

**GOVERNING AGREEMENT
OF THE
NORTHWEST REGIONAL TRANSMISSION ASSOCIATION**

**Revised
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PREAMBLE

This Northwest Regional Transmission Association (Association) is intended to facilitate the efficient use of existing transmission facilities, coordinate the planning of transmission system expansions and expedite the resolution of disputes concerning transmission. This Association is organized in order to provide a specific Northwest perspective on transmission access issues, including those that arise from the specific statutory approach to the Pacific Northwest embodied in the Federal Power Act as amended by the Energy Policy Act of 1992 pertaining to the Federal Columbia River Transmission System (including House Conference Report 102-1018, 102d Cong., 2d Sess. 388-90 (1992)), within the overall context of statutory requirements and the policies of the Federal Energy Regulatory Commission and the appropriate Canadian Regulatory Authority. Pursuant to this Governing Agreement and within the context of Congressional directives, Members of the Association agree to promote coordinated transmission planning, efficient and nondiscriminatory use of transmission capacity, competition in generation markets, and reasonable terms, conditions, and pricing for transmission services and interconnections.

1. PURPOSE.

This Association is an organization voluntarily entered into by Transmission Providers, Canadian Transmission Providers, Transmission Users, Canadian Transmission Users, End Users, and Northwest Commissions. Members have formed the Association to foster the efficient, equitable and reliable use of existing and future transmission facilities and the expeditious and fair resolution of disputes related to transmission access. The Association shall provide a forum for coordination of transmission planning and for the exchange of information to assist Members in meeting their transmission needs. To the extent practicable, the Association shall pursue the activities contemplated hereunder in a manner which avoids duplicating the activities of other transmission planning organizations such as the Western Systems Coordinating Council (WSCC), the Northwest Power Pool's Transmission Planning Committee or its successor, and other Regional Transmission Groups or Associations. To that end, the Association intends to investigate the potential for the consolidation within the Association of some or all of the functions provided

for in this Governing Agreement with those of the WSCC and the Northwest Power Pool, with the understanding that any such consolidation may require the amendment of this Governing Agreement in accordance with Section 14.

2. DEFINITIONS.

When capitalized herein, whether in singular or plural, the following terms shall have the following meaning:

2.1 Arbitrator. An individual selected pursuant to Section 12 to resolve disputes arising under this Governing Agreement.

2.2 Arbitration Committee. The Committee described in Subsection 6.7.

2.3 Available Transmission Capacity. That amount of transmission capacity expected to be available to a Transmission Provider or to a Canadian Transmission Provider to provide the requested transmission services to a Transmission User at the time such requested service would commence that is not reasonably required to accommodate the Transmission Provider's or Canadian Transmission Provider's: (i) Native Load; (ii) where not included in Native Load, existing contractual commitments for firm wholesale purchases, firm exchanges, firm deliveries, and firm sales, including under the Pacific Northwest Coordination Agreement or its successor; (iii) Firm Transmission Service, where not included in Native Load; (iv) Prudent Reserve to support (i), (ii), and (iii) above; and (v) other pending potential uses of the Transmission Provider's or Canadian Transmission Provider's transmission by the Transmission Provider or Canadian Transmission Provider and other Transmission Users or Canadian Transmission Users, to the extent reasonable and consistent with then-applicable FERC policies or, in the case of a Canadian Transmission Provider, then-applicable Canadian Laws and policies of the appropriate Canadian Regulatory Authority. This list of uses by the Transmission Provider of its transmission capacity is not intended as a priority ranking among such uses.

2.4 Award. A decision of an Arbitrator made pursuant to Subsection 12.3 of this Governing Agreement.

2.5 Board. The Association's Board of Directors, as described in Section 5.

2.6 Canadian Laws. Laws of Canada or the applicable Provinces of Canada, any regulations made thereunder and any orders, policies, rules or procedures of such governments or agencies established thereby, including Canadian Regulatory Authorities, relating to facilities, interconnections, transmission rates, charges, terms and conditions of service of a Canadian Transmission Provider.

2.7 Canadian Regulatory Authority. The agency or agencies established under the laws of Canada or the applicable Provinces of Canada and having jurisdiction over facilities, interconnections, transmission rates, charges, terms and conditions of service of a Canadian Transmission Provider.

2.8 Canadian Transmission Provider. Any Member owning transmission facilities in Canada, having contractual rights to use such facilities, or authorized to provide interconnection or transmission services over such facilities.

2.9 Canadian Transmission User. Any Member, wherever located, that receives interconnection or transmission services from a Canadian Transmission Provider.

2.10 Committee. A Committee of Members established pursuant to this Governing Agreement or by the Board.

2.11 Coordinated Planning. The activities described in Section 9.

2.12 Director. A Director of this Northwest Regional Transmission Association.

2.13 End User. A member who is not a Transmission Provider or Transmission User who purchases any electric utility services at retail, which may include transmission, distribution, energy and capacity, from any entity operating in the Northwest Interconnected Area.

2.14 Existing Facilities. Those transmission facilities owned by a Member that are in service, or transmission capacity under contract to a Member using transmission facilities that are in service.

2.15 Firm Transmission Service. Transmission services that a Member, by treaty, statute, franchise, contract or federal, state or provincial policy or regulation, has the firm obligation to plan, construct or operate its system to provide. For the Bonneville Power Administration (BPA), Firm Transmission Service includes firm service over the Federal Columbia River Transmission System needed to assure adequate and reliable service to nonfederal loads in the Pacific Northwest, as that region is defined in Subsection 3(14) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. § 839a(14)), where not included in Native Load.

2.16 FERC. The Federal Energy Regulatory Commission or a successor agency.

2.17 FPA. The Federal Power Act (16 U.S.C. 824 et seq), as it may be amended from time to time.

2.18 Governing Agreement. This Governing Agreement of the Northwest Regional Transmission Association.

2.19 Incremental Facilities. Transmission facilities, other than Existing Facilities, that are reasonably required to satisfy a request for transmission services or interconnection from a Transmission User or a Canadian Transmission User.

2.20 Member. An entity satisfying the qualifications, execution and notice requirements of Subsection 3.1 below; any other entity that is approved for membership by the Board pursuant to Subsection 3.1 below; or a Northwest Commission giving notice of its intent to participate in the Association.

2.21 Native Load. Existing and reasonably-forecasted customer load for which a Transmission Provider or Canadian Transmission Provider, by treaty, statute, franchise, contract, or federal, state, or provincial policy or regulation, has the obligation to plan, construct, or operate its system reliably.

2.22 Northwest Commissions. Any state or provincial utility regulatory commission, state energy commission, or regional, state or provincial agency in the Northwest Interconnected Area with rate-making, siting, or resource-planning authority in regard to electrical energy.

2.23 Northwest Power Pool. A reliability organization for the Northwest Interconnected Area.

2.24 Northwest Interconnected Area. The area consisting of the States of Oregon, Washington, and Idaho, the portion of the State of Montana west of the Continental Divide, and such portions of the States of Nevada, Utah, and Wyoming as are within the Columbia River drainage basin; and any contiguous areas, not in excess of seventy-five air miles from the just described area, which are a part of the service area of a rural electric cooperative customer served by the Bonneville Power Administration (BPA) on the effective date of this Agreement which has a distribution system from which it serves both within and without such area; and the provinces of British Columbia and Alberta.

2.25 Planning Committee. The Committee described in Subsection 6.6.

2.26 Prudent Reserve. An amount of transmission capacity set aside for a Transmission Provider's

or Canadian Transmission Provider's reasonable reliability requirements as determined by the reliability criteria, standards, guidelines, and operating procedures of such Transmission Provider or Canadian Transmission Provider, which shall

be consistent with Prudent Utility Practice and regional reliability council criteria, and which shall be impartially applied without undue discrimination.

2.27 Prudent Utility Practice. Those practices, methods, and acts, including levels of reserves and provisions for contingencies, which when engaged in, are commonly accepted in the Northwest Interconnected Area to plan electric systems that are intended to be dependable, reliable, safe, efficient, economical, and in accordance with all applicable laws and governmental rules, regulations and orders, or which in the exercise of reasonable judgment considering the facts known when engaged in, could have been expected to accomplish the desired result at a reasonable cost consistent with applicable law, reliability, efficiency and economy.

2.28 Transmission Provider. Any Member owning or having contractual rights to use transmission facilities that is subject to FERC authority pursuant to Sections 210 or 211 of the FPA, or any such Member other than a Canadian Transmission Provider which would be subject to such authority, were it located within the United States.

2.29 Transmission User. Any Member entitled to apply to the FERC for an order requiring transmission services or interconnection pursuant to Sections 210 or 211 of the FPA, or any Member located outside the United States that would be entitled to apply for such an order were it located in the United States, or any marketing affiliate of such non-United States Member seeking interconnection or transmission services.

2.30 Western Interconnection. The area comprised of those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which members of the WSCC operate synchronously-connected transmission systems.

2.31 WSCC. The Western Systems Coordinating Council, a regional reliability council.

3. MEMBERSHIP.

3.1 Qualifications. Any entity located, conducting business or operating in Northwest Interconnected area and (i) owning or having contractual rights to use transmission facilities that is subject to FERC authority pursuant to Sections 210 or 211 of the FPA, or any such entity that would be subject to such authority, were it located within the United States, or any entity owning or having contractual rights to use transmission facilities in Canada, or authorized to provide transmission services or interconnection over such Canadian facilities; (ii) entitled to apply to the FERC for an order requiring transmission services or interconnection pursuant to Sections 210 or 211 of the FPA, or any such entity located outside the United States that would be entitled to apply for such an order were it located within the United States, or any marketing affiliate of such non-US entity seeking services, or any entity, that receives interconnection or transmission services from a Canadian Transmission Provider, shall be admitted to membership in the Association after executing this Governing Agreement and providing written notice of its having done so to the Board and the FERC; or (iii) purchasing any electric utility services at retail, including transmission, distribution, capacity and energy, from any entity operating in the Northwest Interconnected Area, or any association whose primary purpose is to represent end users purchasing any electric utility services at retail, including transmission, distribution, capacity and energy, from any entity operating in the Northwest Interconnected Area. In addition, any Northwest Commission shall be admitted to membership upon giving notice to the Board of its intent to participate in the Association. Furthermore, upon application to and approval by the Board, any other entity that satisfies the conditions set forth above in clauses (i), (ii) or (iii) of this Subsection and that executes this Governing Agreement, or any state commission that is located or operating within the Western Interconnection shall be admitted to membership in the Association. Signatures to this Governing Agreement may be in counterpart.

3.2 Classifications of Members. Upon being admitted for membership, each Member shall designate one of the following classifications of Members to which it wishes to be assigned:

- a. transmitting utility;

- b. transmission-dependent utility;
- c. nonutility entity;
- d. end user;
- e. commission;

provided, however, that commission Members may only designate the commission class.

