

COLUMBIAGRID

**VARIABLE TRANSFER LIMITS STUDY
FUNCTIONAL AGREEMENT**

June xx, 2014

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COLUMBIAGRID

VARIABLE TRANSFER LIMITS STUDY

FUNCTIONAL AGREEMENT

THIS VARIABLE TRANSFER LIMITS STUDY FUNCTIONAL AGREEMENT including Appendices A, B, and C (“Agreement”) is entered into as of June xx, 2014 by and among the Bonneville Power Administration (“Bonneville”); Puget Sound Energy, Inc.; the City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department; Public Utility District No. 1 of Snohomish County, Washington; the City of Tacoma, Department of Public Utilities, Light Division (dba Tacoma Power); Public Utility District No. 1 of Chelan County, Washington; Public Utility District No. 2 of Grant County, Washington; Avista Corporation; and ColumbiaGrid, a Washington state nonprofit corporation.

RECITALS

A. ColumbiaGrid is intended to promote, in the public interest, coordinated and reliable planning, expansion, and operation of the interconnected transmission systems in the Pacific Northwest, taking into consideration environmental concerns, regional interests, and cost-effectiveness.

B. Bonneville is the Path Operator for, and a capacity owner of, the Northwest AC Intertie.

C. In 2010, Bonneville performed a study to determine the dynamic transfer capability (also known as “Variable Transfer Limits”) available across the Northwest AC Intertie, the Northern Intertie, the Eastern ties and Bonneville’s internal network constrained paths. The Bonneville study was shared with ColumbiaGrid and Northern Tier Transmission Group (“NTTG”) under the auspices of the Wind Integration Study Team (DTC Task Force), which was working to develop a study methodology for determining Variable Transfer Limits, which is the basis for the methodology being used here. Due to system changes that have occurred since 2010, a revised Variable Transfer Limits study of the Northwest AC Intertie, Bonneville’s network system, and possibly the other Bonneville interties is warranted.

D. Members of ColumbiaGrid, members of NTTG, the Pacific Northwest Generating Cooperative, and the California Independent System Operator have been collaborating on an interim study methodology, study plan, and scope of work to study Variable Transfer Limits of the Northwest AC Intertie, Bonneville’s network system, and possibly the other Bonneville interties. It is anticipated that these parties will continue to collaborate and share information and data necessary to study Variable Transfer Limits of the Northwest AC Intertie, Bonneville’s network system, and possibly the other Bonneville interties.

E. The VTL Parties intend, through this Agreement, to engage ColumbiaGrid to coordinate a study to determine the Variable Transfer Limits of the Northwest AC Intertie, Bonneville's network system, and possibly the other Bonneville interties by implementing the interim Variable Transfer Limits study methodology, study plan, and scope of work developed by the collaborative effort described above.

AGREEMENT

1. ColumbiaGrid Services

ColumbiaGrid shall provide to the VTL Parties the services specified in this Section 1. This Agreement shall commence on the Effective Date and shall continue until December 31, 2014.

1.1 Study Performance

The VTL Parties hereby engage ColumbiaGrid to coordinate a technical analysis and study to calculate the Variable Transfer Limits of the Northwest AC Intertie, Bonneville's internal network, and, if practicable, other Bonneville interties ("the Study"). The Study will be performed pursuant to a detailed study methodology and statement of work (together, the "Statement of Work") established collaboratively between ColumbiaGrid, the VTL Parties, members of NTTG, the Pacific Northwest Generating Cooperative, and the California Independent System Operator. The VTL Parties authorize ColumbiaGrid to engage third-party contractors to assist or perform the Study work, as necessary. It is the intention of the Parties that third-party contractors will be accountable for performing the Statement of Work and for producing the final products pursuant to the Statement of Work. ColumbiaGrid shall post the Statement of Work and a final report of the Study results on its Website.

2. Process Requirements

2.1 Duty to Cooperate

Each VTL Party, to the extent necessary, shall cooperate with and support ColumbiaGrid in the implementation of its responsibilities under this Agreement. Each VTL Party shall endeavor to actively participate in and support ColumbiaGrid in the performance of the Study. Specifically, Bonneville and the other VTL Parties shall provide the data regarding their systems necessary to assist with the completion of the Study.

2.2 Transparency

ColumbiaGrid shall, to the extent practicable, undertake the study in a coordinated, open, transparent, and participatory manner, subject to ColumbiaGrid's obligation to protect Confidential Information, CEII, or Other Information. The Study shall not create any third-party rights or obligations.

2.3 Process Requirements

In performance of the Study, ColumbiaGrid shall:
Variable Transfer Limits Study
Functional Agreement

- (i) in consultation with the VTL Parties, implement and update, as appropriate, the Study, including deliverables, milestones and timelines;
- (ii) consult with or inform Interested Persons, to the extent practicable; and
- (iii) provide technical staff to support the Study, which staff shall provide recommendations and technical proposals and, together with the VTL Parties and third-party consultants, perform the technical analyses needed to advance the Study and complete the Statement of Work within the timeline specified in separate agreements between ColumbiaGrid and third-party consultants.

3. No Agency

Nothing in this Agreement shall authorize ColumbiaGrid to act as agent for, act on behalf of, or make commitments for, any of the VTL Parties. Each VTL Party that owns or operates a Transmission System retains its independent authority to evaluate or adopt any Study results related to its Transmission System. Nothing in this Agreement shall obligate any VTL Party that owns or operates a Transmission System to take any action with respect to its Transmission System including, but not limited to, setting any operational limits.

