

**FIFTH REVISED SERVICE AGREEMENT FOR NETWORK  
INTEGRATION TRANSMISSION SERVICE  
BETWEEN  
PUBLIC SERVICE COMPANY OF NEW MEXICO  
AND  
THE INCORPORATED COUNTY OF LOS ALAMOS**

**FIFTH REVISED SERVICE AGREEMENT FOR NETWORK INTEGRATION  
TRANSMISSION SERVICE BETWEEN  
PUBLIC SERVICE COMPANY OF NEW MEXICO  
AND  
THE INCORPORATED COUNTY OF LOS ALAMOS**

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**FIFTH REVISED SERVICE AGREEMENT FOR NETWORK INTEGRATION**

**TRANSMISSION SERVICE**

**BETWEEN**

**PUBLIC SERVICE COMPANY OF NEW MEXICO**

**AND**

**THE INCORPORATED COUNTY OF LOS ALAMOS**

This Fifth Revised Service Agreement for Network Integration Transmission Service, which includes the Specifications for Network Integration Transmission Service ("Specifications") and Exhibits attached hereto and made a part hereof (collectively referred to as the "Fifth Revised Service Agreement"), is entered into this **X** day of **Month**, 202**X**, by and between **PUBLIC SERVICE COMPANY OF NEW MEXICO**, a corporation organized under the laws of New Mexico with principal offices located in Albuquerque, New Mexico ("PNM") and **THE INCORPORATED COUNTY OF LOS ALAMOS**, a body politic and corporate, existing as a political subdivision under the constitution and laws of the state of New Mexico, ("County") and operating in cooperative agreement with the Department of Energy/National Nuclear Security Administration as the Los Alamos Power Pool. PNM and County may hereinafter be referred to individually as a "Party" or collectively as "Parties."

In consideration of the mutual covenants and agreements herein contained, the Parties agree to the following:

**Section 1: Purpose of Fifth Revised Service Agreement**

1.1 The purposes of the Parties entering into this Fifth Revised Service Agreement are as follows:

1.1.1 To recognize that the Parties entered into a Network Operating Agreement ("Operating Agreement") and a Service Agreement for Network Integration Transmission Service ("Service Agreement") pursuant to which PNM has provided network transmission service to County in accordance with the PNM's Open Access Transmission ("Tariff") since July 30, 2002;

1.1.2 To amend and restate the terms and conditions of the Fourth Revised Operating Agreement and the Fourth Revised Service Agreement and supersede both the Fourth Revised Operating Agreement and the Fourth Revised Service Agreement with the Fifth Revised Network Operating Agreement ("Fifth Revised Operating Agreement") and the Fifth Revised Service Agreement respectively by: (a) to reflect the share of the County output from Unit 4 of the San Juan Generating Station being retired by September 2022; (b) removing the ancillary services billing credit for reactive supply and voltage; (c) reflect modifications to certain ancillary services; (d) making modifications to certain provisions to reflect current business arrangements between the Parties;

1.1.3 To provide for the terms and conditions under which PNM will provide Network Integration Transmission Service to County.

1.1.4 To establish the terms and conditions for the direct or indirect interconnection of the Parties' systems.

1.1.5 To incorporate Exhibit C entitled "Special Arrangements Section" which delineates various previously reached agreements between the Parties and which agreements the Parties desire to retain.

1.1.6 To recognize the Department of Energy/National Nuclear Security Administration (DOE/NNSA) as the owner and operator for transmission interconnects and services is in a cooperative agreement with County.

## **Section 2: Term of Fifth Revised Service Agreement**

This Fifth Revised Service Agreement shall become effective as of the date of its execution by the Parties, subject to any required acceptance for filing by the Federal Energy Regulatory Commission (the "Commission" or the "FERC"), unless some other effective date shall be assigned by the Commission (the "Effective Date"). This Fifth Revised Service Agreement shall remain in force unless terminated in accordance with Section 1.3 of the Specifications.

### **Section 3: Services to be Rendered**

The terms and conditions for the provision of Network Integration Transmission Service are as contained in this Fifth Revised Service Agreement and PNM's Tariff, as filed with the Commission as it may be amended from time to time or superseded due to appropriate filings with the Commission, and the Fifth Revised Operating Agreement between the Parties executed contemporaneous with this Fifth Revised Service Agreement. The Tariff is incorporated by reference into this Fifth Revised Service Agreement. In the event of conflicts between this Fifth Revised Service Agreement and the Tariff, this Fifth Revised Service Agreement shall govern.

### **Section 4: Administration**

4.1 As a means of securing effective cooperation in system planning, maintenance, and operation, and of dealing on a prompt and orderly basis with the various operating and technical problems which may arise in connection with delivery of power and energy, ancillary services, and system coordination under changing conditions, the Parties hereby establish a PNM/County Engineering and Operating Committee (the "E&O Committee"), charged with certain responsibilities hereunder.

4.2 The E&O Committee shall consist of two "E&O Representatives," one designated by each Party, and each such E&O Representative shall be authorized by the Party to act on its behalf with respect to those matters herein provided to be responsibilities of the E&O Committee. Each Party shall appoint an Alternate E&O Representative to represent the Party in the absence of the E&O Representative. Each Party shall notify the other Party in writing of the designation of its E&O Representative and of any subsequent change in such designation within thirty (30) days of such change. Either Party may designate, in writing, an alternate or substitute to act as its E&O Representative on specified occasions or with respect to specific matters. The functions and responsibilities of the E&O Committee shall be as follows:

4.2.1 To review periodically the prospective transmission capabilities of the Parties' systems, to arrange for investigations with respect to additional transmission facilities, including possible interconnections with other systems, in order to provide for additional transmission capacity and/or reliability, and to present recommendations as to such matters to the Parties.