3.3 Changes in Classifications. Except for Members of the commission class, any Member may, upon written notice to all Members and the Board of Directors no later than 30 days prior to an annual meeting, change its classification, effective as of the date of the next annual meeting.

3.4 Withdrawal from Membership. Any Member may withdraw from the Association upon providing written notice of its withdrawal to the Board and the FERC. Notwithstanding such notice of withdrawal, all Awards, arbitration proceedings, appeals, and requests for transmission services or interconnection to be provided by or to such Member that are in effect or pending as of the date of the receipt by the Board of written notice of withdrawal shall be followed to completion by the withdrawing Member and by other affected Members, pursuant to this Governing Agreement and pursuant to any rules or policies of the Association in effect 120 days prior to the time of receipt of the requests for interconnection or transmission services. Any Member that has voluntarily withdrawn from the Association may not reapply for membership for a period of one year from the date of its withdrawal.

3.5 Termination of Membership. The Board, in its sole discretion, may terminate a Member's membership (1) if such Member becomes delinquent in the payment of any administrative or planning costs that are incurred during its membership and fails within 90 days of receipt of a written notice to pay such costs; (2) if the Board finds that such Member has: (i) intentionally or repeatedly violated any provision of this Governing Agreement, (ii) breached or violated any final Award issued pursuant to its membership in the Association, or (iii) willfully obstructed any lawful purpose or activity of the Association; or (3) if the Board finds that regulatory, judicial, or other governmental bodies have imposed requirements or restrictions on such Member that materially impede such Member's ability to fulfill its obligations under this Governing Agreement

or, in the case of a Canadian Transmission Provider, to provide interconnection and transmission services on a basis comparable to those provided by a Member subject to Sections 210 or 211 of the FPA. The affected Member shall be afforded at least 21 days advance written notice of any Board meeting at which termination of the Member will be considered and such Member shall have the right to be present and to present information to the Board concerning any proposed termination action. Upon termination of membership, all of the Member's voting rights and other rights of membership shall cease. Notwithstanding such notice of termination, all awards, arbitration proceedings, appeals, and requests for transmission services or interconnection to be provided by or to such Member that are in effect or pending as of the effective date of termination shall be honored by the terminated Member and by other affected Members, pursuant to this Governing Agreement and pursuant to any rules or policies of the Association in effect 120 days prior to the time of receipt of the requests for interconnection or transmission services. A Member that has been terminated from membership may not reapply for membership for a period of time stated in the Board resolution of termination, which period shall not exceed five years.

3.6 Commission Members. Membership in the Association by a commission or any participation in the activities of the Association by a representative of a commission Member shall not be deemed to bind any commission Member in any respect in regard to any administrative proceedings that may be conducted by such commission Member; provided, however, if a commission Member is a party to an Arbitration, it shall be bound by the Award in the same fashion as any other Member.

3.7 Notice of Membership Changes. The Secretary of the Association shall promptly provide notice to the FERC of any addition, withdrawal, suspension or termination of any Member.

4. MEETINGS OF MEMBERS.

4.1 Annual Meeting. A meeting of the Members shall be held within 60 days of the effective date of this Governing Agreement (described in Subsection 16.3) within the Northwest Interconnected Area, and thereafter at least annually on a date and at a time and place fixed by the Board.

4.2 Notice of Meeting. Written notice of every annual or special meeting of the Members shall be

prepared and mailed to the last known address of each Member not less than 45 nor more than 60 days before such meeting. Such notice shall state the time and place of the meeting and the meeting agenda.

4.3 Voting. Member voting and the establishment of a quorum is done on a class basis. Each class other than the commissions gets five votes, prorated among the total number of members present in each class. All matters requiring membership approval must be approved by an affirmative vote by 70% of the aggregate of all classes of members. In addition, 50% of the members present in any class must vote affirmative. This requirement is waived if there is less than three members in a class or if there is fewer than two members present from a particular class.

4.4 Quorum. A quorum is established on a class basis. The total number of members of a class present divided by the number of members in the class, multiplied by five, equals the number of votes represented by each class. The sum of all votes represented by all classes must be a majority of the total number of votes possible with all members present.

5. GOVERNANCE.

5.1 Board of Directors. The Association shall have a Board of Directors comprised of 20 Directors. Directors shall be selected from among the four classifications of voting Members and each such classification shall be entitled to elect and be represented by the following number of Directors:

- | | |
|-------------------------------------|---|
| a. transmitting utilities | 5 |
| b. transmission-dependent utilities | 5 |
| c. nonutility entities | 5 |
| d. end use customers | 5 |

5.2 Ex-Officio Directors. Commission Members may select up to three Directors to serve in an ex-officio status on the Board. Such ex-officio Directors shall be invited to attend and participate in all meetings of the Board and Committees but shall not have a right to vote on matters coming before the Board or Committees.

5.3 Diversity of Directors. No more than one Director may be employed by or be affiliated with any single Member.

5.4 Election of Directors. At each annual meeting of the Members, elections shall be held to fill any vacancies on the Board. Directors shall be selected from within each classification for each position by a plurality vote of the Members of that classification attending the meeting. No person may be nominated for a Director position if his or her election would violate the provisions of Subsection 5.3. Except for the initial Board, Directors shall be elected for terms of three years and until a successor is elected and qualified. The initial Board shall determine the length of each Director's term by drawing lots, with two Directors in each classification serving terms of three years, two Directors in each classification serving terms of two years, and one Director in each classification serving a term of one year.

5.5 Removal of Directors and Vacancies. An individual Director may be removed from office by and at the discretion of the Member employing such Director or by majority vote of the classification of Members represented by such Director. Whenever a Board vacancy occurs, a Director's position shall be filled by

majority vote of the remaining Directors from the same classification until the next annual or special meeting at which time it shall be filled for the remainder of the term by a plurality vote of the Members in such classification.

5.6 Annual Board Organizational Meeting. A meeting of the Board shall be held at the conclusion of each annual meeting of the Members for the purpose of electing the officers of the Association for the upcoming year and to transact such other business as may come before the meeting.

5.7 Regular Meetings. Regular meetings of the Board, in addition to its annual meeting, shall be held upon such notice to all Members and at such time and place as the Board may determine. The Board may hold meetings by conference call.

5.8 Special Meetings. A special meeting of the Board shall be held whenever called by the President or, during the President's absence or disability, by the Vice President, on notice to all Members delivered by first class mail or facsimile at least seven days prior to the meeting. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of any four Directors.

5.9 Quorum and Voting. A majority of the Directors on the Board shall constitute a quorum necessary to the transaction of business at any meeting of the Board. In order for a measure to be approved by the Board, 60% of the Board members present must vote affirmative. In addition, at least one member from each class must vote affirmative. This requirement is waived if there are less than three Board members in a class or if there are fewer than two Board members present from that class. By providing written notice to the President, a Director may designate an alternate to attend any Board meeting and such alternate shall have full authority to act and vote in place of the absent Director. Alternates must meet the same qualifying criteria as Directors.

5.10 Action Without a Meeting. Any action which may be taken at a meeting of the Board, or of a Committee, may be taken without a meeting if set forth and approved in a writing signed by all Directors or Committee members, and such action shall be effective on the date on which the last signature is placed on such writing, or such different effective date as may be set forth therein. Notice of such action shall be

comparable notice to that described in Subsections 5.7 and 5.8 of this Agreement.

5.11 Organization. The Association shall organize itself as a nonprofit corporation pursuant to the Oregon Nonprofit Corporation Act under the name "Northwest Regional Transmission Association." All acts required to be taken to effect such incorporation shall be taken on behalf of the Association and the Members by Portland General Electric and at least one other entity that is either a transmission-dependent utility or a nonutility entity as classified pursuant to Subsection 3.2. All Members hereby agree to take no actions that would contravene the ability of the Association to maintain its status as a nonprofit corporation existing pursuant to the Oregon Act. The Board shall formally adopt this Governing Agreement as the bylaws of the Association.

5.12 Tax Matters. The Association is intended to qualify as an organization described in Subsection 501(c)(6) of the Internal Revenue Code of 1986. No part of any net earnings of the Association shall inure to the benefit of any Member or individual. Upon liquidation, any assessments paid by Members to cover administrative costs that are not needed to cover costs of the Association shall be rebated to Members in proportion to their payments. Any remaining assets shall be transferred to another organization exempt from tax under Subsection 501(c) of the Internal Revenue Code or to a governmental agency, promoting the same purposes as the Association, as designated by the Board of Directors.

6. DUTIES OF DIRECTORS.

6.1 General Powers. The Board shall manage the business and affairs of the Association, take such actions as it deems appropriate to effectuate the purposes of this Governing Agreement, and exercise all of the powers of the Association except those as are by law or this Governing Agreement conferred upon or reserved to the Members. The Board (i) shall recommend any amendments to this Governing Agreement for approval by the Members and (ii) may adopt such policies, rules, regulations, recommendations, and actions as it may deem advisable which are consistent with law, this Governing Agreement, and this Association. The Board shall also review all proposed contracts by which activities of this Association are proposed to be performed by other entities, and shall provide authorization as necessary to the Manager to sign such

contracts.

6.2 Selection of Manager and Agents. The Board may designate a Manager and fix the compensation (if any) of such Manager, who shall serve at the pleasure of the Board. The Board shall also have authority to authorize the employment of staff members or retain agents to provide defined activities and services.

6.3 Budgets. The Board shall annually establish and approve a budget that includes all costs of administration for the Association.

6.4 Accounting System and Audit. The Board shall install and maintain an adequate system of accounts and records. At least annually, the books and accounts of the Association shall be audited by a certified public accountant and a report of such audit shall be made at the next annual meeting of the Members.

6.5 Committees. The Board shall create and, except for the Planning, Pricing, and Arbitration Committees, terminate Committees as it deems appropriate. Except as expressly authorized in this Governing Agreement or as the Board may subsequently delegate to any Committee, the role of Committees shall be to make recommendations to the Board. The Chair of each Committee shall be chosen by the members of the appropriate Committee and shall rotate among the voting membership classes on an annual basis. Reasonable advance notice of all Committee meetings shall be given to all Members. Attendance at all Committee meetings shall be open to any Member. Any matter coming before any Committee shall be adopted for recommendation to the Board only if majorities of those Members present in each of the four voting membership classifications vote in favor of the matter. Each voting Member who is present shall be entitled to one vote. Copies of the minutes of each Committee meeting, including Planning, Pricing, and Arbitration Committee meetings, shall be mailed to all Directors and to all Members upon request, or posted on the Association's electronic bulletin board. The Committees shall operate within budgets established for them by the Board, if any.

6.6 Planning Committee. The Board shall create a Planning Committee whose function is described

in Subsection 9.2.

6.6.1 Non-Member Participation. Any interested non-Member shall be permitted to participate in meetings of the Planning Committee, but shall not be permitted to vote.

