



UTAH PUBLIC
SERVICE COMMISSION

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Please Reply To:

Natalie Hocken, Vice President & General Counsel
Pacific Power Legal
825 N.E. Multnomah Street
Suite 2000
Portland, Oregon 97232
Direct (503) 813-7205
Fax (503) 813-7262
email: natalie.hocken@pacificorp.com

June 2, 2009

VIA HAND DELIVERY

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: PacifiCorp, Docket No. ER09-____-000

Dear Secretary Bose:

Pursuant to Section 205(c) of the Federal Power Act ("FPA") (16 U.S.C. 824d(c)) and Rule 35.13 of the Federal Energy Regulatory Commission's (the "Commission" or "FERC") Regulations, 18 C.F.R. § 35.13 (2008), PacifiCorp ("PacifiCorp" or "Company") hereby tenders for filing Rate Schedule No. 641 between PacifiCorp and Utah Associated Municipal Power Systems ("UAMPS"). Pursuant to Rule 35.15, PacifiCorp also is filing a sheet cancelling Rate Schedule No. 615, the Interim Integrated Transmission System ("ITS") Operation and Maintenance Agreement between PacifiCorp and UAMPS ("Interim O&M Agreement").

I. BACKGROUND

PacifiCorp and UAMPS are parties to a Joint Operating Agreement ("JOA"), Rate Schedule No. 592, filed in Docket No. ER05-674, that provides for the construction of a set of transmission facilities called the Integrated Transmission System ("ITS"). The JOA provides for phased construction of the ITS and describes which party will own certain facilities and which facilities will be jointly owned. Under the JOA, it was expected that, until Phase 2 construction was complete, each party would be responsible for the operation and maintenance (O&M) of their respective facilities. However, the parties agreed that after Phase 2 was complete, PacifiCorp would be responsible for O&M for all of the ITS facilities.

During construction of Phase 2 of the ITS, however, the parties recognized the need to make changes regarding responsibility for the O&M of certain facilities. Therefore, the parties executed the Interim O&M Agreement, wherein certain O&M practices were agreed to by both parties, but no rates were charged. Concurrent with the execution of the Interim O&M Agreement, the parties executed the Integrated Transmission System (ITS) Operation and Maintenance Agreement between PacifiCorp and Utah Associated Municipal Power Systems ("Final O&M Agreement"). The Final O&M Agreement provided that upon completion of

Phase 2 construction PacifiCorp would provide O&M service for the entire ITS. Both the Interim and Final O&M Agreements indicate that the Interim O&M Agreement would terminate and the Final O&M Agreement would become effective when the Phase 2 facilities are put into service.

As a result of the comprehensive document review undertaken and described in its filing in Docket No. ER08-1410, PacifiCorp discovered that the Interim and Final O&M Agreements were not filed in 2006 when they were executed. Despite the fact that no charges were being collected under the Interim O&M Agreement, because the agreement appeared to be FERC-jurisdictional, it was filed in Docket No. ER08-1410. When the filing of the Interim O&M Agreement was made, Phase 2 construction of the ITS was not yet completed and this was noted in the filing as the reason the Final O&M Agreement was not filed at the same time in Docket No. ER08-1410.

PacifiCorp has now discovered that even though the Phase 2 construction was not fully completed until September 30, 2008, all major Phase 2 facilities were put in service on May 31, 2006 and PacifiCorp began billing O&M charges under the Final O&M Agreement in August 2006. As a result, PacifiCorp now seeks to file the Final O&M Agreement and terminate the Interim O&M Agreement.

II. DESCRIPTION OF FILING

A. Termination of Rate Schedule No. 615

Rate Schedule No. 615 can be terminated, as it terminated by its terms when Phase 2 construction was completed. Given that no charges were assessed to UAMPS under Rate Schedule No. 615, a termination date of 60 days from the date of this filing is being requested. A termination sheet is attached as Exhibit A.

B. Rate Schedule No. 641

The Final O&M Agreement, attached as Exhibit B, delegates to PacifiCorp the authority to maintain and operate the ITS when Phase 2 is completed. PacifiCorp is authorized to bill UAMPS its share of "Actual Maintenance Costs" with an itemized accounting for labor and equipment for outside vendors. Such costs may relate to operations, maintenance, repairs, and replacements of the facilities included in the ITS. The agreement also deals with a variety of operational and personnel matters.

For Rate Schedule No. 641, PacifiCorp is requesting an effective date 60 days from the date of this filing (i.e., August 1, 2009). As noted, PacifiCorp has received revenues under this rate schedule. The Commission has adopted a "time-value refund" remedy, under which a utility is required to refund the time value of the revenues it collected during the entire period that a rate was collected without FERC authorization. As the Commission has held, however, time-value refunds, are not "open-ended," and are limited to "an amount that permits a public utility to recover its variable costs."¹ The Actual Maintenance Costs, which are defined below, are

¹ *Carolina Power & Light Co.*, 87 FERC ¶ 61,083 at 61,356 (1999); *El Paso Electric Co.*, Docket No. ER04-26 (Jan. 30, 2004).

intended to reflect the variable cost of providing service, which costs can include allocations for overhead.² Given that the intent of the agreement was to recover variable costs, the time-value floor should be applied and no time-value penalty is merited.