4. Integration

This Agreement, including the appendices hereto, constitutes the complete agreement of the Parties and supersedes all prior or contemporaneous representations, statements, negotiations, understandings, and inducements with respect to the subject matter of this Agreement. The appendices hereto, as they may be revised from time to time by amendment pursuant to Appendix B7.2 of this Agreement, are incorporated by reference as if fully set forth in this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their respective names.

ColumbiaGrid

Puget Sound Energy, Inc.

By: _____
 Title: _____
 Date: _____

By: _____
 Title: _____
 Date: _____

Bonneville Power Administration

By: _____
Title: _____
Date: _____

**The City of Tacoma, Department
of Public Utilities, Light Division
(dba Tacoma Power)**

By: _____
Title: _____
Date: _____

**The City of Seattle, a municipal corporation
of the State of Washington, acting by and
through its City Light Department**

By: _____
Title: _____
Date: _____

**Public Utility District No. 1 of
Snohomish County, Washington**

By: _____
Title: _____
Date: _____

**Public Utility District No. 1 of Chelan
County, Washington**

By: _____
Title: _____
Date: _____

**Public Utility District No. 2 of Grant
County, Washington**

By: _____
Title: _____
Date: _____

Avista Corporation

By: _____
Title: _____
Date: _____

APPENDIX A – FINANCIAL PROVISIONS

A1. Payment

A1.1 Maximum Total Payment Obligation

A1.1.1 Maximum Total Payment Obligation. The Maximum Total Payment Obligation shall be an amount equal to [REDACTED], which includes an amount to engage third-party vendors to perform study work and an allocation of corporate overheads pursuant to a Corporate Cost Allocation Factor, as defined in Appendix A1.2. The Maximum Total Payment Obligation may be modified pursuant to Appendix A1.1.2.

A1.1.2 Modification of Maximum Total Payment Obligation. ColumbiaGrid or any Payor may request from time to time a modification in the Maximum Total Payment Obligation, by written request to each of the other Parties. The Voting Payors shall vote on such modification no later than 60 days after such request. Such modification shall be approved upon the two-thirds weighted affirmative vote of the Voting Payors (weighted in proportion to their respective percentage Allocated Shares as of the time of the vote). If such modification is so approved, the Maximum Total Payment Obligation shall be as so modified.

A1.1.3 Notice of Modification of Maximum Total Payment Obligation. ColumbiaGrid shall promptly reflect any approved modification of the Maximum Total Payment Obligation pursuant to Appendix A1.1.2, and the effective date of such modification or adjustment, in a table in A1.3.

A1.2 Allocation of Corporate Overhead

ColumbiaGrid shall determine when and to what extent to allocate corporate expenses to its activities under its functional agreement(s) as provided in provision 7.2 of the Bylaws and shall make such allocation based upon a reasonable assignment (in light of generally accepted cost allocation principles) of costs to each function based upon the costs attributable to each such function. The initial Maximum Total Payment Obligation was set at a level that did contemplate an inclusion of all such corporate expenses using a Corporate Cost Allocation Factor of 40 percent (40%) pursuant to the ColumbiaGrid Fourth Funding Agreement, dated August, 18, 2010, (“Funding Agreement”) Section 2 and Exhibit B. It is contemplated that requests for modification of the Maximum Total Payment Obligation may also reflect an allocation of additional corporate expenses.

A1.3 Payor’s Payment Obligation

Subject to Appendix A1.4.3 and the other provisions of this Agreement, the Payor agrees to provide to ColumbiaGrid, in response to an Invoice and pursuant to the provisions of this Agreement, amounts equal to such Payor’s Allocated Share of each Payment Amount, all of which amounts shall be used by ColumbiaGrid as set forth in Appendix A1.5.1. All dollar amounts set forth in this Agreement are U.S. dollars. The VTL Parties’ Allocated Shares shall be as follows:

Bonneville	100.00%
Avista Corporation	0.00%
Chelan County PUD	0.00%
Grant County PUD	0.00%
Puget	0.00%
Seattle City Light	0.00%
Snohomish County PUD	0.00%
Tacoma Power	0.00%
Totals	100.00%

Notwithstanding anything in this Agreement to the contrary, Bonneville shall be the sole Payor under this Agreement.

A1.4 Invoices

A1.4.1 Invoices. Monthly, starting in June 2014, ColumbiaGrid shall submit an Invoice for expenses incurred after June xx, 2014 (including corporate overhead, pursuant to Appendix A1.2) to all Payors for reimbursement of the amount it has expended to implement this Agreement until Invoices (whether issued pursuant to this Appendix A1.4.1 or Appendix A1.4.2) for Payment Amounts in the aggregate totaling the Maximum Total Payment Obligation have been issued. ColumbiaGrid shall submit each such Invoice by the tenth day of the month in which it is issued, or the preceding Friday if the tenth falls on a weekend, and shall show in any such Invoice each Payor's Allocated Share of such Invoice.

A1.4.2 Invoices Due to Extraordinary Circumstances. During the term of this Agreement, ColumbiaGrid may submit Invoices, in addition to Invoices pursuant to Appendix A1.4.1, in the extraordinary event that additional Payment Amounts are needed. Any Invoice submitted pursuant to this Appendix A1.4.2 shall include an explanation of the reason why the Invoice is needed, including a description of the extraordinary circumstance.