4.2.2 To establish appropriate curtailment procedures consistent with the Tariff.

4.2.3 To establish detailed arrangements for scheduling, communication and implementation of operating procedures.

4.2.4 To establish appropriate record keeping and accounting systems for and between the Parties.

4.2.5 To do such other things as are provided for herein and as may be specified from time to time by the Parties; provided that the E&O Committee shall have no authority to modify any of the provisions of this Fifth Revised Service Agreement or the Tariff. Any decision or agreement by the E&O Committee shall be effective when signed by the E&O Representative of each Party.

4.2.6 In the event of a dispute or disagreement between the E&O Representatives, the subject shall be referred to executive officers of PNM and County for resolution.

4.2.7 Written minutes shall be kept by PNM of all meetings of the E&O Committee.

4.3 If either E&O Representative desires to have a meeting of the E&O Committee, then the E&O Representative desiring the meeting shall notify the other E&O Representative in writing or by electronic mail with telephonic confirmation. The meeting shall be held as soon as practicable.

**Section 5: Direct Assignment Facilities**

The following Direct Assignment Facilities shall be provided or caused to be provided by PNM to facilitate the service to be provided to County under this Fifth Revised Service Agreement:

None

**Section 6: Credit for Transmission Agreements**

County is entitled to receive the following credit(s) for existing transmission agreements:

6.1 The County and the U.S. Department of Energy National Nuclear Security Administration ("DOE/NNSA") will be entitled to a combined allocation of federal hydroelectric power or replacement power ("Federal Power") from the Western Area Power Administration ("Western") of the actual power delivered by Western up to 33.423 MW during the months of April through September and of the actual power delivered by Western up to 35.057 MW during the months of October through March. As used herein Federal Power shall include available federal hydroelectric power, Western replacement power (additional power and energy secured by Western to firm up the federal hydropower allocation to County), and County displacement power (additional power and energy secured by County to firm up the federal hydropower allocation). The Parties recognize that the transmission capability utilized for the delivery of Federal Power is held under separate contract by Western. The Parties acknowledge that Western reallocated Federal Power in 2004 ("2004 Reduction") and will perform additional reallocations from time to time. Such 2004 Reduction, as well as other future reductions in Federal Power allocation to County and DOE/NNSA, will also reduce the amount of transmission capability required by Western to deliver Federal Power to County and DOE/NNSA. The 2004 Reduction and future reductions of transmission capability by Western for delivery of Federal Power to County and DOE/NNSA will reduce the transmission credit as described in Exhibit A. Exhibit A provides the terms and conditions under which PNM will deliver Federal Power to County and credit County's monthly network load calculation to reflect the separate use of PNM's transmission system by Western to deliver Federal Power to County. Such credits will reflect actual delivery of Federal Power coincident with the PNM Transmission System Peak Load, as that term is defined in Exhibit B attached hereto.

6.2 PNM and DOE/NNSA, in reaching a resolution of certain issues raised in New Mexico Public Regulation Commission Case No. 2989 ("Case 2989"), agreed through the execution of the PNM/DOE/NNSA NMPRC Case No. 2989 Settlement Terms, dated September 22, 1999, (the "Case 2989 Settlement") that PNM would provide County with 10 MW of additional transmission service, under a point-to-point transmission service agreement, without charge, except for ancillary services priced at PNM's Tariff rates for a period of time (the "Case 2989 Settlement

Service"). Case 2989 Settlement Service became effective on June 1, 2000 and pursuant to the Settlement was to continue as long as the static var compensator installed at Los Alamos, New Mexico (the "Los Alamos SVC") provided PNM with additional operational flexibility to serve PNM's native load and its Network Integration Transmission Service Agreement customers' requirements. In November, 2017 PNM completed a transmission planning study that determined the Los Alamos SVC provides PNM with limited additional operational flexibility and concluded that 2 MW of transmission credit for the Los Alamos SVC can be established ("Transmission Credit"). Therefore from January 1, 2018 forward, PNM will provide County with 2 MW of Transmission Credit, instead of the 10 MW as had previously been provided pursuant to the Case 2989 Settlement and as continued through the Settlement. Such Transmission Credit shall be extended as long as the Los Alamos SVC provides PNM operational flexibility benefits to the accepted rating for Path 48, as such rating ("Accepted Rating") is defined by the Western Electricity Coordinating Council ("WECC") or other demonstrable benefits to serve PNM's native load and its Network Integration Transmission Service Agreement customers' requirements. Such Transmission Credit will be treated in accordance with the billing methodology established in Exhibit A. The County expressly waives any right to a continuation of the Transmission Credit set forth in this Section 6.2 should it be determined by the Parties or FERC that the Los Alamos SVC does not provide PNM operational flexibility benefits to the Accepted Rating defined by WECC or other demonstrable benefits to serve PNM's native load and its Network Integration Transmission Service Agreement customers' requirements. PNM agrees to give one (1) year advance notice of the termination of the Transmission Credit and shall include in any such notice an explanation of the basis upon which PNM has concluded that the Los Alamos SVC no longer meets the eligibility requirements set forth in this Section 6.2. Such evaluation shall be consistent with the methodology established in Section 30.9 of the Tariff (or its successor section) and FERC policy on providing transmission billing credits for customer-owned transmission facilities and be determined based on the then current and projected PNM transmission system configuration. If any significant changes occur in the Los Alamos area network loads and/or transmission system configuration, the County will notify PNM and if the Parties mutually agree that an evaluation of the Transmission Credit is warranted, then PNM will restudy the

benefits of the Los Alamos SVC. PNM will provide, within 10 business days of the agreement to restudy the benefits of the Los Alamos SVC, a System Impact Study Agreement (“SISA”) to County identifying study costs and deposits required to complete the review. County will have 10 business days from the date PNM submits the SISA to execute the SISA or PNM will consider the request withdrawn. If the study shows an increase or decrease in SVC benefits, the Transmission Credit will be modified.

