and Tribal representatives on the Interested Persons list.

4.4 Third Person Access to ColumbiaGrid Data and Analysis

ColumbiaGrid shall develop, and revise as necessary, policies regarding the provision of data or analysis to Third Persons subject to the appropriate treatment of Operational Data, any information to be protected pursuant to any contractual commitment as described in section 4.2, Confidential Information, information relating to Standards of Conduct matters, and CEII; *provided that* ColumbiaGrid shall make clear on its Website and in other distributions that such data and analysis is being provided as is and that any reliance by the user on such data or analysis is at its own risk and, specifically, shall make clear that any such data or analysis is not warranted by ColumbiaGrid or any Reliability Party and that neither ColumbiaGrid nor any Reliability Party is responsible for any such data or analysis, for any errors or omissions in such data or analysis, or for any delay or failure to provide any such data or analysis to any such Third Persons. ColumbiaGrid shall require, through electronic means or otherwise, that Third Persons receiving any such data or analysis from ColumbiaGrid signify agreement with the foregoing.

5. Exploration of Other Improvements

It is the intent of the Parties to develop and adopt one or more separate agreements or amendments to this Agreement that are mutually agreeable to the Parties, pursuant to which additional reliability enhancements may be achieved. In addition to providing its services specified in section 3, ColumbiaGrid may, as resources permit and at its discretion, recommend specific functions to be performed by ColumbiaGrid under any additional or subsequent

reliability functional agreement. Such functions may include alternatives to control area consolidation, such as shared load following and other techniques that would allow Balancing Authorities to meet their Control Performance Standards (as such terms are defined by NERC) at reduced cost, while improving the reliability of the RIS.

6. Regional and Interregional Transmission Reliability Coordination

ColumbiaGrid may become a member of and participate in appropriate reliability groups, organizations, or forums applicable to the geographic areas served by the Transmission Systems for purposes of collecting and sharing information; *provided that* this section or any such membership or participation shall not authorize ColumbiaGrid to undertake any activity that it is not otherwise authorized to undertake pursuant to and consistent with this Agreement and with ColumbiaGrid's Articles of Incorporation and Bylaws.

7. Payment

7.1 Maximum Total Payment Obligation

The Maximum Total Payment Obligation shall be an amount equal to \$650,000.

7.2 Allocation of Corporate Overhead

ColumbiaGrid shall determine when and to what extent to allocate corporate expenses to its activities under its functional agreement(s) as provided in provision 7.2 of the Bylaws and shall make such allocation based upon a reasonable assignment (in light of generally accepted cost allocation principles) of costs to each function based upon the costs attributable to each such function. Recognizing that the Term and the scope of this Agreement are limited and that the allocation of corporate expenses to ColumbiaGrid's activities under this Agreement is unlikely, the Maximum Total Payment Obligation did not contemplate an inclusion of any such corporate expenses.

7.3 Payor's Payment Obligation

Subject to section 7.7.4 and the other provisions of this Agreement, each of the Payors agrees to provide to ColumbiaGrid, in response to an Invoice and pursuant to the provisions of this Agreement, amounts equal to such Payor's Allocated Share of each Payment Amount, all of which amounts shall be used by ColumbiaGrid as set forth in section 7.8. All dollar amounts set forth in this Agreement are U.S. dollars.

7.4 Allocation of the Payment Amount

ColumbiaGrid shall determine and post on the Website each Payor's Allocated Share of each Payment Amount under each of the Invoices and the effective date of such Allocated Shares pursuant to the following formula:

For each Payor (which includes the New Payor), the—

Payor's Allocated Share = a decimal fraction (expressed as a percentage), in which the denominator equals the MTPO and the numerator equals the following:

$$\begin{aligned} & \$12,500 + \\ & \{ (\text{MTPO} - \text{TEP}) * \\ & ((X * [\text{dollar value of net transmission plant of such Payor} \div \\ & \quad \text{total dollar value of net transmission plant of all Payors}]) + \\ & (Y * [\text{Annual Area Load of such Payor} \div \\ & \quad \text{total Annual Area Load of all Payors}])) \} \end{aligned}$$

Except, in the cases where the above equation results in the Bonneville share of costs exceeding 49.9% of the MTPO, the following revised equation shall be used to determine payment obligations of all Payors excluding Bonneville.

Revised Payor's Allocated Share = a decimal fraction (expressed as a percentage), in which the denominator equals the MTPO and the numerator equals the following:

$$\begin{aligned} & (\text{Payor's numerator from above equation}) + \\ & \{ (\text{MTPO} * (\text{Bonneville's Allocated Share from above equation} - 0.499)) * \\ & ((X * (\text{dollar value of net transmission plant of Payor}) \div \\ & \quad (\text{total dollar value of net transmission plant of all Payors} - \text{dollar} \\ & \quad \text{value of net transmission plant of Bonneville})) + \\ & (Y * (\text{Annual Area Load of Payor}) \div \\ & \quad (\text{total Annual Area Load of all Payors} - \text{Annual Area Load of Bonneville})) \} \end{aligned}$$

Furthermore, in these cases, Bonneville's Revised Payment Allocated Share shall be a decimal fraction (expressed as a percentage) equal to 0.499.

