



California ISO

PacifiCorp Contract Review

Discussion Paper

June 24, 2016

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1 Executive Summary

PacifiCorp and the California Independent System Operator Corporation (“ISO”) are working together to evaluate PacifiCorp’s existing service agreements and rate schedules in light of PacifiCorp’s potential integration into a regional ISO as a Participating Transmission Owner (“PTO”) and to determine the impact of regional integration on PacifiCorp’s agreements providing transmission and related services to its customers. As part of this continuing effort, PacifiCorp and the ISO are evaluating both those contracts that pre-date the effective date of PacifiCorp’s Open Access Transmission Tariff (“OATT”)¹ (also referred to as “legacy agreements”), and those that provide services pursuant to PacifiCorp’s OATT.

This discussion paper outlines the initial approach taken by PacifiCorp and the ISO as to which agreements (i) generally continue in their current form managed by PacifiCorp; (ii) will be superseded by the terms and conditions of the ISO tariff that provides open access transmission service upon PacifiCorp becoming a PTO; and (iii) will be recognized by the ISO as existing contracts under the ISO’s tariff. The ISO will accommodate the rights under the existing contracts so that the customers will receive the same priorities (in scheduling, curtailment, assignment, and other aspects of transmission system usage) to which they are entitled under PacifiCorp’s legacy agreements.²

Because each agreement has specific terms and conditions, PacifiCorp will evaluate each respective agreement in consultation with the ISO as part of any ongoing implementation effort prior to a transition to PTO status in a regional ISO.³ The discussion below is meant only as a guideline for the generalized impact to PacifiCorp’s transmission agreements.

¹ July 9, 1996 per FERC Order No. 888.

² Please note that PacifiCorp and the ISO use the general term “contract” and “agreement” interchangeably herein.

³ The regional ISO is anticipated to be the expansion of the ISO BAA to include PacifiCorp’s BAAs, at which point PacifiCorp will transfer operational control of the applicable transmission facilities to the ISO.

2 Introduction

PacifiCorp has a number of “service agreements” and “rate schedules” with its transmission customers and other utilities on file with the Federal Energy Regulatory Commission (“FERC”), some of which are standard agreements under PacifiCorp’s OATT and some of which are considered pre-OATT legacy agreements.

Service agreements are generally those agreements providing services pursuant to and in accordance with PacifiCorp’s OATT. PacifiCorp would no longer provide transmission service under an OATT upon its integration as a PTO in a regional ISO. As such, PacifiCorp anticipates that it would need to terminate its OATT service effective upon joining a regional ISO’s balancing authority area (“BAA”) as a PTO, in which case all transmission and related service will be provided in accordance with the terms and conditions of the ISO’s tariff. Transmission service under the ISO’s tariff is provided as part of the market structure for imports serving load, generation serving load, and exports to other BAAs, as well as “wheel through” transactions across the BAA.

PacifiCorp’s rate schedules are designated for FERC-jurisdictional services provided by PacifiCorp that are not directly covered under its umbrella OATT, and includes both active agreements that pre-dated PacifiCorp’s initial OATT and other agreements that were implemented after PacifiCorp’s OATT. Rate schedules that pre-dated PacifiCorp’s initial OATT that include the provision of transmission service will generally be considered “existing contracts” under the ISO’s tariff and service will continue in accordance with the existing contract, as discussed further below. “Existing Transmission Contracts (ETC) or Existing Contracts” are currently defined in the ISO tariff as:

The contracts which grant transmission service rights in existence on the CAISO Operations Date (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.⁴

Because the CAISO Operations Date, as defined in the ISO’s tariff, which was March 31, 1998, preceded the implementation of OATT agreements for the California utilities, an appropriate date to apply to PacifiCorp’s transition to a PTO would be the date PacifiCorp implemented its initial OATT per Order No. 888. Therefore only contracts executed prior to PacifiCorp’s OATT implementation would be eligible for Existing Contract treatment by the ISO under its tariff. Further, Section 16 of the ISO tariff requires the ISO to honor the terms, conditions and rates of Existing Contracts.

⁴ ISO Tariff, Appendix A.

In addition to PacifiCorp’s customers who take service under various transmission agreements, there are transmission owners with existing contracts with PacifiCorp that will not become a PTO. These customers are referred to as “Non-Participating TOs” in accordance with Section 16 of the ISO tariff. The transmission service rights and obligations of Non-Participating TOs under Existing Contracts, including all terms, conditions, and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts, are referred to as Existing Rights in the ISO tariff.