A1.4.3 Cap on Payor's Obligation. Notwithstanding any other provision of this Agreement, ColumbiaGrid shall not at any time submit any Invoice to any Payor for any Payment Amount that, together with Payment Amounts requested by prior Invoices to such Payor, in the aggregate exceeds such Payor's Maximum Payor Obligation then in effect, as calculated and distributed by ColumbiaGrid. Notwithstanding any other provision of this Agreement, no Payor shall be obligated at any time under this Agreement to provide any Payment Amount under Appendices A1.4.1 and A1.4.2 that, together with Payment Amounts requested by prior Invoices to such Payor, in the aggregate exceeds such Payor's Maximum Variable Transfer Limits Study

Payor Obligation then in effect, as calculated and distributed by ColumbiaGrid (plus any interest that such Payor incurs pursuant to Appendix A1.4.5.3 as a result of late payments by such Payor).

A1.4.4 Allocation of Invoice. Each Invoice to a Payor shall be for such Payor's Allocated Share of the total amount of such Invoice.

A1.4.5 Invoice and Payment Details

A1.4.5.1 Invoice Details. ColumbiaGrid shall issue each Invoice to all Payors that are Payors as of the Effective Date. ColumbiaGrid shall submit any Invoice in writing and delivered by U.S. mail and by e-mail to the person designated for each Payor pursuant to Appendix B7.1. ColumbiaGrid shall provide each Payor with instructions for electronic funds transfer or wire transfer of funds in response to an Invoice.

A1.4.5.2 Payment Details. Each Payor shall make its payment of its Allocated Share of an Invoice within 20 business days of receiving an Invoice by electronic funds transfer or wire transfer of immediately-available funds.

A1.4.5.3 Interest on Late Payment. Any Payment Amount not paid when due by a Payor shall bear interest, compounded daily, from the date such amount was due until the date of payment at an annual interest rate equal to the lesser of (i) a rate equal to 200 basis points above the per annum prime rate reported daily in *The Wall Street Journal* and (ii) the maximum rate permitted by applicable law.

A1.4.5.4 Quarterly Reports. By the 15th day of each quarter, ColumbiaGrid shall provide each Payor with a quarterly report that contains (i) a detailed projection of the funds from this Agreement that it projects it will use in the current quarter and the remainder of the Payment Cycle and (ii) an accounting of ColumbiaGrid's expenditures of funds received under this Agreement (a) in the previous quarter and (b) since the commencement of the Payment Cycle.

A1.4.5.5 Voluntary Advanced Payment Amount. Any Payor may pay to ColumbiaGrid all or a portion of its Allocated Share of any Payment Amount prior to ColumbiaGrid submitting an Invoice for such Payment Amount. At the time of any such advance payment, such Payor shall notify ColumbiaGrid that it is paying funds in advance of the Invoice. ColumbiaGrid shall apply such advance payment as a credit against such Payor's obligation to pay its Allocated Share in response to each subsequent Invoice until such advance payment is exhausted. ColumbiaGrid shall report the remaining balance of any such advance payment in its quarterly report. ColumbiaGrid shall not use any such advance payment as an offset to any other Payor's Allocated Share of any Invoice. ColumbiaGrid may, but shall have no obligation to, pay interest with respect to any such advance payment.

A1.4.5.6 Over-Payment. If a Payor provides funds in excess of those it is obligated to provide under this Agreement, ColumbiaGrid shall refund to such Payor its excess contribution within five business days of ColumbiaGrid's learning that the funds provided were

in excess. ColumbiaGrid shall provide each Payor with written notice that it has issued a refund to a Payor pursuant to this Appendix A1.4.5.6.

A1.5 Use of Funds

A1.5.1 General. ColumbiaGrid agrees that funds provided under this Agreement shall be used only for purposes consistent with this Agreement. The payments received under this Agreement are intended to be the primary source of payment for ColumbiaGrid's performance under this Agreement. Expenditure of funds available to ColumbiaGrid under this Agreement shall be subject to approval by the Board of Directors of ColumbiaGrid in furtherance of the purposes of ColumbiaGrid consistent with its Articles of Incorporation and Bylaws and consistent with the provisions of this Agreement. Any funds made available under this Agreement shall not be used to reimburse internal costs of the VTL Parties or Interested Persons or costs of Third Persons hired individually by one or more of the VTL Parties or Interested Persons.

A1.6 Other Terms

A1.6.1 Waiver of Defense to Payment. Each Payor waives as a defense to any untimely payment of its Allocated Share of each Invoice any defense that one or more of the other Payors has failed to timely pay its Allocated Share of such Invoice or any other Invoice.

A2. Budgets

A2.1 ColumbiaGrid General Record-Keeping

ColumbiaGrid shall keep such financial, operational, and other records for its performance and obligations under this Agreement as may be necessary for the efficient operation of ColumbiaGrid and, except as necessary to protect Confidential Information, CEII, and Other Information, shall make such records available upon request for inspection by the VTL Parties. ColumbiaGrid shall comply with the then current record-retention policy of the Commission.

A2.2 Annual Financial Reporting

As soon as reasonably practicable after the close of each fiscal year, ColumbiaGrid shall prepare (in accordance with generally accepted accounting principles and regulations of the Commission) and make available to the VTL Parties annual financial statements relating to its activities under this Agreement.

A2.3 Audit of ColumbiaGrid Records

Each VTL Party shall have the right to conduct an audit of ColumbiaGrid's performance of its obligations to the VTL Parties under this Agreement; *provided that* the VTL Party requesting the audit shall pay for such audit and provide the result to the other VTL Parties. ColumbiaGrid shall make its records, facilities, and personnel available to the VTL Parties during the conduct of any such audit. Any VTL Party requesting an audit shall pay ColumbiaGrid's reasonable costs of complying with such audit request.

APPENDIX B – STANDARD PROVISIONS

B1. Limitation of Liability Among VTL Parties

Each VTL Party at any time that is both eligible to be a party to the WIS Agreement and operates electrical facilities for generation, transmission, or distribution shall become and remain at all such times a party to the WIS Agreement as a condition of participation in this Agreement.