Moreover, the rate that would be charged under the Final O&M Agreement was on file with the Commission by virtue of its inclusion in the JOA. The rate -- "Actual Maintenance Costs" -- was on file. The term "Actual Maintenance Costs" was not defined by the Final O&M Agreement; rather, the term was defined in the JOA, which was filed in 2005 (and which was appended to the Final O&M Agreement). The JOA definition provides:

"Actual Maintenance Cost" shall mean each Party's actual cost of maintenance, repairs, or replacements, whether planned or unplanned, catastrophic or the result of normal use or obsolescence; including all reasonable costs, charges, and expenses incurred by each Party; including all direct costs and indirect costs, and including allocated overheads, all as determined by each Party's accounting system; all to the extent expensed in accordance with the FERC's Uniform System of Accounts and related rules and consistent with Generally Accepted Accounting Principles. All allocated overheads shall not exceed 15% of direct costs in any period, exclusive of AFUDC, if any, which shall be a separate component of Actual Maintenance Cost.

Article 5 of the JOA explains "that upon completion of Phase 2, . . . one entity shall be designated to perform the operations and maintenance of the facilities included within the ITS." Article 5 goes on to indicate that the party with the responsibility would account for its Actual Maintenance Costs. Article 5 also explains that "Such Actual Maintenance Costs shall be borne by the Parties pro rata based on their ownership interest in ITS facilities." Therefore, though the O&M Agreements themselves were not timely filed, the rate and cost allocation arrangements codified therein were described in the JOA, which was on file with the Commission in 2005.

III. OTHER INFORMATION REQUIREMENTS AND REQUEST FOR WAIVERS

This filing consists of a new rate and thus is a rate change other than a rate increase. PacifiCorp is requesting permission to provide only the information required by 18 C.F.R. Section 35.13(b) and (c). To the extent not already provided above, the following information required by 18 C.F.R. Sections 35.13(b) and (c) is supplied below:

- To date, PacifiCorp has collected \$109,170.06 from UAMPS. Revenues vary from year to year due to the variability of planned maintenance schedules on selected equipment and the uncertainty of equipment failures requiring maintenance repairs.

² E.g., *Florida Power and Light Co.*, 98 FERC ¶ 61,276 (2002); *Bangor Hydro-Elec. Co.*, Dkt. No. ER03-365, Letter Order (May 6, 2003); *Connecticut Light and Power Co.*, Dkt. No. ER04-408, Letter Order (Apr. 8, 2004).

- No expenses or costs in connection with this service agreement have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

PacifiCorp seeks waiver of any filing requirements of 18 C.F.R. § 35.13 necessary to allow the Commission to accept this filing with an effective date of August 1, 2009.

IV. DESIGNATION

PacifiCorp respectfully requests that the Final Integrated Transmission System Operation & Maintenance Agreement be designated as Original Rate Schedule No. 641.

V. EXHIBITS

The following exhibits are attached hereto:

Exhibit 1 Original Rate Schedule No. 641

Exhibit 2 Tariff Sheet indicating Termination of Rate Schedule No. 615

VI. COMMUNICATIONS AND SERVICE

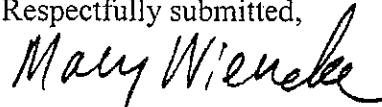
PacifiCorp will serve this filing on UAMPS as well as its various state commissions. All communications and correspondence regarding this filing should be directed to the following persons:

Mary Wiencke
PacifiCorp
825 NE Multnomah, Suite 1800
Portland, OR 97232
Phone (503) 813-5058
Fax (503) 813-7252
E-mail: Mary.Wiencke@pacificorp.com

Natalie Hocken
VP & General Counsel, Pacific Power
825 NE Multnomah, Suite 2000
Portland, OR 97232
Phone (503) 813-7205
Fax (503) 813-7252
E-mail: Natalie.Hocken@pacificorp.com

Please date-stamp and return the enclosed duplicate original Transmittal Letter via the courier. Thank you for your assistance. Should you have any questions regarding this matter, please do not hesitate to contact the undersigned.

Respectfully submitted,



Natalie L. Hocken
Mary Wiencke

Counsel for PacifiCorp

Exhibit 1

Integrated Transmission System (ITS)

Operation and Maintenance Agreement

between

PacifiCorp

and

Utah Associated Municipal Power Systems

Whereas

The existing facilities and planned facilities and their schedule of the ITS are specified in the February 18, 2005 Joint Operating Agreement, appendices A, B and C, and the Joint Operating Agreement is included in Appendix A of this Agreement.

The Joint Operating Agreement provides that the Parties will delegate to one Party the operation, maintenance, repairs and replacements of the facilities included in the ITS.

PacifiCorp owns the PacifiCorp Funded Facilities, Utah Associated Municipal Power Systems ("UAMPS") owns the UAMPS Existing Facilities and each Party owns its share of the Cost Shared Facilities.

The ITS will be operated as an integral part of the PacifiCorp Control Area.

St. George is a UAMPS member and designated O&M Contractor for UAMPS owned facilities.

Dixie-Escalante is member of the Deseret Generation and Transmission Cooperative, and its load has been included in PacifiCorp's ITS load.

