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AMENDED AND RESTATED
SOUTHWEST RESERVE SHARING GROUP
PARTICIPATION AGREEMENT

Execution Copy

AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP

PARTICIPATION AGREEMENT

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1 AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP
2 PARTICIPATION AGREEMENT

3 1. PARTIES:

4 This AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP
5 PARTICIPATION AGREEMENT (the "Agreement") is by and among the parties reflected
6 in the signature page(s) to this Agreement, hereinafter referred to collectively as the
7 "Parties" and individually as "Party."

8 2. RECITALS:

9 2.1 Parties from Arizona, parts of southern California, New Mexico, and West Texas
10 have developed a framework for a regional reserve sharing group.

11 2.2 The Southwest Reserve Sharing Group (SRSG) allow for the sharing of
12 Contingency Reserves among the Parties in order to realize a more efficient and
13 economic power system operation while maintaining the reliability of the
14 interconnected system and in conformity with North American Electric Reliability
15 Corporation (NERC) and Western Electricity Coordinating Council (WECC)
16 reliability standards, as may be amended, modified, or revised (collectively,
17 reliability standards). Any other reserve obligation necessary to meet NERC and
18 WECC standards will continue to be the responsibility of each Party.

19 2.3 It is the intent of the Parties to meet or exceed all applicable WECC and NERC
20 reliability standards.

21 2.4 The Parties desire with this Agreement to amend and restate the Southwest
22 Reserve Sharing Group Participation Agreement, effective as of June 25, 1998
23 (Original SRSG Agreement), to reflect recent changes to certain NERC and
24 WECC reliability standards.

25 2.5 The Parties believe that this Agreement will yield important benefits to their
26 respective customers or members. Such benefits include the following:

2.5.1 The combined Loads of the Parties can be supplied and protected with less aggregate Contingency Reserve resulting in a net savings in operating expenses.

2.5.2 Emergency conditions can be met with less likelihood of curtailment or impairment of electric service to customers or members of the Parties.

2.5.3 The Parties can promote, facilitate, and coordinate the operation of the respective Systems of the Parties, to the benefit of the interconnected system.

2.6 Each Party is willing to utilize its respective electric generation and transmission systems to the extent of its respective obligations which are set forth in this Agreement.

3. AGREEMENT:

In consideration of the mutual covenants and promises herein set forth, the Parties amend and restate the Original SRSG Agreement as follows:

4. DEFINITIONS:

All capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Glossary of Terms used in NERC reliability standards.

The following terms, whether in the singular or in the plural, when initially capitalized in this Agreement, shall have the meanings specified:

4.1 Administrative Costs - Costs incurred by the SRSG Administrator in performing ongoing administrative functions assigned pursuant to Section 8.1 herein.

4.2 Agreement - This Amended and Restated Southwest Reserve Sharing Group Participation Agreement, together with the Service Schedules, attachments, and Exhibits thereto.

4.3 Capacity - The rated continuous load-carrying ability, expressed in megawatts (MW) or megavoltamperes (MVA) of generation, transmission, or other electrical

equipment.

4.4 Capital Expenditures - All capital costs incurred by the SRSG in association with making enhancements to, or the replacement of, the hardware and software system of the Reserve Sharing System.

4.5 Emergency Assistance - Energy furnished to a Party under Emergency conditions when power supply to the Party's Firm Demand is threatened or curtailed.

4.6 Energy - The accumulated amount of power delivered over a stated time interval; usually expressed in megawatt hours (MWh).

4.7 Executive Committee - That committee established pursuant to Section 8 herein.

4.8 Exhibits - Exhibits A, B, C, and D attached hereto, as they may be amended, modified, or revised.

4.9 Most Severe Single Contingency - That Contingency which results in the most adverse system performance under any operating condition or anticipated mode of operation.

4.10 NERC Disturbance Control Performance Standard (DCS) - The NERC Disturbance Control Performance Standard as it may be amended, modified, or revised.

4.11 New Member Fee - A fee charged to new members which reflects costs incurred by the Parties in the formation of the SRSG. Such fee shall be determined in accordance with Exhibit C attached hereto.

4.12 Operating Committee - That committee established pursuant to Section 8 herein.

4.13 Operating Procedure - Written procedures, developed and approved by the Operating Committee pursuant to Section 8 herein, to implement specific provisions of this Agreement.

4.14 Reserve Sharing System - A computer application system, operated and

maintained by the SRSG Administrator, that (i) contains the data provided by each Party, (ii) provides tools for the maintenance of such data, and (iii) provides a means to determine and allocate reserve quotas, Emergency Assistance, reserve penalties and settlements to each Party.

4.15 Service Schedule - A specific written agreement among the Parties for the purposes of dictating or specifying methods of coordination, operation, maintenance, or planning of the respective Systems, for improving the reliability of power supply and achieving economics for the customers or members served by the Parties.

4.16 Single Contingency - The loss of a single system element under any operating condition or anticipated mode of operation.

4.17 SRSG – Acronym for Southwest Reserve Sharing Group.

4.18 SRSG Administrator - That Party or entity designated to perform duties as provided for in Section 8 herein.

4.19 SRSG Emergency Assistance Matrices - Those matrices depicting the allocation of Emergency Assistance among the Parties.

5. EFFECTIVE DATE AND TERM:

5.1 This Agreement shall become effective on the later of: (i) when duly executed by all Parties or (ii) when accepted for filing by the Federal Energy Regulatory Commission (FERC). This Agreement shall continue in effect for a period of ten (10) years from said effective date and thereafter on a year to year basis until terminated by the Parties; provided, however, that any Party may withdraw its participation at any time after the effective date of this Agreement by providing written notice to the Executive Committee at least one (1) year in advance of its effective date of withdrawal, unless a shorter period of time is agreed to by all Parties. As of the effective date prescribed above, this Agreement amends and

1 restates the Original SRSG Agreement in its entirety.

2 5.2 As of the effective date of its withdrawal, the withdrawing Party shall have no
3 further rights or obligations under this Agreement, except payment of amounts
4 then or previously due. Such amounts shall include any financial obligation
5 incurred hereunder prior to the effective date of withdrawal and any amounts
6 incurred by the SRSG Administrator in processing the withdrawal of such Party.

7 5.3 Neither expiration, termination nor voiding of this Agreement shall relieve a Party
8 of its obligation to make payment of amounts due hereunder.

9 5.4 No Party shall oppose before any regulatory agencies having jurisdiction, a
10 Party's withdrawal from this Agreement, so long as the provisions of Sections
11 5.1 and 5.2 herein have been met.

12 6. RESOLUTION OF CONFLICTS:

13 In the event of a conflict between the terms and conditions of this Agreement and a
14 Service Schedule, the terms and conditions of the Service Schedule shall prevail.

15 7. PARTY OBLIGATIONS:

16 7.1 The SRSG has been formed for the purpose of sharing Contingency Reserves.
17 Each Party shall maintain, or cause to be maintained, an amount of Contingency
18 Reserve equal to or greater than its Contingency Reserve requirement, as such
19 requirement shall be determined in accordance with Service Schedules A and B
20 attached hereto.

21 7.2 Each Party shall activate and provide its Contingency Reserves to other Parties,
22 as requested, in accordance with Service Schedule B attached hereto.

23 7.3 Each Party shall operate its System continuously in parallel; provided, however,
24 that each Party shall have the right to temporarily separate the facilities of its
25 System from the System of any other Party when, in the judgment of the
26 separating Party, abnormal operating conditions exist which require such

- 1 separation to prevent damage to its facilities, injuries to personnel or impairment
2 of service to its customers or members; and for necessary inspection,
3 maintenance, repair or replacement of its facilities, or additional construction.
- 4 7.4 Each Party shall exercise reasonable efforts to construct, operate and maintain
5 its System to avoid the likelihood of a Disturbance originating within its System
6 causing an impairment of service in the Systems of other Parties and to minimize
7 the exposure to damage resulting from Disturbances on the System of other
8 Parties.
- 9 7.5 The Parties shall comply with all Operating Procedures.
- 10 7.6 Any Party within a Balancing Authority Area may make arrangements with the
11 host Balancing Authority Area to provide or share Contingency Reserve
12 responsibilities between themselves or third parties, to include billings for reserve
13 deficiency, or any other services rendered, so long as the total Contingency
14 Reserve responsibility is accommodated.
- 15 7.7 Each Party shall be responsible to provide and maintain hardware and software
16 which is compatible with the Reserve Sharing System for complying with the
17 reporting requirements of this Agreement.
- 18 7.8 Each Party is responsible for any financial obligation derived from its
19 membership herein.
- 20 7.9 Each Party shall be responsible for its share of costs and expenses attributable
21 to the SRSG Administrator performing its functions pursuant to this Agreement.
- 22 7.10 Each Party shall cooperate with the SRSG Administrator and provide the SRSG
23 Administrator information necessary for the performance of its duties herein.
- 24 8. ORGANIZATION AND ADMINISTRATION:
- 25 As a means of securing effective and timely cooperation within the activities of the SRSG
26 and a means of facilitating the administration, coordination, operations and problem

1 solving, the Parties hereby establish (i) the role of a SRSG Administrator, (ii) an
2 Executive Committee, and (iii) an Operating Committee.

3 8.1 SRSG Administrator

4 8.1.1 The SRSG Administrator shall be designated by the Operating
5 Committee from among the Parties of the SRSG; provided, however, that
6 the Operating Committee, with the approval of the Executive Committee,
7 may designate an entity other than a Party to serve as SRSG
8 Administrator.

9 8.1.2 The SRSG Administrator may resign by providing written notice to both
10 the Executive Committee and the Operating Committee at least one (1)
11 year in advance of the effective date of its resignation, unless a shorter
12 period of time is agreed to by all Parties.