B2. Insurance, Indemnification, and Limitations of Liability

To promote cooperation among the Parties, to avoid duplication of costs, and to carry out the purposes of this Agreement, the Parties agree to the following provisions for insurance, indemnification, and limited liability.

B2.1 Insurance; Waiver of Subrogation Rights

B2.1.1 ColumbiaGrid Insurance Coverage Requirements. Throughout the term of this Agreement, ColumbiaGrid shall maintain insurance coverage that at a minimum:

- (i) provides general liability and errors and omissions insurance with respect to ColumbiaGrid's performance under this Agreement;
- (ii) provides for maximum per-occurrence self-insured retention in an amount approved in writing by each Party that is a Party as of the Effective Date;
- (iii) provides general liability coverage limits (with each VTL Party that so opts in writing named as an additional insured) in an amount approved in writing by each Party that is a Party as of the Effective Date and separate errors and omission coverage limits in an amount approved in writing by each Party that is a Party as of the Effective Date;
- (iv) provides an agreement or endorsement under which the insurance cannot be terminated, canceled, allowed to expire, or materially altered without 90 days' prior written notice to ColumbiaGrid and provides that such policy is primary over any other insurance; and
- (v) provides that ColumbiaGrid's insurer shall be bound by any waivers of the insurer's rights of subrogation granted by ColumbiaGrid.

B2.1.2 Waiver of Subrogation Rights. ColumbiaGrid hereby waives all rights of subrogation its insurer(s) may have against the VTL Parties and any former VTL Parties.

B2.2 ColumbiaGrid's Obligation to Notify VTL Parties with Respect to Insurance

ColumbiaGrid shall not consent or allow that the insurance required under Appendix B2.1.1 above to be terminated, canceled, allowed to expire, or materially altered without providing at least 60 days' advance notice to the VTL Parties. ColumbiaGrid shall notify the VTL Parties with the name, address, telephone number, facsimile number, and e-mail of all insurance brokers used by ColumbiaGrid.

B2.3 First Party Claims

ColumbiaGrid shall not be liable to any other VTL Party for any loss or damage to the equipment or Electric System of such other VTL Party, or any loss or damages for bodily injury (including death) that such other VTL Party or its employees may incur arising out of this Agreement or its performance.

B2.4 Third Person Claims

B2.4.1 In the event Third Person claims are made against any Party arising out of this Agreement or its performance, the Parties agree that:

B2.4.2 In the event of any such claim, the VTL Party against which the Third Person claim is made shall provide immediate notice to the other Parties pursuant to Appendix B7.1 below. All Parties shall make such immediate efforts as necessary to preserve evidence or protect against default judgment, and shall provide notice to the Claims Committee by giving notice to each Party and to the broker identified pursuant to Appendix B2.2 above with respect to the insurance policy described in Appendix B2.1.1 above.

B2.4.3 ColumbiaGrid shall provide notice to each VTL Party and as necessary to its insurance carrier, and refer such matter to the Claims Committee. The Parties anticipate that the Claims Committee shall have responsibility to (i) review any such claims, (ii) take action as necessary to properly investigate, evaluate, and defend such claims, and (iii) make recommendations regarding payment, rejection, or compromise of such claims.

B2.4.4 In the event of legal action resulting from the denial of any such claim, the Parties anticipate that the Claims Committee shall recommend suitably qualified legal counsel to defend such claims. Subject to this section and to the extent permitted by law, the Parties agree, except where there is an irreconcilable conflict of interest, (i) to consent to joint representation in defense of such legal action and (ii) to make good faith efforts to enter into a mutually acceptable joint representation agreement to facilitate cooperation, information sharing, and protection of attorney-client privilege and work product in connection with the joint defense. If joint representation is precluded by an irreconcilable conflict of interest or for any other reason, the Party unable to participate in joint representation shall obtain legal counsel of its own choice, at its own expense, to defend itself in such legal action. Bonneville, as a VTL Party, may but shall not be obligated to comply with Appendices B2.4.3 and B2.4.4 with respect to any claim against and presented to Bonneville.

B2.4.5 Where the claim or legal action arises in whole or in part from allegedly negligent actions or inactions of ColumbiaGrid in performance of obligations of this Agreement, the self-insured retention and the policy coverage described in Appendix B2.1.1 above shall be regarded as primary with respect to payments or judgments resulting from any such claim or legal action. Payments shall include reasonable attorneys' fees and costs of investigation and defense. To the extent of insurance coverage and the extent permitted by applicable law, ColumbiaGrid shall indemnify, defend, and hold each VTL Party harmless from and against all damages based upon or arising out of bodily injuries or damages to Third Person(s) or parties, including without limitation death resulting there from, or physical damages to or losses of property caused by, arising out of, or sustained in connection with performance of this Agreement to the extent attributable to the negligence of ColumbiaGrid or its employees, agents, suppliers, and subcontractors (including suppliers and subcontractors of subcontractors; hereinafter "Subcontractors"). As used in this Appendix B2.4.5, "damages" means any claims, losses, costs, expenses, damages (including without limitation direct, indirect, incidental, consequential, special, exemplary, and punitive damages), payments made in settlement, arbitration awards, and liabilities, including reasonable attorneys' fees.

B2.5 Limitation of Damages

As between ColumbiaGrid and any VTL Party and as between VTL Parties, each of those Parties waives as against the other of those Parties (including its directors, commissioners, officers, and employees) all claims, and otherwise covenants not to sue or otherwise pursue any claim or remedy, arising out of or in connection with this Agreement or its performance (whether based on contract, tort, or any other legal theory); *provided* nothing in this Agreement shall apply to claims for loss or damage between VTL Parties that are within the scope of the WIS Agreement.