Definitions

Unless defined below, capitalized terms used herein shall have the same meaning as defined in the Joint Operating Agreement attached hereto as Appendix A.

"ARTSOA" is the Amended and Restated Transmission Service and Operating Agreement between Utah Associated Municipal Power Systems and PacifiCorp dated August 14, 2001 under which UAMPS purchase transmission service and other services from PacifiCorp.

"Dispatch Level Operating Procedures" (contingency switching procedures) provide implicit guidelines for use mainly by PacifiCorp Grid Operations Staff and other participants in the ITS, to ensure safe, secure and reliable operation of the interconnected transmission system. Though some procedures will contain explicit instructions (e.g., security and emergency procedures), it is not the main intent of the Dispatch Level Operating Procedures to substitute Switching Orders and any detailed operating or work instructions relevant for day-to-day operations of the system. Rather the Procedures are designed to provide direction to PacifiCorp Grid Operations Staff and other participants, and aim to minimize variations in practices where such variations could negatively impact safety and reliability.

"Integrated Transmission System (ITS)" shall mean collectively, all Cost Shared Facilities, PacifiCorp Funded Facilities, UAMPS Existing Facilities and PacifiCorp Existing Facilities, defined in appendices A, B and C of the February 18, 2005 Joint Operating Agreement. The Joint Operating Agreement is included in Appendix A of this Agreement.

"ITS Load Ratio Share" has the same definition as Load Ratio Share in the Joint Operating Agreement.

"Preventative Maintenance Procedures" are those procedures that will be routinely performed by PacifiCorp on the ITS as shown in Appendix F attached hereto.

"Standards" means any currently effective standards, guidelines, criteria, or other requirements or specifications, as they may be amended from time to time, that: (A) govern the design, construction, operation, inspection, testing, maintenance, metering, or communications capabilities of transmission facilities; or impose data collection or submission requirements with respect to transmission facilities; (B) are promulgated, adopted, or imposed by (1) a state, regional or national regulatory or standard-setting body, including without limitation North American Electric Reliability Counsel, WECC, or any successor entity assuming or charged with similar responsibilities related to the operation and reliability of the North American interconnected transmission grid or the Western Interconnection; or (2) a Regional Transmission Organization; and (C) are applicable to the ITS.

"Switching Orders" are approved written instructions to be used by a dispatcher and field personnel to facilities changing the configuration of the electrical system. Switching Orders may be used for: testing energized equipment; placing equipment in service; removing equipment from service; returning equipment to service; transferring loads; and paralleling system components.

"Substation Level Operating Procedures" are drafted and approved by PacifiCorp's Substation Technical Support Group. The Procedures cover testing, maintenance, installation activities inside the substation. They are consistent with good electric utility practice within the United States. The procedures will be followed by PacifiCorp O&M personnel while they are in operational control of the St George Substation.

Term

Commences when Phase 2 modifications, defined in the February 18, 2005 Joint Operating Agreement ("JOA"), are put in service, and terminates concurrent with the JOA.

Provision of Load and Resource Data for the ITS

The Parties agree to provide historical data on loads and generation operating within the ITS, sufficient to allow the calculation of historical ITS loads. The historical data provided by the Parties will be used for ITS operations planning purposes and not for any other purpose and shall be handled as confidential information.

Operation and Maintenance

An ITS Technical Committee, which will be formed as a subcommittee of the existing Technical Task Force, shall be responsible for preparing and implementing Dispatch Level Operating Procedures and Switching Orders. PacifiCorp alone shall be responsible for preparing and implementing Substation Level Operating Procedures. PacifiCorp will control the switching of the transmission within the ITS. PacifiCorp will be responsible for managing the maintenance and capital replacement of ITS equipment. UAMPS shall allow PacifiCorp's operation and maintenance personnel unlimited access to the St. George Substation for the purpose of performing the work contemplated herein and may be used as their base of operations.

PacifiCorp will be responsible for the calibration and maintenance of relays and other equipment, provided, however, that UAMPS and its Members shall review and approve all calibration and maintenance that may have an affect on their service from the ITS.

Operations

The ITS will be operated in a manner that makes no adverse distinction between the ITS and transmission facilities serving each party.

Operations shall be consistent with Standards and Good Utility Practice.

The Parties shall form an ITS Technical Committee which will develop and maintain written Dispatch Level Operating Procedures and Switching Orders for the interconnected operation of the ITS. The procedures shall be: (1) strictly adhered to at all times for the safety of personnel; (2) performed in accordance with all applicable laws, rules and regulations in compliance with Occupational Safety and Health

Administration(OSHA)and the National Electric Safety Code (NESC); (3) performed in accordance and compliance with all other Standards; and (4) performed in accordance with all of the other provisions of this Agreement and the ARTSOA. Switching Orders, already in place between the two Parties, could be the basis for these new procedures. Additionally, new procedures will be needed for the day-to-day operation of the St George Substation.

The Parties recognize that special, temporary Switching Orders to accommodate specific projects may be required from time to time, and agree to cooperate in their preparation and implementation.