Where,

MTPO = Maximum Total Payment Obligation (pursuant to section 1.14)

TP = Total Payors

TEP = Total Equal Payments = TP * \$12,500

X = the weighting share for transmission plant applied to the (MTPO – TEP)

Y = the weighting share for annual load applied to (MTPO – TEP)

Where X + Y = 1 and X = 4/7 and Y = 3/7

“Net transmission plant” of a Payor means such Payor’s net transmission plant as reflected in such Payor’s then most recent FERC Form 1 or equivalent report;

“Annual Area Load” of a Payor means such Payor’s then most recent twelve month load in Giga-watt hours, as reported to the Northwest Power Pool; alternatively, for a Payor that holds long term firm transmission rights on the RIS, but serves no load on the system, this “Annual Area Load” shall be determined by the:

$(\text{contract amount of rights (MW)}) * (8760 \text{ hours})/1000$

or in cases where the party’s long-term firm transmission rights are less than for a full year of hours the multiplier shall correspond to the number of hours in the year for which the party does have firm rights

The Annual Area Load of each Party that is a control area operator is reduced if and to the extent any Qualified Person to which such control area operator provides control area services becomes a Party and such Party assumes the payment responsibility calculated using its own load

7.5 Allocation of Subsequent Payment Amounts and Allocated Shares for Subsequent Invoices in the Event of a New Payor

When any Payor enters into this Agreement after the Effective Date and is thereby a New Payor (or is in a consortium of Reliability Parties that together are a New Payor), ColumbiaGrid shall adjust each Payor’s Allocated Share of each Payment Amount for subsequent Invoices based upon the formula set forth in section 7.4 as of the date of the addition of such New Payor. ColumbiaGrid shall also recalculate the Maximum Payor Obligation of each Payor, which recalculated Maximum Payor Obligation of such Payor shall equal the (i) sum of the amount of each previous Invoice made to such Payor based on such Payor’s Allocated Share that was in effect for each such previous Invoice plus (ii) such Payor’s adjusted Allocated Share of the Remaining Maximum Total Payment Obligation as of the addition of such New Payor.

7.6 Notice of Adjustment of Maximum Payor Obligations

ColumbiaGrid shall promptly reflect the adjustment of the Maximum Payor Obligations pursuant to section 7.5, and the effective date of any such adjustment, on a table, and shall distribute such table to the Payors and post such table on its Website.

7.7 Invoices

7.7.1 Invoices. For each month during the Term, ColumbiaGrid shall submit an Invoice for services rendered and corporate overhead pursuant to section 7.2 and this section 7.7 to all Payors for reimbursement of the amount it has expended to implement this Agreement. ColumbiaGrid shall submit each such Invoice by the tenth day of the following month, or the preceding Friday if the tenth falls on a weekend, and shall show in any such Invoice each Payor’s Allocated Share of such Invoice.

7.7.2 Invoices Due to Extraordinary Circumstances. During the Term, ColumbiaGrid may submit Invoices, in addition to Invoices pursuant to sections 7.7.1 and 7.7.3, in the extraordinary event that additional Payment Amounts are needed. Any Invoice submitted pursuant to this section 7.7.2 shall include an explanation of the reason why the Invoice is needed, including a description of the extraordinary circumstance.

7.7.3 Initial Invoice for New Payors. As of the date a New Payor becomes a Party by executing and delivering this Agreement to ColumbiaGrid and each Reliability Party, ColumbiaGrid shall submit an Invoice to the New Payor for \$500 as a payment of the allocable value of work performed to date that is of benefit to the New Payor.

7.7.4 Cap on Payor's Obligation. Notwithstanding any other provision of this Agreement, ColumbiaGrid shall not at any time submit any Invoice to any Payor for any Payment Amount that, together with Payment Amounts requested by prior Invoices to such Payor, in the aggregate exceeds such Payor's Maximum Payor Obligation then in effect, as calculated and distributed by ColumbiaGrid (plus, in the case of a New Payor, \$500). Notwithstanding any other provision of this Agreement, no Payor shall be obligated at any time under this Agreement to provide any Payment Amount under sections 7.7.1 and 7.7.2 that, together with Payment Amounts requested by prior Invoices to such Payor, in the aggregate exceeds such Payor's Maximum Payor Obligation then in effect, as calculated and distributed by ColumbiaGrid (plus any interest that such Payor incurs pursuant to section 7.7.6.3 as a result of late payments by such Payor and plus, in the case of a New Payor, \$500 paid pursuant to section 7.7.3).