13 8.1.3 The SRSG Administrator may be removed at any time by the Executive
14 Committee, with or without cause.

15 8.1.4 Upon resignation or removal of the SRSG Administrator pursuant to
16 Section 8.1.2 or Section 8.1.3 herein, the outgoing SRSG Administrator
17 shall:

18 8.1.4.1 Transfer and provide technical training regarding all hardware,
19 software, and all other material owned by the SRSG or owned
20 on behalf of the SRSG to the new SRSG Administrator; and

21 8.1.4.2 Settle all outstanding financial obligations corresponding with its
22 term as SRSG Administrator and transfer any remaining SRSG
23 funds to the new SRSG Administrator.

24 8.1.5 The SRSG Administrator shall be responsible for performing its assigned
25 duties in accordance with Operating Procedures established by the
26 Operating Committee. Such duties shall include, but not be limited to the

following:

8.1.5.1 Data - Data collection, data monitoring, and data processing.

8.1.5.2 Preparation and Consolidation of Reports

8.1.5.2.1 Maintenance and preservation of all records (including both the Executive Committee and Operating Committee meeting minutes and Operating Procedures) reasonably necessary for the performance of the duties hereunder.

8.1.5.2.2 Submission of an annual budget to the Operating Committee and the tracking of SRSG related expenses.

8.1.5.2.3 Preparation and distribution of SRSG reports required by NERC, WECC, and the Operating Committee.

8.1.5.3 Reserve Sharing System - The SRSG Administrator shall be responsible for the procurement, operation, maintenance, and the coordination of the Reserve Sharing System.

8.1.5.4 To record minutes for all Executive Committee meetings and distribute copies of such minutes to all committee members.

8.1.5.5 To record minutes for all Operating Committee meetings and distribute copies of such minutes to all committee members.

8.1.5.6 Payments - The SRSG Administrator shall be responsible for the issuance of invoices to Parties, the collection of funds thereunder, and the distribution of such funds in accordance with this Agreement.

8.1.5.7 Website – The SRSG Administrator shall be responsible for

maintaining www.SRSG.org, or any successor website, which shall include links to the currently-effective Agreement, with current versions of signature pages attached, and current versions of all exhibits.

8.1.5.8 Training and consulting for the Parties in association with questions or problems relating to SRSG reserves and SRSG data reporting;

8.1.5.9 Certify that an applicant has met all membership eligibility criteria as set forth in Section 9 herein;

8.1.5.10 Notify the Executive Committee and all Parties that an applicant has met all membership criteria and is now a Party to the SRSG;

8.1.5.11 Notify all Parties when an existing Party(ies) is not in compliance with this Agreement;

8.1.5.12 Bill each Party for its share of expenses incurred pursuant to Section 13 herein;

8.1.5.13 Cooperate with an audit request of the Operating Committee pursuant to Section 14 herein; and

8.1.5.14 Make available during its normal business hours all the records and accounts maintained by the SRSG Administrator pertaining to the requesting Party(ies) and pursuant to activities and responsibilities hereunder. Such records shall be made available in a timely manner and at the requesting Party's expense.

8.2 Executive Committee

The Executive Committee shall consist of one representative from each Party

1 designated pursuant to Section 8.4 herein. The responsibilities of the Executive
2 Committee are as follows:

3 8.2.1 To establish additional subcommittees as it may from time to time deem
4 necessary;

5 8.2.2 To review, at least annually, the activities of all committees to ensure their
6 activities are coordinated and consistent with the spirit and intent of this
7 Agreement;

8 8.2.3 To review unresolved disputes which may arise within the SRSG and
9 resolve the disputes pursuant to Section 15 herein;

10 8.2.4 To review and approve the annual budget of the SRSG;

11 8.2.5 To review and recommend to the Parties for approval additions or
12 amendments to this Agreement;

13 8.2.6 To receive, review, and process an applicant's written request to become
14 a Party, in accordance with Section 9 herein and where applicable, notify
15 entities of their SRSG eligibility in accordance with Section 10.2 herein;

16 8.2.7 To establish, review, approve, and maintain procedures for the
17 determination and recertification of creditworthiness for new applicants
18 and existing members respectively;

19 8.2.8 To establish procedures for the allocation to, and payment by, any new
20 Party to the existing Parties for the past, current and future cost of
21 facilities, equipment, services, or other costs such as software that are of
22 benefit to all Parties;

23 8.2.9 To review and process, in accordance with Section 5 herein, the notice
24 by a Party to withdraw as a Party to this Agreement;

25 8.2.10 To review and process the termination of a Party's rights and obligations
26 under this Agreement; and

1 8.2.11 To do such other things and carry out such duties as specifically required
2 or authorized by this Agreement.

3 8.3 Operating Committee

4 The Operating Committee shall consist of one representative from each Party
5 designated pursuant to Section 8.4 herein. The responsibilities of the Operating
6 Committee are as follows:

7 8.3.1 To establish Operating Procedures for the sharing of Contingency
8 Reserves such that the SRSG will meet or exceed WECC and NERC's
9 Disturbance Control Performance Standards relative to Contingency
10 Reserves, as they may be amended, modified, or revised;

11 8.3.2 To establish, review, approve, and/or modify Operating Procedures,
12 consistent with the provisions herein, for the guidance of operating
13 employees in the Parties' Systems as to matters affecting the ability to
14 maintain Contingency Reserves, the delivery and receipt of Emergency
15 Assistance, and other similar operating matters;

16 8.3.3 To establish, review, approve, and/or modify Operating Procedures for
17 determining the ratings of the generating facilities of the Parties;

18 8.3.4 To establish, review, approve and/or modify Operating Procedures for
19 calculating Contingency Reserves within the SRSG;

20 8.3.5 To establish, review, approve, and/or modify Operating Procedures
21 relating to Contingency Reserve deficiencies;

22 8.3.6 To establish, review, approve, and/or modify Operating Procedures
23 relating to suspension or termination of a Party from this Agreement;

24 8.3.7 To establish a "Disturbance Review" task force to review SRSG
25 Disturbances to ensure that all SRSG and individual Party reliability
26 obligations are being met;

- 1 8.3.8 To ensure the proper level and location of Contingency Reserves;
- 2 8.3.9 To designate a SRSG Administrator to function under the direction of the
- 3 Operating Committee;
- 4 8.3.10 To review and recommend, as necessary, the types and arrangement of
- 5 equipment and associated communication facilities needed for SRSG
- 6 operations;
- 7 8.3.11 To review and recommend approval of the annual budget, prepared by
- 8 the SRSG Administrator, to the Executive Committee;
- 9 8.3.12 To develop, review, approve, and/or recommend changes to the SRSG
- 10 Emergency Assistance Matrices;
- 11 8.3.13 To review and process the suspension of all benefits of Contingency
- 12 Reserve sharing and applicable Contingency Reserve sharing
- 13 obligations of a Party;
- 14 8.3.14 To recommend the termination of a Party from the Agreement to the
- 15 Executive Committee; and
- 16 8.3.15 To do such other things and carry out such duties as specifically required
- 17 or authorized by this Agreement.

18 8.4 General

- 19 8.4.1 Each Party shall designate, in accordance with Section 18 herein, its
- 20 representative and alternate representative (to act in the absence of the
- 21 designated representative) on each committee within thirty (30) days
- 22 after the execution of this Agreement. Notice of any change of
- 23 representation shall be given by written notice to the other Parties and
- 24 the SRSG Administrator. Each Party's designated representatives or
- 25 alternate representatives will be authorized to act on its behalf with
- 26 respect to those committee responsibilities provided herein.

1 8.4.2 Each committee shall meet at least annually.

2 8.4.3 Each committee will elect a chairperson and establish a meeting protocol
3 at its first meeting.

4 8.4.4 Each committee shall elect a new chairperson at least every two (2) years
5 thereafter, provided, that a succeeding chairperson may not be from the
6 same Party.

7 8.4.5 No committee shall have the authority to amend this Agreement.

8 9. MEMBERSHIP ELIGIBILITY AND CERTIFICATION:

9 An entity may apply to become a Party to this Agreement by submitting to the Executive
10 Committee a written request for membership to the SRSG, accompanied by a
11 non-refundable application fee as specified in the Operating Procedures, any other fees
12 specified in the Operating Procedures, and by demonstrating to the satisfaction of the
13 Executive Committee that the entity can continuously meet the criteria and certification
14 requirements set forth below:

15 9.1 It is eligible to file a request for transmission service pursuant to Section 211 of
16 the Federal Power Act.

17 9.2 It can maintain, provide and receive reserves, by contractual arrangement or
18 otherwise, as required pursuant to this Agreement, and is able to deliver and
19 receive Energy associated with these reserves at one or more of the high voltage
20 switchyards listed in Exhibit D attached hereto and hereby made a part of this
21 Agreement.

22 9.3 It has established appropriate creditworthiness consistent with the criteria
23 established in accordance with Section 8.2.7 herein.

24 9.4 It has the ability to provide documentation of an Area Control Error (ACE), or
25 ACE equivalent measurement. The SRSG will operate using all individual
26 Party's ACE data for Disturbance evaluation.