6.2.1 Effective the Effective Date and continuing through the extension of the Transmission Credit set forth in Section 6.2, PNM will have the joint responsibility with the Los Alamos Power Pool members to approve voltage control settings and maintenance schedules for the Los Alamos SVC. PNM, upon request to County, shall be provided written notice of the Los Alamos SVC voltage control settings and maintenance schedule. Should the Los Alamos SVC become unavailable for any reason for a period exceeding ten (10) days, the 2 MW of the Transmission Credit will not be available until the Los Alamos SVC is in service for a continuous ten (10) day period.

6.2.2 The County shall ensure that DOE/NNSA designates a Los Alamos National Laboratory representative to serve as their Los Alamos SVC technical advisor (“Technical Advisor”) to PNM within (30) thirty days of execution of this Fifth Revised Service Agreement. The approval of the voltage control settings and maintenance schedule for the Los Alamos SVC shall be the joint responsibility of the Technical Advisor and PNM. The County shall by written notice notify PNM of the selection of the Technical Advisor. The County by written notice to PNM may change the designation of the Technical Advisor.

## **Section 7: Member Systems**

None.

## **Section 8: General Provisions**

8.1 A waiver at any time by either Party of its rights with respect to a default under this Fifth Revised Service Agreement, or with respect to any other matter arising in connection with this Fifth Revised Service Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. No delay short of the statutory period of

limitations in asserting or enforcing any right hereunder shall be deemed a waiver of such right.

8.2 Any notice, demand or request required or permitted under this Fifth Revised Service Agreement shall be in writing and shall be deemed properly served, given or made to the address of the receiving Party set forth below: (i) upon delivery if delivered in person, (ii) upon the date of receipt if sent by United States mail, return receipt requested; (iii) upon receipt of confirmation by return electronic facsimile if sent by facsimile with telephonic confirmation; (iv) upon delivery if delivered by prepaid commercial courier service; or (v) e-mail with telephonic confirmation. Notwithstanding the requirement of this Section 8.2, where any provision of this Fifth Revised Service Agreement requires a Party to furnish any particular data, information or notice in a specific manner or within a specific time period, such provision shall control.

To or upon PNM:

Public Service Company of New Mexico  
Corporate Headquarters  
Attention: Secretary MS-1245  
414 Silver Ave. S.W.

Albuquerque, New Mexico 87102-3289  
Facsimile No. (505) 241-2368  
Telephone No. (505) 241-2700

With copy to:

Public Service Company of New Mexico  
Attention: Director, Transmission and Substation Engineering MS Z220  
2401 Aztec Rd. NE  
Albuquerque, New Mexico 87107  
Facsimile: (505) 241-4363  
Telephone: (505) 241-8151  
Email address: Laurie.Williams@pnm.com

To or upon County:

The Incorporated County of Los Alamos  
1000 Central Ave., Suite 130  
Los Alamos, New Mexico 87544  
Attention: Utilities Manager

Facsimile No. (505) 662-8005  
Telephone No. (505) 662-8333

8.3 This Fifth Revised Service Agreement may be amended upon mutual agreement of the Parties, which amendment shall be reduced to writing and, if applicable, submitted to the Commission.

8.4 Except as otherwise provided in the Tariff, nothing contained in this Fifth Revised Service Agreement and any attachment hereto, as modified from time to time, shall be construed as affecting in any way the right of PNM to unilaterally make application to the Commission for a change in rates, charges, classification of service or in any rules, regulation or contract relating thereto, or the right of County to oppose such application, under Section 205 of the Federal Power Act ("FPA") and pursuant to the Commission's Rules and Regulations promulgated under the FPA.

8.5 No undertaking by either Party to provide services to the other Party under or pursuant to any provision of this Fifth Revised Service Agreement shall constitute or be deemed to constitute a dedication of all or any portion of the PNM electrical system to the public or to County, or all or any portion of the County electrical system to the public or to PNM; provided, however, the Parties agree that this section shall not in any manner limit or restrict the rights and obligations of the Parties pursuant to this Fifth Revised Service Agreement.

8.6 This Fifth Revised Service Agreement including the attached Specifications for Network Integration Transmission Service and Exhibits thereto, the Fifth Revised Operating Agreement and the Exhibits thereto and the Tariff constitute and express the entire agreement between the Parties concerning the subject matter hereof and all prior discussions and negotiations are merged herein and therein.

8.7 This Fifth Revised Service Agreement is made under and shall be governed by the laws of the State of New Mexico, except as governed by federal law.

8.8 From time to time after the execution of this Fifth Revised Service Agreement, the Parties may execute such instruments as may be necessary or appropriate to carry out the intent of this Fifth Revised Service Agreement.

8.9 The execution date of this Fifth Revised Service Agreement shall be the date appearing at the beginning of this Fifth Revised Service Agreement.

8.10 Nothing contained herein shall restrict either Party from interconnecting with or terminating an interconnection with any entity that is not a party to this Fifth Revised Service Agreement.

8.11 Terms used with capitalization in this Fifth Revised Service Agreement shall, unless the context otherwise requires, have the same meanings as set out in the Tariff.

8.12 Specifications for Network Integration Transmission Service are attached hereto and incorporated herein.

**IN WITNESS WHEREOF**, the duly authorized representatives of PNM and County have executed this Fifth Revised Service Agreement as of the day and year first herein written.

**THE INCORPORATED COUNTY OF LOS ALAMOS**

BY: \_\_\_\_\_

NAME:           Philo Shelton III          

TITLE:           Utilities Manager

**PUBLIC SERVICE COMPANY OF NEW MEXICO**

BY: \_\_\_\_\_

NAME:           Todd Fridley          

TITLE:           Vice President  
                    New Mexico Operations

## **Specifications For Network Integration Transmission Service**

### **1.0 Term and Termination:**

1.1 These Specifications are part of this Fifth Revised Service Agreement bearing the same date to which they are attached and may be amended as provided in Section 8.3 hereof. PNM shall file this Fifth Revised Service Agreement with the Commission pursuant to the FPA with a request that the Commission permit it to become effective as of the date of execution. PNM shall provide County with a copy of PNM's proposed Commission filing so that County can provide comments to PNM within seven (7) business days. County shall not oppose the PNM filing and may take other action which County deems appropriate in support of the PNM filing.