B3. Uncontrollable Force

A Party shall not be in breach of this Agreement as a result of such Party's failure or delay to perform its obligations under this Agreement when such failure is caused by an Uncontrollable Force that such Party, despite the exercise of due diligence, is unable to remove with reasonable dispatch; *provided however* that such Party shall have the right to suspend performance of such obligations only to the extent and for the duration that the Uncontrollable Force actually and reasonably prevents the performance of such obligations by such Party. In the event of the occurrence of an Uncontrollable Force that delays or prevents a Party's performance of any of its obligations under this Agreement, such Party shall (i) immediately notify the other Parties of such Uncontrollable Force with such notice to be confirmed in writing as soon as reasonably practicable, (ii) use due diligence to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligations under this Agreement, (iii) keep the other Parties apprised of such efforts on an ongoing basis, and (iv) provide written notice of the resumption of performance under this Agreement. Notwithstanding any of the foregoing, the settlement of any strike, lockout, or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this Agreement involved in such strike, lockout, or labor dispute; and the requirement that a Party must use due diligence to remedy the cause of the Uncontrollable Force or mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts, or labor disputes.

B4. Assignments and Conveyances

B4.1 Successors and Assigns

This Agreement is binding on and shall inure to the benefit of the Parties and their respective successors, permitted assigns, and legal representatives.

B4.2 Assignment of ColumbiaGrid's Rights and Obligations

ColumbiaGrid shall not, without the prior written consent of each of the VTL Parties, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; *provided* nothing in this Appendix B4.2 shall prohibit ColumbiaGrid from contracting with Third Persons for the provision of services to assist ColumbiaGrid in performing its obligations under this Agreement.

B4.3 Assignment of a VTL Party's Rights and Obligations

Except as otherwise provided in Appendix B4.4, a VTL Party shall not, without the prior written consent of ColumbiaGrid, assign, pledge, or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; *provided however* that a VTL Party may, without the consent of ColumbiaGrid, assign its rights and obligations under this Agreement to any Person (i) into which the VTL Party is merged or consolidated or (ii) to which the VTL Party sells, transfers, or assigns all or substantially all of its Electric System, so long as the survivor in any such merger or consolidation, or the purchaser, transferee, or assignee of such Electric System provides to ColumbiaGrid a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the VTL Party under this Agreement.

B4.4 Assignment of Facilities

Notwithstanding any other provision of this Agreement, a VTL Party may pledge or assign all or any portion of its Transmission System without any other Party's consent.

B4.5 Effect of Permitted Assignment

In the event of any permitted sale, transfer or assignment under this Agreement, the transferor or assignor shall to the extent of the transferred or assigned obligations, and only to such extent, be relieved of obligations accruing from and after the effective date of such transfer or assignment; *provided however* that under no circumstances shall any sale, transfer, or assignment relieve the transferor or assignor of any liability for any breach of this Agreement occurring prior to the effective date of such transfer or assignment.

B4.6 Consent Not Unreasonably Denied or Delayed

Consents to assignment, pledge, or transfer requested pursuant to this Appendix B4 shall not be unreasonably denied or delayed.

B5. Confidentiality Obligations

B5.1 Protection of Confidential Information

Parties seeking designation of Confidential Information shall act in good faith when asserting the confidentiality of material. Each Party shall use reasonable efforts to maintain the confidentiality of all Confidential Information provided to it by another Party pursuant to this Agreement. In the event a dispute arises related to the designation of Confidential Information under this Agreement, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute. If the dispute is not so resolved, the dispute may, if the disputing Parties so elect, be resolved by arbitration as follows. Any arbitration initiated under this Agreement shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten days of the referral of the dispute to arbitration, each Party shall choose one arbitrator who shall sit on a three member arbitration panel. The two arbitrators so chosen shall within 20 days select a third arbitrator to chair the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric industry matters, including electric transmission issues, and, unless otherwise agreed by the Parties to the dispute, shall not have any current or past substantial business or financial relationships with any Party to the arbitration (except prior arbitration). The arbitrator(s) shall provide each of the Parties an opportunity to be heard and shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

B5.2 Protection of Critical Energy Infrastructure Information

If a VTL Party designates information as “Critical Energy Infrastructure Information” as of the time of its furnishing, ColumbiaGrid shall not post such information on the public portion of its Website. If any VTL Party, or other Person, seeks information so designated as CEII, ColumbiaGrid shall immediately notify the disclosing VTL Party to seek its consent to release such information. If the disclosing VTL Party does not consent, ColumbiaGrid shall not release the CEII and shall inform the requesting VTL Party of the disclosing VTL Party’s decision. Further, if information designated by a VTL Party as CEII is made part of a filing submitted by ColumbiaGrid with the Commission, ColumbiaGrid shall take reasonable steps to ensure the protection of such information pursuant to the 18 C.F.R. § 388.112(b).

B5.3 Protection of Other Information

ColumbiaGrid shall protect Other Information consistent with its contractual commitment, if any, relating to such Other Information.

B5.4 Disclosure Pursuant to Statute or Administrative or Judicial Order

Each Party shall use reasonable efforts to maintain the confidentiality of all Confidential Information provided to it by another Party pursuant to this Agreement; *provided however* that each Party shall be entitled to disclose such Confidential Information if it is required to make such disclosure by statute or administrative or judicial order or if it makes such disclosure pursuant to a protective order of the administrative or judicial body. Each Party shall, promptly

upon receipt of a request for such Confidential Information (or receipt of a notice of a request to an administrative or judicial forum for the public disclosure of such Confidential Information), notify the other Party and other affected Parties of any such request. A Party whose Confidential Information is sought to be released may, in its sole discretion and at its sole cost and expense, undertake any challenge to such disclosure.