- 1 9.5 It has the ability to comply with all applicable terms and conditions established
2 pursuant to Service Schedules A and B hereto.
- 3 9.6 Upon demonstrating to the satisfaction of the Executive Committee that such
4 entity meets the criteria set forth in Sections 9.1 through 9.5 herein, the entity
5 shall be deemed eligible to become a Party.
- 6 9.7 Once the entity has been deemed eligible to become a Party, the Executive
7 Committee shall direct the SRSG Administrator to begin the certification process.
- 8 9.8 The certification process shall consist of the following: (i) execution of this
9 Agreement or a counterpart hereof; (ii) verification from the SRSG Administrator
10 that such entity is current with all its payment obligations relative to the SRSG,
11 and (iii) verification from the SRSG Administrator that such entity has provided
12 the required data to the SRSG Administrator and has in place the required
13 facilities to effectively transmit and receive data with the Reserve Sharing
14 System.
- 15 9.9 Upon successful completion of the certification process, the entity shall be
16 deemed a Party and the SRSG Administrator shall provide notification to the
17 Executive Committee and all Parties and update appropriate documentation on
18 the www.SRSG.org website or any successor website.
- 19 10. COST RESPONSIBILITIES:
- 20 10.1 The costs of the SRSG shall be allocated as follows:
- 21 10.1.1 All Developmental Costs and Capital Expenditures, approved by the
22 Executive Committee, will be allocated equally among all Parties.
- 23 10.1.2 Annual Administrative Costs, as set forth in the annual operating budget,
24 will be allocated to the Parties as follows:
- 25 10.1.2.1 One-half (1/2) of the on-going Administrative Costs incurred
26 shall be allocated equally among all Parties;

1 10.1.2.2 One-half (1/2) of the on-going Administrative Costs incurred
2 shall be allocated to each Party pro rata based on the party's
3 maximum annual contribution to the contingency reserve
4 requirement. Maximum annual contribution to the contingency
5 reserve requirement shall be based on each individual party's
6 maximum observed sum of load plus generation in a single hour
7 from the previous calendar year. The denominator in this ratio
8 shall be the sum of all parties' maximum, observed sum of all
9 load plus generation.

10 10.2 Each entity eligible to become a Party shall be notified by the Executive
11 Committee and shall, as a condition of the certification process, pay, within thirty
12 (30) calendar days following such notification, an entrance fee equal to the sum
13 of:

14 10.2.1 Its share of Developmental Costs and Capital Expenditures in
15 accordance with Section 10.1.1 herein; plus

16 10.2.2 A New Member Fee determined in accordance with Exhibit C attached
17 hereto; plus

18 10.2.3 Administrative Costs for incorporating the entity into the SRSG.

19 10.3 A new Party shall begin incurring its share of ongoing Administrative Costs upon
20 completion of the certification process set forth in Section 9.8 herein.

21 11. DISBURSEMENT OF FUNDS:

22 11.1 Application Fees - Application fees received from applicants pursuant to Section
23 9 herein, shall be utilized to offset the SRSG Administrator's expenses incurred
24 in processing the application.

25 11.2 Entrance Fees - Entrance fees received pursuant to Section 10.2 herein, shall
26 be allocated equally to all Parties with the exception that the new Party shall not

1 participate in the allocated disbursement.

2 11.3 Penalty Funds - Penalty funds assessed and received by the SRSG
3 Administrator shall be allocated among the Parties using the same methodology
4 utilized to allocate Administrative Costs, with the exception that the penalized
5 Party or Parties shall not participate in the allocated disbursement of such
6 penalty funds.

7 11.4 Administrative Costs - The initial payment of Administrative Costs received from
8 a new Party pursuant to Section 10.2 herein, shall be allocated among the
9 existing Parties using the same methodology utilized to allocate Annual
10 Administrative Costs described in Section 10.1.2.

11 12. VOTING AND APPROVALS:

12 All matters requiring approval as provided in this Agreement, shall be approved through
13 the following procedures:

14 12.1 Amendments - Any amendments to this Agreement shall be approved by
15 unanimous vote of the Parties. Unless otherwise specified, amendments to this
16 Agreement shall become effective when all Party signatures have been received
17 and accepted for FERC filing subject to the provisions of Section 19 herein. The
18 Executive Committee chairperson shall be responsible for circulating the
19 appropriate signature pages to each Party, receiving executed counterparts,
20 notifying the Parties when all signatures have been received, distributing
21 executed originals to all Parties and the SRSG Administrator, and ensuring that
22 appropriate regulatory filings are made and coordinated through the designated
23 filing agent.

24 12.2 Operating Procedures - Modification of an Operating Procedure developed under
25 this Agreement, which has been expressly granted to a committee shall become
26 effective and apply to all Parties when the necessary affirmative votes have been

received, subject to provisions of Section 19 herein to extent applicable.

12.3 Committee Voting - Unless otherwise stated in this Agreement, all matters requiring committee approval shall be approved by a three-quarters (75%) majority vote of committee representatives present at a meeting of the appropriate committee; provided, that a quorum of at least seventy percent (70%) of the respective representatives or their alternates are in attendance, in person or represented by proxy. Provided further, that written notice be given by the committee chairperson to each Party's designated committee representative(s) at least two (2) weeks in advance of the meeting unless otherwise agreed. Such notice shall include an agenda of the meeting.

12.3.1 A Party casting an abstention vote shall be deemed in attendance for purposes of determining whether a quorum exists; provided, however, that determination of whether a three-quarter (75%) majority agreement of the Parties exists with respect to any issue shall be made by counting the votes of only the non-abstaining Parties.

12.3.2 If a vote is taken by telephone or other direct communication at the direction of the committee chairperson, all committee representatives or alternate(s) shall be contacted and given an opportunity to vote. A three-quarters (75%) majority vote shall be required for approval and the results documented in writing by the committee chairperson. A record of all such votes shall be distributed to all designated committee representative(s) and the SRSG Administrator.

13. BILLING AND PAYMENTS:

All billing and payments associated with this Agreement, shall be in accordance with this Section 13, and as set forth in the applicable Operating Procedure(s).

13.1 The accounting and billing period associated with all charges shall be on a

quarterly basis, unless otherwise specified herein, or agreed to by the Parties in writing. Each bill shall include an itemized list of expenses. Bills sent to any Party shall be sent to the official billing address specified in Exhibit B.

13.2 Charges associated with this Agreement are listed below, but are not limited to:

13.2.1 Administrative Costs - Administrative Costs shall be billed on a quarterly basis to each Party by the SRSG Administrator.

13.2.2 Capital Expenditures - Capital Expenditures shall be billed quarterly to the Parties by the SRSG Administrator, or as otherwise agreed to by the Operating Committee.

13.2.3 Emergency Assistance - Emergency Assistance shall be billed between the Parties on a quarterly basis, or as otherwise agreed to among the Parties in writing.

13.3 Bills issued by any Party, or the SRSG Administrator, shall be issued within the first ten (10) days of the month following the quarter(s) in which services were furnished. Payments for amounts billed shall be due and payable on or before the close of business on the twentieth (20) calendar day after the date of receipt of the bill.

13.4 Payments shall be made by electronic transfer to a bank designated by the Party to which payment is due, or any other method which provides immediately available funds on the date payment is due. Payments shall be considered paid when payment is received by the billing Party.

13.5 Bills not paid in full on or before the due date shall thereafter accrue an interest charge equal to the prime rate of interest plus two percent (2%) per annum, or the maximum interest rate permitted by law, if any, whichever is less, prorated daily from the date due to the date the amount due is paid in full. The prime rate shall be as established by the Bank of America, or any other institution mutually

1 agreed to by the Parties in writing, on the last business day of the quarter for
2 which the bill was submitted.

3 13.6 In case any portion of any bill is in dispute, the entire bill shall be paid in full when
4 due. Any excess amount, which as a result of a dispute may have been overpaid,
5 shall be returned by the owing Party upon determination of the correct amount,
6 with interest accrued at the rate specified in Section 13.5 herein, prorated by the
7 number of days from the date of overpayment to the date of refund.

8 13.7 There shall be no interest accrued on overpayments resulting from inadvertent
9 errors in payment. Refunds on overpayments shall be limited to a period of time
10 not to exceed two (2) years from the date payment is received by the billing Party.

11 14. AUDITS:

12 14.1 Each Party, at reasonable times and at its normal places of business, shall at no
13 charge make available its records and supporting documentation of any cost,
14 payment, settlement, or data submittal, not subject to a confidentiality agreement
15 with a third party, pertaining to any bill rendered to a Party hereunder for the
16 inspection of that Party for a period of time not to exceed two (2) years from the
17 date such bills were rendered, unless such data is the subject of an ongoing
18 audit.

19 14.1.1 A Party requesting to review another Party's records will give such Party
20 sufficient notice of its intent, but in no event less than thirty (30) days prior
21 to the date of the review.

22 14.1.2 The requesting Party, using personnel from its own staff or its agent, may
23 perform this review.

24 14.1.3 All costs incurred in performing this review will be at the requesting
25 Party's expense.

26 14.1.4 The Party performing the review shall not release the other Party's

1 records or disclose any information contained therein to any other Party
2 or third party without prior written consent of the Party whose records
3 were reviewed, unless otherwise required by law.

4 14.2 The Operating Committee, at reasonable times and at its normal places of
5 business, may audit a Party's records and supporting documentation of any
6 information submitted to the Reserve Sharing System, and Disturbance data
7 when applicable. Unless such data is subject to an ongoing audit, no Party shall
8 be required to maintain its records and supporting documentation for any data
9 submitted hereunder for a period of time in excess of two (2) years from the date
10 such data was submitted. Audits shall be limited to a period of time not to exceed
11 two (2) years from the date of the audit request.

12 15. DISPUTE RESOLUTION:

13 15.1 Any controversy, dispute or claim arising out of, in connection with, or relating to
14 the interpretation of this Agreement, or the alleged breach hereof, shall:

15 15.1.1 First be submitted to the Operating Committee for resolution. If the
16 Operating Committee representatives are unable to reach resolution
17 within three (3) calendar months or if the aggrieved Party is not satisfied
18 with the resolution of the Operating Committee, such dispute, controversy
19 or claim shall be forwarded to the Executive Committee.