The ISO accommodates Existing Rights, so that the holders receive the same priorities (in scheduling, curtailment, assignment and other aspects of transmission system usage) to which they are entitled under their Existing Contracts. In addition, scheduling deadlines and operational procedures associated with Existing Rights will be honored by the ISO, provided such information is explicitly included in the Transmission Rights and Transmission Curtailment (“TRTC”) Instructions provided to the ISO by the PTO (described further below in Section 6).⁵

In accordance with Section 16.5 of the ISO tariff, the ISO will accommodate and honor Existing Rights as follows:⁶

(1) For Existing Rights that permit Interchange Schedule changes over scheduling points with other BAAs, the ISO will reserve transmission capacity equal to the Existing Rights transmission capacity and make a corresponding adjustment in its determination of Available Transfer Capability. For Existing Rights that permit Interchange Schedule changes after the Market Close of the Day-Ahead Market, the ISO will reserve transmission capacity equal to the unscheduled existing contract amount of transmission capacity for that scheduling point.

(2) For Existing Rights within the ISO BAA, the ISO will not set-aside capacity associated with the Existing Rights transmission capacity.

(3) In the Real-Time Market, the ISO will give valid ETC Self-Schedules priority over other non-ETC Day-Ahead Schedules and Real-Time Market Bids. In the event of a reduction in capacity on the transmission path associated with the Existing Right, the ISO will honor the Existing Rights priority in accordance with Section 16 of the ISO Tariff.

⁵ The ISO does not interpret existing contracts and must rely on the PTO to instruct the ISO what rights the ISO is required to honor, which are provided in transmission rights and transmission curtailment instructions.

⁶ All capitalized terms that are not otherwise defined in this discussion paper will have the defined meaning in the ISO’s tariff.

(4) When the Existing Contract permits, the ISO will allow the holder of Existing Rights to make changes to the scheduled amounts of Supply the TRTC Instructions established for such changes. The ISO will, as necessary, redispach non-ETC resources to accommodate valid ETC Self-Schedule changes in Real-Time.

(5) All contractual provisions that have been communicated to the ISO in writing in accordance with this Section 16 of the ISO tariff by the parties to the Existing Contracts, shall be honored by the ISO and the parties to the Existing Contracts and shall be implemented by the ISO in accordance with the terms and conditions of the relevant Existing Contracts so notified.

PacifiCorp and the ISO, as necessary, will work with each affected transmission customer or other entity to ensure that all terms and conditions in the existing contracts with PacifiCorp are appropriately reflected in any new arrangements within a regional ISO. PacifiCorp envisions working with individual customers on affected agreements as part of its implementation effort well in advance of any transition to a PTO in a regional ISO. This work is envisioned to take place beginning sometime in 2017 and into 2018.

3 Stakeholder Process Next Steps

The stakeholder meeting to discuss this paper is scheduled for June 24, 2016. Sections 4 through 6 of this discussion paper cover various categories of PacifiCorp's FERC-jurisdictional transmission and related contracts and potential approaches to addressing these agreements. While the intent of PacifiCorp and the ISO is to provide information on the treatment of PacifiCorp's contracts in advance of any decision that PacifiCorp will make to join a regional ISO, no final action will be taken with respect to modifying agreements until PacifiCorp receives its necessary regulatory approvals from each of its states. In the meantime, PacifiCorp and the ISO are open to having conversations regarding the conversion of specific contracts that any PacifiCorp customer would want to have. PacifiCorp acknowledges that these conversations may be complex and may require numerous discussions with customers related to their respective agreements.

4 Agreements PacifiCorp Will Continue to Administer

At a high level, those existing agreements with PacifiCorp that do not provide transmission services over facilities that will be turned over to the ISO's operational control will generally remain with PacifiCorp in their current form.

Under the current ISO tariff framework, PacifiCorp and the ISO contemplate that a number of PacifiCorp's agreements will continue to be administered by PacifiCorp and will not be transitioned to ISO service including, but not limited to, the following high-level categories:

- Construction agreements
- Engineering services agreements
- Operation and maintenance agreements that do not include transmission service
- Energy exchange agreements that do not provide specific transmission service
- Operating agreements that deliver power and energy to customers without providing specific transmission service
- Interconnection agreements for existing generators until the generator is modified (as discussed further in Section 5.2 of this paper).
- Asset exchange agreements that do not provide transmission service
- Tie point metering agreements
- Load interconnection agreements⁷
- Agreements providing for the installation of or modifications to equipment (SCADA, RTUs, relays, etc.)

After a critical case-by-case review of the individual agreements, PacifiCorp will determine which agreements will remain with and continue to be administered by PacifiCorp as a party.