1.2 PNM shall, consistent with Section 1.1, seek all required regulatory approvals or acceptances for filing of this Fifth Revised Service Agreement and Fifth Revised Operating Agreement between the Parties.

1.2.1 If the FERC does not accept this Fifth Revised Service Agreement for filing without change or modification and unless such change or modification is mutually agreeable to the Parties as evidenced by their written agreement, County and PNM agree to work together in good faith on terms and conditions that are acceptable to them and to the FERC. If the Parties are unable to reach such agreement within thirty (30) days (or such longer period as they may mutually agree upon) from the date of the FERC order declining to accept this Fifth Revised Service Agreement: (i) this Fifth Revised Service Agreement shall become null and void; (ii) all obligations under this Fifth Revised Service Agreement shall be null and void; and (iii) services shall continue to be provided pursuant to the Third Revised Service Agreement and the Third Revised Operating Agreement.

1.3 This Fifth Revised Service Agreement shall remain in effect as long as the County requires transmission service for one or more of the Network Resources identified in Section 2.1 unless terminated earlier by the mutual written agreement of the Parties.

## **2.0 Network Integration Transmission Service**

In accordance with Part III of the Tariff, PNM will provide Network Integration Transmission Service over its Transmission System to County for the delivery of capacity and energy from County's designated Network Resources to serve its Network Loads on a basis that is comparable to PNM's use of its Transmission System to reliably serve PNM's Native Load Customers.

2.1 Network Resources. County's initial Network Resources are described as follows:

2.1.1 County's ownership in El Vado and Abiquiu Hydro Generation Stations.

2.1.2 County and DOE/NNSA combined allocation of Federal Power pursuant to County's contract with Western Contract No.17-SLC-0027, as amended and Western Contract with DOE/NNSA No. 87-SLC-0026, as amended.

2.1.3 County's capacity and energy purchase from Laramie River Station for delivery to San Juan 345 kV.

2.1.4 County's purchase(s) of firm energy from one or more suppliers for delivery to PNM for County's account at Four Corners.

2.2 Additions or modifications of Network Resources. County may make additions to, and modifications of, Network Resources in accordance with the Fifth Revised Operating Agreement and Section 30 of the Tariff or its successor section.

2.3 Delivery of Network Resources to PNM. County will cause capacity and energy from the Network Resources to be delivered to PNM.

2.4 Points of Delivery to Network Load. The Points of Interconnection to County shall be as described in the Fifth Revised Operating Agreement. County shall have the right to modify the Points of Delivery in accordance with the Fifth Revised Operating Agreement and Section 31 of the Tariff or its successor section.

### **3.0 Description of County's Monthly Network Load:**

See Exhibit A (as may be revised from time to time).

### **4.0 Description of PNM's Monthly Transmission System Peak Load:**

See Exhibit B (as may be revised from time to time).

### **5.0 Designation of Party(ies) Subject to Reciprocal Services Obligation:**

County is subject to Reciprocal Services to PNM. In FERC Docket No.OA96-230-000, County requested a waiver to the Reciprocity Requirements in Commission Order No. 888. The Commission granted such waiver. Granting of the waiver was based on a finding by the Commission that the County's facilities were not "grid facilities" and that it is unlikely that anyone would request service over County facilities located within the County Import Boundary, as defined herein. PNM, as the control area operator, is responsible for all PNM system improvements required to facilitate the provision of Network Integration Transmission Service. With Respect to the provision of Network Integration Transmission Service to County, this responsibility includes system improvements to PNM's Northern New Mexico Import Boundary, the Northeast Area Import Boundary and the Santa Fe-Las Vegas Boundary (collectively referred to as the "PNM Boundaries"). County is a metered subsystem located within the PNM Boundaries and within the PNM control area (The "County Import Boundary"). The County Import Boundary is currently defined as a) the STA end of the BA Switching Station ("BA Station") to STA Station transmission line which is metered at the STA Station and b) the ownership boundary on the Norton Switching Station ("Norton Station") to ETA Station transmission line located at the Los Alamos side of the dead-end structure located on the east side of the Rio Grande River crossing approximately five line miles from the Norton Station ("Ownership Boundary") and metered at Norton Station with subtractive required adjustments to remove: a) the Buckman load metered at 12.5kV; b) the Buckman 115/12.5kV transformer losses (to be calculated real-time); and c) the 115kV line losses (to be calculated real-time) between Norton Station and the Ownership Boundary (all of which have been included in Revision 3 to Exhibit A). County is responsible to work with the United States (acting through National Nuclear Security Administration and/or Western), which owns the transmission facilities within the County Import Boundary, for system improvements to ensure that load within the County Import Boundary can be reliably served. County, on behalf of both County and United States, will be responsible to coordinate such system improvements with PNM. Pursuant

to the terms of the Settlement, except for the 2989 Settlement Transmission credit that has been reduced to the Transmission Credit described in Section 6.2 hereof, neither County nor the United States is entitled to a transmission service credit for transmission facilities in service as of March 1, 2012. The eligibility for such credits relating to facilities placed in service after March 1, 2012 or for modifications made after March 1, 2012 to facilities that were in service as of March 1, 2012 and that are physically interconnected to PNM transmission facilities by the County or the United States shall be determined in accordance with Section 30.9 of PNM's OATT, except that no party to the Settlement shall oppose any such request on grounds that the United States is not itself a transmission customer of PNM.