20 15.1.2 Upon receipt of a dispute, controversy or claim forwarded in accordance
21 with Section 15.1.1 herein, the Executive Committee shall meet or confer
22 within thirty (30) days (or such other period of time as mutually agreed
23 upon by the representatives of the Executive Committee) to discuss and
24 attempt to reach a resolution of the dispute, controversy or claim. If the
25 Executive Committee cannot resolve the dispute, controversy or claim
26 within thirty (30) days after its initial meeting or conference (or within such

1 other period of time mutually agreed upon by the representatives of the
2 Executive Committee) or if the aggrieved Party is not satisfied with the
3 resolution of the Executive Committee, the aggrieved Party may request
4 and file a petition for arbitration within thirty (30) days.

5 15.2 If all Parties to the controversy, dispute or claim consent to arbitration, such
6 arbitration shall be conducted in accordance with the Commercial Arbitration
7 Rules of the American Arbitration Association. Judgment upon the award
8 rendered by the arbitrator may be entered in any court having jurisdiction thereof.
9 The Parties agree to cooperate and use best efforts to arbitrate in a timely
10 manner. The arbitration is subject to the following:

11 15.2.1 The arbitration shall be heard by one arbitrator. Such arbitrator shall have
12 experience in the electric utility industry, shall not be a customer of any
13 Party involved in the dispute, and shall not have any current or past
14 substantial business or financial relationships with any Party involved in
15 the dispute.

16 15.2.2 The arbitrator shall have the discretion to order a pre-hearing exchange
17 of information by the Parties involved in the dispute, including, without
18 limitation, production of requested documents, exchange of summaries
19 of testimony of proposed witnesses, and examination by deposition of
20 Parties involved in the dispute.

21 15.2.3 The arbitration shall be conducted in accordance with the American
22 Arbitration Association's Commercial Arbitration Rules ("Rules") in effect
23 at the time of the arbitration.

24 15.2.4 The arbitrator shall have the authority to award any remedy or relief that
25 a state or federal court which would have jurisdiction over the dispute
26 could grant.

1 15.2.5 The arbitration award shall be in writing and shall specify the factual and
2 legal basis for the award. The award shall be final and binding upon the
3 Parties involved in the dispute except with respect to issues over which
4 FERC, Rural Utility Services (RUS), or other entities having jurisdictional
5 authority have retained ultimate authority to resolve, in which case, an
6 aggrieved Party may appeal the decision of the arbitrator to that entity
7 having jurisdiction for review.

8 15.2.6 No Party nor the arbitrator may disclose the existence, content, or results
9 of any arbitration hereunder without the prior written consent of all Parties
10 involved in the dispute, unless otherwise required by law.

11 15.2.7 Each Party involved in the dispute shall pay for an equal share of the
12 arbitrator's fee including travel and lodging.

13 15.2.8 The arbitration shall be governed by the Federal Arbitration Act ("FAA").
14 If terms and conditions of this Section 15 conflict with the FAA, then the
15 FAA shall prevail.

16 15.2.9 The prevailing Party in an arbitration proceeding shall be entitled to
17 reasonable attorneys' fees, expert witness fees, and other incidental
18 costs incurred in the proceeding, as determined by the arbitrator.

19 15.3 In the event that all such Parties do not consent to arbitration, any one or more
20 of such Parties shall be free to seek resolution of the controversy, dispute or
21 claim in such manner as may be provided by law, or in equity.

22 15.4 To the extent a dispute, controversy or claim involves the SRSG Administrator,
23 this Agreement, and the rights and obligations hereunder shall be construed in
24 accordance with the applicable federal laws and laws of the state in which the
25 SRSG Administrator's principal headquarters is located.
26

1 16. UNCONTROLLABLE FORCES:

2 No Party shall be considered to be in default in performance of any of its obligations
3 under this Agreement, except to pay amounts due under this Agreement, when a failure
4 of performance is due to an uncontrollable force. The term "uncontrollable force" means
5 any cause beyond the control of the Party affected, including but not restricted to flood,
6 drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or
7 disobedience, labor dispute, sabotage, changes in law or regulation, restraint by court
8 order or public authority and action or non-action by or failure to obtain the necessary
9 authorizations or approvals from any governmental agency or authority which by
10 exercise of due diligence such Party could not reasonably have been expected to avoid
11 and which by exercise of due diligence it has been unable to overcome. No Party shall,
12 however, be relieved of liability for failure of performance if such failure is due to causes
13 arising out of its own gross negligence or willful misconduct or due to removable or
14 remediable causes which it fails to remove or remedy within a reasonable time period.
15 Nothing contained herein shall be construed to require a Party to settle any strike or
16 labor dispute in which it may be involved. A Party rendered unable to fulfill its obligations
17 under this Agreement by reason of an uncontrollable force shall give prompt written
18 notice of such fact to the other Parties and shall exercise due diligence to remove such
19 inability within a reasonable time period. Nothing contained herein shall excuse a Party
20 from all or any portion of its obligations to maintain Contingency Reserve hereunder, so
21 long as such Party is serving Load.

22 17. WAIVERS:

23 A Party's waiver of its rights with respect to a default hereunder, or any other matter
24 hereunder, shall not be deemed a waiver with respect to any subsequent default of the
25 same or any other matter.
26

1 18. NOTICES:

2 18.1 A formal notice, demand or request provided for in this Agreement, shall be in
3 writing and shall be properly served, given or made if delivered in person, or sent
4 by either registered or certified mail, postage prepaid, or prepaid telegram or
5 facsimile or E-mail followed by a written original, to the persons specified in
6 Exhibit A attached hereto and hereby made a part of this Agreement.

7 18.2 The designation of any person specified in either Exhibit A or Exhibit B, or the
8 address of any such person, may be changed at any time with ten (10) days prior
9 written notice to the other Parties and to the SRSG Administrator given in the
10 same manner as provided in Section 18.1 herein, for other notices.

11 18.3 Notices and requests of a routine nature in connection with delivery or receipt of
12 power or Energy or in connection with operation of facilities shall be given in such
13 manner as the committees from time to time shall prescribe.

14 19. APPROVALS:

15 19.1 This Agreement is subject to valid laws, orders, rules and regulations of duly
16 constituted authorities having jurisdiction. Nothing contained in this Agreement
17 shall be construed as a grant of jurisdiction over any Party by a state, federal, or
18 regulatory agency not otherwise having jurisdiction by law.

19 19.2 This Agreement requires execution by the Parties, acceptance for filing by the
20 FERC, or other regulatory bodies having jurisdiction thereof, and with respect to
21 any Party subject to the jurisdiction of the RUS, is subject to the approval of the
22 RUS. If a regulatory body having jurisdiction, grants or orders a hearing or orders
23 changes or modifications to this Agreement, then the Parties shall negotiate in
24 good faith to change or modify the Agreement, so as to be acceptable to the
25 Parties, the FERC, the RUS, or other regulatory bodies having jurisdiction.

26 19.3 An amendment or change in rates established pursuant to this Agreement and

1 which is subject to the FERC, the RUS, or other regulatory bodies having
2 jurisdiction with regard to any Party, shall become effective hereunder upon
3 execution by the Parties and acceptance for filing by the FERC, the RUS, or
4 other regulatory bodies having jurisdiction thereof. If a regulatory body having
5 jurisdiction, grants or orders a hearing or orders changes or modifications to such
6 amendment or change in rates, then the Parties shall negotiate in good faith to
7 change or modify such amendment, so as to be acceptable to the Parties, the
8 FERC, the RUS, or other regulatory bodies having jurisdiction.

9 19.4 An applicable Operating Procedure established pursuant to this Agreement and
10 which is subject to the FERC, the RUS, or other regulatory bodies having
11 jurisdiction with regard to any Party, shall become effective hereunder upon
12 acceptance for filing by the FERC, the RUS, or other regulatory bodies having
13 jurisdiction thereof.

14 19.5 Nothing contained herein shall be construed as affecting in any way the right of
15 the Parties furnishing service under this Agreement, to unilaterally make
16 application to the FERC for a change in rates, charges, classifications, or service,
17 or in any rule, regulation, contract, or provision of any appendix relating thereto
18 under Section 205 of the Federal Power Act and pursuant to the FERC's rules
19 and regulations promulgated thereunder. Provided, however, that the Party
20 making application to the FERC shall give the other Parties to the Agreement at
21 least sixty (60) days advance written notice of its intent to initiate such filing so
22 that the Parties can, if possible, reach a mutually acceptable change to the
23 Agreement through the negotiation of the Parties.

24 20. TRANSFER OF INTEREST IN AGREEMENT:

25 No voluntary transfer of interest, rights, or obligations of any Party under this Agreement,
26 shall be made without the written consent and approval of all other Parties except to a

1 successor in operation of the System, or any component thereof. Written approval when
2 required shall not be unreasonably withheld. Any successor or assignee of the rights of
3 any Party, whether by voluntary transfer, judicial or foreclosure sale or otherwise, shall
4 be subject to all the provisions and conditions of this Agreement, to the same extent as
5 though such successor or assignee were the original Party hereunder, and no
6 assignment or transfer of any rights hereunder shall be effective unless and until the
7 assignee or transferee agrees in writing to assume all of the obligations of the assignor
8 or transferor and to be bound by all of the provisions and conditions of this Agreement;
9 provided, that the execution of a mortgage or trust deed or a judicial or foreclosure sale
10 made thereunder, or if through the disposition by the Administrator of the RUS, shall not
11 be deemed a voluntary transfer within the meaning of this Section 20. If, due to
12 reorganization, sale/purchase, or other means, a Party changes its relationship to the
13 SRSG, its membership(s) will be evaluated by the Executive Committee and any
14 appropriate change in representation will be subject to approval of the Executive
15 Committee.