The Dispatch Level Operating Procedures and the Switching Orders shall be completed no later than 45 days prior to the commencement of operation of the Phase 2 system. The ITS Technical Committee shall continue to meet not less than once per year to discuss operations and update the Dispatch Level Operating Procedures and the Switching Orders, as necessary. UAMPS, St George, Dixie and PacifiCorp shall each select a representative for the Committee. Each representative shall have the authority to answer for its utility. Other support personnel may attend the meetings as necessary.

The ITS Technical Committee shall reach its decision by agreement of the representatives; provided however, that the ITS Technical Committee shall have no power to alter or amend this Agreement. The Dispatch Level Operating Procedures shall not supplant any obligation of either Party hereunder. In the event that a Dispatch Level Operating Procedure contradicts in whole or in part any obligation of either Party hereunder, the terms of this Agreement shall govern that Party's obligation to the other party to resolve any contradiction.

The Parties and their respective Members and customers agree to confer as needed to coordinate the planning, scheduling, restoration of Transmission outages so as to minimize the effects of such outages on the Parties' operations, and provide for adjustment of loads for billing purposes. The Parties agree to use

existing protocols and procedures currently in place to the extent possible.

In the event of any electric disturbance on the transmission system of the ITS, or on any other system directly or indirectly interconnected with the ITS, PacifiCorp, may as it deems necessary, take appropriate action, which may result in the automatic or manual interruption of Network Transmission Service in order to: (1) limit the extent or damage caused by the Electric Disturbance; (2) prevent damage to generating or transmission facilities; (3) expedite restoration of service, or (4) preserve public safety.

PacifiCorp will work with the parties that have interconnections at the St. George Substation, to facilitate timely switching during emergency outage conditions. If PacifiCorp personnel are not available within thirty (30) minutes of an emergency condition being noticed, pre-qualified switching personnel, from St. George and Dixie-Escalante, with notification to and approval of PacifiCorp Grid Operations Staff, may enter the St. George Substation to perform switching procedures at the direction of PacifiCorp. A list of qualified St. George and Dixie-Escalante switchmen will be presented to the ITS Technical Committee for approval and inclusion in the Switching Procedures. These personnel must participate in a St. George Substation training class taught by PacifiCorp personnel. All PacifiCorp substation entry procedures shall be followed and if PacifiCorp personnel are not on-site, personnel from St. George will be responsible for directing the implementation of the orders from PacifiCorp Grid Operations. The switching responsibilities will consist of closing-tripping the 138 KV breakers, disconnects, resetting relay targets, alarms from apparatus that feed the UAMPS and Dixie-Escalante lines, and any other related switching that the PacifiCorp dispatcher deems necessary to allow the St. George and Dixie-Escalante crews to begin repair work on their lines. All switching shall be performed in accordance with the Accident Prevention Manual (APM), SWITCH ORDER PROCESSING POLICY, GENERAL SWITCHING AND OPERATIONS MANUAL and the APPA Safety Manual and or other switching manuals. The St. George and Dixie-Escalante switching personnel will be

trained using the procedures in these documents.
These documents are attached hereto as Appendix E.

The Parties agree that St. George and Dixie Escalante personnel will be utilized at no charge only when PacifiCorp personnel are unavailable, provided that UAMPS reserves the right to amend this Agreement to receive compensation for the use of St. George or Dixie-Escalante personnel if PacifiCorp's use of the St. George or Dixie-Escalante personnel becomes consistent or burdensome to those utilities.

Maintenance and Capital Replacement Expenses

As provided for in the JOA, each Party shall be responsible for the control, maintenance, repair, and replacement of the transmission facilities it owns that are included within the ITS; provided, however, that upon the completion of Phase 2, the Parties agree that for efficient and safe operations, that one entity should be designated to perform the operations and maintenance of the facilities included within the ITS. Therefore, the Parties agree that upon the completion of Phase 2, that this Agreement delegates to PacifiCorp the operation, maintenance, repairs and replacements of the facilities included in the ITS, and that PacifiCorp shall keep an accounting of the Actual Maintenance Cost it thereby incurs. Such Actual Maintenance Cost shall be borne by the Parties pro rata based upon their ownership interest in ITS facilities. In every case, and whether performed by PacifiCorp or UAMPS, all maintenance, repair, and replacement of ITS transmission facilities shall be consistent with the requirements of the Standards and Good Utility Practice.

For maintenance and capital replacement budgeting, and expense payment purposes, the first contract year will commence the first day of the first month following commissioning of the Phase 2 facilities. The first contract year shall end on December 31 of that year. All remaining contract years will commence on January 1 and end on December 31.

PacifiCorp shall provide UAMPS with a maintenance and capital replacement budget for the first year, three months prior to the expected first month of the budget. For subsequent contract years, PacifiCorp will provide an O&M and capital replacement budget by October 1 of the previous contract year. UAMPS will review and approve the budget or provide to PacifiCorp written questions, concerns or objections to the budget for resolution by the Parties.

Billing

For the term of this Agreement, PacifiCorp shall invoice UAMPS for Actual Maintenance Costs each month times UAMPS ownership interest. Each invoice shall include full documentation of Actual Maintenance Costs with itemized accounting for labor and equipment and receipts for all outside vendors or service providers. See Appendix B, C and D for the computation of UAMPS' and PacifiCorp's Phase 2, 3, and 4 ITS ownership interest.