7.7.5 Allocation of Invoice. Each Invoice to a Payor shall be for such Payor's Allocated Share of the total amount of such Invoice; *provided that* the Initial Invoice to a New Payor pursuant to section 7.7.3 shall be made solely to such New Payor without a pro rata call to the other Payors.

7.7.6 Invoice and Payment Details

7.7.6.1 Invoice Details. ColumbiaGrid shall issue each Invoice to all Payors that are Payors as of the date of such call; *provided that* ColumbiaGrid shall issue an Initial Invoice only to a New Payor pursuant to section 7.7.3 without a pro rata call to the other Payors. ColumbiaGrid shall submit any Invoice in writing and delivered by U.S. mail and by e-mail to the Payors. Each Payor may change the person to receive Invoices at any time by written notice to ColumbiaGrid. ColumbiaGrid shall provide each Payor with instructions for electronic funds transfer or wire transfer of funds in response to an Invoice.

7.7.6.2 Payment Details. Each Payor shall make its payment of its Allocated Share of an Invoice within 20 business days of receiving an Invoice by electronic funds transfer or wire transfer of immediately-available funds.

7.7.6.3 Interest on Late Payment. Any Payment Amount not paid when due by a Payor shall bear interest, compounded daily, from the date such amount was due until the date of payment at an annual interest rate equal to the lesser of (i) a rate equal to 200 basis

points above the per annum prime rate reported daily in *The Wall Street Journal* and (ii) the maximum rate permitted by applicable law.

7.7.7 Quarterly Reports. By the 15th day of each quarter, ColumbiaGrid shall provide each Payor with a quarterly report that contains (i) a detailed projection of the funds from this Agreement that it projects it will use in the current quarter and the remainder of the Term and (ii) an accounting of ColumbiaGrid's expenditures of funds received under this Agreement (a) in the previous quarter and (b) since the commencement of the Term.

7.7.8 Voluntary Advanced Payment Amount. At any time during the Term, any Payor may pay to ColumbiaGrid all or a portion of its Allocated Share of the Payment Amount prior to ColumbiaGrid submitting an Invoice for such Payment Amount. At the time of any such advance payment, such Payor shall notify ColumbiaGrid that it is paying funds in advance of the Invoice. ColumbiaGrid shall apply such advance payment as a credit against such Payor's obligation to pay its Allocated Share in response to each subsequent Invoice until such advance payment is exhausted. ColumbiaGrid shall report the remaining balance of any such advance payment in its quarterly report. ColumbiaGrid shall not use any such advance payment as an offset to any other Payor's Allocated Share of any Invoice. ColumbiaGrid may, but shall have no obligation to, pay interest with respect to any such advance payment.

7.7.9 Over-Payment. If, in error or as a result of an update of a Payor's Maximum Payor Obligation pursuant to section 7.5, a Payor provides funds in excess of those it is obligated to provide under this Agreement, ColumbiaGrid shall refund to such Payor its excess contribution within five business days of ColumbiaGrid's learning that the funds provided were excess. ColumbiaGrid shall provide each Payor with written notice that it has issued a refund to a Payor pursuant to this section 7.7.9.

7.8 Use of Funds

ColumbiaGrid agrees that funds provided under this Agreement shall be used only for purposes consistent with this Agreement and ColumbiaGrid's Articles of Incorporation and Bylaws. The payments received under this Agreement are intended to be the primary source of payment for ColumbiaGrid's activities under this Agreement. Expenditure of funds available to ColumbiaGrid under this Agreement shall be subject to approval by the Board in furtherance of the purposes of ColumbiaGrid consistent with its Articles of Incorporation and Bylaws and consistent with the provisions of this Agreement. Any funds made available under this Agreement shall not be used to reimburse internal costs of the Reliability Parties or Interested Persons or costs of Third Persons hired individually by one or more of the Reliability Parties or Interested Persons.

7.9 Other Terms

Waiver of Defense to Payment. Each Payor waives as a defense to any untimely payment of its Allocated Share of each Invoice any defense that one or more of the other Payors has failed to timely pay its Allocated Share of such Invoice or any other Invoice.

8. Budgets

8.1 Budget

ColumbiaGrid shall prepare and adopt a budget for the performance of its obligations under this Agreement. No later than 30 days after the Effective Date, ColumbiaGrid shall provide the proposed budget to the Reliability Parties for comment. ColumbiaGrid shall consider any comments on the proposed budget that are provided by any Reliability Party.