16 21. SEVERABILITY:

17 In the event that any of the terms, covenants or conditions of this Agreement, or the
18 application of any such term, covenant, or condition, shall be held invalid as to any
19 person or circumstance by any court having jurisdiction, all other terms, covenants, or
20 conditions of this Agreement, and their application shall not be affected thereby, but shall
21 remain in force and effect unless a court holds that the provisions are not separable from
22 all other provisions of this Agreement.

23 22. RELATIONSHIP OF PARTIES:

24 22.1 Nothing contained herein shall be construed to create an association, joint
25 venture, trust, or partnership, or impose a trust, partnership, covenant, obligation,
26 or liability on or with regard to any one or more of the Parties. Each Party shall

1 be individually responsible for its own covenants, obligations, and liabilities under
2 this Agreement.

3 22.2 All rights of the Parties are several, not joint. No Party shall be under the control
4 of or shall be deemed to control another Party. Except as expressly provided in
5 this Agreement, no Party shall have a right or power to bind another Party without
6 its express written consent.

7 23. NO DEDICATION OF FACILITIES:

8 Any undertaking by one Party to another Party under any provision of this Agreement,
9 shall not constitute the dedication of the System or any portion thereof of the undertaking
10 Party to the public or to the other Party, and it is understood and agreed that any such
11 undertaking, by a Party shall cease upon the termination of such Party's obligations
12 under this Agreement.

13 24. THIRD PARTY BENEFICIARIES:

14 This Agreement shall not be construed to create rights in, or to grant remedies to, any
15 third party as a beneficiary of this Agreement, or of any duty, obligation or undertaking
16 established herein.

17 25. LIABILITY:

18 25.1 Subject to any applicable state and federal law which specifically prevents a
19 Party from complying with the provisions hereof, and except for the obligation to
20 pay amounts due in accordance with Section 13 herein, no Party, its directors,
21 members of its governing bodies, officers or employees, shall be liable to any
22 other Party or Parties for loss or damage to property, loss of earnings or
23 revenues, personal injury, or any other direct, indirect, or consequential damages
24 or injury which may occur or result from the performance or non-performance of
25 this Agreement, including any negligence arising hereunder, unless actions or
26 claims and resulting liability, judgments and costs were caused by or resulted

1 from action taken or not taken by a Party or Parties at the direction of its or their
2 directors, members of its governing bodies, officers or employees with
3 management or administrative responsibility affecting its or their performance
4 under this Agreement, which is knowingly or intentionally taken or not taken with
5 conscious indifference to the consequences thereof or with the intent that injury
6 or damage would result or would probably result therefrom. For the purposes of
7 this Section 25 herein, a "Party" shall include the SRSG Administrator; if the
8 SRSG Administrator is a Party to this Agreement.

9 25.2 The benefits of Section 25.1 herein, shall not extend to a Party prevented by
10 state or federal law from complying with the provisions thereof.

11 26. DEFAULTS:

12 26.1 A Party shall be in default in payment when payment is not received within ten
13 (10) days after its final due date. A default by any Party in its payment obligations
14 under this Agreement, shall be cured by payment of all overdue amounts
15 together with interest accrued at the rate set forth in Section 13.5 herein, prorated
16 daily from the due date to the date the payment curing the default is made.

17 26.2 Notwithstanding Section 25 herein, a defaulting Party shall be liable to the non-
18 defaulting Parties for all costs, including costs of collection and reasonable
19 attorney fees incurred by such non-defaulting Parties, plus interest as provided
20 in Section 26.1 hereof. The proceeds paid by a defaulting Party to remedy any
21 such default shall be distributed to the non-defaulting Parties in proportion to the
22 additional costs and expenses actually paid by the non-defaulting Parties as a
23 result of the default.

24 26.3 The rights of a Party who is in default of any of its payment or other material
25 obligations herein, may be suspended by a vote of the non-defaulting Parties'
26 representatives on the Operating Committee or terminated by a vote of the non-

1 defaulting Parties' representatives on the Executive Committee. This provision
2 allowing the non-defaulting Parties to suspend or terminate such rights is in
3 addition to any other remedies provided in this Agreement, at law, or in equity,
4 and shall in no way limit the non-defaulting Parties' ability to seek judicial
5 enforcement of the defaulting Party's obligations under this Agreement. Upon
6 the effective date of such suspension or termination of rights, all rights of the
7 defaulting Party and all obligations of non-defaulting Parties to the defaulting
8 Party imposed by this Agreement, except payment obligations, shall immediately
9 be suspended or terminated.

10 26.4 Upon suspension or termination of the rights of a defaulting Party under this
11 Agreement, the Operating Committee shall review reserve responsibility and
12 cost allocations of the non-defaulting Parties and make adjustments thereto as
13 it deems necessary.

14 27. OTHER AGREEMENTS:

15 No provision of this Agreement, shall preclude a Party from entering into other
16 agreements or conducting transactions under existing agreements with other Parties or
17 third parties. This Agreement shall not be deemed to modify or change any rights or
18 obligations under any prior contracts or agreements between or among any of the
19 Parties.

20 28. PROPRIETARY INFORMATION:

21 All material of any nature originated or developed hereunder by the committees, SRSG
22 Administrator, or any Party including, but not limited to, reports and computer printouts,
23 shall remain the sole property of the Parties despite distribution, if any, to participating
24 Parties or third parties. It is hereby agreed that such material shall be deemed to contain
25 confidential or proprietary information and shall not be released by any Party to any
26 other Party or third party without the originating Party's consent, unless required by law,

1 or such material has subsequently been made available to the public by the Party owning
2 such material. Prior to releasing such records, to the extent applicable law allows, at
3 least ten (10) working days' notice shall be given to the Party whose records are being
4 released.

5 29. PARTICIPATION BY THE UNITED STATES:

6 29.1 Subject to Acts of Congress

7 The participation by the United States is subject in all respects to acts of Congress and
8 to regulations of the Secretary of Energy established thereunder, and to rate schedules
9 promulgated by the Secretary of Energy. This reservation includes, but is not limited to,
10 the statutory limitations upon the authority of the Secretary of Energy to submit disputes
11 to arbitration. In the event of a conflict between these Federal participation provisions
12 in this Section 29 and any other provision of this Agreement or any provision in a Service
13 Schedule, these Federal participation provisions in this Section 29 shall have
14 precedence.

15 29.2 Contingent Upon Appropriations and Authorization

16 Where activities extend beyond the current fiscal year, continued expenditures by the
17 United States are contingent upon Congress making the necessary appropriations
18 required for the continued performance of the obligations of the United States under this
19 Agreement. In case such appropriation is not made, the Parties hereby release the
20 United States from its contractual obligations and from all liability due to the failure of
21 Congress to make such appropriation.

22 29.3 Employment Practices; Contractor Agreement

23 The following provisions apply to all Parties to this Contract:

24 29.3.1. Equal Opportunity Employment Practices

25 Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as
26 amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which

1 provides, among other things, that the Party will not discriminate against any
2 employee or applicant for employment because of race, color, religion, sex, or
3 national origin, is incorporated by reference in the Contract by reference to same
4 as if the specific language had been written into the Contract, except that Indian
5 Tribes and tribal organizations may apply Indian Preference to the extent
6 permitted by federal law.

7 29.3.2. Contract Work Hours and Safety Standards

8 The Contract, to the extent that it is of a character specified in Section 103 of the
9 Contract Work Hours and Safety Standards Act ("Act"), 40 U.S.C. § 3701, as
10 amended or supplemented, is subject to the provisions of the Act, 40 U.S.C. §
11 3701-3708, as amended or supplemented, and to regulations promulgated by
12 the Secretary of Labor pursuant to the Act.

13 29.3.3. Use of Convict Labor

14 The Party agrees not to employ any person undergoing sentence of
15 imprisonment in performing the Contract except as provided by 18 U.S.C. §
16 3622(c), as amended or supplemented, and Executive Order No. 11755, 39 Fed.
17 Reg. 779 (1973), as amended or supplemented.

18 29.4. No Expansion of Jurisdiction, Waiver Of Defenses, Liability For FERC, ERO, 19 Regional Entity Penalties, Or Inconsistent Obligations

20 Western has not waived or conceded any defense, including sovereign immunity,
21 intergovernmental immunity, or lack of subject matter jurisdiction in any action against it
22 by an Enforcement Authority, nor has Western accepted any liability, responsibility, or
23 obligation to pay any civil monetary penalties or fines imposed by an Enforcement
24 Authority to which it would not have been subject in the absence of this Agreement.

25 "Enforcement Authority" means the Federal Energy Regulatory Commission, Electric
26 Reliability Organization (ERO), or Regional Entities with enforcement authority pursuant

1 to a delegation from an ERO or Commission for the purpose of proposing and enforcing
2 reliability standards. No other Party to this Agreement concedes or accepts responsibility
3 for any portion of a penalty or fine attributable to the actions or omissions of Western.

4 29.5 Choice of Law and Forum.

5 Federal law shall control the obligations and procedures established by this contract and
6 the performance and enforcement thereof. The forum for litigation arising from this
7 contract shall exclusively be a Federal court of the United States, unless the parties
8 agree to pursue alternative dispute resolution.

9 30. EXECUTION BY COUNTERPART:

10 This Agreement may be executed in any number of counterparts, and upon execution
11 of this Agreement by all Parties, each executed counterpart shall be binding, and all
12 executed counterparts shall together have the same force and effect as an original
13 instrument as if all Parties had signed the same instrument. Any signature page of this
14 Agreement may be detached from any counterpart of this Agreement without impairing
15 the legal effect of any signature thereon, and may be attached to another counterpart of
16 this Agreement identical in form hereto but having attached to it one or more signature
17 pages.