Liability

Each Party hereby assumes all liability for injury or damage to persons or property arising from the act or neglect of its own employees, agents or contractors and shall indemnify and hold the other Party harmless from any liability arising therefrom. Notwithstanding the foregoing, neither Party shall be liable, whether in contract, warranty, tort or strict liability, to the other Party for any injury or death to any person, or for any loss or damage to any property, caused by or arising out of an electric disturbance on the Party's electric system, whether or not such electric disturbance resulted from that Party's negligent, grossly negligent or wrongful act or omission, excepting only gross action knowingly or intentionally taken, or failed to be taken, with intent that injury or damage result therefrom, or which action is wantonly reckless. Each Party releases the other Party from, and shall indemnify the other Party from, any such liability. As used in this Section, (1) the term "Party" means, in addition to such Party itself, its directors, officers and employees; (2) the term "damage" means all damage, including consequential

damage and (3) the term "person" means any person, including those not connected with either Party to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by persons duly authorized as of this 12 day of JANUARY 2006.

PacifiCorp

Utah Associated
Municipal Power Systems

By Walter D. Miller

By M. Long

Title VP-TRANSMISSION

Title MANAGER - OPERATIONS
and PLANNING

Date JAN 12, 2006

Date JAN 11, 2006

APPENDIX A

Joint Operating Agreement

JOINT OPERATING AGREEMENT

between
PACIFICORP
and

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

This Joint Operating Agreement (this "Agreement") is entered into this ____ day of February, 2005, by and between PacifiCorp, an Oregon corporation ("PacifiCorp"), and Utah Associated Municipal Power Systems ("UAMPS"), a political subdivision of the State of Utah, organized under the Utah Interlocal Cooperation Act, and authorized to do business in the State of Utah. PacifiCorp and UAMPS are sometimes hereinafter referred to individually as "Party" and collectively as "Parties."

WHEREAS, the electrical systems of the Parties are interconnected; and

WHEREAS, PacifiCorp and UAMPS have executed the Amended and Restated Transmission Service and Operating Agreement, dated August 14, 2001 ("ARTSOA"), and the Memorandum of Understanding Re: Southwest Utah Joint Transmission Planning, dated January 30, 2004 ("MOU"); and

WHEREAS, the ARTSOA provides for coordinated transmission planning by PacifiCorp and UAMPS; and

WHEREAS, the Parties intend this Agreement to implement, in part, their coordinated transmission planning obligations under the ARTSOA;

WHEREAS, the Parties, together with Deseret Generation & Transmission Co-operative, have completed the Southwest Utah Planning Study Report, Volume 1, dated April 30, 2003 ("Joint Plan"); and

WHEREAS, the Joint Plan identifies the need for a series of 138 kV and 345 kV transmission system infrastructure projects necessary to serve southwest Utah load over the course of the next ten years; and

WHEREAS, the MOU indicated the Parties' intent to engage in negotiations with respect to implementing the Joint Plan and revising the Joint Plan as necessary; and

WHEREAS, the Joint Plan envisions that the Parties will undertake integrated planning and the reinforcement of certain transmission system facilities in Southwest Utah; and

WHEREAS, the Parties' intend this Agreement to implement the Joint Plan and such revisions to the Joint Plan as the Parties may ratify by mutual agreement;

NOW THEREFORE, in consideration of the promises, mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

Article 1. Definitions

"Actual Project Cost" shall mean all reasonable costs, charges, and expenses, incurred by either Party in its design, design review, permitting, engineering, procurement, construction, installation, modification, testing, and inspections, approval or rejection, of the Cost Shared Facilities or the Existing UAMPS Facilities. In addition, Actual Project Cost shall include a Party's reasonable internal costs, overheads, expenses, supplies, and reasonable costs for the use of its capital and real property interests, and taxes or estimated taxes due on contributions in aid of construction, attorney fees and appraisal costs, all to the extent capitalized in accordance with the FERC's Uniform System of Accounts and related rules and consistent with Generally Accepted Accounting Principles. AFUDC shall be included in Actual Project Cost for the period beginning with the date of expenditure through the date such facilities are placed in service.

"Actual Maintenance Cost" shall mean each Party's actual cost of maintenance, repairs, or replacements, whether planned or unplanned, catastrophic or the result of normal use or obsolescence; including all reasonable costs, charges, and expenses incurred by each Party; including all direct costs and indirect costs, and including allocated overheads, all as determined by each Party's accounting system; all to the extent expensed in accordance with the FERC's Uniform System of Accounts and related rules and consistent with Generally Accepted Accounting Principles. All allocated overheads shall not exceed 15% of direct costs in any period, exclusive of AFUDC, if any, which shall be a separate component of Actual Maintenance Cost.

"AFUDC" shall mean Allowance for Funds Used During Construction, such term to be applied by the Parties consistent with applicable state and federal ratemaking standards and requirements.

"Annual Payment" shall mean an annual payment to PacifiCorp by UAMPS, provided in lieu of Phase 3 or Phase 4 funding, as determined by Section 7.05.