8.2 ColumbiaGrid General Record-Keeping

ColumbiaGrid shall keep such financial, operational, and other records for its performance and obligations under this Agreement as may be necessary for the efficient operation of ColumbiaGrid and, except as necessary to protect Confidential Information, Operational Data, CEII, or other information, shall make such records available upon request for inspection by the Reliability Parties. ColumbiaGrid shall comply with the then current record-retention policy of the Commission.

8.3 Annual Financial Reporting

As soon as reasonably practicable after the close of each fiscal year, ColumbiaGrid shall prepare (in accordance with generally accepted accounting principles and regulations of the Commission) and make available to the Reliability Parties annual financial statements relating to its activities under this Agreement.

8.4 Audit of ColumbiaGrid Records

Each Reliability Party shall have the right to conduct an audit of ColumbiaGrid's performance of its obligations to the Reliability Parties under this Agreement; *provided that* the Reliability Party requesting the audit shall pay for such audit and provide the result to the other Reliability Parties. ColumbiaGrid shall make its records, facilities, and personnel available to the Reliability Parties during the conduct of any such audit. Any Reliability Party requesting an audit shall pay ColumbiaGrid's reasonable costs of complying with such audit request.

9. Standards of ColumbiaGrid Performance

ColumbiaGrid shall carry out its obligations under this Agreement in an efficient, expeditious, professional, and skillful manner. In providing services to the Reliability Parties under this Agreement, ColumbiaGrid shall comply with all applicable laws, ordinances, rules, regulations, orders, licenses, permits, and other governmental requirements (including, but not limited to, any such requirements imposed upon the Reliability Parties with respect to ColumbiaGrid's provision of services); *provided that* regulatory requirements imposed on any single Reliability Party shall not be deemed applicable to other Reliability Parties as a result of this Agreement.

10. Authorization for ColumbiaGrid to Perform Obligations Under This Agreement

Reliability Parties agree that, unless specifically otherwise provided in this Agreement, ColumbiaGrid is authorized, pursuant to Bylaws Section 6.1, to engage on its own behalf, and not as agent for Reliability Parties, in any activity reasonably necessary to perform its obligations under this Agreement, including the hiring of contractors or consultants.

11. Limitation of Liability Among Reliability Parties

Each Reliability Party at any time that is both eligible to be a party to the WIS Agreement and operates electrical facilities for generation, transmission, or distribution shall become and remain at all such times a party to the WIS Agreement as a condition of participation in this Agreement.

12. Insurance, Indemnification, and Limitations of Liability

To promote cooperation among the Parties, to avoid duplication of costs, and to carry out the purposes of this Agreement, the Parties agree to the following provisions for insurance, indemnification, and limited liability.

12.1 Insurance; Waiver of Subrogation Rights

12.1.1 ColumbiaGrid Insurance Coverage Requirements. Throughout the term of this Agreement, ColumbiaGrid shall maintain insurance coverage that at a minimum:

- (i) provides general liability and errors and omissions insurance with respect to ColumbiaGrid's performance under this Agreement;
- (ii) provides for maximum per-occurrence self-insured retention in an amount approved in writing by each Party that is a Party as of the Effective Date;
- (iii) provides general liability coverage limits (with each Reliability Party that so opts in writing named as an additional insured) in an amount approved in writing by each Party that is a Party as of the Effective Date and separate errors and omission coverage limits in an amount approved in writing by each Party that is a Party as of the Effective Date;
- (iv) provides an agreement or endorsement under which the insurance cannot be terminated, canceled, allowed to expire, or materially altered without 90 days' prior written notice to ColumbiaGrid and provides that such policy is primary over any other insurance; and
- (v) provides that ColumbiaGrid's insurer shall be bound by any waivers of the insurer's rights of subrogation granted by ColumbiaGrid.

12.1.2 Waiver of Subrogation Rights. ColumbiaGrid hereby waives all rights of subrogation its insurer(s) may have against the Reliability Parties and any former Reliability Parties.

12.2 ColumbiaGrid's Obligation to Notify Reliability Parties with Respect to Insurance

ColumbiaGrid shall not consent or allow that the insurance required under section 12.1.1 above be terminated, canceled, allowed to expire, or materially altered without providing at least 60 days' advance notice to the Reliability Parties. ColumbiaGrid shall notify the Reliability Parties with the name, address, telephone number, facsimile number, and e-mail of all insurance brokers used by ColumbiaGrid.

12.3 First Party Claims

ColumbiaGrid shall not be liable to any other Party for any loss or damage to the equipment or Electric System of such other Party, or any loss or damages for bodily injury (including death) that such other Party or its employees may incur arising out of this Agreement or its performance.