5 Agreements Transitioning to ISO Tariff Service

As discussed above, a number of PacifiCorp's existing OATT service agreements will transition immediately to ISO tariff service and will not be entitled to Existing Contract treatment under the ISO tariff. In addition, some of the PacifiCorp agreements will initially remain with PacifiCorp but eventually transition to ISO agreements. The two major types of agreements in this category are Generator Interconnection Agreements and Interconnection Agreements for Qualifying Facilities.

5.1 OATT Transmission Service Agreements

All entities currently taking transmission service (point-to-point or network service) pursuant to PacifiCorp's OATT will transition to taking service directly from the ISO under the ISO tariff. PacifiCorp anticipates that it will terminate its OATT effective

⁷ It should be noted that the ISO considers the interconnection of battery storage to be a negative generator and not subject to the firm load interconnection process of its PTOs.

coincident with its transition to a PTO in a regional ISO and, accordingly, those transmission service agreements under PacifiCorp's OATT will be terminated consistent with FERC's regulations.

All transmission service under the ISO tariff is firm transmission service; the ISO does not offer a non-firm transmission product. In addition, all transmission service is network service; the ISO does not distinguish point-to-point and network service in its market. To procure transmission service under the ISO tariff, each customer will need to obtain the services of a Scheduling Coordinator.⁸ The Scheduling Coordinator will bid or self-schedule transactions in the ISO's markets and all awards and self-schedules will include transmission service. All applicable ISO tariff charges will apply to these transactions, including but not limited to, energy, transmission access charges, ancillary services, administrative charges, etc.

5.2 Generation Interconnection Agreements

At a high level, PacifiCorp's generator interconnection queue for facilitating connection to transmission that becomes part of the ISO Controlled Grid would transition to the ISO's interconnection queue process and individual projects will be subject to a three-party interconnection agreement for the respective project. Similar to PacifiCorp, the ISO uses a *pro forma* Large Generator Interconnection Agreement ("LGIA") and Small Generator Interconnection Agreement ("SGIA"), consistent with FERC Order Nos. 2003 and 2006.

Generator interconnection agreements executed prior to the effective date of PacifiCorp's transition to a PTO will remain as two-party agreements between PacifiCorp and the interconnection customer/generator owner. After the effective date of the transition, if the interconnection customer or PTO –under a two-party agreement – makes a modification to the project, including repowering, equipment additions, etc., then the modification request will be evaluated in accordance with the ISO tariff. If the modification is approved, then the existing two-party interconnection agreement would be converted to a three-party interconnection agreement as part of the amendment for implementation of the modification. The reason for converting the contract at the time of modification approval is to ensure that all generators are treated similarly and consistent with the ISO tariff.

After the effective date of the transition to a PTO, all new generator interconnections would be evaluated through the ISO's interconnection queue process and agreements

⁸ The ISO publishes a list of approved Scheduling Coordinators on its website at: <http://www.caiso.com/participate/Pages/SchedulingCoordinator/Default.aspx>

which facilitate connection to transmission that is part of the ISO Controlled Grid will be three-party agreements between PacifiCorp, the interconnection customer/generator owner, and the ISO.

Notably, each existing general interconnection agreement will be reviewed by PacifiCorp as part of its ongoing effort to evaluate its contracts and the terms and conditions thereof.

5.3 Qualifying Facility Agreements

PacifiCorp's Qualifying Facility ("QF") agreements include both a power purchase component and an interconnection component. It is anticipated that when each agreement terminates and the QF is interconnected to the ISO Controlled Grid, the QF will generally need to execute a three-party generator interconnection agreement with PacifiCorp and the ISO, subject to any state requirements that may impact the interconnection.

In addition to the interconnection agreement, each QF will need to obtain the services of a Scheduling Coordinator and execute a Participating Generator Agreement or a Net Scheduled Participating Generator Agreement ("NSPGA") and a Metered Service Agreement.

6 Existing Transmission Contracts under ISO's Tariff

At a high level, PacifiCorp's legacy agreements that include the provision of transmission service rights and obligations for transmission facilities that are turned over to ISO operational control will be considered existing transmission contracts ("ETCs") under the ISO tariff upon PacifiCorp's integration as a PTO.