6.7 Arbitration Committee. The Board shall appoint an Arbitration Committee consisting of three voting members, one from each of three voting membership classifications. The Board shall appoint one new member from the unrepresented class each year, so that each classification shall be represented by a new member every fourth year. The Arbitration Committee shall have the responsibilities described in Subsections 6.10 and 12.2.3 and shall also, from time to time, review the arbitration procedures set forth in this Governing Agreement and consider proposed changes to be presented to the Board. Notwithstanding the provisions of Subsection 6.5, only the three members of the Arbitration Committee appointed by the Board shall be entitled to vote on matters coming before the Arbitration Committee. Members of the Arbitration Committee shall disqualify themselves from participating in any dispute involving such member's employer and any member so disqualified shall be replaced by a Board member from the same membership classification as designated by the President of the Board.

6.8 Pricing Committee. The Board shall establish a Pricing Committee, whose purpose is to make recommendations to the Board for ultimate submission to the FERC on transmission pricing methodologies that are appropriate to the Northwest Interconnected Area.

6.9 Other Committees. The Board may authorize such additional committees as it deems necessary to carry out the business of the Association. The Board shall set forth the duties and responsibilities of each such Committee in writing at the time of the creation of the Committee. Each such Committee shall be subject at all times to the control and direction of the Board.

6.10 Qualified Arbitrators. The Arbitration Committee shall propose and the Board shall establish, and from time to time update, a list of qualified Arbitrator and facilitator candidates. Qualified Arbitrator candidates shall be knowledgeable about the policies and criteria used in the Northwest Interconnected Area, transmission systems, and regulatory requirements. The list of Arbitrator and facilitator candidates may be

subdivided by the Arbitration Committee according to specific types of disputes that an Arbitrator or facilitator candidate is considered qualified to decide. All arbitrator names supplied by the Arbitration Committee pursuant to Subsection 12.2.3 shall be taken at random by the Arbitration Committee from the Board-approved list or, at the election of all disputing Members involved in a dispute, subdivisions of that list.

7. OFFICERS AND MANAGER.

7.1 Election of Officers. At each annual meeting of the Board of Directors, the Board shall elect a President, a Vice President, a Secretary and a Treasurer. The President and Vice President shall be chosen from the Directors of the Association. An officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. If any vacancy shall occur among the officers of the Association before the next annual meeting, it shall be filled by the Board of Directors at its next meeting following such occurrence.

7.2 Duties of President. The President shall: (i) preside over all meetings of the Members and the Board; (ii) call special meetings of the Board; and (iii) perform all duties that may be reasonably required by the Association or the Board.

7.3 Duties of Vice President. In the absence or disability of the President, the Vice President shall perform the duties of the President.

7.4 Duties of Secretary. The Secretary shall attend all meetings of the Board and all annual or special meetings of the Members; record all votes, and keep and distribute to all Directors and Members so requesting a complete record of all meetings of the Association and of the Board; and shall have general charge and supervision of the books and records of the Association. The Secretary shall sign all papers pertaining to the Association as may be authorized or directed by the Board. The Secretary shall serve all notices required by law and by this Governing Agreement including notices of meetings and notices to the FERC and shall make a full report of all matters and business pertaining to the Secretary's office to the Members at the annual meeting. The Secretary shall make all reports required by law and shall perform such other duties as may be requested by the Board.

7.5 Duties of Treasurer. The Treasurer shall perform such duties with respect to the finances of the Association as may be prescribed by the Board. The Secretary may serve as Treasurer.

7.6 Duties of Manager. The Manager shall perform such duties and shall exercise such authority as the Board may from time to time prescribe, including signing contracts on behalf of the Association with other entities after approval by the Board. The Manager shall put in place and maintain Association newsletters and/or an electronic bulletin board, which the Board determines to be sufficient to keep Members, and non-Member subscribers to the Association newsletter(s) and/or electronic bulletin board with potentially affected commercial interests, timely informed of events related to Members' activities carrying out the purposes of this Governing Agreement. The Manager shall also submit annual reports of activities of the Association to the Members and Directors, and shall send a copy of such reports to the FERC. The Manager may serve as Secretary and/or Treasurer.

7.7 Compensation. The salary, compensation and other benefits of the Manager, if any, and any other staff shall be fixed by the Board. No member of the Board shall receive any compensation or other benefits or reimbursement of expenses from the Association.

8. ADMINISTRATION COSTS.

8.1 Allocation. Unless and until the Board establishes a different allocation formula, the administrative costs of the Association shall be allocated among Members as follows:

8.1.1. 25% of the total costs shall be allocated among the Members, including end users, other than Commissions, on a per Member basis, and

8.1.2. 75% of the total costs shall be allocated among the Members based upon their total revenues from the sale of electricity within the Western Interconnection in the prior calendar year (other than those revenues associated with the Residential Exchange pursuant to 16 U.S.C. 839c(c)). End User members shall be exempt from payment of such costs in section 8.1.2.

8.2 Assessment. Administrative costs of the Association shall be assessed as of January 1 of the year to which they are applicable, and shall be paid according to a schedule to be established by the Board.

8.3 Administrative costs shall not include planning costs, which are provided for in Subsection 9.5.5.

9. COORDINATED PLANNING.

9.1 Planning Committee Purpose. The purpose of the Planning Committee is to support coordinated transmission planning. The goal of coordinated transmission planning within the Association is to assure the development of an efficient and reliable regional transmission system in the Northwest Interconnected Area consistent with the planning criteria listed in Subsection 9.4. To further the advancement of such goal, the Planning Committee is established to provide for the effective coordination of Members' transmission planning activities and the coordination of Association planning activities with those of other transmission groups.

9.2 Planning Committee Function. To fulfill its purposes, the Planning Committee shall:

9.2.1 Cause to be collected, and made available to all Members, the planning information described in Subsection 9.3;

9.2.2 Establish procedures for, and develop for Board approval, coordinated transmission plans as described in Subsection 9.5;

9.2.3 Prepare, when appropriate, Association planning information, reports and maps for government regulatory agencies, reliability councils and others, as requested;

9.2.4 Encourage the use of common and consistent planning assumptions and methods among Members to the maximum extent practicable; and

9.2.5 Carry out other activities only as directed or approved by the Board.

9.3 Planning Information.

9.3.1 Within 90 days of obtaining membership, each Member shall file with the Association a catalogue describing its reliability criteria, standards, guidelines and operating procedures, in effect as of July 1, 1993, in regard to which it desires to establish a rebuttable presumption pursuant to Subsection 12.2.6.

9.3.2 The Planning Committee shall determine the information which is required to support coordinated transmission planning. Members shall submit information in accordance with Appendix A hereto, as such may be amended by the Planning Committee. Appendix A should, at a minimum, require each Member to submit all information necessary to determine Available Transmission Capacity on constrained paths if such information is already known to the Member. The Planning Committee may designate other data, not collected by the Association, which should routinely be provided by Members, upon request, to other Members.

9.3.3 To avoid unnecessary duplication among the Association, WSCC and other transmission groups which may be collecting and coordinating transmission planning information, the Planning Committee shall, to the maximum extent it determines practicable, coordinate its data collection activities with such entities, use WSCC reports and data, and adopt formats established by the WSCC to fulfill the

information reporting requirements of this Section.

9.3.4 Data collected directly by the Association, or in cooperation with the WSCC or other entities, shall be available through the Association regardless of the data's physical location. If a Member desires information which is not collected by or through the Association, such Member may request from any other Member electrical system data and diagrams for a specified portion of the other Member's transmission facilities and any other information which is reasonably necessary for such requesting Member to: (i) assess Available Transmission Capacity; (ii) assess the need for, and the system performance associated with, new transmission facilities; or (iii) undertake or enforce any right or obligation specifically provided under this Governing Agreement. A Member receiving such a request for information shall, subject to applicable law, provide it within a reasonable time after receipt of the request. The Member requesting such information shall be obligated to pay the other Member's reasonable costs for generating and providing the requested data, diagrams, and other information.

9.4 Planning Criteria. Individual Transmission Providers' or Canadian Transmission Provider's reliability criteria, standards, guidelines and operating procedures shall be reasonable and consistent with Prudent Utility Practice. With respect to any Transmission Provider's or Canadian Transmission Provider's System, all such reliability criteria, standards, guidelines and operating procedures shall be consistently applied by a Transmission Provider or Canadian Transmission Provider to its own use of its system in accordance with this Governing Agreement, and to a Transmission User's or Canadian Transmission User's request to use such system pursuant to a request for interconnection or transmission services, unless otherwise agreed by the Transmission User or Canadian Transmission User.

9.5 Planning Coordination. Within the Association, planning shall facilitate the coordination of each Member's individual transmission system expansion plans with the plans of other Members who are developing or planning transmission projects, and promote and encourage the efficient development and use of the region's existing and future transmission facilities that will enhance interconnected operations. While the responsibility to actually perform system planning shall remain with individual Members, the Association,

through the Planning Committee, shall provide for the coordination of the planning efforts of all Members in order to further the goal of developing a reliable and efficient transmission system.

9.5.1 The Planning Committee shall biennially prepare and submit to the Board for approval a coordinated transmission plan for the Northwest Interconnected Area. Such transmission plan shall be updated by the Planning Committee when and as needed, subject to Board approval. The coordinated transmission plan shall take into account and coordinate Members' and non-Members' planning information, system expansion project proposals, decisions and needs where made known to the Planning Committee as well as data and evaluations obtained from the WSCC Regional Planning Process, Northwest Power Pool, Western Regional Transmission Association and the Planning Committee's own activities. The coordinated plan may contain alternative approaches to meeting system needs.

9.5.2 The Planning Committee shall collect and make available to Members and non-Member subscribers to the Association newsletter(s) and/or electronic bulletin board information on Members' planned transmission facilities and estimated present and future Available Transmission Capacity.

9.5.3 The Planning Committee shall support the development of Members' technical study capabilities, as needed, for regional transmission assessments.

9.5.4 The coordinated transmission plan shall: (i) include the known needs of Members and non-Members whenever practicable; (ii) look beyond the proposed terminus of proposed transmission projects in order to consider opportunities to improve regional operation and resource utilization; (iii) address the efficient use of transmission corridors; (iv) seek comment from parties affected by such transmission projects; and (v) consider opportunities for consolidation of transmission projects when practicable.

9.5.5 Members anticipating the development of major transmission projects (voltages greater than 100 kV that are not a portion of a Member's distribution system) shall provide notice of opportunity to participate in development study work to all Members and non-Member subscribers by posting notice in the Association's newsletter or electronic bulletin board. Members and non-Member subscribers shall respond in writing to the sponsoring Member within 60 days after notice is posted if they desire to

participate in and provide funding for such studies. Those Members and non-Member subscribers participating in joint project studies shall periodically share the results of the study work with the Planning Committee. Costs for such joint planning studies shall be documented and shared as agreed by those Members and non-Member subscribers participating, as documented by an agreement among them. Study costs may include applicable out-of-pocket expenditures for computer costs, staff time, report preparation, report distribution and appropriate overhead costs.