18 31. SIGNATURE CLAUSE:

19 Each Party hereto represents and warrants that the person executing this Agreement
20 has been duly authorized to act on its behalf.

21

ARIZONA ELECTRIC POWER COOPERATIVE

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23 ATTEST:

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BY: _____

TITLE: _____

DATE: _____

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ARIZONA PUBLIC SERVICE COMPANY

ATTEST:

BY: _____
TITLE: _____
DATE: _____

ARLINGTON VALLEY, LLC

ATTEST:

BY: _____
TITLE: _____
DATE: _____

CITY OF FARMINGTON

ATTEST:

BY: _____
TITLE: _____
DATE: _____

EL PASO ELECTRIC COMPANY

ATTEST:

BY: _____
TITLE: _____
DATE: _____

GRIFFITH ENERGY, LLC

ATTEST:

BY: _____
TITLE: _____
DATE: _____

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IMPERIAL IRRIGATION DISTRICT

ATTEST:

BY: _____
TITLE: _____
DATE: _____

INCORPORATED COUNTY OF LOS ALAMOS

ATTEST:

BY: _____
TITLE: _____
DATE: _____

MESQUITE POWER, LLC

ATTEST:

BY: _____
TITLE: _____
DATE: _____

NEW HARQUAHALA GENERATING COMPANY, LLC

ATTEST:

BY: _____
TITLE: _____
DATE: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

ATTEST:

BY: _____
TITLE: _____
DATE: _____

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SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

ATTEST:

BY: _____
TITLE: _____
DATE: _____

SUNDEVIL POWER HOLDINGS, LLC

ATTEST:

BY: _____
TITLE: _____
DATE: _____

TRI-STATE GENERATION AND TRANSMISSION
ASSOCIATION, INC.

ATTEST:

BY: _____
TITLE: _____
DATE: _____

TUCSON ELECTRIC POWER COMPANY

ATTEST:

BY: _____
TITLE: _____
DATE: _____

WESTERN AREA POWER ADMINISTRATION
DESERT SOUTHWEST/ROCKY MOUNTAIN
REGION OPERATIONS

ATTEST:

BY: _____
TITLE: _____
DATE: _____

1 **AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP**

2 **PARTICIPATION AGREEMENT**

3 **EXHIBIT A**

4 **Official Mailing Titles and Addresses**
5 **of the Parties**

6 Arizona Public Service Company
7 c/o Secretary of the Company
8 Arizona Public Service Company
9 P. O. Box 53999
10 Phoenix, AZ 85072-3999

11 Arlington Valley, LLC
12 c/o Star West Generation LLC
13 2929 Allen Parkway, Suite 2280
14 Houston, TX 77019

15 City of Farmington
16 c/o Electric Utility Director
17 101 N. Browning Pkwy
18 Farmington, NM 87401

19 El Paso Electric Company
20 c/o Secretary
21 P. O. Box 982
22 El Paso, TX 79960

23 Griffith Energy LLC
24 c/o: Star West Generation
25 2929 Allen Parkway, 2280
26 Houston, Texas 77019

Imperial Irrigation District
c/o Marc Printy
333 East Barioni Boulevard
Imperial, CA 92251

Incorporated County of Los Alamos
c/o Manager, Department of Public Utilities
1000 Central Avenue, Suite 130
Los Alamos, NM 87544

Mesquite Power, LLC
c/o CAMS
919 Milam Street, Suite 2300
Houston, TX 77002

New Harquahala Generating Company LLC

Attn: Plant Manager
P.O. Box 727
Tonopah, AZ 85354

Public Service Company of New Mexico

c/o Secretary
Alvarado Square
Albuquerque, NM 87158

Salt River Project Agricultural Improvement and Power District

c/o Secretary
P. O. Box 52025
Phoenix, AZ 85072-2025

SRSG Administrator

c/o ZGlobal Inc.
750 W. Main Street
El Centro, CA 92243

Arizona Electric Power Cooperative

c/o Executive Vice President and General Manager
P.O. Box 2195
Benson, AZ 85602

Sundevil Power Holdings, LLC

Attn: Kelly Aubrey
701 East Lake Street
Wayzata, MN 55391

Tri-State Generation & Transmission Inc.

Attn: Executive Vice President and General Manager
PO Box 33695
Denver CO 80233-0695

Tucson Electric Power Company

c/o John Tolo, Manager, System Control and Reliability
P. O. Box 711
Tucson, AZ 85702

Western Area Power Administration

Rocky Mountain Region Operations, South
c/o: Darren Buck
Vice President of Operations
P.O. Box 3700
Loveland, CO 80539-3003

AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP

PARTICIPATION AGREEMENT

EXHIBIT B

Official Billing Addresses

Arizona Public Service Company

Attn: Robert Bean
P.O. Box 53999,ms 2260
Phoenix, AZ 85072-3999
Phone: (602) 250-1128
FAX: (602) 250-1155

Arlington Valley, LLC

c/o Star West Generation
2929 Allen Parkway, Suite 2280
Houston, TX 77019
Phone: (713) 496-9837
Fax: (713) 496-9838

City of Farmington

Attn: Melvin Serna
101 Browning Parkway
Farmington, NM 87401
Phone: (505) 599-1165
FAX: (505) 599-8323

El Paso Electric Company

Attn: Dir-Systems Operations, m/s751
7751 CF Jordan Dr.
El Paso TX 79912
Phone: (915) 543-5888
FAX: (915) 521-4763

Griffith Energy LLC

c/o Star West Generation
2929 Allen Parkway, Suite 2280
Houston, TX 77019
Phone: (713) 496-9837
Fax: (713) 496-9838

Imperial Irrigation District

Attn: Marc Printy
333 E. Barioni Blvd.
Imperial, CA 92251

1 Incorporated County of Los Alamos
2 Department of Public Utilities
Attn: Power Scheduler/Energy Analyst
3 1000 Central Ave., Suite 130
Los Alamos, NM 87544
4 Phone: (505) 662-8134
FAX: (505) 662-8005
5
6 Mesquite Power, LLC
c/o CAMS
919 Milam Street, Suite 2300
Houston, TX 77002
7
8 New Harquahala Generating Company LLC
Attn: Laura Phillips
9 P.O. Box 727
Tonopah, AZ 85354
Phone: (928) 372-3200
Fax: (928) 372-3201
10
11 Public Service Company of New Mexico
Attn: Don Lacen, Manager System Operations, MS-EP11
Corporate Headquarters
12 Albuquerque, NM 87158
Phone: (505) 241-2400
13 FAX: (505) 241-6891
14
15 Salt River Project Agricultural Improvement and Power District
Attn: Mike Pfeister
MS POB-013
PO Box 52025
16 Phoenix, AZ 85072-2025
Phone: (602) 236-4504
17 FAX: (602) 236-3961
18
19 Arizona Electric Power Cooperative
Attn: Shane Sanders
P.O. Box 2195
Benson AZ 85602
20 Phone: (520) 586-5239
FAX: (520) 586-5279
21
22 Sundevil Power Holdings, LLC
Attn: Kelly Aubrey
701 East Lake Street
23 Wayzata, MN 55391
24
25 Tri-State Generation and Transmission Association, Inc.
Attn: Power Billing
PO Box 33695
Denver CO 80233-0695
26 Phone: (303) 452-6111
Fax: (303) 254-6030

1 Tucson Electric Power Company
2 Energy Settlements
3 P.O. Box 711
4 Tucson, AZ 85702
5 Phone: (520) 745-7173
6 FAX: (520) 745-3348
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AMENDED AND RESTATED SOUTHWEST RESERVE SHARING GROUP

PARTICIPATION AGREEMENT

EXHIBIT D

High Voltage Switchyards

- (a) Four Corners 230 kV or 345 kV Switchyards;
- (b) Navajo 500 kV Switchyard;
- (c) Palo Verde 500 kV Switchyard;
- (d) San Juan 345 kV Switchyard;
- (e) Westwing 500 kV Switchyard;
- (f) Shiprock 345 kV Switchyard;
- (g) Mead 230 kV, 345 kV, or 500 kV Switchyards;
- (h) Greenlee 345kV Switchyard;
- (i) West Mesa 345kV, Switchyard;
- (j) Other switchyards as may be determined by the Operating Committee.

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SERVICE SCHEDULE A

CONTINGENCY RESERVE OBLIGATIONS

1 **SERVICE SCHEDULE A**

2 **CONTINGENCY RESERVE OBLIGATIONS**

3 A-1. PARTIES:

4 This Service Schedule A is agreed upon as part of the Agreement.

5 A-2. GENERAL:

6 A-2.1 The purpose of this Service Schedule A is to define the aggregate reserve
7 requirements of the SRSG and to specify the apportionment thereof among the
8 Parties. Specific reserve requirements of the individual Parties are described
9 and settlement provisions for reserve deficiencies are also established herein.

10 A-2.2 All reserve requirement calculations derived herein shall be rounded up to the
11 nearest whole Megawatt.

12 A-2.3 It is the intent of the Parties to meet or exceed the NERC and WECC Reliability
13 Standards, as they may be adopted, modified, or revised.

14 A-2.4 The SRSG has been formed for the purpose of sharing Contingency Reserves
15 as defined by the NERC and WECC Reliability Standards. Any reserve
16 obligation necessary to meet NERC and WECC Reliability Standards for
17 regulation, interruptible imports, and on-demand contracts will continue to be the
18 responsibility of each Party.