All rates, terms, and conditions of service on the ISO Controlled Grid, as they may change from time to time under the existing contracts, will continue to be honored by the parties to those contracts for the duration of the initial term of those contracts.⁹ PacifiCorp will be required by the ISO to attempt to negotiate changes to the existing contract to align the contract's scheduling and operating provisions with the ISO's scheduling and operational procedures, rules, and protocols, to align operations under the contract with ISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations. In addition, PacifiCorp will be required to attempt to negotiate changes to provisions in the existing contract to ensure that whenever transmission services under the existing

⁹ Section 16.1 of the ISO Tariff.

contract are used to deliver power to a customer that is subject to access charges under the ISO tariff, no duplicative charge for access to the ISO Controlled Grid will be charged under the existing contract.¹⁰ For purposes of such negotiations, there shall be a presumption that any charges in an existing contract that were designed to recover the embedded cost of transmission facilities within the ISO controlled grid will be fully recovered through the access charges established.¹¹

To the extent a legacy agreement relates to the provision of transmission service over transmission facilities that PacifiCorp will turn over to ISO's operational control, such agreements will need to be converted and considered an ETC under the ISO tariff. A number of PacifiCorp contracts may be considered ETCs under the ISO tariff including, but not limited to, the following high-level categories of contracts:

- Generator Interconnection agreements (see Section 5.2)
- Transmission service agreements (non-OATT)
- Operating agreements that include transmission service
- Storage and Interchange agreements that include transmission service
- Transfer agreements that provide transmission service
- Legacy transmission service and operating agreements
- Emergency service agreements

The ISO will accommodate the transmission service rights under the ETCs so that the customers will receive the same priorities (in scheduling, curtailment, assignment, and other aspects of transmission system usage) to which they are entitled under the ETC. If the existing PacifiCorp agreement provides other terms – operating, maintenance, communication, etc. – then PacifiCorp anticipates that those other terms will be reconciled during any transition.

To allow the ISO to determine the rights and obligations in the existing contract, PacifiCorp will provide the ISO with TRTC instructions. TRTCs are typically established by the parties to the existing contract, in this case PacifiCorp and the customer, and then transmitted to the ISO for implementation. The ISO will provide the Scheduling Coordinator's customer with a Contract Reference Number ("CRN") that allows the ISO to implement the existing contract provisions.

¹⁰ Section 16.1.1 of the ISO Tariff.

¹¹ The ISO's transmission access charge formula rate provides that revenue from existing contracts reduce the transmission revenue requirement for a PTO. Thus a customer is charged the existing contract rate and there is no double payment. Additional information of the transmission access charge calculations and be found in Appendix F, Schedule 3 of the ISO Tariff.

While the following sections are meant as general examples of PacifiCorp’s different types of agreements, PacifiCorp will work through each of the agreements with the respective customer to ensure that the rates, terms and conditions of the existing contract are treated accordingly upon PacifiCorp’s transition to a PTO under the ISO structure.

6.1 Transmission Service and Operating Agreements

6.1.1 Overview

PacifiCorp’s transmission service and operating agreements (or “TSOAs”) are typically legacy agreements with load-serving entities located in a PacifiCorp BAA to provide for firm transmission service over PacifiCorp’s transmission system for the benefit of that customer.

6.1.2 General Conversion of Agreement

The customer’s Scheduling Coordinator would schedule imports for generation outside the regional BAA and bid or self-schedule load into the day-ahead market. Ancillary service requirements can either be procured from the day-ahead market or self-provided. The Scheduling Coordinator will be issued a CRN to ensure that transmission access charges and congestion charges are not assessed to the transaction or service. The customer will continue to pay PacifiCorp in accordance with the terms and conditions of the active TSOA with PacifiCorp.

6.2 Transmission Service Agreements (non-OATT)

6.2.1 Overview

PacifiCorp’s legacy transmission service agreements that are not providing service under its OATT terms and conditions typically provide transmission service over a specific transmission path, including for dynamic schedules.

6.2.2 General Conversion of Agreement

Similar to the TSOAs discussed above, the customer’s Scheduling Coordinator would schedule imports for generation outside the regional BAA and bid load into the day-ahead market. Ancillary service requirements can either be procured from the day-ahead market or self-provided. The Scheduling Coordinator will be issued a CRN to ensure that transmission access charges and congestion charges are not assessed to the transaction or service. The customer will continue to pay PacifiCorp in accordance with the terms and conditions of the active transmission service agreement with PacifiCorp.

6.3 Operation Agreements

6.3.1 Overview

Typically PacifiCorp's operation agreements address facilities that can be used by other entities for the delivery of electric power or energy which include a transmission service component. These agreements are not joint ownership or operating agreements.

6.3.2 General Conversion of Agreement

Under the ISO's construct, delivery of electric power or energy is a market function. The market allows a customer's Scheduling Coordinator to buy and sell energy and ancillary services and obtain the corresponding transmission service to deliver the energy to a load or export point in another BAA. Depending upon the details of the operation agreement, the customer may use the market outright, or may be given a CRN for priority rights on a specific path depending upon the rights under the operation agreement.