9.5.6 Neither this Governing Agreement nor the coordination of transmission planning by the Association under Section 9 shall require a Member to implement any specific proposals which are the result of any Planning Committee or Board action; provided, however, no Member shall be relieved of its obligation to respond to requests for interconnection or transmission services as required by this Governing Agreement or to implement the provisions of a contract or Award.

9.6 Performance of Planning Activities by Contract. The Planning Committee shall seek to avoid duplication of planning effort in the Northwest Interconnected Area whenever possible. To this end, the Association may contract with the Northwest Power Pool, or other entity or entities, to provide planning services to meet the needs of the Association for coordination of transmission planning and data collection.

In the event that planning activities are performed by contract, the Planning Committee shall function as a policy group to make recommendations for consideration by the Board regarding the planning needs of the Association, acceptance or rejection of the contractor's work product, and evaluation of the adequacy of contractual services. The Board shall review such proposed contracts before execution and thereafter no less often than biennially after execution, to ensure that the provisions of this Section 9 are fulfilled. Contracts for planning services will be executed by the Manager, pursuant to Subsection 7.6, after approval by the Board.

10. REQUESTS FOR TRANSMISSION SERVICE.

10.1 Service to be Provided. Subject to the provisions of Section 13, each Transmission Provider shall provide transmission services, including interconnection to the Transmission Provider's system, from its Available Transmission Capacity on its Existing Facilities, or from Incremental Facilities where necessary, to any Transmission User on a basis consistent with the FPA, the FERC's then-applicable standards and policies and this Governing Agreement. The duration of service contracted for shall not be reduced, modified or terminated pursuant to Subsection 211(d)(1)(B) of the FPA. Each Canadian Transmission Provider agrees to provide interconnection and transmission service under this Governing Agreement on a basis comparable to a Member subject to Sections 210 or 211 of the FPA to the maximum extent permitted by Canadian Laws

and, where necessary, will apply to the appropriate Canadian Regulatory Authority for approvals required to provide such interconnection or transmission service and will diligently prosecute such application.

To the extent that Canadian Laws do not allow, or the appropriate Canadian Regulatory Authority does not permit, a Canadian Transmission Provider to provide interconnection or transmission service on a basis comparable to a Member subject to Sections 210 or 211 of the FPA, then a Transmission Provider shall only be required, in responding to a request from such Canadian Transmission Provider for interconnection or transmission service, to provide service to the Canadian Transmission Provider or its marketing affiliate on a basis comparable to the service which the Canadian Transmission Provider is then allowed or authorized to provide to any Member requesting service.

Any non-Canadian Members not subject to Sections 210 and 211 of the Federal Power Act agree to provide interconnection and transmission services on the same basis as those Members that are subject to the FPA. Transmission Users with statutory rights to a Transmission Provider's transmission capacity may also use this Governing Agreement to enforce those rights.

10.2 Comparability of Service. Subject to Subsections 10.1 and 11.2, each Member shall provide interconnection or transmission service to any other Member on a comparable basis and under the same or comparable terms and conditions as apply to the providing Member's own use of its system, subject to the requirements of Section 13.8.

10.2.1 Each Transmission Provider that is a "public utility" as defined in Section 201(e) of the FPA shall file a tariff with the FERC within 180 days of the effective date of this Governing Agreement, or within 60 days of becoming a Transmission Provider, whichever is later, setting forth the specific rates, terms and conditions for such comparable transmission service.

10.2.2 Each Transmission Provider that is not a "public utility" as defined in Section 201(e) of the FPA and each Canadian Transmission Provider, shall, within 180 days of the effective date of this Governing Agreement, or within 60 days of becoming a Transmission Provider or Canadian Transmission Provider, whichever is later, submit to the Manager of the Association, and seek necessary regulatory

approval of, a tariff setting forth the specific rates, terms and conditions for its providing comparable transmission service.

10.2.3 Any Transmission Provider that is not a "public utility" as defined in Section 201(e) of the FPA, and any Canadian Transmission Provider which determines that it is unlikely to receive a request for transmission or interconnection service may petition the Board for an exemption from the requirement to submit a tariff to the Manager of the Association provided that such Transmission Provider or Canadian Transmission Provider shall submit a tariff to the Manager of the Association within 120 days of when it first receives a request for transmission service from another Member.

10.2.4 Any changes in any transmission tariff previously submitted to the Manager of the Association shall be promptly submitted to the Manager after its adoption.

10.3 Tariff or Agreement Required. Transmission services and interconnection shall be provided solely under a separate tariff or agreement and this Governing Agreement shall not, in and of itself, be construed to be a tariff or service agreement providing for transmission services and interconnection.

10.4 Request for Service.

10.4.1. Except as provided for in Subsections 12.2.1, 12.4.2, and 12.5.9, each Transmission User desirous of receiving interconnection and transmission services from a Transmission Provider shall, in each instance, pursue its request for such service pursuant to this Governing Agreement in lieu of pursuing its request for such service pursuant to Section 210 or 211 of the FPA. A Transmission User requesting such services shall provide to the Transmission Provider information regarding its request in accordance with the FERC's then-current policy regarding such requests (as currently embodied in the FERC's "Policy Statement Regarding Good Faith Requests for Transmission Services", 58 Fed. Reg. 38964 (1993) (Policy Statement)). A request for transmission services made consistent with this Subsection shall be deemed a "good faith request" for transmission services within the meaning of Section 213 of the FPA and of the FERC's Policy Statement.

10.4.2. The Board shall forward to the Members for approval a transmission services request process and rules of priority for providing such service, to be followed by all Members; the request process and rules of priority, if approved by the Members pursuant to Section 14, shall be set forth in an

appendix to this Governing Agreement.

10.5 Response to Request for Services.

10.5.1 The Transmission Provider shall respond to a request for interconnection or transmission services from a Transmission User in accordance with Sections 212 and 213 of the FPA, the FERC's then-applicable policies (as presently embodied in the FERC's Policy Statement), and this Subsection 10.5.

10.5.2 The Transmission Provider may elect to provide the requested services without further study, or to conduct a study, including any environmental studies, if such are required by statute, at the Transmission User's expense, to determine: (i) whether it has sufficient Available Transmission Capacity to provide the requested service initially and for the full term of the request; or (ii) what upgrades, additional transmission facilities or interconnections are required to accommodate the requested service. The Transmission Provider's reasonable and nondiscriminatory study costs shall be billed to and paid by the Transmission User in advance based upon the Transmission Provider's reasonable estimate of such costs. Any reconciliation for over or underpayment shall be done upon completion of the study work. Such study shall be completed within a reasonable time period. Failing agreement between the Transmission Provider and Transmission User on a reasonable period of time for and scope of such studies, the dispute resolution procedures of Section 12 may be invoked by either Member. The Transmission Provider shall be responsible for conducting the study with participation and input from the Transmission User, as mutually agreed to, and the results of the study shall be made available to the Transmission User, the Planning Committee, and any other Member requesting them. If the Transmission Provider makes the results of a study paid for by the Transmission User available to other Members, a reasonable share of the costs shall be assessed such other Members and following collection shall be reimbursed to the Transmission User.

10.5.3 Subject to the requirements of the National Environmental Policy Act or other applicable environmental laws, if a Transmission Provider is able to provide transmission services without further study or if the study demonstrates that the requested service can be provided using Available Transmission Capacity, the Transmission Provider shall promptly offer a proposed contract to the

Transmission User which shall include the Transmission Provider's proposed price, terms and conditions for the requested service. If the Transmission User and the Transmission Provider do not agree on a proposed contract following negotiations, the Transmission Provider and the Transmission User shall proceed in accordance with Section 12 of this Governing Agreement. If the Transmission Provider and the Transmission User agree upon a proposed contract for service, the Transmission Provider shall promptly take all other actions reasonably necessary to effectuate service.

10.5.4 Each Canadian Transmission Provider shall establish, publish and utilize procedures for responding to requests for interconnection and transmission service, including procedures for the conduct of studies and for the construction of Incremental Facilities as required of Transmission Providers under Subsection 10.6, that are comparable to those prescribed by the Governing Agreement for Members subject to Sections 210 or 211 of the FPA, except to the extent limited under Canadian Laws or by the appropriate Canadian Regulatory Authority.

10.6 Requests Requiring Upgrades, Additional Facilities or Interconnections.

10.6.1 If the Transmission Provider's study performed pursuant to Subsection 10.5 concludes that the Transmission Provider does not have sufficient Available Transmission Capacity to provide the requested service initially or for the requested term, it shall include at a minimum: (i) a detailed description of the required Incremental Facilities or interconnection facilities; (ii) the estimated cost of and cash flow requirements for installing the Incremental Facilities or providing the interconnection facilities; (iii) the estimated time necessary to build such facilities or provide such interconnection facilities, including the estimated time required for environmental studies, licensing and regulatory approvals; (iv) the estimated incremental capacity added to the transmission system by the Incremental Facilities; and (v) whether the Transmission User will be required to contribute capital in connection with installing the Incremental Facilities or providing the interconnection facilities.

10.6.2 If the Transmission Provider's study demonstrates a need for interconnection with another entity or for upgrades to the transmission facilities of such other entity, the Transmission Provider shall

make a good faith effort to arrange a joint study with the other entity to evaluate the impact of such an interconnection or transmission facility upgrade. If the other entity is a Member, such Member shall cooperate in good faith in the interconnection study. Costs for this additional study shall be borne by the Transmission User, upon approval of the additional study by the Transmission User.

10.6.3 If the Transmission Provider's study demonstrates a need for and the feasibility of building Incremental Facilities or providing an interconnection and if the Transmission User elects to proceed with its request for transmission services, the Transmission Provider shall be obligated to build the Incremental Facilities or provide the interconnection facilities, and provide the requested service. The obligation to build and provide service is subject to and shall not exceed the requirements of applicable federal, state, and provincial laws, and the FERC's standards and policies. The Transmission Provider shall provide notice of its intent to construct the Incremental Facility or interconnection facilities to all Members through posting in the Association newsletter or electronic bulletin board.

10.7. Tax Exempt Financing.

10.7.1 Notwithstanding any other provision of this Governing Agreement, no Transmission Provider which has utilized tax-exempt financing shall be required to provide interconnection or transmission services to a Transmission User unless, in the unqualified written opinion of nationally-recognized bond counsel selected by the Transmission Provider, or pursuant to a ruling of the Internal Revenue Service (the "IRS"), providing the requested service would not: (i) impair the exclusion from gross income for Federal income tax purposes of interest paid or to be paid on any debt issued or to be issued by or for the benefit of the Transmission Provider, or (ii) impair the deductibility of interest expense associated with interest paid or to be paid on any such tax-exempt debt (either hereafter referred to as an "Impairment").