B5.5 Disclosure of Information Subject to Standards of Conduct

If a VTL Party furnishes information marked as “Standards of Conduct Information” at the time of its furnishing, ColumbiaGrid shall not disclose such information to any VTL Party, including the disclosing VTL Party, or any Third Person unless such disclosure would be consistent with the Commission’s regulations in 18 C.F.R. Part 358.

B5.6 Third Person Access to ColumbiaGrid Data and Analysis

ColumbiaGrid shall develop, and revise as necessary, policies regarding the provision of data or analysis to Third Persons subject to the appropriate treatment of Confidential Information, information relating to Standards of Conduct matters, any information to be protected pursuant to any contractual commitment of ColumbiaGrid to protect information and CEII; *provided that* ColumbiaGrid shall make clear on its Website and in other distributions that such data and analysis is being provided as is and that any reliance by the user on such data or analysis is at its own risk and, specifically, shall make clear that any such data or analysis is not warranted by ColumbiaGrid or any VTL Party and that neither ColumbiaGrid nor any VTL Party is responsible for any such data or analysis, for any errors or omissions in such data or analysis, or for any delay or failure to provide any such data or analysis to such Third Persons. ColumbiaGrid shall require, through electronic means or otherwise, that Third Persons receiving any such data or analysis from ColumbiaGrid signify agreement with the foregoing.

B6. Effective Date

B6.1 Original Parties

Except as provided in Appendix B6.2, this Agreement shall become effective for all Parties on June xx, 2014.

B6.2 Subsequent Parties

With respect to any Qualified Person who executes this Agreement after the Effective Date established pursuant to Appendix B6.1, this Agreement shall be effective as to such Qualified Person as of the date it executes the Agreement and delivers such Agreement to each of the Parties.

B7. Miscellaneous

B7.1 Notices

B7.1.1 Permitted Methods of Notice. Any notice, demand, or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in Variable Transfer Limits Study

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 execution of the return receipt, if sent by registered United States or Canadian mail, postage prepaid, return receipt requested, or (iii) upon delivery if delivered by prepaid commercial courier service.

The address of ColumbiaGrid shall be:

ColumbiaGrid
8338 NE Alderwood Road
Suite 140
Portland, OR 97220

The addresses of the Parties shall be:

Avista Corporation:

1411 E. Mission Ave.
Spokane, WA 99202-1902
Attn: Manager, Transmission Services

Bonneville Power Administration:

P.O. Box 3621
Portland, OR 97208-3621
Attn: Roderick Kelley

Public Utility District No. 1 of Chelan County, Washington:

P.O. Box 1231
Wenatchee, WA 98807-1231
Attn: Chad Bowman

Public Utility District No. 2 of Grant County, Washington:

P.O. Box 878
Ephrata, WA 98823
Attn: Rod Noteboom

Puget Sound Energy, Inc.:

P.O. Box 97034
Bellevue, WA 98009
Attn: John M. Phillips, Manager Transmission Contracts

The City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department:

700 Fifth Avenue, Suite 3300
Seattle, WA 98124
Attn: Tuan Tran, Director, Energy Delivery Engineering

Public Utility District No. 1 of Snohomish County, Washington:

P.O. Box 1107
Everett, WA 98206-1107
Attn: John D. Martinsen – E4

The City of Tacoma, Department of Public Utilities, Light Division
(dba Tacoma Power):

P.O. Box 11007
Tacoma, WA 98411-0007
Attn: Shirley Eshbach

B7.1.2 Change of Notice Address. Any Party may at any time, by notice to ColumbiaGrid, change the designation or address of the person specified to receive notice on its behalf. In such case, ColumbiaGrid shall promptly notify all of the other VTL Parties of such change.

B7.1.3 Routine Notices. Any notice of a routine character in connection with this Agreement shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement.

B7.2 Amendment or Modification

This Agreement may not be amended or modified except by any subsequent mutual written agreement, duly executed by all then current Parties to this Agreement. If any provision of this Agreement, or the application thereof to any person, entity, or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification, or condition.

B7.3 Construction of Agreement

Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the purpose

of this Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

B7.4 Existing Agreements Preserved

Nothing in this Agreement shall be interpreted to supersede the requirements of any existing agreement unless otherwise expressly stated herein.

B7.5 Governing Law

This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington, except to the extent that such laws may be preempted by the laws of the United States or of Canada, as applicable; *provided however* that notwithstanding the foregoing, with respect to a dispute involving a VTL Party that is a United States government entity (including, but not limited to, a federal power marketing administration), this Agreement shall in all respects be interpreted, construed, and enforced in accordance with the laws of the United States. The Parties acknowledge that with respect to a VTL Party that is an agency of the United States federal government, under law in effect as of the Effective Date, such agency has not by this Agreement waived its sovereign immunity.

B7.6 Equitable Relief

If the VTL Party seeks injunctive or other equitable judicial relief for the failure of ColumbiaGrid to comply with its obligations to the VTL Party under this Agreement, ColumbiaGrid agrees not to challenge such action on the basis that monetary damages would be a sufficient remedy.

B7.7 Singular and Plural; Use of “Or”

Any use of the singular in this Agreement also includes the plural and any use of the plural also includes the singular. References to “or” shall be deemed to be disjunctive but not necessarily exclusive. References to “including,” “include,” and “includes” shall be deemed to mean “including but not limited to,” “include but not limited to,” and “includes but not limited to,” respectively.