6.4 Emergency Service Agreements

6.4.1 Overview

PacifiCorp has entered into various agreements with customers to provide emergency service, including emergency provisions in broader agreements with customers, to address situations when a customer has load that becomes stranded due to an outage of one of the customer's transmission lines and the load remains connected to a PacifiCorp facility. PacifiCorp also has agreements in place addressing circumstances when PacifiCorp's load is stranded and another entity is required to serve that load.

6.4.2 General Conversion of Agreement

When a customer has load in the regional ISO BAA that becomes stranded due to an outage of one of its transmission lines and the load remains connected to a PacifiCorp facility, then the market will provide energy to this load as a real-time imbalance. If the transmission outage is a planned outage, then the customer's Scheduling Coordinator can bid in the market for the replacement energy for the load, including importing energy from the customer BAA to serve the stranded load. All energy purchased to serve stranded load will be priced at the locational marginal price for the specific pricing node and the Scheduling Coordinator for the load will be assessed all appropriate charges. Therefore, the existing contract is no longer needed under the ISO's paradigm and could be terminated by PacifiCorp with the appropriate termination effective date. If there are terms and conditions in a PacifiCorp agreement that preclude termination, or address other services than just emergency services, then those agreements will

need to be separately evaluated by PacifiCorp to determine the appropriate treatment of the agreement.

If an adjacent BAA is the customer and needs emergency service for its stranded load, then the ISO will provide the service in accordance with the Adjacent Balancing Authority Operating Agreement (“ABAOA”) and NERC Reliability Standard EOP-001-0 or the existing contract as applicable. The cost for the service will be at the locational marginal price for the specific pricing node where the export to the adjacent BAA takes place and will be assessed all appropriate charges.

If the transmission operator is aware of the outage in advance, then communication with the ISO in advance will allow the ISO to notify affected adjacent BAAs and meet the scheduling requirements of the impacted BAA.

6.5 Wheeling and Transfer Agreements

6.5.1 Overview

At a high level, PacifiCorp’s wheeling agreements provide transmission service to distribution customers located in a PacifiCorp BAA that purchase generation from another BAA to supply the customer’s load. In other instances, PacifiCorp has agreements in place to address load that is embedded in a third party’s system and the company needs the ability to continue to service this load.

PacifiCorp’s transfer agreements provide for the interconnection and use of facilities by PacifiCorp or others for delivery of electric power or energy to their customers. In addition, these agreements are typically reciprocal: PacifiCorp has rights to use another entity’s system to deliver power and energy to PacifiCorp’s load and the other entity has the right to use PacifiCorp’s system to deliver power and energy to its customers.

6.5.2 General Conversion of Agreements

Similar to the TSOAs discussed above, the customer’s Scheduling Coordinator would schedule imports for generation outside the regional BAA and either (i) bid or self-schedule demand into the day-ahead market for distribution load or (ii) schedule an export into the market for serving the customer. Ancillary service requirements can either be procured from the day-ahead market or self-provided, or, in the case of transfer agreements, are the responsibility of the host BAA. The customer’s Scheduling Coordinator for the transaction will be issued a CRN to ensure that transmission access charges and congestion charges are not assessed. The customer will continue to pay PacifiCorp in accordance with the terms and conditions of the legacy agreement with PacifiCorp. In the case where PacifiCorp needs to serve load in another entity’s BAA,

PacifiCorp's Scheduling Coordinator will procure the generation, either from internal generation or as an import, and then export the generation to the BAA where the load resides. The terms and conditions for use of another entity's BAA system will be unchanged.

6.6 Load/Distribution Company Interconnection Agreements

6.6.1 Overview

PacifiCorp has agreements in place to provide interconnection service for various customers that are directly connected to PacifiCorp's distribution-level system operated by Pacific Power or Rocky Mountain Power, or in some cases, at transmission-level voltages. These agreements typically provide interconnection services, emergency service due to transmission outages, and operating procedures between the two entities. PacifiCorp's agreements with load-serving entities in PacifiCorp's BAAs will generally be converted to *pro forma* Utility Distribution Company Operating Agreements ("UDCOA") with the ISO. The right to use PacifiCorp's transmission system will continue through the use of contract reference numbers.

6.6.2 General Conversion of Agreement

In this instance, if the customer's interconnection is to PacifiCorp's facilities that are turned over to ISO operational control, the customer would execute a *pro forma* Utility Distribution Company Operating Agreement ("UDCOA") with the ISO. The UDCOA establishes the rights and obligations of the Utility Distribution Company ("UDC") and the ISO with respect to the UDC's interconnection with the ISO Controlled Grid and the UDC's cooperation and coordination with the ISO to aid the reliability and the operational control of the ISO Controlled Grid and the UDC's distribution system.