10.7.2 The Transmission User may direct the Transmission Provider to seek an unqualified opinion of bond counsel and/or to request a clarifying IRS ruling described in Subsection 10.7.1. In seeking any such bond counsel opinion and/or preparing any such IRS ruling request, the Transmission Provider shall

consult with the Transmission User, and the Transmission Provider shall attempt in good faith to obtain the requested bond counsel opinion and/or IRS ruling. All costs related to obtaining such bond counsel opinion and/or IRS ruling shall be paid by the Transmission User.

10.7.3 If the Transmission Provider determines that an Impairment exists but (i) the Impairment can be eliminated if steps are taken in connection with tax-exempt debt issued or to be issued by or for the benefit of the Transmission Provider, (ii) the manner of eliminating the Impairment does not require the Transmission Provider to violate provisions of Subsection 9.4 of this Governing Agreement, (iii) the Transmission Provider determines that the costs of eliminating the Impairment can be determined with reasonable accuracy, and (iv) the Transmission User agrees to pay all costs related to elimination of such Impairment, then the Transmission Provider shall take all reasonable steps to eliminate the Impairment. If the Impairment can be eliminated, the Transmission Provider shall endeavor to determine with reasonable accuracy the lowest cost method of eliminating the Impairment. Among other things, such costs shall include (i) the Transmission Provider's increased financing costs associated with the inclusion in gross income for Federal income tax purposes of interest on any debt to be issued by or for the benefit of the Transmission Provider, and (ii) any increased income tax liability of the Transmission Provider resulting from the loss of deductibility of interest expense associated with interest on any tax-exempt debt issued or to be issued by or for the benefit of the Transmission Provider. If the Transmission Provider has been unable to obtain an approving IRS ruling, or if the Transmission Provider is unable to determine the costs of eliminating the Impairment with reasonable accuracy, then the Transmission Provider's obligation to provide the requested service pursuant to this Governing Agreement shall be discharged. However, the Transmission User may request the FERC to order the requested interconnection service under Section 210 of the FPA, or the requested transmission services under Sections 211, 212 or 213 of the FPA. In the case of a Transmission Provider, on behalf of which tax-exempt debt has been issued under Subsection 142(a)(8) and 142(f) of the Internal Revenue Code (or any predecessor or successor statute), absent a bond counsel unqualified opinion or IRS ruling pursuant to Subsection 10.7.1 of this Governing Agreement that is obtained by the Transmission

Provider which concludes that no Impairment would occur, the Transmission User shall not request the FERC to issue an order under Sections 210 or 211 of the FPA that would require the Transmission Provider to own any additional facilities; provided, however, a Transmission User shall not be precluded from requesting an order under Sections 210 or 211 of the FPA which does not require such Transmission Provider to own such additional facilities.

10.7.4 At the timely request of any actual or potential Transmission User, any actual or potential Transmission Provider who plans to finance new electric transmission or interconnection facilities with proceeds of tax-exempt debt shall undertake all reasonable specific actions requested by an actual or potential Transmission User to minimize: (i) any restrictions on the Transmission User's access to such facilities caused by the tax-exempt debt, and (ii) any increase in the price of interconnection or transmission services resulting from the refinancing, reconfiguring, or otherwise restructuring of such tax-exempt debt in order to provide service to the Transmission User. Actual or potential Transmission Providers shall not be obligated to incur any cost in undertaking such actions unless all associated costs are paid by actual or potential Transmission Users.

10.7.5 The Association shall endeavor to persuade the IRS or the United States Treasury Department to promulgate a rule or regulation clarifying any ambiguity regarding the ability of Members to provide interconnection or transmission services consistent with this Governing Agreement without giving rise to an Impairment and clarifying circumstances under which any Impairments can be eliminated.

11. PRICING.

11.1 General Provisions. Pricing of interconnection or transmission services by any Transmission Provider in response to any request under this Governing Agreement for interconnection or transmission services shall utilize pricing procedures and methodologies for use of Existing Facilities and Incremental Facilities (if applicable) that conform to the FPA and then-applicable standards and policies of the FERC.

11.2 Canadian Provisions. With respect to a request for interconnection or transmission service

under this Governing Agreement to a Canadian Transmission Provider: (i) If no rate schedule or tariff for the requested interconnection or transmission service has been approved or accepted for filing, and no approval by a Canadian Regulatory Authority is required for the Canadian Transmission Provider to provide the requested interconnection or transmission service, the Canadian Transmission Provider shall utilize pricing procedures and methodologies comparable to those prescribed for Transmission Providers by the FPA and by then-applicable standards and policies of the FERC for similar interconnection or transmission services; (ii) If a rate schedule or tariff is required to be filed for the requested interconnection or transmission service, or if approval by a Canadian Regulatory Authority is required for the Canadian Transmission Provider to provide such interconnection or transmission service, then the Canadian Transmission Provider shall file a proposed rate schedule or tariff for the requested interconnection or transmission service utilizing pricing procedures and methodologies comparable to those prescribed for Transmission Providers by the FPA and then-applicable standards and policies of the FERC for similar interconnection or transmission services, and shall diligently seek all necessary approvals from the appropriate Canadian Regulatory Authority; provided, however, that the Canadian Transmission Provider shall not be required to provide the requested interconnection or transmission service utilizing pricing procedures and methodologies other than those approved by the appropriate Canadian Regulatory Authority.

11.3 Establishment of Pricing Principles. Notwithstanding any other provision of this Governing Agreement, any Member or Members or the Board may, from time to time, request the FERC to find a particular form of transmission pricing by a Transmission Provider to be in accordance with the FPA, or request that the Canadian Regulatory Authority find a particular form of transmission pricing by a Canadian Transmission Provider to be in accordance with Canadian laws. Notice of such filing shall be provided to other Members. Pending the resolution of such request, established applicable policies shall govern. Any Member may challenge in a future arbitration whether such FERC or Canadian Regulatory Authority finding represents then applicable FERC or Canadian Regulatory Authority adopted policy regarding a then-pending request for interconnection or transmission services.

12. DISPUTE RESOLUTION.

12.1 Preconditions to Arbitration.

12.1.1 Each Member shall make best efforts to settle all disputes with respect to such Member arising under this Governing Agreement including but not limited to disputes concerning amounts and location of Available Transmission Capacity; need for and costs of Incremental Facilities and interconnection facilities; costs, prices, and terms and conditions of transmission services and interconnection facilities; and estimates of the nature, extent, total cost, schedule, and proposed allocations of costs associated with studies, including environmental analyses, proposed in response to a request for service. In the event any such dispute is not settled, any disputing Member may request in writing that the Manager appoint an impartial facilitator who shall be familiar with and knowledgeable about the policies and criteria used in the Northwest Interconnected Area to aid the disputing Members in reaching a mutually-acceptable resolution to the dispute; such appointment shall be made within ten days of receipt of the request. The facilitator and representatives of disputing Members with authority to settle the dispute shall meet within 21 days after the facilitator has been appointed to attempt to negotiate a resolution of the dispute. Settlement offers shall not be admissible in any subsequent dispute resolution process. With the consent of all disputing Members, resolution may include referring the matter to a technical body (such as the Planning Committee) for resolution or an advisory opinion.

12.1.2 If the disputing Members have not succeeded in negotiating a resolution of the dispute within 30 days after first meeting with the facilitator or if the facilitator is not appointed within ten days pursuant to Subsection 12.1.1, such Members shall be deemed to be at an impasse and any such disputing Member may commence the dispute resolution process.

12.1.3 Scope of Dispute Resolution. The scope of dispute resolution under this Governing Agreement shall include all disputes arising under this Governing Agreement; provided, however, that disputes related to the enforcement of treaties or executed agreements (other than this Governing Agreement) and to the existence of an Impairment as described in Subsection 10.7.1 shall not be subject to dispute resolution

procedures under this Governing Agreement unless otherwise agreed by the disputing Members.

12.2 Arbitration Process.

12.2.1 Notwithstanding any other procedural rights established in this Governing Agreement, in the event that any Member violates any deadline established in this Subsection 12.2, the non-violating Member has the right of immediate appeal or recourse to the FERC or the appropriate Canadian Regulatory Authority. If at any time there exists no Board-approved list of qualified Arbitrators pursuant to Subsection 6.10, Members are not bound by the provisions of this Section 12 and may proceed directly to the FERC under Sections 210 or 211 of the FPA or to the appropriate Canadian Regulatory Authority. The parties to any dispute may mutually agree to waive or extend any deadlines in this Subsection 12.2.

12.2.2 Within 14 days of a disputing Member's request that the arbitration process be commenced, each disputing Member shall submit a statement in writing to the other disputing Members, which statement shall set forth in reasonable detail the nature of the dispute, the issues to be arbitrated, and the proposed Award sought through such arbitration proceedings. To the extent disputing Members do not agree on the terms of a required contract for interconnection or transmission services, each submittal shall include proposed contract language for those issues in dispute. A summary of such statement of issues and a brief description of the services sought, including the information required in 18 C.F.R. 1.36.1 or any successor regulation, shall be published by the Manager in the Association's newsletter or electronic bulletin board.

12.2.3 Within ten days following the submission of their statements, the disputing Members shall select an Arbitrator who shall be familiar with and knowledgeable about the policies and criteria used in the Northwest Interconnected Area, transmission systems, and regulatory requirements. If the disputing Members cannot agree upon an Arbitrator, the disputing Members, by membership classification, shall take turns striking names from a list of ten qualified individuals supplied by the Arbitration Committee from the list maintained by the Board pursuant to Subsection 6.10, with a disputing Member chosen by lot first striking a name. The last-remaining name not stricken shall be designated as the Arbitrator. If that individual is unable

or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is able and willing to serve. Absent the express written consent of all disputing Members as to any particular individual, no person shall be eligible for selection as an Arbitrator who is a past or present officer, member of the governing body, employee of or consultant to any of the disputing Members, or of an entity related to or affiliated with any of the disputing Members, or whose interests are otherwise affected by the matter to be arbitrated. Any individual designated as an Arbitrator shall make known to the disputing Members any such disqualifying relationship and a new Arbitrator shall be designated in accordance with the provisions of this Subsection.

12.2.4 The Arbitrator shall determine discovery procedures, intervention rights, how evidence shall be taken, what written submittals may be made, and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution of the dispute. Intervening parties shall have the same procedural rights as parties to the dispute. Each party to the dispute shall produce all evidence determined by the Arbitrator to be relevant to the issues presented. To the extent such evidence involves proprietary or confidential information, the Arbitrator shall issue an appropriate protective order which shall be complied with by all parties to the dispute. The Arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

12.2.5 Absent the agreement to the contrary of all disputing Members, no party that is not a Member shall be permitted to intervene unless, as a condition of its intervention, it agrees to be bound by the provisions of this Governing Agreement in regard to the arbitration, including the provisions related to deference on appeal to the FERC set forth in Subsection 12.6 and to deference on appeal to a Canadian Regulatory Authority set forth in Part 12.9. A Member whose principal place of business is not in the same nation as the transmission facilities concerning which a dispute has arisen shall be entitled to intervene as a matter of right in any arbitration involving such facilities if electrical energy to be bought or sold by such Member is to be transmitted over such facilities and shall be deemed to have standing as a party to any appeal of any such arbitration.