**6.0 Service under this Fifth Revised Service Agreement is Subject to the Charges Detailed Below.**

**Monthly Transmission Charge:** The monthly charge for Network Integration Transmission Service shall be the ratio of County's Monthly Network Load as determined in accordance with Exhibit A hereof to PNM's Monthly Transmission System Peak Load as determined in accordance with Exhibit B hereof, multiplied by one-twelfth (1/12) of the Annual Transmission Revenue Requirement for Network Integration Transmission Service set forth in Attachment H to the Tariff plus the charges stated in Section 8, if any, plus charges for all applicable ancillary services stated in Section 9.

**7.0 System Impact and/or Facilities Study Charge(s):**

None Required

**8.0 Direct Assignment Facilities Charge:**

None

**9.0 Ancillary Services Charge:** Under this Fifth Revised Service Agreement, PNM will provide County with certain ancillary services. The rates for ancillary services are set forth in the Tariff, as the Tariff may be modified from time to time

**Schedule 1 - Scheduling, System Control & Dispatch Service**

County shall be charged for the services of Scheduling, System Control & Dispatch Service based upon the product of County's Monthly Network Load, as determined

in accordance with the methodology set forth in Exhibit A hereof, and pursuant to Schedule 1 of the Tariff.

**Schedule 2 - Reactive Supply & Voltage Control from Generation or Other Sources Service**

County shall be charged for the service of Reactive Supply & Voltage Control from Generation or Other Sources Service based upon the product of County's monthly Network Load, as determined in accordance with Exhibit A, and pursuant to Schedule 2 of the Tariff.

**Schedule 3 - Regulation & Frequency Response Service**

County shall be charged for Regulation and Frequency Response Service based upon the product of County's monthly Network Load for the billing month, as determined in accordance with Exhibit A, and pursuant to Schedule 3 of the Tariff.

**Schedule 4/4A - Energy Imbalance Service**

Energy Imbalance shall be defined as the actual hourly net meter interchange between the Parties, less the total scheduled net hourly interchange. County shall be charged for the hourly Energy Imbalance at the applicable PNM rate for such hourly Energy Imbalance Service according to the terms and conditions of the applicable sections of Schedule 4 or 4A of the Tariff.

### **Schedule 5 - Operating Reserve – Spinning Reserve Service**

County shall be charged for the services of Operating Reserve - Spinning Reserve Service based upon County's Monthly Network Load requiring Operating Reserve – Spinning Reserve Service from PNM, as determined in accordance with Exhibit A and Schedule 5 of the Tariff. In the event that County subsequently elects to self-provide, or acquire from third parties, Schedule 5 services, PNM shall waive charges for such service hereunder. The Parties will work with one another to coordinate any change in the provision of Schedule 5.

### **Schedule 6 - Operating Reserve – Supplemental Reserve Service**

County shall be charged for the services of Operating Reserve – Supplemental Reserve Service based upon County's Monthly Network Load requiring Operating Reserve – Supplemental Reserve Service from PNM, as determined in accordance with Exhibit A and Schedule 6 of the Tariff. In the event that County subsequently elects to self-provide, or acquire from third parties, Schedule 6 services, PNM shall waive charges for such service hereunder. The Parties will work with one another to coordinate any change in the provision of Schedule 6.

## **10.0 Reliability Criteria**

The Parties shall comply with the reliability criteria set forth in Section 5 of the Fifth Revised Operating Agreement as that Section may be amended from time to time.

## **11.0 Billings and Taxes**

11.1 Billing for Network Integration Transmission Service and Ancillary Services shall be per the provisions of Section 7 of the Tariff.

11.2 In addition to any and all charges provided herein for service under this Fifth Revised Service Agreement, County shall pay PNM the total of any taxes, fees or charges levied or assessed by any governmental entity on the services rendered under this Fifth Revised Service Agreement, or on the right or privilege of rendering such service. Examples of such taxes include, but are not limited to, sales taxes and gross receipts taxes on transmission service and use taxes on the amount of transmission service provided, such as kW of transmission service.

11.3 County shall not be required to pay on its bill for service rendered under this Fifth Revised Service Agreement: (i) any state or federal income or profit taxes payable by PNM (including its subsidiaries, parents and affiliates); (ii) any tax, fee or charge levied or assessed by any governmental entity on any input or factor of production used by PNM to provide the services rendered under this Fifth Revised Service Agreement; and (iii) any governmentally imposed charge, fee or tax on PNM (including subsidiaries, parents or affiliates) for any environmental impact of rendering service under this Fifth Revised Service Agreement.

11.4 County shall provide to PNM any pertinent current tax exemption certificates that have been issued to County by any governmental authority. PNM shall not be required to eliminate taxes described in this Section 11 from the bills for service rendered hereunder until it has received the appropriate exemption certificates for such taxes from County.

11.5 Nothing herein shall prevent County from opposing, at its own expense and in an appropriate forum, any governmental authority's determination that a tax, fee or charge is applicable to service rendered under this Fifth Revised Service Agreement.

#### **12.0 Loss Compensation Service:**

Real Power Losses for County's Monthly Network Load shall be compensated by County at the rate set out in Section 28.5 and Schedule 10 of the Tariff.

#### **13.0 Network Customer Re-dispatch Obligation:**

At certain times, PNM's northern New Mexico transmission system may become constrained. In such constrained period, and in order to continue to provide service to County and PNM Native Load Customers, PNM may need to re-dispatch its owned or purchased resources, County's Network Resources and the resources of other Network Integration Transmission Service customers' load-side area generation that results in a reduction of imports from remote generation. Any re-dispatch charge assessed to County will be in accordance with Attachment R of PNM's Tariff.