The UDCOA also obligates the UDC to support and be part of the coordinated response to system emergencies and to system reliability concerns relating to the ISO Controlled Grid. The UDC and PacifiCorp will continue to coordinate the planning and implementation of any expansions or modifications of the UDC's or PacifiCorp's systems that will affect their transmission interconnection, the ISO Controlled Grid or the transmission services to be required by the UDC.¹² The UDCOA provides for operational coordination; procedures for system emergencies, under-frequency load shedding, and manual load shedding; electrical emergency plans; load restoration; operation and reliability standards; critical protective systems; and notifications. Portions of a

¹² PacifiCorp as a PTO has the obligation to notify the ISO of these expansions or modifications.

load/distribution interconnection agreement may need to continue and be administered by PacifiCorp but that will be determined on a case-by-case basis.

For emergency service, the UDC would procure needed energy from the ISO markets through the use of a Scheduling Coordinator.

6.7 Metered Subsystem Agreements

6.7.1 Overview

PacifiCorp has agreements with municipal utilities, water districts, irrigation districts, state agencies or federal power marketing authority in its BAAs that are directly connected to PacifiCorp's distribution-level system operated by Pacific Power or Rocky Mountain Power, or in some cases, at transmission-level voltages. The existing agreements typically provide interconnection services, transmission service, emergency service due to transmission outages, and operating procedures between the two entities. Municipal utilities, water districts, irrigation districts, state agencies or federal power marketing authority may transition to a Metered Subsystem Agreement ("MSSA") instead of converting to a UDCOA with the ISO. The right to use PacifiCorp's transmission system will continue through the use of CRNs.

A Metered Subsystem ("MSS") is defined in Appendix A of the ISO tariff as a:

A geographically contiguous system located within a single zone which has been operating as an electric utility for a number of years prior to the CAISO Operations Date¹³ as a municipal utility, water district, irrigation district, state agency or federal power marketing authority subsumed within the ISO Balancing Authority Area and encompassed by ISO certified revenue quality meters at each interface point with the ISO Controlled Grid and ISO certified revenue quality meters on all Generating Units or, if aggregated, each individual resource, Participating Load, Reliability Demand Response Resource, and Proxy Demand Resource internal to the system, which is operated in accordance with a MSS Agreement described in Section 4.9.1 of the ISO tariff.

6.7.2 General Conversion of Agreement

Execution of a MSSA allows the municipal utilities, water districts, irrigation districts, state agencies or federal power marketing authority to maintain control over their distribution system, including making decisions of internal generation serving internal load. However, the MSSA requires the municipal utilities, water districts, irrigation

¹³ As previously discussed, the CAISO Operations Date would appropriately be equated to the date on which PacifiCorp's initial OATT was put in place.

districts, state agencies or federal power marketing authority to manage their own internal congestion and, similar to the UDCOA, the MSSA establishes the rights and obligations of the MSS and the ISO with respect to the MSS's interconnection with the ISO Controlled Grid and the MSS's cooperation and coordination with the ISO to aid the reliability and the operational control of the ISO Controlled Grid and the MSS's distribution system.

The MSSA also obligates the MSS to support and be part of the coordinated response to system emergencies and system reliability concerns relating to the ISO Controlled Grid. The MSS and PacifiCorp will continue to coordinate the planning and implementation of any expansions or modifications of the MSS's or PacifiCorp's systems that will affect their transmission interconnection, the ISO Controlled Grid or the transmission services to be required by the MSS.¹⁴ The MSSA provides for operational coordination; procedures for system emergencies, under-frequency load shedding, and manual load shedding; electrical emergency plans; load restoration; operation and reliability standards; critical protective systems; and notifications. Portions of a load/distribution interconnection agreement may need to continue and be administered by PacifiCorp but that will be determined on a case-by-case basis.

For emergency service, the MSS would procure needed energy from the ISO markets through the use of a Scheduling Coordinator.

6.8 Agreements for Interconnection to Other BAAs

6.8.1 Overview

PacifiCorp has a number of agreements that provide different services to various adjacent BAAs. Currently PacifiCorp connects to eleven distinct BAAs, including the ISO. PacifiCorp's agreements with another BAA which contain provisions outlining Balancing Authority functions, will generally be converted to *pro forma* Adjacent Balancing Authority Operating Agreements ("ABAOA") with the ISO.

6.8.2 General Conversion of Agreement

Of the other ten BAAs, the ISO already has an ABAOA with the following:

- Arizona Public Service Company
- Bonneville Power Administration
- Los Angeles Department of Water and Power¹⁵

¹⁴ PacifiCorp as a PTO has the obligation to notify the ISO of these expansions or modifications.