12.2.6 The Arbitrator shall consider all issues underlying a dispute including, if relevant, whether a Transmission Provider's or Canadian Transmission Provider's reliability criteria, standards, guidelines and operating procedures are consistent with Subsection 9.4, after giving consideration to consistently applied regional or national reliability standards, guidelines or criteria; provided, that an individual Member's reliability criteria, standards, and guidelines, and operating procedures for maintaining system reliability which were in effect and in writing as of July 1, 1993, or that are consistent with the provisions of reliability criteria, standards, guidelines, and operating procedures of the North American Electric Reliability Council and the WSCC which govern the planning, design, and operation of Members' transmission systems, but not the applicability, consistent application or interpretation of such criteria, standards, operating procedures and guidelines in regard to a particular request, shall be afforded a rebuttable presumption of reasonableness and consistency with Prudent Utility Practice by the Arbitrator.

12.2.7 The Arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the Arbitrator and may request additional information, including the opinion of recognized technical bodies. Disputing parties shall be afforded a reasonable opportunity to rebut any such additional information. Other affected entities may request in writing that the Arbitrator consider additional information and the Arbitrator may consider such additional information, subject to a right of the disputing

parties to have a reasonable opportunity to rebut such additional information.

12.3 Substantive Standards and Decision. As soon as practicable but in no event later than 115 days of his or her selection as Arbitrator, the Arbitrator shall select, by written notice to the disputing parties, the proposed Award of a disputing party which best meets the terms and intent of this Governing Agreement and conforms with the FPA and the FERC's then applicable standards and policies or, in the case of a dispute involving a Canadian Transmission Provider, this Governing Agreement, Canadian Laws and the then-applicable standards and policies of the appropriate Canadian Regulatory Authority; provided, however, if the Arbitrator concludes that no proposed Award is consistent with this Governing Agreement, the FPA, and the FERC's then applicable standards and policies, or in the case of a dispute involving a Canadian Transmission Provider with this Governing Agreement, Canadian Laws and the then-applicable standards and policies of the appropriate Canadian Regulatory Authority, or addresses all issues in dispute, the Arbitrator shall specify how each proposed Award is deficient and request that the disputing parties submit new proposed Awards that cure the deficiency perceived by the Arbitrator. A written decision, including specific findings of fact, explaining the basis for the Award shall be provided by the Arbitrator with the written notice to parties. Awards will be based only on the evidence on the record before the Arbitrator. Both notice and decision shall be published in the Association's newsletter or on the electronic bulletin board. No Award that is not appealed shall be deemed to be precedential in any other arbitration related to a different dispute.

12.4 Compliance and Costs.

12.4.1 Immediately upon the decision by the Arbitrator, except as provided for in Subsections 12.6 or 12.9, the disputing parties shall take whatever action is required to comply with the selected Award to the extent the selected Award does not require regulatory action and shall pursue no avenue of appeal. To the extent the Award requires local, state, federal or provincial approval or regulatory action, FERC review of an Award involving a Power Marketing Agency, or a FERC filing by a Transmission Provider subject to FPA Sections 205 or 206, or a Canadian Regulatory Authority filing by a Canadian Transmission Provider, the affected Member shall promptly submit and support that portion of the Award with the appropriate authority except as provided in Subsection 12.6 or Subsection 12.9. Any and all costs

associated with the arbitration (not including the disputing parties' costs associated with attorney and expert witness fees) shall be borne by the party or parties whose proposed Award was not selected, unless the disputing parties agree to an alternate method of allocating costs.

12.4.2 Except for it not being precedential in other arbitrations and except for an Award involving a Canadian Transmission Provider, an Award that is not appealed shall be deemed to have the same force and effect as an order entered by the FERC pursuant to Sections 210 or 211 of the FPA and, with respect to any request for interconnection or transmission services, the parties to the arbitration shall be deemed to have been proceeding under Section 210 or 211 of the FPA. If a Member asserts that another Member has failed to comply with an Award providing for interconnection and/or transmission services by a Transmission Provider that has not been appealed to the FERC, the complaining Member may file with the FERC pursuant to Section 210 or 211, as the case may be, a request for interconnection or transmission services identical to the service granted in such Award and a request that civil penalties be assessed pursuant to Section 316A of the FPA for violation of any provision of Sections 211, 212, 213 or 214 of the FPA or any provision of any rule or order issued thereunder in connection with the request for interconnection or transmission services. In the event of such a filing, each party to the arbitration that resulted in such Award:

(a) shall be deemed to have stipulated to the FERC summarily entering an order pursuant to Section 210 or 211 of the FPA consistent with the Award;

(b) shall only be entitled to contest whether the Award has been complied with and what civil penalties, if any, should be assessed pursuant to Section 316A of the FPA in the event the FERC finds that the Award has not been complied with and Sections 211, 212, 213 or 214 of the FPA or rules or orders issued thereunder have been violated;

(c) shall not seek to offer evidence or argument on any issue other than whether the Award has been complied with, whether there have been violations of Sections 211, 212, 213 or 214 of the FPA or rules or orders issued thereunder, and what civil penalties, if any, should be assessed; and

(d) shall be deemed to have stipulated after hearing pursuant to Section 316A of the FPA to the FERC entering an order assessing civil penalties, which may be retroactive to the date of such Award or the date of the violation of Sections 211, 212, 213 or 214 of the FPA or rules or orders issued thereunder, as the case may be, in the event the FERC finds that a party to the arbitration has failed to comply with such an Award.

12.5 Bonneville Power Administration Rate Proceedings. In case of a dispute arising under this Governing Agreement concerning a BPA rate for requested interconnection or transmission services ("BPA Rate Issue Dispute"):

12.5.1. Except as otherwise provided in this Subsection 12.5, this Subsection 12.5 shall apply to a BPA Rate Issue Dispute in lieu of Subsections 12.2, 12.3, 12.4, 12.6, and 12.7 of this Governing Agreement; provided, however, that if BPA has by Federal Register notice initiated a hearing under Subsection 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) to establish, or review and revise, a rate or rates of general applicability for FERC-ordered transmission services or for other transmission services, and the BPA Rate Issue Dispute under this Governing Agreement involves the appropriateness or application of such rate or rates to the Transmission User's request for BPA transmission services, then for purposes only of that Transmission User's request for BPA transmission services a separate Subsection 7(i) proceeding shall be held in accordance with the procedures of this Subsection 12.5 to determine that particular BPA Rate Issue Dispute unless the Arbitrator determines, or the disputing Members agree, that (1) the separate 7(i) proceeding would frustrate or unnecessarily avoid the ongoing 7(i) proceeding and (2) resolution of the BPA Rate Issue Dispute in the ongoing 7(i) proceeding would not materially frustrate the Transmission User's need for an expeditious decision.

12.5.2. Where the rate would have been subject to review and determination by the FERC under Subsection 212(i)(1) of the FPA had the rate dispute and any related good faith dispute over transmission services been timely brought before the FERC, pricing of interconnection or transmission services by BPA in response to any request under this Governing Agreement for such service shall conform

to Subsection 212(i)(1)(ii) of the FPA and then-applicable standards and policies of the FERC. For purposes of determining whether the rate would have been subject to review and determination by the FERC under Subsection 212(i)(1) of the FPA, transmission services ordered by the Arbitrator shall be deemed FERC-ordered transmission services, and a good faith dispute over a request for transmission services subject to arbitration under this Governing Agreement shall be treated as a good faith request for FERC-ordered transmission services under Sections 211 and 212 of the FPA. Notwithstanding Subsection 11.3 of this Governing Agreement, declaratory relief concerning BPA's rates shall only be available as allowed by law.

12.5.3. A hearing on a BPA Rate Issue Dispute shall be held which comports in all respects with Subsection 7(i) of the Northwest Power Act and other applicable requirements of Federal law, including any applicable requirements of the National Environmental Policy Act, with the addition that:

(i) following compliance with the preconditions to arbitration set forth in Subsection 12.1 of this Governing Agreement, and within 14 days of a disputing Member's ensuing request that the hearing process be commenced, each disputing member shall submit a statement in writing to the other disputing Members, which statement shall set forth in reasonable detail the nature of the BPA Rate Issue Dispute, the issues to be raised in the hearing, and the proposed rate(s) sought through such hearing;

(ii) BPA shall within 14 days of its receipt of the disputing Members' written statements prepare and submit for publication a Federal Register notice that in addition to meeting the requirements of Northwest Power Act Subsection 7(i)(1), also sets forth the statements or notifies the public of their availability;

(iii) the hearing officer/Arbitrator (hereafter hearing officer) shall be selected as specified in Subsection 12.2.3 of this Governing Agreement, which selection shall be officially recognized by BPA;

(iv) with the exception of any legally required process for taking participant comments, the hearing shall be held in Portland, Oregon, and in the BPA Rates Hearing Room if available, unless an alternative location is agreed to by all parties to the hearing;

(v) the hearing officer shall comport with Subsections 12.2.4, 12.2.6, and 12.2.7 of this Governing Agreement, unless inconsistent with Subsection 7(i) of the Northwest Power Act or the National Environmental

Policy Act;

(vi) the hearing officer shall, unless violative of Subsection 7(i) of the Northwest Power Act or the National Environmental Policy Act, conduct the hearing in a manner calculated to ensure that no more than 115 days elapses from the date of the publicly noticed pre-hearing conference to the date of the Administrator's final decision pursuant to Subsection 7(i)(5) of the Northwest Power Act;

(vii) the hearing officer shall, unless the hearing officer becomes unavailable, make a recommended decision to the Administrator that (a) best meets the terms and intent of this Governing Agreement, Subsection 212(i) of the FPA and the FERC's then-applicable standards and policies, and (b) sets forth the hearing officer's findings and conclusions, and the reasons or basis thereof, on all material issues of fact, law, or discretion presented on the record;

(viii) in the case of rates that would be subject to review and determination by the FERC under Subsection 212(i)(1) of the FPA had the rate dispute and any related good faith dispute over transmission services been timely brought before the FERC, the Administrator shall afford deference to the hearing officer's factual findings and determination of issues not of first impression (i.e., matters previously decided by the FERC or a court of competent jurisdiction in cases involving comparable facts and circumstances); and

(ix) the Administrator's final decision under Subsection 7(i)(5) of the Northwest Power Act shall also set forth the reasons for reaching any findings and conclusions which may differ from those of the hearing officer, based on the hearing record and the law.