#### **14.0 Severability**

If following the Effective Date, any term, covenant or condition of this Fifth Revised Service Agreement or the application or effect of any such term, covenant or condition is held invalid as to any person, entity or circumstances or is determined to be unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent permitted by law, and all other terms, covenants and conditions of this Fifth Revised Service Agreement, and the application thereof, shall not be affected thereby, but shall remain in force and effect and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Fifth Revised Service Agreement; provided, however that if such invalidity or unenforceability results in material failure of consideration or imposes a significant disadvantage on one of the Parties, the Parties shall attempt to negotiate a modification of the terms of this Fifth Revised Service Agreement in order to restore the original balance of benefits, and if such modification is not agreed upon either Party may seek reformation of this Fifth Revised Service Agreement in a court of competent jurisdiction.

## **15.0 Construction of Fifth Revised Service Agreement**

Ambiguities or uncertainties in the wording of this Fifth Revised Service Agreement shall not be construed for or against either Party, but shall be construed in a manner that most accurately reflects the purpose of this Fifth Revised Service Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

## **16.0 Relationship of the Parties, No Partnership, Etc.**

Nothing contained herein shall be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or joint liability on or with regard to either or both of the Parties. Each Party shall be individually responsible for its own covenants, obligations and liabilities under this Fifth Revised Service Agreement.

## **17.0 No Third Party Beneficiaries**

Other than the United States with respect to the right to request Network Credits pursuant to Section 5.0 of these Specifications, this Fifth Revised Service Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Fifth Revised Service Agreement or of any duty, obligation or undertaking established herein.

## **18.0 Exhibits Incorporated**

The Exhibits to this Fifth Revised Service Agreement, as they may be amended or revised from time to time, are attached to this Fifth Revised Service Agreement and are incorporated by reference as if herein fully set forth.

## **19.0 Successors and Assigns**

19.1 This Fifth Revised Service Agreement is binding on and shall inure to the benefit of the Parties and their respective permitted successors, assigns and legal representatives. Each Party shall have the right at any time to mortgage, create or provide for a security interest in, or convey in trust all or part of its interest in this Fifth Revised Service Agreement, under deeds of trust, mortgages, indentures or security agreements, a security for its present or future bonds or obligations or securities, without the consent of the other Party. In the case of an assignment by County, such assignment shall be pursuant to Section 23 of the

Tariff. Either Party, without the consent of the other Party, may assign its rights and obligations under this Fifth Revised Service Agreement to any person or entity: (i) into which a Party is merged or consolidated, (ii) to which a Party sells, transfers or assigns all or substantially all of its transmission assets, (iii) that is a wholly owned subsidiary of a Party, (iv) that owns all of the outstanding stock of a Party, or (v) whose common stock is wholly owned by an entity that also owns all of the outstanding stock of a Party, so long as the survivor in any such merger or consolidation, or the purchase, transferee or assignee of such assets provides to the non-assigning Party a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the assigning Party under this Fifth Revised Service Agreement. Except as provided herein, neither Party shall assign its interest in this Fifth Revised Service Agreement in whole or in part without the prior written consent of the other Party, which consent will not be unreasonably withheld.

19.2 If PNM separates its generation assets and activities from its transmission and distribution assets and activities, the Parties hereto understand and agree that, upon the date PNM implements separation, this Fifth Revised Service Agreement will become the obligation of the transmission and distribution subsidiary.

19.3 The assignment by either Party shall not release said Party from any of its obligations under the Fifth Revised Service Agreement, without the written consent of the other Party, which consent shall not be unreasonably withheld.

19.4 The Parties shall cooperate with and assist one another in obtaining all consents and approvals that may be necessary or desirable in connection with the assignment of the Fifth Revised Service Agreement.

19.5 Except as otherwise provided in Section 19.1, PNM shall not, without the prior written consent of County, which consent shall not be unreasonably withheld, assign, pledge or transfer all, or any part of, its rights or obligations under the Fifth Revised Service Agreement, whether voluntarily or by operation of law.

19.6 Except as otherwise provided in Section 19.1, County shall not, without the prior written consent of PNM, which consent shall not be unreasonably withheld, assign, pledge or transfer all or any part of its rights or obligations under the Fifth Revised Service Agreement, whether voluntarily or by operation of law.

## **20.0 Operating Representatives**

The two E&O Representatives (one each for PNM and County) referenced in Section 4.2 of this Fifth Revised Service Agreement shall be the representatives of PNM and County on the Network Operating Committee established in Section 3 of the Fifth Revised Operating Agreement entered into concurrently herewith by PNM and County.

## **21.0 Authorized Representatives**

PNM and County shall each, within thirty (30) days after this Fifth Revised Service Agreement, designate in writing an Authorized Representative. The Authorized Representatives shall be officers or senior executives of the Parties, or other duly authorized persons, who shall be responsible for executive oversight of the Parties' performance hereunder. The Authorized Representatives shall meet from time to time at the request of either, but in no event less frequently than once every twenty-four (24) months. The Authorized Representatives shall have no authority to modify any of the provisions of this Fifth Revised Service Agreement, the Fifth Revised Operating Agreement or the Tariff. The Authorized Representatives shall address or resolve matters submitted to them by the E&O Committee and may direct the E&O Committee to undertake assigned tasks consistent with this Fifth Revised Service Agreement.

## **22.0 No Guarantee of Uninterrupted Service**

Nothing in this Fifth Revised Service Agreement shall be construed to constitute or imply a guarantee by PNM to provide uninterrupted transmission service or a continued supply of electric power and energy to County.

## **23.0 No Dedication of Facilities**

No undertaking by either Party to the other Party under or pursuant to any provision of the Fifth Revised Service Agreement shall constitute or be deemed to constitute a dedication of all or any portion of the PNM transmission system to the public or to County, or all or any portion of the County electrical system to the public or to PNM;

provided, however, the Parties agree that this section shall not in any manner limit or restrict the rights and obligations of the Parties pursuant to the Fifth Revised Service Agreement.