B7.8 Headings for Convenience Only

The section headings in this Agreement are intended for convenience and reference only and are not intended to define, limit, or describe the scope or intent of any provisions of this Agreement.

B7.9 Relationship of the Parties

B7.9.1 No Partnership, Etc. Nothing contained in this Agreement shall be construed to create an agency, association, joint venture, trust, or partnership or to impose a trust or partnership covenant, obligation, or liability on or with regard to any of the Parties. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement.

B7.9.2 Rights Several. All rights of the Parties are several, not joint. Except as may be expressly provided in this Agreement, no Party shall have a right or power to bind any other Party without such other Party's express written consent.

B7.10 No Third Person Beneficiaries

This Agreement shall not be construed to create rights in, or to grant remedies to, any Third Person as a beneficiary of this Agreement or of any duty, obligation, or undertaking established in this Agreement. Nothing in this Agreement is intended to restrict the right of any Party or Interested Party to seek an order from the Commission under the Federal Power Act.

B7.11 No Dedication of Facilities

No undertaking by any VTL Party under or pursuant to any provision of this Agreement shall constitute or be deemed to constitute a dedication of all or any portion of such VTL Party's Transmission System, to any other Party or to the public.

B7.12 Nonwaiver

Any waiver at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any other default or other matter arising in connection with this Agreement. Any waiver must be delivered in writing, executed by an authorized representative of the Party granting such waiver. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

B7.13 Further Actions and Documents

Each Party agrees to do all things, including, but not limited to, the preparation, execution, delivery, filing, and recording of any instruments or agreements, reasonably requested by any other Party necessary to carry out the provisions of this Agreement.

B7.14 Counterparts

This Agreement may be executed in counterparts, which may be executed at different times. Each counterpart shall constitute an original but all counterparts together shall constitute one and the same instrument. ColumbiaGrid shall maintain the original signature pages, and shall prepare and distribute a conformed copy of this Agreement to the VTL Parties.

B7.15 No Expansion of Commission Authority

Nothing in this Agreement, or any undertaking by or with ColumbiaGrid, is intended to (a) create or grant the Commission authority over entities or matters which it would not otherwise have or (b) imply or establish that any Party agrees, or is precluded from contesting, as to whether or the extent to which the Commission has jurisdiction over a Party or matter or has the authority to order particular relief.

B7.16 Representation of Qualified Person Status

Each VTL Party, upon its execution and delivery of this Agreement, represents that such VTL Party is a Qualified Person.

B7.17 Representation of Authority

Each Party, upon its execution and delivery of this Agreement, represents that it has authority to enter into and perform this Agreement. Each Party represents that the individual signing this Agreement on its behalf is authorized to sign this Agreement on behalf of the Party for which such individual signs.

B7.18 VTL Parties Records and Information Sharing

Each VTL Party shall maintain and make available for ColumbiaGrid's inspection at such VTL Party's facilities, during normal business hours and upon request, data, records and drawings describing the physical and electrical properties of such VTL Party's Electric System, subject to any applicable provisions for protection of Confidential Information, CEII, and Other Information.

B7.19 Other Reports

ColumbiaGrid may, upon reasonable notice to a VTL Party, request that such VTL Party provide ColumbiaGrid with such other information or reports as ColumbiaGrid may reasonably deem necessary for its performance of this Agreement. The VTL Party shall, except to the extent prohibited by law, make all such information or reports available to ColumbiaGrid within a reasonable period of time and in a form specified by ColumbiaGrid, subject to any applicable provisions for protection of Confidential Information, CEII, and Other Information.

B8. Standards of ColumbiaGrid Performance

ColumbiaGrid shall carry out its obligations under this Agreement in an efficient, expeditious, professional, and skillful manner. In providing services to VTL Parties under this Agreement, ColumbiaGrid shall comply with all applicable laws, ordinances, rules, regulations, orders, licenses, permits, and other governmental requirements (including, but not limited to, any such requirements imposed upon VTL Parties with respect to ColumbiaGrid's provision of services under this Agreement); *provided that* regulatory requirements imposed on any single VTL Party shall not be deemed applicable to other VTL Parties as a result of this Agreement.

B9. Authorization for ColumbiaGrid to Perform Obligations Under this Agreement

VTL Parties agree that, unless specifically otherwise provided in this Agreement, ColumbiaGrid is authorized, pursuant to Bylaws Section 6.1, to engage on its own behalf, and not as agent for VTL Parties, in any activity reasonably necessary to perform its obligations under this Agreement, including the hiring of contractors or consultants.

APPENDIX C - DEFINITIONS

Unless otherwise specified in this Agreement, terms used in this Agreement and defined in the Open Access Transmission Tariff shall have the meanings given such terms in the Open Access Transmission Tariff.

C1.1 “Agreement Limiting Liability Among Western Interconnected Systems” or “WIS Agreement” means at any time the Agreement Limiting Liability Among Western Interconnected Systems as it may have then been amended.

C1.2 “Allocated Share” with respect to each Payor means at any time the percentage for such Payor as determined in Appendix A1.3.

C1.3 “Bylaws” means the then current bylaws of ColumbiaGrid.

C1.4 “Claims Committee” means a committee established pursuant to Appendix B2.4 of this Agreement upon the receipt of a claim or prior to such time.

C1.5 “Commission” means the Federal Energy Regulatory Commission or any successor entity.