19 A.3. TERM:

20 This Service Schedule A shall continue in effect concurrently with the Agreement unless
21 and until the Agreement is terminated by the Parties in accordance with the provisions
22 of Section 5 of the Agreement.

23 A-4. SRSG CONTINGENCY RESERVE REQUIREMENT:

24 A-4.1 Consistent with this Agreement, the Parties shall ensure the proper level and
25 location of the Contingency Reserves. The scheduling of these Contingency
26 Reserves shall be in accordance with Operating Procedures established by the

Operating Committee.

A-4.2 The amount of Contingency Reserve to be maintained jointly for the SRSG shall be the greater of either:

A-4.2.1 The loss of generating Capacity due to forced outage of generation or transmission equipment that would result from the Most Severe Single Contingency of the SRSG (at least half of which must be Operating Reserve - Spinning); or

A-4.2.2 The sum of three percent (3%) of hourly integrated Load plus three percent (3%) of hourly integrated generation (at least half of which must be Operating Reserve – Spinning).

A graphic representation of the SRSG Contingency Reserve calculation is depicted in Attachment 1 to this Service Schedule A.

A-5. SRSG OPERATING RESERVE – SPINNING REQUIREMENT:

The amount of Operating Reserve – Spinning to be maintained jointly for the SRSG shall be equal to fifty percent (50%) of the SRSG Contingency Reserve requirement determined in accordance with Section A-4.2 herein. All SRSG Operating Reserve – Spinning shall be responsive to WECC frequency deviations.

A-6. RESERVE RESPONSIBILITY VALUE/RESERVE RESPONSIBILITY RATIO:

A-6.1 Reserve Responsibility Value (RRV)

A Party's RRV is equal to twenty-five percent (25%) of its Load plus Generation, plus one-hundred percent (100%) of the number of megawatts associated with its Most Severe Single Contingency.

A-6.2 Reserve Responsibility Ratio (RRR)

A Party's RRR is equal to its RRV divided by the sum of the RRVs for all Parties.

Graphic representations of the Reserve Responsibility Value and Reserve Responsibility Ratio calculations are depicted in Attachment 2 to this Service Schedule A.

1 A-7. PARTY RESERVE REQUIREMENTS:

2 Each Party is responsible for supplying its requirement for Contingency Reserve, which
3 is made up of Operating Reserve – Spinning and Operating Reserve - Supplemental,
4 for all hours based on the following reserve requirements. Contingency Reserves
5 activated due to the occurrence of any event shall be restored by the affected Party or
6 Parties in as short a period of time as possible, but not longer than sixty (60) minutes
7 from the start of the event, or as defined by the NERC / WECC Reliability Standards.

8 A-7.1 Contingency Reserve -The hourly Contingency Reserve Requirement for a Party
9 shall be equal to the product of the SRSG Contingency Reserve requirement for
10 that hour, as determined in accordance with Section A-4.2 herein, multiplied by
11 its RRR, as determined in accordance with Section A-6.2 herein; provided,
12 however, each Party shall maintain at least 5 MW of Contingency Reserve at all
13 times.

14 A-7.2 Operating Reserve - Spinning- The hourly Operating Reserve – Spinning
15 requirement for a Party shall be equal to fifty percent (50%) of its hourly
16 Contingency Reserve requirement, as determined in accordance with Section A-
17 7.1 herein; provided, however, each Party shall maintain at least 3 MW of
18 Operating Reserve – Spinning at all times.

19 *Graphic representations of the Party's Contingency Reserve and Operating Reserve – Spinning*
20 *calculations are depicted in Attachment 3 to this Service Schedule A.*

21 A-8. PENALTIES:

22 A-8.1 At the end of each hour, the SRSG Administrator shall compare the actual
23 amount of Contingency Reserve and Operating Reserve – Spinning carried by
24 each Party to that Party's respective reserve requirements. A Party shall be
25 deficient in Contingency Reserve if the actual amount of reserve carried by the
26 Party is less than that Party's respective reserve requirements. If a Party is

1 deficient in the amount of Contingency Reserve, the deficient Party shall be
2 assessed a penalty as set forth in the applicable Operating Procedure(s).

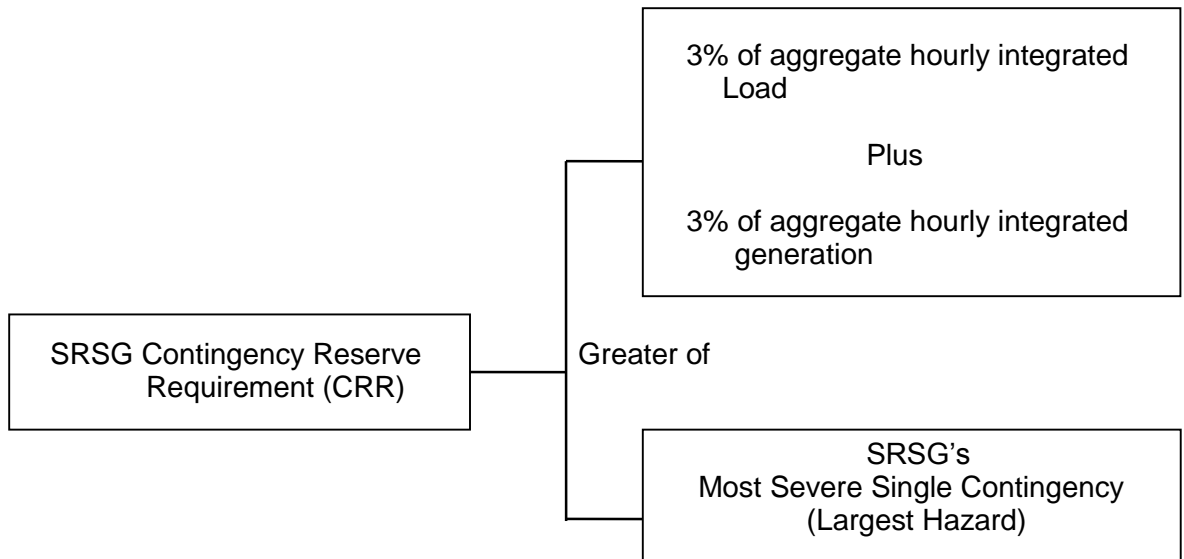
3 A-8.2 Penalties imposed by NERC or WECC on the SRSG for failure to carry required
4 Contingency Reserves shall be applied only to the Party(ies) that caused the
5 Contingency Reserve deficiency in proportion to which such Party(ies)
6 contributed to the Contingency Reserve deficiency.

7 A-9. BILLING AND PAYMENT

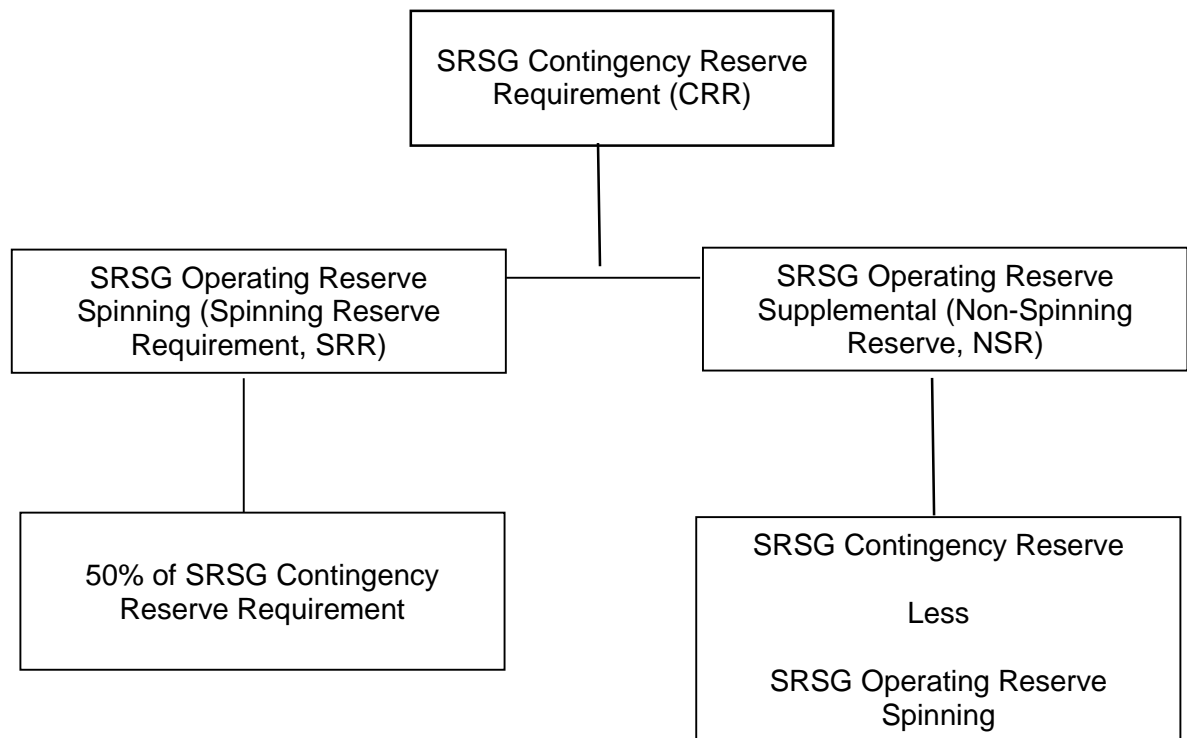
8 All billings and payments associated with this Service Schedule A shall be made in
9 accordance with Section 13 of the Agreement.