“Bonds” shall mean the outstanding Central-St. George Transmission Project Revenue Bonds and Refunding Bonds issued from time to time by UAMPS to finance and refinance the costs of the UAMPS Existing Facilities.

“Carrying Charge Rate” or “CCR” shall mean the rate of PacifiCorp, as determined pursuant to Section 7.05 and Appendix D, to be applied to PacifiCorp’s investment in Cost Shared Facilities to compensate that PacifiCorp for its cost of owning and operating such facilities, pursuant to Section 7.05. The CCR shall be calculated for PacifiCorp based on its financial data. The cost of owning such facilities shall include return on invested capital, depreciation expense, ad valorem taxes, payroll taxes, insurance, and other administrative and general expenses, all as set forth in the methodology in Appendix D, attached hereto.

“Code” shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall include the U.S. Treasury Regulations thereunder applicable to such sections.

“Contract Year” shall mean the twelve calendar months beginning on January 1 and ending on December 31; provided, however, that during the calendar year including the Effective Date, a Contract Year shall be the period from the Effective Date through December 31 of that calendar year.

“Control Area” shall mean an electric system capable of regulating its generation in order to maintain its interchange schedule with other utilities’ electric systems and to contribute its frequency bias obligation to the interconnection as specified in the North American Electric Reliability Counsel (“NERC”) Operating Guidelines.

“Cost Shared Facilities” shall mean those facilities specified as such in Article 6. Cost Shared Facilities shall be listed in Appendix A. Jointly-funded Cost Shared Facilities will be jointly owned by the Parties in the same proportion as the funding for such facilities or as otherwise agreed in writing by the Parties; Cost Shared Facilities solely funded by one Party will be solely owned by that Party.

“Effective Date” shall mean the date first written above, unless the FERC specifies a different date that this Agreement is permitted to go into effect, in which case the date so specified shall be the Effective Date.

“Event of Default” has the meaning set forth in Section 2.03.

“FERC” shall mean the Federal Energy Regulatory Commission, or any successor entity.

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

“Integrated Transmission System” or “ITS” shall mean collectively, all Cost Shared Facilities, PacifiCorp Funded Facilities, UAMPS Existing Facilities and PacifiCorp Existing Facilities.

“ITS Operational Date” shall mean the date upon which the three 138 kV transmission circuits owned by the Parties between the Red Butte/Central 345/138 kV substation and the 138 kV St. George Switchyard are interconnected at St. George and normally operated in parallel.

“Joint Committee” shall mean the committee established pursuant to Section 10.

“Load Ratio Share” or “LRS” shall mean, with respect to the ITS, each Party’s annual Peak Load, divided by the coincidental maximum integrated ITS system demand, during a Contract Year.

“PacifiCorp Construction Standards” or “PCS” means the standards, specification, policies, and procedures of PacifiCorp with respect to the construction of transmission facilities, reasonably required by PacifiCorp, consistent with Good Utility Practice and the Standards.

“PacifiCorp Existing Facilities” shall mean all transmission facilities (including land and certain communications equipment used in the operation of the transmission facilities) owned by PacifiCorp and included as PacifiCorp Existing Facilities in Appendix C. PacifiCorp will continue to own PacifiCorp Existing Facilities.

“PacifiCorp Funded Facilities” shall mean those facilities specified as such in Article 6. PacifiCorp will own all PacifiCorp Funded Facilities.

“Peak Load” of either Party shall mean the demand of such Party delivered from the ITS, coincident with the hour of maximum integrated ITS system demand, determined each Contract Year by meters owned by the Parties jointly or separately. Additionally, each Party’s Peak Load shall include any third-party wheeling obligations of that Party for network transmission service over the ITS during the annual hour of maximum coincident ITS system demand. For purposes of the annual Peak Load calculation, each Party’s third party wheeling obligations for network transmission service over the ITS shall be the greater of the

maximum one-hour scheduled or actual delivery over the ITS during the annual hour of maximum coincident ITS system demand. Specifically, and without limitation, for purposes of this Agreement, PacifiCorp's Peak Load shall include the load of Deseret Generation & Transmission Cooperative's member distribution cooperative, whether supplied with power from Deseret Generation & Transmission Cooperative or Western Area Power Administration or other resources, served by PacifiCorp from the ITS and such load shall be included in the calculation PacifiCorp's Peak Load coincident with all other PacifiCorp load. The Parties further agree that if one Party is providing service to the other Party from the providing Party's 138 kV facilities at the St. George Switchyard for emergency or maintenance conditions during the hour of maximum integrated coincident ITS system demand, that service will not be included in the providing Party's Peak Load, but instead will be included in the receiving Party's Peak Load.

"Revenue Requirement" shall have the meaning set forth in Section 7.05(a).

"Ruling Request" shall mean the private letter ruling request prepared and submitted by UAMPS to the Internal Revenue Service to confirm that this Agreement does not give rise to any "private business use" (within the meaning of Section 141 of the Code) by PacifiCorp of the UAMPS Existing Facilities.