#### **24.0 Dispute Resolution**

If the Authorized Representatives of PNM and County are unable to resolve a dispute or disagreement referred pursuant to Section 4.2.6 of the Fifth Revised Service Agreement, or otherwise arising among the Parties, the Parties may jointly elect: (i) to resort to mediation or other form of dispute resolution, or (ii) to proceed to dispute resolution in accordance with the procedures set out in Sections 12.1 through 12.5 of the PNM Tariff (or successor provisions thereto). Provided neither Party waives its right to litigate their dispute or disagreement.

## **EXHIBIT A**

### **Description of County's Monthly Network Load**

#### **I. Application of Exhibit A**

For the purpose of calculating the County's monthly transmission charge as set forth in Section 6 of the Specifications, County's Monthly Network Load shall be determined following the method set forth in this Exhibit A. Exhibit A may be revised from time to time by mutual agreement of the Authorized Representatives, as established in Section 21 of the Specifications for Network Integrated Transmission Service, upon the recommendation of the E&O Committee.

#### **II. Determination of County's Monthly Network Load**

A) County's Monthly Network Load shall be equal to County's actual hourly metered New Mexico load including local generation within the County Import Boundary (Revision 3 to Attachment 1 to this Exhibit A is an example of the Parties' current understanding of the best methodology to calculate such load) measured on the hour of PNM's Monthly Transmission System Peak Load less the credits described in Paragraph III below. County's Monthly Network Load shall never be less than zero.

B) All measurements shall be in whole megawatts, rounding capacity and energy to the nearest whole megawatt or megawatt hour.

C) In calculating County's Load Ratio Share in accordance with the Tariff, Section 34.1 or successor Section includes Transmission Losses in all Network Customers' Monthly Network Loads and in PNM's Monthly Transmission System Peak Load, as calculated in accordance with Exhibit B. County's Monthly Network Load determined in accordance with paragraph A above shall be multiplied by the adjustment factor  $(1 + L)$ , where L equals the real power loss factor set forth in Section 28.5 of the Tariff, or successor Section (expressed as a decimal such as 0.032).

#### **III. Credit for Transmission Agreements**

2A credit for Federal Power is described in Section 6.1 of this Fifth Revised Service Agreement. PNM shall deliver Federal Power to County and credit County's Monthly

Network Load to reflect the separate use of PNM's transmission system by Western, pursuant to existing agreements between PNM and Western, to deliver this Federal Power to County. The credit shall be equivalent to the Federal Power delivered by PNM to County at the County Import Boundary as currently described in specification 5. Such credits will reflect the actual delivery of Federal Power coincident with the hour of the PNM Monthly Transmission System Peak Load. In order to receive the credit described herein, County will insure that Western provides to PNM hourly schedules of Western's resources delivered to PNM. No credit for Federal Power shall be provided in calculating the amounts due for PNM's provision of ancillary services associated with Tariff Schedules 1-4.

A) A credit for the 2989 Settlement Transmission credit that has been reduced to a new Transmission Credit is described in Section 6.2 of this Fifth Revised Service Agreement. No credit for the 2989 Settlement Transmission credit that has been reduced to a new Transmission Credit shall be provided in calculating the amounts due for PNM's provision of ancillary services associated with Tariff Schedules 1-4.

B) No credit for TA-3 Generation, the combustion turbine or other local generation located within the County Import Boundary shall be provided in calculating the amounts due for the provision of ancillary services associated with Tariff Schedules 1-3.

### **Revision #3**

#### **Attachment 1 to Exhibit A**

##### **County Monthly Network Load Derivation**

Revision #3 of Attachment 1 to Exhibit A may be revised from time to time by mutual agreement of the Authorized Representatives, as established in Specification 21 of this Fifth Revised Service Agreement and upon the recommendation of the E&O Committee.

#### **Power Interchange Calculation**

#### **Current Interchange Calculation**

#### **County Network Interchange**

**(Hourly or Monthly)** = +/- RL<sup>1</sup> Line measured at STA +/-NL<sup>2</sup> Line measured at Norton - Buckman load measured at the low side of transformer (adjusted to include 115/12.5 kV transformer losses to be calculated real-time) – NL Line losses (to be calculated real time) between Norton and the dead-end structure on the east side of the Rio Grande River crossing + (Hydro Schedule -Hydro Actual) + Load side generation

Where: Hydro Actual = El Vado Actual measured at Spills + Abiquiu Actual measured at Coyote

Hydro Schedule = Total Hydro (Sum of El Vado and Abiquiu) Scheduled by County

#### **Metering**

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<sup>1</sup> RL is the designation for the transmission 115 kV line facility from BA Station to STA Station.

<sup>2</sup> NL is the designation for the transmission 115 kV line facility from Norton Station to ETA Station adjusted to remove the Buckman Substation deliveries metered at Buckman 12.5 kV and loss adjusted real time to the 115 kV transformer terminals with real time loss adjustments and further adjusted for losses (to be calculated real time) between Norton Station and the ownership boundary located on the Los Alamos side of the dead-end structure located on the east side of the Rio Grande River crossing.

- Currently County and PNM will use the billing meters at Norton (less Buckman load (to be calculated real-time) and adjusted for losses between Norton and the ownership boundary on the NL Line located on the Los Alamos side of the dead-end structure located on the east side of the Rio Grande River crossing), at the STA end of the BA Switching Station ("BA Station") to STA Station transmission line which is metered at the STA Station and Local Generation to calculate Hourly and Monthly County Network Load.
- County and PNM will continue to alternate monthly, the use of each other's values for Actual Net Interchange.
- County and PNM will use Tri-State values for El Vado and Abiquiu hydro generation. PNM currently receives these values from Tri-State through ICCP. County shall validate these figures against County's own tie point values. If there is a discrepancy with the hydro values between PNM and County, County shall resolve such difference with Tri-State and inform PNM of such resolution.
- Load side generation information is provided to PNM through ICCP.