¹⁵ LADWP and SRP have executed the precursor to the ABAOA, the Interconnected Control Area Operating Agreement and are working on the ABAOA.

- NV Energy
- Salt River Project Agriculture and Improvement District

For these five BAAs, the ISO will amend the existing ABAOAs to include the new points of interconnection between each BAA and the regional BAA and add any additional operating procedures including remedial action schemes to the ISO's operating procedures. The ABAOA provides the terms and conditions whereby the two BAAs meet NERC Reliability Standard EOP-001 which directs Balancing Authorities to have operating agreements in place to mitigate operating emergencies and to coordinate such other plans as required. The ABAOA also provides for coordination and communication between the parties to the extent that an event on their system may impact the other BAA.

The price paid for ISO emergency assistance will be at the ISO market price for the energy and/or ancillary services sold, plus all applicable charges, as specified in the ISO tariff provisions for emergency assistance. Such price may be estimated prior to delivery and finalized in the settlement process. Payment to the ISO for emergency assistance provided by the ISO will be made by the Scheduling Coordinator representing the adjacent BAA, in accordance with the settlement process, billing cycle, and payment timeline set forth in the ISO tariff.

7 Transmission Owner Rights under ISO's Tariff

PacifiCorp's agreements with other transmission owners ("TOs") that include the provision of transmission ownership rights and obligations will be considered transmission ownership rights ("TORs") under the ISO tariff upon PacifiCorp's integration as a PTO. A number of PacifiCorp contracts may be considered TORs under the ISO tariff including, but not limited to, the following high-level categories of contracts:

- Joint ownership and operating agreements within a PacifiCorp BAA; or
- Joint ownership agreements where PacifiCorp has ownership rights to transmission within another BAA

7.1 Joint Ownership and Operating Agreements

7.1.1 Overview

PacifiCorp's joint operating agreements are typically entered into with customers to provide for the construction, ownership, and payment for transmission facilities within an existing PacifiCorp BAA. The construction components of these agreements in most

instances have already been completed. The payment for the facilities will continue in accordance with the terms and conditions of the joint operating agreement. The Non-Participating TO's use of these transmission facilities will be in accordance with the ISO tariff provisions for transmission ownership rights ("TORs") of a Non-Participating TO.¹⁶ TORs are treated similarly to existing contract rights and will receive the same priorities (in scheduling, curtailment, assignment and other aspects of transmission usage) to which they are entitled and are fully hedged for transmission access and congestion charges and therefore do not incur such charges.

7.1.2 General Conversion of Agreement

The customer's Scheduling Coordinator would schedule imports for generation outside the regional BAA and either schedule an export to another BAA or, if the load is within the regional BAA, bid or self-schedule the demand into the day-ahead market. Load within the regional BAA will be responsible for ancillary services and can either procure the services from the day-ahead market or self-provide the ancillary services. The customer's Scheduling Coordinator will be issued a TOR to ensure that transmission access charges and congestion charges are not assessed to the transaction.

The TRTC instruction will also need to define whether transmission not used by the NPTO can be used by the other owners to the transmission line and, if the rights can be used by the other owners, the timing of that decision. If the rights need to be used by the owner by the day-ahead market timeline and the customer's Scheduling Coordinator does not schedule and bid in the day-ahead market, then the market will allow other Scheduling Coordinators to use those transmission rights. If the rights may be used by the owner up to real-time (i.e., the operating hour), then the rights will not be used by the market. If the rights cannot be used by other owners, then those rights will be reserved in the forward market solely for the NPTO.

7.2 Joint Ownership Agreements

7.2.1 Overview

PacifiCorp has a few agreements with entities related to jointly-owned transmission facilities where PacifiCorp owns a percentage of a transmission line within another entity's BAA.

¹⁶ An NPTO is a transmission owner that owns transmission within an existing PacifiCorp BAA that does not turn over operational control of its transmission facilities to the ISO once PacifiCorp transitions to a regional ISO.

7.2.2 General Conversion of Agreement

For PacifiCorp’s owned transmission rights within another BAA, those rights will be treated as Entitlements under the ISO tariff. Such Entitlements of a new PTO must be transferred to the ISO’s operational control and will be available for use by the ISO market by all Scheduling Coordinators and the scheduling of those rights including tagging will be coordinated with the other BAA. PacifiCorp will continue to pay for such ownership rights in accordance with the active agreement. Any transactions on the Entitlement rights by Scheduling Coordinators will be subject to all terms and conditions of the ISO tariff.