12.5.4. In those cases where the dispute arising under this Governing Agreement not only involves a BPA Rate Issue Dispute but also involves a dispute over the terms and conditions of BPA transmission services, resolution and appeal of the dispute over the terms and conditions shall continue to be governed by sections of this Governing Agreement other than this Subsection 12.5; provided, however, that the Transmission User may, in its sole discretion, timely request consolidation of the dispute over terms and conditions with the 7(i) rates hearing described in Subsection 12.5.3 for determination of the appropriate Award of terms and conditions by the hearing officer. Where the dispute over terms and conditions has been consolidated in the 7(i) proceeding described in Subsection 12.5.3, and as to matters involving terms and conditions, as distinguished from rates, the hearing officer (Arbitrator) will exercise his or her authority to determine and make an appropriate Award regarding the terms and conditions in dispute through the use of the procedures for arbitration specified in Subsections 12.2.3 through 12.3 of this Governing Agreement, except that the timing provision of this Subsection 12.5.3(vi) shall apply. Where arbitration of the dispute over

terms and conditions has not been consolidated with the 7(i) rate proceeding described in Subsection 12.5.3, the arbitration shall nevertheless, if practicable, be conducted by the same Arbitrator as selected to serve as the hearing officer, take place in the same city, be timed to conclude at or about the time the hearing officer renders his or her recommended decision in the 7(i) proceeding pursuant to Subsection 12.5.3(vii) of this Governing Agreement, and be otherwise so conducted and structured to permit both proceedings to proceed in an orderly, fair and efficient manner.

12.5.5. Filing of the Administrator's final rate(s) decided under Subsection 7(i)(5) of the Northwest Power Act, and any appeal or protest thereof, shall be promptly made in accord with existing provisions of law and regulation. Notwithstanding the fact that the Administrator has made a final rates decision under Subsection 7(i)(5) of the Northwest Power Act, the Members intend that in the case of BPA rates subject to the requirements of Subsection 212(i)(1)(ii) of the FPA, the FERC shall afford deference to the hearing officer's factual findings and determination of issues not of first impression (i.e., matters previously decided by the FERC or a court of competent jurisdiction in cases involving comparable facts and circumstances).

12.5.6. In the event the dispute is over whether either an existing BPA rate or a BPA rate submitted to the FERC for approval applies by its terms to the requested transmission services, arbitration shall be held pursuant to sections of this Governing Agreement other than this Subsection 12.5 to determine if the rate applies. In the event such dispute would have fallen within the FERC's jurisdiction if the requesting Member had not been a Member and application had been timely filed with the FERC to resolve the dispute, appeal of the Arbitrator's Award shall be in accord with Subsection 12.6 of this Governing Agreement. In the event the dispute would have fallen outside the FERC's jurisdiction if the requesting Member had not been a Member and had timely filed with the FERC to resolve the dispute and any disputing party desires to appeal the Award, the disputing parties shall undertake all reasonable steps to obtain judicial review of the Award, or the equivalent thereof, in a manner similar to a final determination of the Administrator under the Northwest Power Act. Nothing in this Subsection 12.5.6 is intended to preclude a disputing party from seeking both

FERC and judicial review.

12.5.7. In accordance with Subsection 212(i)(4) of the FPA, the Members intend that to the extent the BPA Administrator could not be required under Section 211 of the FPA, as a result of the Administrator's other statutory mandates, either to (A) provide transmission services to an applicant which the FERC would otherwise order, or (B) provide such service under rates, terms, and conditions which the FERC would otherwise require, a Member shall not be required to provide similar transmission services to the Administrator or to provide such services under similar rates, terms, and conditions.

12.5.8. BPA transmission rates subject to the provisions of Section 212(i)(1) of the FPA will be established, as soon as reasonably practicable, by the BPA Administrator to meet the standards of Subsection 212(i)(1)(ii) of the FPA, including that such BPA rates shall not be unjust, unreasonable, or unduly discriminatory or preferential.

12.5.9. BPA shall respond to a request made under this Governing Agreement for a transmission rate with its position whether the rate is or will be subject to Subsection 212(i)(1)(ii) of the FPA. In the event that BPA's position is that the rate is not, or will not be, subject to Subsection 212(i)(1)(ii) of the FPA, the Transmission User shall be free to elect no later than the conclusion of the facilitation process under Subsection 12.2.1 to avail itself of any right it has under applicable Federal law with respect to such request and without regard to the provisions of this Governing Agreement.

12.6 FERC Appeal.

12.6.1. Any party to an arbitration involving a Transmission Provider may apply to the FERC to hear an appeal of any Award only upon the grounds that the Award is contrary to or beyond the scope of this Governing Agreement or is unjust, unreasonable, unduly discriminatory or preferential or otherwise inconsistent with the FPA or the FERC's then applicable standards or policies. Any appeal to the FERC shall be based solely upon the record assembled by the Arbitrator, provided, however, that any order by an Arbitrator excluding material from the arbitration record or which is alleged to violate due process may be explicitly appealed to the FERC by a disputing Member as part of an appeal under this Subsection 12.6.

Parties to arbitrations intend that: (i) the FERC should afford substantial deference to the factual findings of the Arbitrator; (ii) the portion, if any, of the Award relating to issues not of first impression (i.e., matters previously decided by the FERC or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the FERC; and (iii) the portion, if any, of the Award relating to issues of first impression should be afforded no deference by the FERC.

12.6.2. No Member and no non-Member who is a party to an arbitration involving a Transmission Provider, shall seek to expand the factual record before the FERC beyond that assembled by the Arbitrator.

12.7 Procedures for Appeals Involving Transmission Providers. If any disputing party to an arbitration involving a Transmission Provider desires to appeal an Award, it shall provide written notice to that effect to all other disputing parties, the Arbitrator and the Manager within 14 days following the date of the Award. If such notice of appeal is timely provided, then:

(a) Within 10 days of the date of the first notice of appeal that is provided, the party requesting interconnection or transmission services shall file an application with the FERC pursuant to Section 210 or 211 of the FPA. Such application shall state that the service requested has been the subject of an arbitration pursuant to this Governing Agreement.

(b) Within 14 days of the date of such first notice of appeal, the disputing party providing such notice shall file its statement of position regarding the appeal with the FERC together with the complete evidentiary record of the arbitration and a copy of the Award.

(c) Within 30 days of the date of such first notice of appeal, any other disputing party that was a party to the arbitration may file its statement of position regarding the appeal with the FERC.

(d) Copies of all materials filed with the FERC by a party during the course of an appeal shall be delivered to all other parties and the Manager.

(e) Implementation of the Award shall be deemed stayed pending an appeal unless and until, at the request of a party, the FERC issues an order shortening or extending such stay; provided, however, if the only issue on appeal is the cost of the requested service, the Transmission User may request that the service be provided pending appeal based upon the cost proposed by the Transmission Provider, subject to refund with interest by the Transmission Provider.

(f) A summary of each appeal shall be published by the Manager in the Association's newsletter or electronic bulletin board.

(g) The Members intend that the FERC orders resulting from appeals shall be subject to judicial review pursuant to the FPA.

12.8 Civil Penalties on Appeal. A party to an arbitration in which the Award has been appealed to the FERC may request that civil penalties be assessed by the FERC pursuant to Section 316A of the FPA, which may be retroactive to the date of any violation of Sections 211, 212, 213 or 214 of the FPA, or rules or orders issued thereunder and the parties shall be deemed to have proceeded under Section 210 or 211 of the FPA beginning with the date upon which the Transmission User requested interconnection or transmission services from the Transmission Provider.

12.9 Canadian Review of Arbitration Awards.

12.9.1 Subject to the limitations of Subsection 12.1.3, in a dispute involving transmission facilities within Canada or interconnection or transmission service provided through such facilities, a disputing Member may elect to utilize the procedures of this Section 12.9.

12.9.2 Any party to an arbitration involving a Canadian Transmission Provider may apply to the appropriate Canadian Regulatory Authority to hear an appeal of any Award only upon the grounds that the Award is contrary to or beyond the scope of this Governing Agreement or is unjust, unreasonable, unduly discriminatory or preferential or otherwise inconsistent with Canadian Laws or with then-applicable standards or policies of the appropriate Canadian Regulatory Authority.

Any appeal to a Canadian Regulatory Authority by a party to an arbitration involving a Canadian Transmission Provider shall be based solely upon the record assembled by the Arbitrator; provided, however, that any order by an Arbitrator including material from the arbitration record or which is alleged to violate due process may be explicitly appealed to the Canadian Regulatory Authority by a disputing Member as part of an appeal under this Subsection 12.9. Members and non-Members who are parties to such arbitration intend that: (i) the Canadian Regulatory Authority should afford substantial deference to the factual findings of the Arbitrator; (ii) the portion, if any, of the Award relating to issues not of first impression (i.e., matters previously decided by the Canadian Regulatory Authority or a court of competent jurisdiction in cases involving

comparable facts and circumstances) should be afforded appropriate deference by the Canadian Regulatory Authority, and (iii) the portion, if any, of the Award relating to issues of first impressions should be afforded no deference by the Canadian Regulatory Authority; provided, however, that nothing in this provision is intended to limit the ability of a Canadian Regulatory Authority on its own initiative to review an Award, should it determine that the Award affects a matter within its jurisdiction.

12.9.3 No Member, and no non-Member who is a party to an arbitration involving a Canadian Transmission Provider, shall seek to expand the factual record before the Canadian Regulatory Authority beyond that assembled by the Arbitrator.

12.9.4 If any party to an arbitration involving a Canadian Transmission Provider desires to appeal an Award, it shall provide written notice to that effect to all other parties, the Arbitrator and the Manager within 14 days following the date of the Award. If such notice of appeal is timely provided:

(a) Within 14 days of the date of such first notice of appeal, the party providing such notice shall file its statement of position regarding the appeal with the Canadian Regulatory Authority, together with the complete evidentiary record of the arbitration and a copy of the Award.

(b) Within 30 days of the date of such first notice of appeal, any other party that was a party to the arbitration may file its statement of position regarding the appeal with the Canadian Regulatory Authority.

(c) Copies of all materials filed with the Canadian Regulatory Authority by a party during the course of an appeal shall be delivered to all other parties and the Manager.

(d) Implementation of the Award shall be deemed stayed pending an appeal unless and until, at the request of a disputing party, the Canadian Regulatory Authority issues an order shortening or extending such stay; provided, however, if the only issue on appeal is the cost of requested service, the Canadian Transmission User may request that the service be provided pending appeal based upon the cost proposed by the Canadian Transmission Provider, subject to refund with interest by the Canadian Transmission Provider.

(e) A summary of each appeal shall be published by the Manager in the Association's newsletter or electronic bulletin board.

(f) The Members intend that Canadian Regulatory Authority orders resulting from appeals shall be subject to judicial review pursuant to applicable Canadian Laws.