12.4 Third Person Claims

12.4.1 In the event Third Person claims are made against any Party arising out of this Agreement or its performance, the Parties agree that:

12.4.2 In the event of any such claim, the Party against which the Third Person claim is made shall provide immediate notice to the other Parties pursuant to section 18.1 below. All Parties shall make such immediate efforts as necessary to preserve evidence or protect against default judgment, and shall provide notice to the Claims Committee by giving notice to each Party and to the broker identified pursuant to section 12.2 above with respect to the insurance policy described in section 12.1.1 above.

12.4.3 ColumbiaGrid shall provide notice to each Reliability Party and as necessary to its insurance carrier, and refer such matter to the Claims Committee. The Parties anticipate that the Claims Committee shall have responsibility to (i) review any such claims, (ii) take action as necessary to properly investigate, evaluate, and defend such claims, and (iii) make recommendations regarding payment, rejection, or compromise of such claims.

12.4.4 In the event of legal action resulting from the denial of any such claim, the Parties anticipate that the Claims Committee shall recommend suitably qualified legal counsel to defend such claims. Subject to this section and to the extent permitted by law, the Parties agree, except where there is an irreconcilable conflict of interest, (i) to consent to joint representation in defense of such legal action and (ii) to make good faith efforts to enter into a mutually acceptable joint representation agreement to facilitate cooperation, information sharing, and protection of attorney-client privilege and work product in connection with the joint defense. If joint representation is precluded by an irreconcilable conflict of interest or for any other reason, the Party unable to participate in joint representation shall obtain legal counsel of its own choice, at its own expense, to defend itself in such legal action. Bonneville, as a Reliability Party, may but shall not be obligated to comply with sections 12.4.3 and 12.4.4 with respect to any claim against and presented to Bonneville.

12.4.5 Where the claim or legal action arises in whole or in part from allegedly negligent actions or inactions of ColumbiaGrid in performance of obligations of this Agreement, the self-insured retention and the policy coverage described in section 12.1.1 above shall be regarded as primary with respect to payments or judgments resulting from any such claim or legal action. Payments shall include reasonable attorneys' fees and costs of investigation and defense. To the extent of insurance coverage and the extent permitted by applicable law, ColumbiaGrid shall indemnify, defend, and hold each Reliability Party harmless from and against all Damages based upon or arising out of bodily injuries or damages to Third Person(s) or parties, including without limitation death resulting there from, or physical damages to or losses of property caused by, arising out of, or sustained in connection with performance of this Agreement to the extent attributable to the negligence of ColumbiaGrid or its employees, agents, suppliers, and subcontractors (including suppliers and subcontractors of subcontractors; hereinafter "Subcontractors"). As used in this section 12.4.5, "damages" means any claims, losses, costs, expenses, damages (including without limitation direct, indirect, incidental, consequential, special, exemplary, and punitive damages), payments made in settlement, arbitration awards, and liabilities, including reasonable attorneys' fees.

12.5 Inaccurate or Incomplete Data or Information

Liability as between Parties for incomplete or inaccurate data or information shall be subject to the limitations set forth in section 12.6 below, and shall be limited as follows. Each Party shall make good faith efforts to cause data and information provided under this Agreement to be accurate; *provided however* that ColumbiaGrid shall not be liable for damages resulting from the provision of inaccurate or incomplete data or information, except to the extent that such inaccuracy or incompleteness results from ColumbiaGrid's Willful Action.

12.6 Limitation of Damages

As between ColumbiaGrid and any Reliability Party and as between Reliability Parties, each of those Parties waives as against the other of those Parties (including its directors, commissioners, officers, and employees) all claims, and otherwise covenants not to sue or otherwise pursue any claim or remedy, arising out of or in connection with this Agreement or its performance (whether based on contract, tort, or any other legal theory), except for:

- (i) claims arising under section 12.4.5 of this Agreement with respect to Third Person actions; and
- (ii) claims for actual, direct damages only, which shall under no circumstances include any lost profits, lost data, or any indirect, incidental, consequential, special, exemplary, or punitive damages;

provided nothing in this Agreement shall apply to claims for loss or damage between Reliability Parties that are within the scope of the WIS Agreement.

13. Uncontrollable Force

A Party shall not be in breach of this Agreement as a result of such Party's failure or delay to perform its obligations under this Agreement when such failure is caused by an

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

14. Assignments and Conveyances

14.1 Successors and Assigns

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

14.2 Assignment of ColumbiaGrid's Rights and Obligations

ColumbiaGrid shall not, without the prior written consent of each of the Reliability Parties, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; *provided* nothing in this section 14.2 shall prohibit ColumbiaGrid from contracting with Third Persons for the provision of services to assist ColumbiaGrid in performing its obligations under this Agreement.