8 Examples

The following are some high level examples of the use of CRNs for both point-to-point and network transmission service. Load and exports are charged congestion and transmission access charges; therefore the Scheduling Coordinator for those entities will need to use the CRN to ensure that they are not charged by the ISO.

8.1 Example 1: Wheel-Through Transactions

BAA1 purchases 200 MW energy from BAA2 and uses the PacifiCorp agreement for transmission service between the two BAAs. The Scheduling Coordinator (or “SC”) for BAA1 would be given a CRN for the agreement right. The ISO numbers the CRNs. So for this example, assume that the CRN for 200 MW is CRN682. The example assumes that the BAA2 or BAA1 have the operating reserve obligation for the transaction.

Tagging:

Transmission Provider	Point of Receipt	Point of Delivery	Scheduling Entity	CRN	Resource ID
BAA2	BAA2 System	Troutdale 230	BAA2	682	RES_IMP
RISO	Troutdale 230	Parish Gap 230	RISO		
BAA1	Parish Gap 230	BAA1 System	BAA1	682	RES_EXP

Sample Bidding:

SC – BAA1	Import	200 MW
SC – BAA2	Export	200 MW
	CRN682	200 MW

The transaction would also be noted as a wheel-through transaction to balance and link the transaction. The settlement for this transaction would be charged for the grid management charge (“GMC”) and losses. The transaction would receive scheduling priority and congestion hedge between the point of receipt and point of delivery. Since the SC for BAA2 uses the CRN, then the charges for transmission access and congestion will be excluded for that SC.

8.2 Example 2: Serving Load with Import

Load3 purchases 50 MW energy from BAA4 and uses the PacifiCorp agreement for transmission service between BAA4 and the customer’s load which is in PACE. The regional ISO would establish load areas for PacifiCorp similar to the NP15 and SP15 in California. Assuming that Load3 is in PACE, the Scheduling Coordinator for Load3 would be given a CRN for the existing agreement right. As discussed above, the ISO numbers the CRNs. So for this example, assume that the CRN for 50 MW is CRN725. The example assumes that BAA4 is responsible for the operating reserve obligation for the transaction.

Tagging:

Transmission Provider	Point of Receipt	Point of Delivery	Scheduling Entity	CRN	Resource ID
BAA4	BAA4 System	Mid-C	BAA4	725	RES_IMP2
RISO	Mid-C	PACE	RISO	725	

Sample Bidding:

SC – BAA4	Import	50 MW
SC – LOAD3	Load	50 MW
	CRN725	50 MW

The settlement for this transaction would be for charged for GMC and losses. The transaction would receive scheduling priority and congestion hedge between the point of receipt and point of delivery. Since the SC for LOAD3 uses the CRN, then the charges for transmission access and congestion will be excluded for that SC.

8.3 Example 3: Serving Load with Multiple Imports

Load5 is a total of 200 MW and has network transmission service rights to receive energy at three interconnections – Dixonville 500, Alturus 115 and Hurricane 230. Since

the transmission right is for an aggregation, then it will receive an aggregated CRN. Load5 purchases 100 MW of energy from BAA6 at Dixonville, 75 MW from BAA7 at Alturus and 25 MW from BAA8 at Hurricane and uses the PacifiCorp agreement for network transmission service between the various BAAs and the customer's load which is in PACW. Assuming that Load5 is in PACW, the Scheduling Coordinator for Load5 would be given an aggregated CRN for the existing network transmission agreement right. As discussed above, the ISO numbers the CRNs. So for this example, assume that the ACRN for 200 MW is ACRN19. The example assumes that source BAAs are responsible for the operating reserve obligation for the transaction.

Tagging:

Transmission Provider	Point of Receipt	Point of Delivery	Scheduling Entity	CRN	Resource ID
BAA6	BAA6 System	Dixonville	BAA6	10	RES_IMP3
BAA7	BAA7 System	Alturus	BAA7	10	RES_IMP4
BAA8	BAA8 System	Hurricane	BAA8	10	RES_IMP5
RISO	Dixonville	PACW	RISO	10	
RISO	Alturus	PACW	RISO	10	
RISO	Hurricane	PACW	RISO	10	

Sample Bidding:

SC – BAA6	Import	100 MW
SC – BAA7	Import	75 MW
SC – BAA8	Import	25 MW
SC – LOAD5	Load	50 MW
	ACRN10	200 MW

The settlement for this transaction would be charged for GMC and losses. The transaction would receive scheduling priority and congestion hedge between the point of receipt and point of delivery. Since the SC for LOAD5 uses the CRN, then the charges for transmission access and congestion will be excluded for that SC.