12.9.5 An Award involving a Canadian Transmission Provider shall be filed with the appropriate Canadian Regulatory Authority within 10 days after its issuance. The Canadian Regulatory Authority may thereafter determine whether to review the Award on its own initiative, take such other action as it may deem appropriate, or take no action with respect to the Award. Should the Canadian Regulatory Authority take no action regarding the Award within such 30 day period, the parties to the arbitration are entitled to assume that the Canadian Regulatory Authority intends to take no action on its own initiative to review the Award.

Should the Canadian Regulatory Authority issue an order under this Subpart 12.9.5 initiating a review of the Award within such 30 day period, the effectiveness of the Award shall be stayed pending a final order of the Canadian Regulatory Authority regarding the Award.

12.10 Prohibition on Mandatory Retail Wheeling and Sham Transactions. No Arbitrator shall select and no Member consents to an Award which requires the transmission of electric energy under circumstances where the FERC is precluded from ordering transmission services pursuant to Subsection 212(h) of the FPA, or which requires retail wheeling by a Canadian Transmission Provider.

13. EFFECT OF GOVERNING AGREEMENT.

13.1 Except as expressly provided for in Subsections 10.1, 10.4, and 11.2, and Part 10.5.4, no Member waives any right that it would otherwise have had it not joined the Association but instead proceeded to the FERC or the appropriate Canadian Regulatory Authority directly or was the respondent in a FERC or Canadian Regulatory Authority proceeding. Subject to Parts 12.6.2 and 12.9.3, all Members are specifically presumed to have preserved their rights to assert to an Arbitrator and to the FERC or Canadian Regulatory Authority on appeal any argument or position which they could have presented to the FERC or Canadian

Regulatory Authority, which is not in conflict with the express provisions of this Governing Agreement.

13.2 Except as expressly provided herein, this Governing Agreement specifies procedural requirements only and does not constitute a requirement or consent by any Member to any substantive terms or conditions of public utility service.

13.3 This Governing Agreement shall not, in and of itself, be construed as a tariff, rate schedule or service agreement providing for transmission services. This Governing Agreement shall not be construed as an agreement of any Member to construct facilities or provide interconnection or transmission services of a type or under circumstances or pursuant to rates, terms or conditions that would not be required by the FERC pursuant to FPA Sections 210, 211, 212 or 213.

13.4 Nothing in this Governing Agreement shall be construed as affecting the right of any Member in regard to transmission services provided other than pursuant to Sections 210 or 211 of the FPA to unilaterally seek to change rates or rate methodologies. Nothing in this Governing Agreement shall be construed as establishing or affecting (i) any right a Member subject to FERC jurisdiction under Sections 205, 206 and 306 of the FPA may or may not have to unilaterally make application to the FERC under such Sections for a change in rates or rate methodologies established pursuant to an order entered pursuant to Section 210 or 211 of the FPA or deemed to be equivalent thereto pursuant to this Governing Agreement or (ii) any right any Member not subject to FERC jurisdiction under Sections 205, 206 and 306 of the FPA may or may not have to change rates or rate methodologies established pursuant to an order entered pursuant to Section 210 or 211 of the FPA or deemed to be equivalent thereto pursuant to this Governing Agreement; or (iii) any right a Member may or may not have to unilaterally make application to the appropriate Canadian Regulatory Authority for a change in rates or rate methodologies governing transmission within Canada; provided that changes under either (i) or (ii) above result in rates that are consistent with the standards of Section 212 of the FPA; and provided further that changes under (iii) above result in rates that are not unjust, unreasonable, unduly discriminatory or preferential..

13.5 This Governing Agreement does not replace, modify, supersede or limit any contract, decisions of regulatory agencies or courts of law, or other legally-enforceable entitlements, rights or obligations of any Member, or limit a Member's liability under any contract, except as specifically provided herein.

13.6 Nothing in this Governing Agreement is intended to, or may be construed to, in any way determine or comment on (directly, by implication, or otherwise) the issue of which BPA transmission rates are subject to Section 212(i) or other sections of the FPA.

13.7 Members that are also members of the Western Regional Transmission Association agree that provisions of this Governing Agreement governing the provision of transmission service, the pricing thereof, and resolution of disputes shall, at the election of one such member, govern requests for service between them.

13.8 Nothing in this Governing Agreement is intended to alter or modify any Member's existing rights under applicable current federal, state and/or provincial statutes and regulations, including rights and limitations related to retail access. Nothing in this Governing Agreement shall be construed to grant to any Member any rights pursuant to FPA Sections 210, 211, 212 or 213.

14. AMENDMENTS.

This Governing Agreement may be amended only by the Members at any annual or special meeting. Amendments shall be effective upon their approval or acceptance for filing by the FERC pursuant to Section 205 of the FPA.

15. MISCELLANEOUS PROVISIONS.

15.1 Limitation on Liability. It is the express intent, understanding and agreement of the Members that the remedies for nonperformance expressly included in Subsection 3.5 and Section 12 of this Governing Agreement shall be the sole and exclusive remedies available to any Member under this Governing Agreement for any nonperformance of obligations under this Governing Agreement. Subject to Subsection 16.2 of this Governing Agreement and any applicable state or federal law which may specifically limit a Member's ability to limit its liability, no Member, its directors, members of its governing bodies, officers or

employees shall be liable under this Governing Agreement under either tort claim, contract claim or strict liability to any other Member or Members for any loss or damage to property, loss of earnings, revenues, personal injury, or any other direct, indirect, punitive, exemplary, special or consequential damages or injury which may occur or result from the performance or nonperformance of this Governing Agreement, including any negligence (whether active, passive or imputed) arising thereunder; each Member releases each other Member from any such liability. Nothing in this Governing Agreement is intended to expand or limit any Member's liability pursuant to any law, regulation, contract, or agreement (including without limitation the "Agreement Limiting Liability Among Western Interconnected Systems") other than this Governing Agreement.

15.2 No Third-Party Beneficiaries. Nothing in this Governing Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

16. FERC REVIEW.

16.1 If the FERC issues an order requiring material changes to this Governing Agreement, this Governing Agreement shall have no further force or effect.

16.2 Except as provided in Section 10, no provisions of this Governing Agreement shall be construed to prevent individual Members from filing complaints, protests, motions, or other comments at the FERC under 18 C.F.R. 385.201 et seq. regarding activities of any other entity.

16.3 Subject to Subsection 16.1, this Governing Agreement shall be effective upon its approval by the FERC.

17. TERMINATION OF ASSOCIATION.

The Association shall go out of existence and this Governing Agreement shall have no further force or effect at such time, more than one year following the effective date of this Governing Agreement, that a majority of the Board agrees that there are too few Members for effective operation of the Association. The Board shall direct the Secretary to file a notice of termination with the FERC pursuant to Section 205 of the FPA and the FERC. Such termination shall be effective upon receipt of such notice by the FERC.

[Member signature]

(date)
Title _____
Organization _____
Initial Membership Classification

Appendix A - Transmission Planning Data

to be Submitted by Members

1.0 Each Member shall provide the following information unless modified by the Planning Committee, on a schedule specified by the Planning Committee. To avoid unnecessary duplication of effort, to the maximum extent practical, data content and format shall be coordinated with similar data collected by other entities.

1.1.1 Transmission System Data and Representation: Each Member that operates a control area shall, for conditions relevant to the coordinated planning process, provide generation and transmission system data and system representations appropriate to regional transmission planning. Such data and representations shall, to the extent feasible, be consistent with those prepared for WSCC planning studies. Each Member shall cooperate with the control area operator in fulfilling the requirements of this Subsection. The Planning Committee shall determine the type of data and representations to be submitted by each Member, which may include a description of all components of the transmission facilities represented by such data, including the length, size, electrical characteristics and rating of transmission line segments; capacitor, circuit breaker, bus and/or transformer ratings (including emergency ratings if used in the design of the system); and other system elements to the extent such elements may limit transfer capability.

1.1.2 Planning Criteria: Each Member, when supplying transmission system data, shall also supply the transmission design, operating, and reliability criteria currently used in the planning of its transmission system.

1.1.3 Intertie Data: Each Member shall provide information specifying: the transfer capability of each of its interties with other utility transmission systems for those interfaces at which such capabilities have been established and a summary of its contractual obligations to provide service, the amount of firm transmission services, and other uses and commitments which affect these interties.

1.1.4 Long-Term Transmission Plan: Each Member shall provide its long-term transmission plan, for new transmission facilities and reinforcements over 100 kV and additional, associated interconnection facilities. The plan shall include a description of each planned transmission project including a single-line

diagram, the project's functional purpose and design parameters (if available), a summary of contractual obligations to provide service related to the project, the expected operating date, data required to incorporate the project in the utility's transmission representation and, for upgrades to system interconnections, the expected increase in transfer capability. Information on other specific transmission projects less than 100 kV shall be provided as requested by the Planning Committee to facilitate coordinated planning and as required in Subsection 9.3.2. In accord with Subsection 9.3.2, the Planning Committee shall determine the information required to prepare the long term transmission plan. Such long term transmission plan may include, for example, the following information, including a description of any underlying assumptions and supporting data or analysis for the required information for the applicable planning period:

- (i) Existing and planned control area generation to meet the needs of Native Load
- (ii) Intertie ratings
- (iii) Existing and planned firm imports to meet the needs of Native Load
- (iv) Existing and planned firm exports
- (v) Existing contractual rights and commitments for transmission services
- (vi) Reservation for prudent reserve
- (vii) The locations, durations and quantities of Available Transmission Capacity on transmission lines or paths for which such transfer capabilities have been established
- (viii) Current plans for new transmission facilities over 100 kV and additional interconnection facilities
- (ix) If available, estimates of the cost of each planned reinforcement, including the proposed allocation of such costs to the forecasted transmission users
- (x) The location, duration and quantity of all pending good faith transmission service requests not subject to confidentiality restrictions
- (xi) Transmission entitlements
- (xii) Generation resource additions and modifications
- (xiii) Identification of: computer models, software or programs used to produce any information required to be provided under this appendix, computer databases, and assumptions used for modeling the Member's existing and planned electrical systems; and
- (xiv) Any information required to satisfy the FERC with respect to Section 213 of the FPA.

1.1.5 Planned Resource Development: The long-term transmission plans produced in the coordinated planning process can be accurate only to the extent that the resource plans reflected in the plans are accurate. Each utility Member and each nonutility Member is required to provide public domain information to the Planning Committee regarding its generation development plans and the requirements for transmission necessary to implement such plans. Such plans and requirements shall promptly be provided

to the Planning Committee by a utility Member following regulatory approval and/or a decision by the utility Member to develop a power resource, and by a nonutility Member following such nonutility Member's execution of a power sales agreement with respect to any power resource.

1.1.6 Additional Information: The Planning Committee may require Members to provide any additional information at times and in a form deemed necessary to accomplish the goals of coordinated transmission planning.