### **End of Month Verification between County and PNM**

#### **Current Meter Values**

On the first working day of the month, PNM and County will collectively read meters at the following substations: (i) NL line at Norton Station, (ii) RL line at STA Station, Buckman load at Buckman (to be calculated real-time) and adjusted for losses between Norton Station and the ownership boundary located on the Los Alamos side of the dead-end structure located on the east side of the Rio Grande River crossing, (iii) all local generation and (iv) hydro generation (Abiquiu & El Vado).

#### **Interchange Monthly Values**

Such monthly interchange values shall include the following:

County's Schedule, County's metered load, Total Hydro Schedule, Total Hydro Actual, and Local Generation.

### **Energy Imbalance**

County's Energy Imbalance = (County's metered load – County's Schedule) + (Total Hydro Schedule – Total Hydro Actual) and shall be accounted for as established in Section 9 of the Specifications of the Fifth Revised Service Agreement.

Note 1: All generation facilities are treated as metered tie points inclusive of Local Generation.

Note 2: The equations above reflect current sign conventions relative to County and are employed by the Parties.

Note 3: County Interchange is used to calculate Energy Imbalance.

Note 4: Subject to Tri-State approval, Tri-State will provide monthly El Vado and Abiquiu interties at Spills and Coyote to County and PNM.

Note 5: All calculations between County and PNM will be measured in KWH and divided by 1000 to convert to MWH. Rounding will occur following the summation of each of individual components to arrive at a MWH total.

## EXHIBIT B

### PNM's Monthly Transmission System Peak Load

PNM's Monthly Transmission System Peak Load (see Section 1.50 of the Tariff or its successor Section) is defined as the maximum firm usage of PNM's transmission system in a calendar month. PNM's Monthly Transmission System Load (see Section 34.3 of the Tariff) is determined by taking PNM's Transmission System Peak minus the coincident peak usage of all firm Point-to-Point Transmission Service customers pursuant to Part II of the Tariff, plus the reserved capability of all firm Point-to-Point Transmission Service Customers pursuant to Part II of the Tariff.

For purposes of this Fifth Revised Service Agreement, PNM's Monthly Transmission System Load shall be equal to the algebraic sum of the following quantities at the time of hourly coincident peak each month of: (i) PNM's Native Load, (ii) plus PNM's Network Integration Transmission Service customers' loads pursuant to Part III of the Tariff, (iii) plus PNM's bilateral transmission contract customers usage (Pre-Open Access Transmission Tariff firm transmission agreements), and (iv) the reserved capability of PNM's Point-to-Point Transmission Service Customers pursuant to Part II of the Tariff.

PNM's Monthly Transmission System Load set forth in this Exhibit B may be revised from time to time in accordance with the terms and conditions of the Tariff.

#### **EXAMPLE:**

This example is intended to illustrate the determination of PNM's Monthly Transmission System load on the Effective Date.

PNM's Monthly Transmission System Peak is equal to the algebraic sum of the following quantities at the time of the hourly coincident peak each month (existing and future quantities shown in this example):

- (i) PNM's Native Load;
- (ii) Plus Kit Carson Electric Cooperative, delivered network resources;
- (iii) Plus City of Gallup, delivered network resources;

- (iv) Plus Tri-State Generation and Transmission Association, Inc. Network Load;
- (v) Plus Western's Network Load under Contract No. 03 SLC0499;
- (vi) Plus Incorporated County of Los Alamos. New Mexico Network Load;
- (vii) Plus Jicarilla Apache Network Load;
- (viii) Plus the Navajo Tribal Utility Authority Network Load;
- (ix) Plus the Pueblo of Acoma Network Load;
- (x) Plus Western Area Power Administration scheduled transmission use under  
Contract No. 14-06-400-2425 and Contract No. 8-07-40-P0695;
- (xi) Plus United States Bureau of Reclamation loads at Gallegos Station; and
- (xii) Plus all firm point-to-point transmission service provided pursuant to the terms of  
the PNM Tariff.

## EXHIBIT C

### Special Arrangements

PNM and County agree to the following Special Arrangements to the mutual benefit of the network load served by PNM for both PNM and County:

#### I. Operating Agreements Between PNM and County Relating to Service

Operating Procedure I Revision 2 (Scheduling of County Abiquiu & El Vado), V Revision 1 (Reactive Credit Derivation) and VI (Energy Imbalance Month-End Accounting) and considered by the Parties to be viable Operating Procedures and currently employed by the Parties.

#### II. Special Arrangements

A) The County requires certain specific delivery arrangements to facilitate receipt of power and energy from County's Hydro Units located in northern New Mexico. Several intervening parties provide County transmission service to enable County to deliver the power and energy from the Hydro Units to Tri-State prior to such power and energy being received by PNM. These include, (i) Northern Rio Arriba Electric Cooperative (from El Vado Hydro Facility through Spills Switching Station to Coyote Switching Station), (ii) Jemez Mountain Electric Cooperative, Inc. ("Jemez") from Coyote Switching Station to the 69kV side of the Hernandez Substation, (iii) Tri-State provides transmission service through the Coyote Switching Station to the point of interconnection with Jemez. Tri-State delivers the power and energy from the County Hydro Units (from the 69kV side of Hernandez Substation to the 115kV transmission line facilities owned by PNM that terminate at the Hernandez Substation 115kV bus (See Attachment 1 to Exhibit C). The Bus License Agreement between PNM and Tri-State, dated February 25, 2001 provides PNM the rights by which PNM accepts the power and energy from the Hydro Units at Tri-State's 115kV Hernandez Substation. PNM then delivers the power and energy from County's Hydro Units to the County Import Boundary.

B) Upon execution of this Fifth Revised Service Agreement County will continue to provide PNM hourly-metered values (net of auxiliaries) for TA-3, the combined cycle and other local generation hourly and convey the hourly data for the entire month within three (3) business days following the end of each month. The hourly-metered values

shall be employed by PNM to assess County in calculating the amounts due for the provision of network service and the ancillary services associated with Tariff Schedules 1-3.

**Attachment 1 to Exhibit D**