14.3 Assignment of a Reliability Party's Rights and Obligations

Except as otherwise provided in section 14.4, a Reliability Party shall not, without the prior written consent of ColumbiaGrid, assign, pledge, or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; *provided however* that a Reliability Party may, without the consent of ColumbiaGrid, assign its rights and obligations under this Agreement to any Person (i) into which the Reliability Party is merged or consolidated or (ii) to which the Reliability Party sells, transfers, or assigns all or substantially all of its Electric System, so long as the survivor in any such merger or consolidation, or the purchaser, transferee, or assignee of such Electric System provides to ColumbiaGrid a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the Reliability Party under this Agreement.

14.4 Assignment of Facilities

Notwithstanding any other provision of this Agreement, a Reliability Party may pledge or assign all or any portion of its Transmission System without any other Party's consent.

14.5 Effect of Permitted Assignment

In the event of any permitted sale, transfer or assignment under this Agreement, the transferor or assignor shall to the extent of the transferred or assigned obligations, and only to such extent, be relieved of obligations accruing from and after the effective date of such transfer or assignment; *provided however* that under no circumstances shall any sale, transfer, or assignment relieve the transferor or assignor of any liability for any breach of this Agreement occurring prior to the effective date of such transfer or assignment.

14.6 Consent Not Unreasonably Denied or Delayed

Consents to assignment, pledge, or transfer requested pursuant to this section 14 shall not be unreasonably denied or delayed.

15. Confidentiality Obligations

15.1 Protection of Confidential Information

Parties seeking designation of Confidential Information shall act in good faith when asserting the confidentiality of material. Each Party shall use reasonable efforts to maintain the confidentiality of all Confidential Information provided to it by another Party pursuant to this Agreement. In the event a dispute arises related to the designation of Confidential Information under this Agreement, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute. If the dispute is not so resolved, the dispute may, if the disputing Parties so elect, be resolved by arbitration as follows. Any arbitration initiated under this Agreement shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten days of the referral of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three member arbitration panel. The two arbitrators so chosen shall within 20 days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric industry matters, including electric transmission issues, and, unless otherwise agreed by the Parties to the dispute, shall not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

15.2 Protection of Critical Energy Infrastructure Information

If a Party designates information as "Critical Energy Infrastructure Information" as of the time of its furnishing, ColumbiaGrid shall not post such information on the public portion of its Website. If any Party, or other Person, seeks information so designated as CEII, ColumbiaGrid shall immediately notify the disclosing Party to seek its consent to release such information. If the disclosing Party does not consent, ColumbiaGrid shall not release the CEII and shall inform

the requesting Party of the disclosing Party's decision. Further, if information designated by a Party as CEII is made part of a filing submitted by ColumbiaGrid with the Commission, ColumbiaGrid shall take reasonable steps to ensure the protection of such information pursuant to the 18 C.F.R. § 388.112(b).

15.3 Disclosure Pursuant to Statute or Administrative or Judicial Order

Each Party shall use reasonable efforts to maintain the confidentiality of all Confidential Information provided to it by another Party pursuant to this Agreement; *provided however* that each Party shall be entitled to disclose such Confidential Information if it is required to make such disclosure by statute or administrative or judicial order or if it makes such disclosure pursuant to a protective order of the administrative or judicial body. Each Party shall, promptly upon receipt of a request for such Confidential Information (or receipt of a notice of a request to an administrative or judicial forum for the public disclosure of such Confidential Information), notify the other Party and other affected Reliability Parties of any such request. A Party whose Confidential Information is sought to be released may, in its sole discretion and at its sole cost and expense, undertake any challenge to such disclosure.

15.4 Disclosure of Information Subject to Standards of Conduct

If a Party furnishes information marked as "Standards of Conduct Information" at the time of its furnishing, ColumbiaGrid shall not disclose such information to any Party, including the disclosing Party, or any Third Person unless such disclosure would be consistent with the Commission's regulations in 18 C.F.R. Part 358.

16. Regulatory Filings, if Any

ColumbiaGrid shall make any necessary regulatory filing of this Agreement (promptly after it is offered) or subsequent amendments with the Commission on behalf of those Reliability Parties who would otherwise have to submit this Agreement for filing because they are subject to Commission jurisdiction.

17. Withdrawal

A Reliability Party may withdraw from this Agreement pursuant to this section 17.

17.1 Notice of Potential Withdrawal

Prior to withdrawing, a Reliability Party intending to withdraw ("Withdrawing Party") from this Agreement shall provide written notice to the other Reliability Parties and ColumbiaGrid stating that it intends to withdraw from this Agreement and setting out the reasons for its withdrawal.

17.2 Discussion of Concerns

The chief executive officer (or his or her designee) for each of the Parties, including the Withdrawing Party, shall promptly discuss the reasons for the Withdrawing Party's withdrawal

to determine whether this Agreement can be amended in a manner that is acceptable to all of the Parties.