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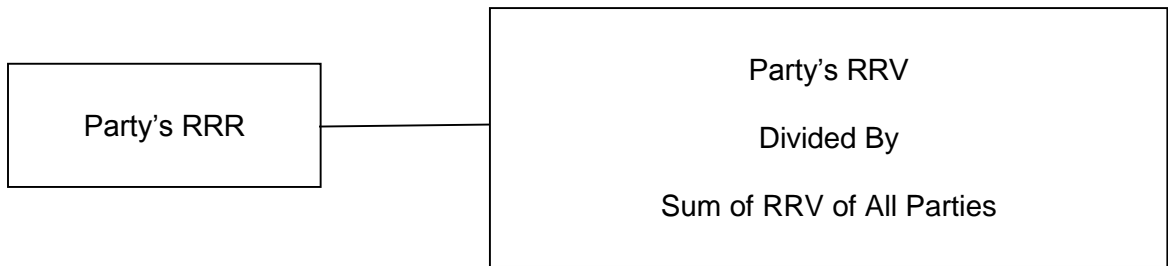
**Calculation of
SRSG Contingency Reserve Requirements**



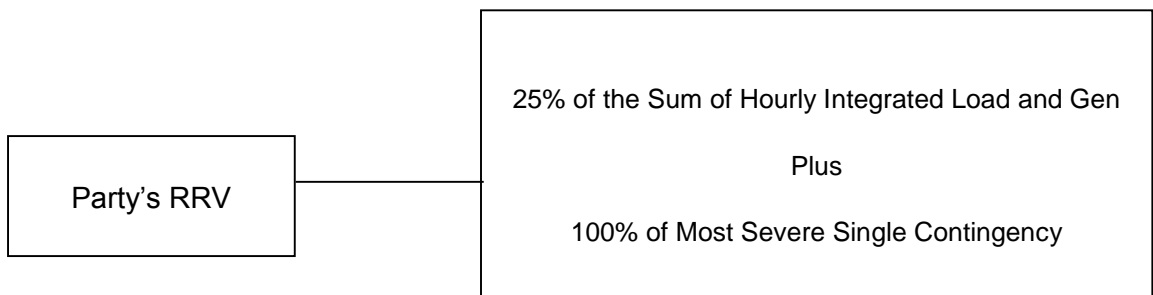
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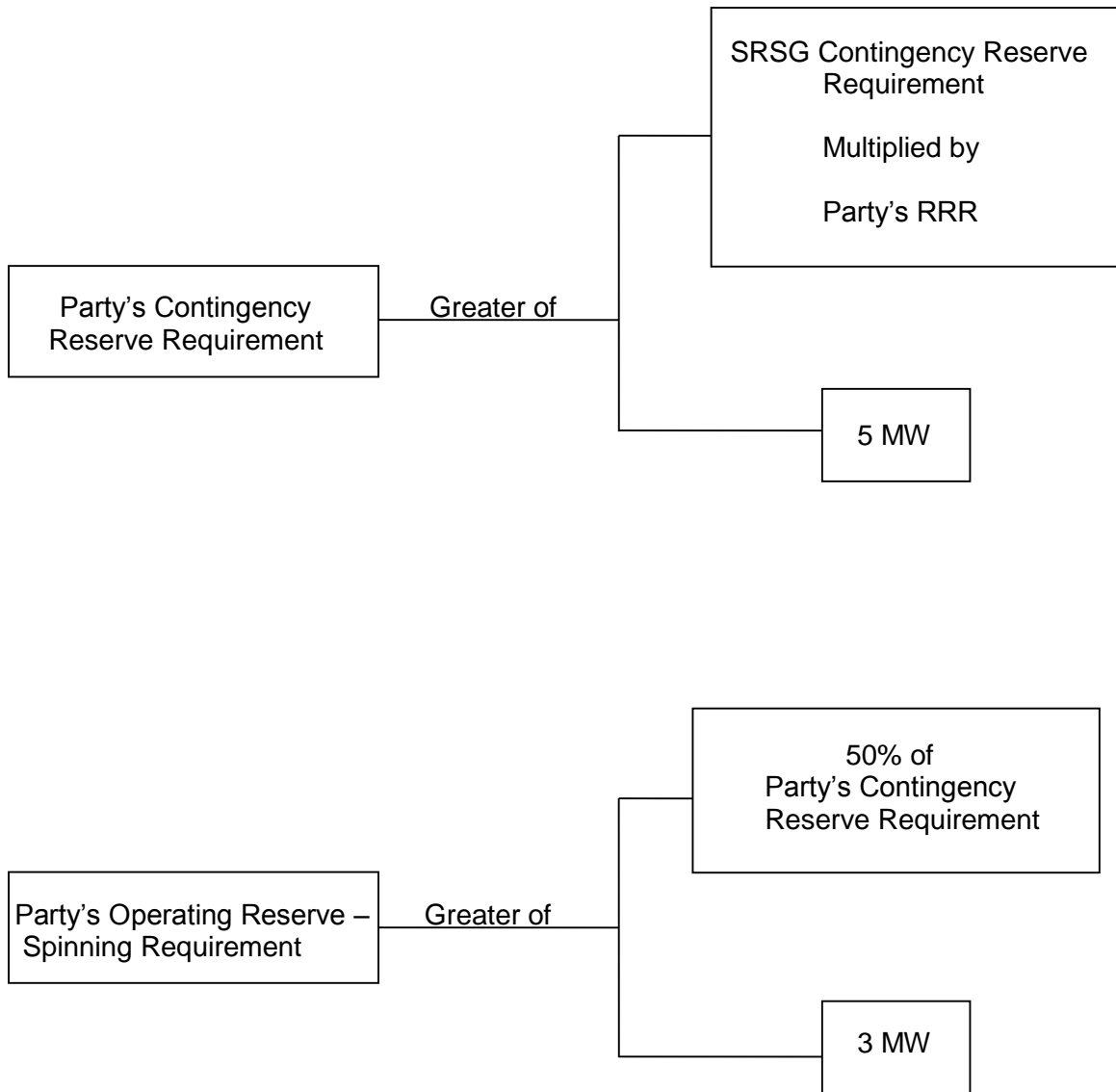
Calculation of
Reserve Responsibility Ratio (RRR)
and
Reserve Responsibility Value (RRV)



Where:



Calculation of
Party's Contingency and Operating Reserve – Spinning Requirements



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SERVICE SCHEDULE B

ACTIVATION OF RESERVES
FOR
EMERGENCY ASSISTANCE

SERVICE SCHEDULE B

ACTIVATION OF RESERVES FOR EMERGENCY ASSISTANCE

B-1. PARTIES:

This Service Schedule B is agreed upon as part of the Agreement.

B-2. GENERAL:

The purpose of this Service Schedule B is to define the terms and conditions under which a Party is obligated to activate its reserves for another Party requesting Emergency Assistance.

B-3. TERM:

This Service Schedule B shall continue in effect concurrently with the Agreement unless and until terminated by the Parties in accordance with provisions of Section 5 of the Agreement.

B-4. PARTY OBLIGATIONS:

Each Party is responsible for the activation of reserves as follows:

B-4.1 Party Experiencing a Disturbance

The Party experiencing a Disturbance shall immediately activate its own Contingency Reserves and initiate a system disturbance message (which shall include a request for Emergency Assistance if required), in accordance with Operating Procedures established by the Operating Committee.

B-4.2 Party Supplying Emergency Assistance

A Party supplying Emergency Assistance shall activate its reserves in accordance with Operating Procedures established by the Operating Committee.

B-4.3 All Parties

B-4.3.1 Each Party shall be required to complete the activation of its reserves within ten (10) minutes from the time of the Disturbance.

B-4.3.2 When supplying Emergency Assistance, a Party has no obligation to

1 supply more than its Contingency Reserve requirement.

2 B-4.3.3 A Party has no obligation to supply Emergency Assistance to another
3 Party beyond a period of sixty (60) minutes from the time of the
4 Disturbance.

5 B-4.4 Pursuant to WECC and NERC Reliability Standards, each Party shall maintain
6 sufficient transmission to support the activation of its own Contingency Reserves
7 and its Emergency Assistance obligations in accordance with the Agreement.

8 B-4.4.1 The amount of non-recallable transmission required to predetermined
9 points of delivery shall be determined using matrices for all major
10 contingencies specifying the transmission paths necessary to deliver
11 SRSG Emergency Assistance in accordance with the applicable
12 Operating Procedures as established by the Operating Committee.

13 B-5. SETTLEMENT FOR EMERGENCY ASSISTANCE:

14 B-5.1 Transmission - Charges associated with the transmission utilized in accordance
15 with Section B-4.4 herein, shall be the responsibility of the Party reserving such
16 transmission.

17 B-5.2 Capacity - There shall be no Capacity (demand) charge associated with the
18 supply or receipt of Emergency Assistance.

19 B-5.3 Energy - The Party receiving Emergency Assistance shall pay the supplying
20 Party or Parties for the Energy received at a rate of one-hundred percent (100%)
21 of the supplying Party's cost incurred. For the purpose of this Agreement, the
22 term "cost incurred" shall mean the expense incurred by the supplying Party in
23 supplying Emergency Assistance, as such cost is determined in accordance with
24 the applicable Operating Procedures as established by the Operating
25 Committee. Such costs shall include, but not be limited to, the following:

26 B-5.3.1 The cost of fuel which was consumed in generating Energy for

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Emergency Assistance; plus

B-5.3.2 Startup and incremental cost of unit operation and maintenance.

B-6. PENALTIES:

Penalties imposed by NERC or WECC on the SRSG for failure to recover from a Disturbance shall be applied only to the Party(ies) that caused such failure.

B-7. BILLING AND PAYMENT

All billings and payments associated with this Service Schedule B shall be made in accordance with Section 13 of the Agreement.