"Standards" means any currently effective standards, guidelines, criteria, or other requirements or specifications, as they may be amended from time to time, that: (A) govern the design, construction, operation, inspection, testing, maintenance, metering, or communications capabilities of transmission facilities; or impose data collection or submission requirements with respect to transmission facilities; (B) are promulgated, adopted, or imposed by (1) a state, regional or national regulatory or standard-setting body, including without limitation North American Electric Reliability Council, WECC, or any successor entity assuming or charged with similar responsibilities related to the operation and reliability of the North American interconnected transmission grid or the Western Interconnection; or (2) a Regional Transmission Organization; and (C) are applicable to the ITS.

"UAMPS Existing Facilities" shall mean all transmission facilities (including land and certain communications equipment used in the operation of the transmission facilities) owned by UAMPS and included as UAMPS Existing Facilities in Appendix B. UAMPS will own all UAMPS Existing Facilities.

"WECC" shall mean the Western Electricity Coordinating Council, or its successor entity.

Article 2. Term and Termination

Section 2.01 Term.

This Agreement shall be effective on the Effective Date and will remain in full force and effect so long as the UAMPS electric system is physically interconnected with PacifiCorp's electric system during normal operating conditions; provided, however, that this Agreement may be terminated pursuant to Section 2.02.

Section 2.02 Termination.

Either Party may terminate this Agreement upon an Event of Default brought about by the other Party by giving thirty (30) days prior written notice to the Party causing the Event of Default, and UAMPS may terminate this Agreement as provided in Section 3.05, provided in each case that payment obligations of both Parties incurred pursuant to this Agreement while it is in effect, will survive until satisfied.

Section 2.03 Events of Default.

The following events, occurring singularly or together, shall constitute an Event of Default of this Agreement:

- (a) Failure of either Party to discharge or perform any material duty or obligation under this Agreement other than those instances set forth in clause (b) of this subsection, which failure is not cured within 20 days after receipt of notice from the non-defaulting Party describing such Event of Default;
- (b) Failure of either Party to pay any undisputed amount due and payable under this Agreement, which failure is not cured through payment of such undisputed

amount within ten (10) business days after receipt of notice from the non-defaulting Party describing such Event of Default and demanding payment;

- (c) Failure of either Party to maintain the ITS transmission facilities owned by it in accordance with the provisions of Article 5;
- (d) Either Party completely and permanently removes all of its electric system load from the ITS;
- (e) Either Party declares bankruptcy; and
- (f) Either Party's corporate or political subdivision status, as the case may be, is dissolved or removed and is not reinstated within thirty (30) days after such event or, if such event was inadvertent, within thirty (30) days after discovery of such event.

Section 2.04 Stranded Costs

If UAMPS elects not to make a one-time payment for Phase 3 or Phase 4 costs as provided for UAMPS to make by Section 7.03 or 7.04 respectively, then prior to construction of such facilities, the Parties shall agree on a stranded cost allocation methodology that reasonably and equitably apportions potential stranded costs by accounting for PacifiCorp's investment in Shared Cost Facilities and any reduction in the Annual Payment that would result from a reduction in UAMPS load on the ITS.

Article 3. Integrated Transmission System Purposes and Uses

Section 3.01 Purpose.

The purpose of this Agreement is to provide for the joint and coordinated development of the ITS in order to: (i) promote and enhance the reliability of the PacifiCorp Existing Facilities and the UAMPS Existing Facilities in accordance with prudent reliability standards; (ii) better accommodate emergency operating conditions, temporary outages and the Parties' respective peak demands; (iii) effectuate delivery of electricity by the Parties to their respective loads; and (iv) to provide for such other transmission service needs of the Parties as the Parties may mutually agree upon. It is the intent of the Parties that such development of the ITS shall be undertaken in order to obtain the reliability enhancements and other benefits of a coordinated system and to make it unnecessary for either Party to construct duplicative facilities. Each Party shall coordinate the planning and construction of additional ITS transmission facilities with the other Party.

Section 3.02 Intended Usage

It is the intent of the Parties that each Party shall utilize the ITS, so far as is practicable and subject to the provisions of Section 3.05, to transmit electricity by such Party to serve its loads interconnected to the ITS. Improvements to the ITS will be constructed in phases pursuant to Article 6. Upon the completion of Phase 1, each Party's system will be operated in parallel only for emergencies. Upon the completion of Phase 2 and thereafter, each Party's system will be operated in parallel between Red Butte and St. George Switchyard, as provided in Article 4.

As of the date of this Agreement and based upon their historic loads and the load forecasts contained in the Joint Plan, the Parties reasonably expect that any usage by PacifiCorp of the transmission capacity of the UAMPS Existing Facilities and any usage by UAMPS of the transmission capacity of the PacifiCorp Existing Facilities will be approximately equal in value (determined over periods of three years or less).

Section 3.03 Third Party Usage.

Each Party shall comply with all applicable legal and regulatory requirements with respect to transmission of electricity by third parties over the ITS. Each Party shall use commercially reasonable efforts to accommodate the other Party regarding the latter's compliance with such legal or regulatory requirements applicable to such latter Party.

Section 3.04 Rates for Service to Loads of a Party.

After the Effective Date, but subject to the provisions of Section 3.05, each Party shall have the right to transmit electricity over ITS facilities. To the extent that such service is for the purpose of serving a Party's own loads, as such are incorporated in the determination of a Party's Peak Load, such use of ITS facilities shall be without any charges in addition to those provided for in this Agreement. Further, upon completion of Phase 2, and PacifiCorp's provision of a UAMPS Point of Delivery at the St. George Switchyard under the ARTSOA, PacifiCorp shall be permitted, without charge, to use ITS facilities to serve UAMPS loads.