17.3 Notice of Withdrawal

If notwithstanding the discussion pursuant to section 17.2, the Withdrawing Party still intends to withdraw, such Party shall provide each of the Parties with a written notice of withdrawal. Such notice (or a deemed notice of withdrawal pursuant to section 17.4) shall commence a withdrawal period consisting of the remaining Term (“Withdrawal Period”). During the Withdrawal Period, the Withdrawing Party shall continue to be obligated as a Payor to pay its Maximum Payor Obligation in effect at the time of such Withdrawing Party’s notice of withdrawal. At the end of the Withdrawal Period, all rights and obligations under this Agreement of the Withdrawing Party shall terminate; *provided that* all obligations and liabilities accrued under this Agreement through any such termination are hereby preserved until satisfied.

17.4 Effect of Default

In the event a Reliability Party fails to perform its payment obligations under section 7.3, and such failure is not cured within 30 days of the date payment was due, that Reliability Party shall be deemed to have given a notice of withdrawal under section 17.3.

17.5 Rescission of Notice of Withdrawal

If a Withdrawing Party rescinds its notice of withdrawal during the Withdrawal Period and such Withdrawing Party has paid ColumbiaGrid its Allocated Share of all Invoices issued by ColumbiaGrid as of the date of such rescission, such Withdrawing Party shall not be considered a New Payor and shall not be required to pay the New Payor fee under section 7.7.3.

17.6 Accelerated Withdrawal

If, as a result of an initial submittal for filing of this Agreement with the Commission by ColumbiaGrid pursuant to section 16, the Commission fails to accept this Agreement for filing without change or condition within 120 days after filing, then any Reliability Party may withdraw from this Agreement during the 90 day period following the Commission’s action or the expiration of 240 days after initial submittal for filing of this Agreement, whichever comes first. Such withdrawal shall be upon written notice to all other Reliability Parties. Such accelerated withdrawal shall not be subject to the requirements of sections 17.1 through 17.3, and the Reliability Party exercising a right of accelerated withdrawal shall have no further obligation under this Agreement to make payments or participate after notice pursuant to this section; *provided that* those other obligations which, in the ordinary course, would survive termination of this Agreement by all Reliability Parties shall survive. A holding by the Commission that it does not require this Agreement to be on file shall not constitute a basis for accelerated withdrawal.

18. Miscellaneous

18.1 Notices

18.1.1 Permitted Methods of Notice. Any notice, demand, or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given, or made to the address of the receiving Party set forth below (i) upon delivery if delivered in person, (ii) upon execution of the return receipt, if sent by registered United States or Canadian mail, postage prepaid, return receipt requested, or (iii) upon delivery if delivered by prepaid commercial courier service.

The address of ColumbiaGrid shall be:

P.O. Box 2220
Vancouver, WA 98688
Attn: Jon Kaake

The address of the Planning Parties shall be:

Avista Corporation:

1411 E. Mission Ave.
Spokane, WA 99202-1902
Attn: Manager, Transmission Services

Bonneville Power Administration:

P.O. Box 3621
Portland, OR 97208-3621
Attn:

Public Utility District No. 1 of Chelan County, Washington:

P.O. Box 1231
Wenatchee, WA 98807-1231
Attn:

Public Utility District No. 2 of Grant County, Washington:

P.O. Box 878
Ephrata, WA 98823
Attn:

Puget Sound Energy, Inc.:

P.O. Box 97034
Bellevue, WA 98009
Attn: George Marshall, Manager, Transmission Contracts

The City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department:

700 Fifth Avenue, Suite 3300
Seattle, WA 98124
Attn:

Public Utility District No. 1 of Snohomish County, Washington:

P.O. Box 1107
Everett, WA 98206-1107
Attn:

The City of Tacoma, Department of Public Utilities, Light Division
(dba Tacoma Power):

P.O. Box 11007
Tacoma, WA 98411-0007
Attn:

18.1.2 Change of Notice Address. Any Party may at any time, by notice to ColumbiaGrid, change the designation or address of the person specified to receive notice on its behalf. In such case, ColumbiaGrid shall promptly notify all of the other Reliability Parties of such change.

18.1.3 Routine Notices. Any notice of a routine character in connection with this Agreement shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement.

18.2 Amendment or Modification

This Agreement may not be amended or modified except by any subsequent mutual written agreement, duly executed by all then current Parties to this Agreement. If any provision of this Agreement, or the application thereof to any person, entity, or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification, or condition. If a Party finds such holding, modification, or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, a Party may by written notice to each other Party withdraw from this Agreement pursuant to section 17; *provided that* the Withdrawal Period for any such withdrawal shall be 15 days.

18.3 Construction of Agreement

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the purpose

of this Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

18.4 Integration

This Agreement constitutes the complete agreement of the Parties and supersedes all prior or contemporaneous representations, statements, negotiations, understandings, and inducements with respect to the subject matter of this Agreement.