C1.6 “Confidential Information” shall mean: all information, regardless of the manner in which it is furnished, marked as “Confidential Information” at the time of its furnishing; *provided that* Confidential Information shall not include information: (1) in the public domain or generally available or known to the public; (2) disclosed to a recipient by a Third Person who had a legal right to do so; (3) independently developed by the receiving Party or known to such Party prior to its disclosure under this Agreement; (4) normally disclosed by entities in the Western Interconnection without limitation; (5) disclosed in aggregate form; or (6) required to be disclosed without a protective order or confidentiality agreement by subpoena, law or other directive of a court, administrative agency or arbitration panel.

C1.7 “Critical Energy Infrastructure Information” or “CEII” means information as defined in 18 C.F.R. § 388.113(c), as may be amended from time to time, about existing and proposed systems or assets, whether physical or virtual, relating to the production, generation, transportation, transmission, or distribution of energy that could be useful to a person in planning an attack on such systems or assets, the incapacity or destruction of which would negatively affect security, economic security, or public health or safety.

C1.8 “Effective Date” means the date this Agreement becomes effective as set out in Appendix B6.

C1.9 “Electric System” has the meaning given for the words “electric system” in the WIS Agreement and means (a) electric distribution facilities or (b) generation facilities or (c) transmission facilities, or any combination of the three, and includes transmission lines, distribution lines, substations, switching stations, generating plants, and all associated equipment for generating, transmitting, distributing or controlling flow of power. The Electric System of a Person includes the facilities of another entity operated or controlled by such Person. “Electric

System” includes any devices or equipment (1) by which information is originated on an electric system or by the Person operating such system, (2) by which such information is transmitted, and (3) by which such information is received either for information or for operation of a system, whether by the originating system or by another system.

C1.10 “Interested Person” means any Person who has expressed an interest in the business of ColumbiaGrid and has requested notice of its public meetings. Such Interested Persons will be identified on the Interested Persons List compiled by ColumbiaGrid in accordance with Section 4.2 of the ColumbiaGrid Bylaws.

C1.11 “Invoice” means an invoice submitted by ColumbiaGrid to all Payors pursuant to Appendix A1.4.

C1.12 “Maximum Payor Obligation” for each Payor means the maximum total of Payment Amounts such Payor is obligated to pay under Appendix A1.3 of this Agreement.

C1.13 “Maximum Total Payment Obligation” or “MTPO” means the maximum total of Payment Amounts (specifically excluding any interest any Payor is obligated to pay under Appendix A1.4.5.3 due to such Payor’s failure to pay its Allocated Share of a Payment Amount when due), which maximum total, for each Payment Cycle, is the sum to be provided to ColumbiaGrid in the aggregate by the Payors. The Maximum Total Payment Obligation equals [REDACTED].

C1.14 “Other Information” means information that ColumbiaGrid has contractually committed to protect.

C1.15 “Pacific Northwest” means the (i) sub region within the Western Interconnection comprised of Alberta, British Columbia, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming and (ii) any portions of the area defined in 16 U.S.C. § 839a(14) that are not otherwise included in (i).

C1.16 “Party” means a signatory to this Agreement.

C1.17 “Payment Amount” means the total amount of payment to be provided to ColumbiaGrid by the Payors (or by a New Payor(s)) in the aggregate pursuant to Appendix A1.3 in response to an Invoice.

C1.18 “Payor” means each VTL Party; *provided further that* each such VTL Party shall otherwise be a separate VTL Party under this Agreement.

C1.19 “Person” means an individual, corporation, cooperative corporation, municipal corporation, quasi-municipal corporation, joint operating entity, limited liability company, mutual association, partnership, limited partnership, limited liability partnership, association, joint stock company, trust, unincorporated organization, government entity or political subdivision thereof (including a federal power marketing administration), or organization recognized as a legal entity by law in the United States or Canada.

C1.20 “Qualified Person” means (i) any Person that operates, uses, or owns, or proposes to operate, use, or own, an Electric System in the Pacific Northwest, (ii) any Person that is, or proposes to be, a transmission customer in the Pacific Northwest under an OATT, or (iii) any governmental entity having authority under state, provincial, or federal law to regulate any of the foregoing of the Regional Interconnected Systems.

C1.21 “Regional Interconnected Systems” or “RIS” means the interconnected transmission systems in the Pacific Northwest.

C1.22 “Third Person” means any Person other than a Party.

C1.23 “Transmission System” means the transmission facilities in the Pacific Northwest owned or operated by a VTL Party. For purposes of this Agreement, an “owner” includes a VTL Party that has a leasehold interest in or other beneficial use of the subject facilities, where, for financing purposes, legal title is held by another entity.

C1.24 “Uncontrollable Force” means any act or event that delays or prevents a Party from timely performing obligations under this Agreement, including an act of God, strike, lock-out, labor dispute, labor disturbance, act of the public enemy, act of terrorism, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident to or breakage, failure or malfunction of machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities (other than, as to its own performance, by such Party that is a federal power marketing administration, municipal corporation or other federal, tribal or state governmental entity or subdivision thereof), or any other cause beyond such Party’s reasonable control and to the extent without such Party’s fault or negligence. Economic hardship shall not constitute an Uncontrollable Force under this Agreement.

C1.25 “Variable Transfer Limit” means, for a given static transfer, the amount of frequent but unpredicted variability in the power transfer across a flowgate or intertie that can be accommodated over a specified intra-hourly timeframe while ensuring the reliable operation of the system and avoiding unacceptable adverse impacts on equipment and customers.

C1.26 “VTL Party” means a signatory to this Agreement other than ColumbiaGrid.

C1.27 “Voting Payor” means, as of the time of any request for a modification of the Maximum Total Payment Obligation pursuant to Appendix A1.1.2, each Payor that is then a Party to this Agreement.