Section 3.05 UAMPS Existing Facilities and the Bonds.

- (a) The Parties acknowledge and agree that the UAMPS Existing Facilities have been financed with the proceeds of the Bonds and that the Bonds were issued as tax-exempt obligations under Section 103 of the Code. As of the date of this Agreement, UAMPS reasonably expects that the transmission of electricity by PacifiCorp for its own loads across the UAMPS Existing Facilities pursuant to Section 3.04 of this Agreement will not constitute prohibited private business use of such Facilities. As provided in this Agreement, UAMPS shall retain ownership of all UAMPS Existing Facilities and it is the intention of the Parties that PacifiCorp shall not be considered to be the lessee or the owner of the UAMPS Existing Facilities for federal income tax purposes.
- (b) As promptly as is practicable after the execution of this Agreement, UAMPS shall prepare and submit the Ruling Request to the Internal Revenue Service, at UAMPS' sole expense. PacifiCorp agrees to cooperate with UAMPS in submitting the Ruling Request and obtaining a favorable ruling from the Internal Revenue Service. Pending receipt of the requested ruling from the Internal Revenue Service, all transmission of electricity across, and all other use of, the UAMPS Existing Facilities by PacifiCorp pursuant to this Agreement shall not exceed five percent of the "available output" (within the meaning of U.S. Treas. Reg. §1.141-7(b)(ii)) of the UAMPS Existing Facilities in any Contract Year.
- (c) Upon its receipt of the private letter ruling from the Internal Revenue Service under the Ruling Request, UAMPS shall in its sole discretion determine whether:
 - (i) such ruling permits removal or modification of the limitation contained in the preceding paragraph without causing interest on the Bonds to become included in gross income for federal income tax purposes; (ii) modifications or amendments to this Agreement are necessary to conform to any requirements of such ruling; or (iii) such ruling is to the effect that this Agreement gives rise to "private business use" of the UAMPS Existing Facilities in an amount that would cause the Bonds to be "private activity bonds" (within the meaning of Sections 103 and 141 of the Code). UAMPS shall give written notice of its determination to PacifiCorp, which determination shall be conclusive and binding upon the Parties. In the event that UAMPS determines that the private letter ruling permits removal or modification of the limitation contained in the preceding paragraph, such

limitation shall be removed or modified as set forth in UAMPS' written notice to PacifiCorp. In the event that UAMPS determines that modifications or amendments to this Agreement are necessary or desirable to conform to any requirements of the private letter ruling, it shall give written notice of such determination to PacifiCorp and the Parties agree to enter into good faith negotiations to agree upon an appropriate amendment or supplement to this Agreement. In the event that UAMPS determines that such ruling is to the effect that this Agreement gives rise to "private business use" of the UAMPS Existing Facilities in an amount that would cause the Bonds to be "private activity bonds," UAMPS in its sole discretion may: (x) give written notice to PacifiCorp of its election to terminate this Agreement on the 30th day following the date of such notice; or (y) give written notice of its election to continue this Agreement and to take such remedial actions with respect to the Bonds as are necessary under Section 141 of the Code.

- (d) In the event that UAMPS does not receive a private letter ruling from the Internal Revenue Service, as contemplated in the Ruling Request, on or before the day that is 18 months after the Effective Date, UAMPS shall submit this Agreement to nationally-recognized bond counsel selected by UAMPS and request an opinion from such counsel as to whether this Agreement will adversely affect the tax exempt status of interest on the Bonds. UAMPS will cause bond counsel to respond within sixty (60) days from the date of UAMPS request. UAMPS in the event that bond counsel is of the opinion that this Agreement, without regard to the limitation contained in Section 3.05(b), will not adversely affect the tax exempt status of interest on the Bonds, the Parties agree that (i) the terms of this Agreement contained in Section 3.05(b) and (c) shall be automatically stricken, without any affirmative action by either Party, (ii) the remaining portion of this Agreement shall govern the rights and obligations of the Parties as if Section 3.05(b) and (c) were never contained herein, and (iii) thereafter, all rights and obligations of both Parties under Section 3.05(b) and (c) shall terminate. In the event that bond counsel is of the opinion that revisions to this Agreement are necessary in order to avoid an adverse affect on the tax exempt status of interest on the Bonds, the Parties agree to enter into good faith negotiations to agree upon an appropriate amendment to this Agreement to implement such revisions. If the Parties are unable to agree upon such an amendment within 90 days after receipt of such opinion, UAMPS in its sole discretion may: (x) give written notice to PacifiCorp of its election to terminate this Agreement on the 30th day following the date of such notice; or (y) give written notice of its election to continue this Agreement and to take such remedial actions with respect to the Bonds as are necessary under Section 141 of the Code.

Article 4. Operations.

Section 4.01 ITS Operations.

Until the completion of Phase 2, the Parties shall coordinate the operation of their 138 kV systems. After the completion of Phase 2, the Parties shall establish procedures for the operation of the ITS, and the