18.5 Existing Agreements Preserved

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

18.6 Governing Law

This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington, except to the extent that such laws may be preempted by the laws of the United States or of Canada, as applicable; *provided however* that notwithstanding the foregoing, with respect to a dispute involving a Reliability Party that is a United States government entity (including, but not limited to, a federal power marketing administration), this Agreement shall in all respects be interpreted, construed, and enforced in accordance with the laws of the United States. The Parties acknowledge that with respect to a Reliability Party that is an agency of the United States federal government, under law in effect as of the Effective Date, such agency has not by this Agreement waived its sovereign immunity.

18.7 Equitable Relief

If a Reliability Party seeks injunctive or other equitable judicial relief for the failure of ColumbiaGrid to comply with its obligations to the Reliability Party under this Agreement, ColumbiaGrid agrees not to challenge such action on the basis that monetary damages would be a sufficient remedy.

18.8 Singular and Plural; Use of “Or”

Any use of the singular in this Agreement also includes the plural and any use of the plural also includes the singular. References to “or” shall be deemed to be disjunctive but not necessarily exclusive. References to “including,” “include,” and “includes” shall be deemed to mean “including but not limited to,” “include but not limited to,” and “includes but not limited to,” respectively.

18.9 Headings for Convenience Only

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

18.10 Relationship of the Parties

18.10.1 No Partnership, Etc. Nothing contained in this Agreement shall be construed to create an agency, association, joint venture, trust, or partnership or to impose a trust or partnership covenant, obligation, or liability on or with regard to any of the Parties. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement.

18.10.2 Rights Several. All rights of the Parties are several, not joint. Except as may be expressly provided in this Agreement, no Party shall have a right or power to bind any other Party without such other Party's express written consent.

18.11 No Third Person Beneficiaries

This Agreement shall not be construed to create rights in, or to grant remedies to, any Third Person as a beneficiary of this Agreement or of any duty, obligation, or undertaking established in this Agreement. Nothing in this Agreement is intended to restrict the right of any Reliability Party or Interested Party to seek an order from the Commission under the Federal Power Act.

18.12 No Dedication of Facilities

No undertaking by any Reliability Party under or pursuant to any provision of this Agreement shall constitute or be deemed to constitute a dedication of all or any portion of such Reliability Party's Transmission System, to any other Party or to the public.

18.13 Nonwaiver

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

18.14 Further Actions and Documents

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

18.15 Counterparts

This Agreement may be executed in counterparts, which may be executed at different times. Each counterpart shall constitute an original but all counterparts together shall constitute one and the same instrument. ColumbiaGrid shall maintain the original signature pages, and shall prepare and distribute a conformed copy of this Agreement to the Reliability Parties.

18.16 No Expansion of Commission Authority

Nothing in this Agreement, or any undertaking by or with ColumbiaGrid, is intended to (a) create or grant the Commission authority over entities or matters which it would not otherwise have or (b) imply or establish that any Party agrees, or is precluded from contesting, as to whether or the extent to which the Commission has jurisdiction over a Party or matter or has the authority to order particular relief.

18.17 Representation of Qualified Person Status

Each Reliability Party, upon its execution and delivery of this Agreement, represents that such Reliability Party is a Qualified Person.

18.18 Representation of Authority

Each Party, upon its execution and delivery of this Agreement, represents that it has authority to enter into and perform this Agreement. Each Party represents that the individual signing this Agreement on its behalf is authorized to sign this Agreement on behalf of the Party for which such individual signs.

18.19 Other Reports

ColumbiaGrid may, upon reasonable notice to a Reliability Party, request that such Reliability Party provide ColumbiaGrid with such other information or reports as ColumbiaGrid may reasonably deem necessary for its performance of this Agreement. The Reliability Party shall, except to the extent prohibited by law, make all such information or reports available to ColumbiaGrid within a reasonable period of time and in a form specified by ColumbiaGrid, subject to any applicable provisions for protection of any Confidential Information, Operational Data, CEII, or other information.

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

ColumbiaGrid

By: _____
Title: _____
Date: _____

Avista Corporation

By: _____
Title: _____
Date: _____

Bonneville Power Administration

By: _____
Title: _____
Date: _____

Public Utility District No. 1 of Chelan County, Washington

By: _____
Title: _____
Date: _____

Public Utility District No. 2 of Grant County, Washington

By: _____
Title: _____
Date: _____

Puget Sound Energy, Inc.

By: _____
Title: _____
Date: _____

The City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department

By: _____
Title: _____
Date: _____

Public Utility District No. 1 of Snohomish County, Washington

By: _____
Title: _____
Date: _____

**The City of Tacoma, Department
of Public Utilities, Light Division
(dba Tacoma Power)**

By: _____
Title: _____
Date: _____