ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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IDAHO PUBLIC
UTILITIES COMMISSION

201 South Main, Suite 2300
Salt Lake City, Utah 84111

May 22, 2014

VIA OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: CASE NO. PAC-E-14-02: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR ADVANCE AUTHORIZATION TO TRANSFER SPARE TRANSFORMERS PURSUANT TO A SHARING AGREEMENT.

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Rocky Mountain Power's Application and attachments in the above-referenced matter.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen /ncs

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

R. Jeff Richards
Daniel E. Solander (ISB# 8931)
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Tel. 801.220.4014
Fax 801.220.3299
jeff.richards@pacificorp.com
daniel.solander@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR ADVANCE AUTHORIZATION TO TRANSFER SPARE TRANSFORMERS PURSUANT TO A SHARING AGREEMENT	CASE NO. PAC-E-14-02 APPLICATION

Comes now Rocky Mountain Power ("RMP" or the "Company") respectfully requesting that the Idaho Public Utilities Commission (the "Commission") approve advance authorization to transfer spare transformers to other participating utility companies, if required, pursuant to a sharing agreement. In support of its Application, the Company states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers through its Rocky Mountain Power division in the states of Wyoming, Utah, and Idaho, and through its Pacific Power division in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Idaho.

3. Communications regarding this filing should be addressed to:

Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
E-mail: ted.weston@pacificorp.com

Daniel E. Solander
Senior Counsel
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
E-mail: daniel.solander@pacificorp.com

In addition, Rocky Mountain Power requests that all data requests regarding this application be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Ted Weston, Idaho Regulatory Affairs Manager at (801) 220-2963.

BACKGROUND

4. On July 18, 2006, the Edison Electrical Institute ("EEI"), on behalf of the then participating utilities, filed an application with the Federal Energy Regulatory Commission ("FERC") to gain authorization for jurisdictional public utilities to engage in the future transfers of transformers pursuant to a sharing agreement. A copy of the

sharing agreement is provided as Exhibit A to this filing. On September 22, 2006, FERC approved the request and noted:

> Without the Agreement, utilities would have to purchase substantially more transformers to achieve the same recovery capability incurring substantially higher costs, or experience the inherent time delay associated with finding, negotiating for, ordering, transporting, and testing a replacement transformer. Furthermore, the Agreement establishes the obligation to share spare transformers with Participating Utilities if there is a Triggering Event. Accordingly, we find that the sharing arrangement in the Agreement is prudent.[1]

5. EEI's Spare Transformer Equipment Program ("STEP") was the result of FERC's approval. STEP is an electric industry program that strengthens the sector's ability to restore the nation's transmission system quicker in the event of a terrorist attack. STEP represents a coordinated approach to increase the electric power industry's inventory of spare transformers and streamline the process of transferring those transformers to affected utilities in the event of a transmission outage caused by a terrorist attack.

6. Under the program, each participating electric utility is required to maintain and, if necessary, acquire a specific number of spare transformers. STEP requires each participating utility to sell its spare transformers if requested to any other participating utility that suffers a "triggering event", which is defined in section 1.1 of the sharing agreement as:

> an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. §101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission

[1] FERC Declaratory Order 116 FERC ¶ 61,280 at ¶ 39

substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. §1601 et seq., as the same may be amended from time to time.

7. The STEP sharing agreement, which was negotiated among more than 50 utilities through a multi-year, industry-wide consensus building process, provides each participating utility with legally-enforceable rights to access readily-available spare transformers that have been committed to STEP. Should a triggering event occur, affected participating utilities are entitled to exercise call rights to acquire any of the spare transformers committed under STEP in the relevant voltage class. Unlike a voluntary mutual assistance program, these call rights are self-executing and are legally enforceable through rights to seek specific performance.

8. On December 6, 2013, the Company entered into the sharing agreement with other participating utility companies across the United States. The Company will not become a full participating member of STEP until the Company can demonstrate receipt of all required state regulatory approvals.[2]

9. Based on preliminary information provided by EEI, the Company believes that its obligation under the sharing agreement will be two spare transformers. The first transformer is rated as a 500-230 kV and 193 MVA, the second transformer is rated at 345-138 kV and 141 MVA. This obligation is subject to adjustment as determined by the commitment formula in the sharing agreement.[3] The Company has determined that it will meet the obligation by committing existing available spare transformers that are already maintained by the Company for potential use. The commitment of the two

[2] Spare Transformer Sharing Agreement, § 2.3 Required Regulatory Approvals
[3] Spare Transformer Sharing Agreement, § 1.1 Definitions

transformers does not prohibit the Company from utilizing the equipment for its own needs so long as the spare transformers are replaced within 18 months.[4]

10. The Company has evaluated the risk of having to sell a spare transformer to another STEP participating utility and believes that the combination of committing existing spare transformers and the low probability of a triggering event occurrence result in an acceptable risk. While the Company takes steps to maintain the safety and security of its substations, it does not believe it is reasonable or economically feasible to amass a spare transformer inventory large enough to allow full system restoration following a worst case scenario terrorist attack. Furthermore, the Company's customers will benefit from the increased access to available spare transformers in the event that the Company experiences a triggering event without the added costs of significant increases in its spare transformer inventory.

11. Because the possible transfer and sale of transformers is executory, appropriate bookkeeping entries will be made at the time of any future transfer and sale of transformers. The allowable purchase price for transformer(s) transferred to a utility experience a triggering event is defined in the sharing agreement.[5] STEP charges an annual fee, the Company would pay approximately $5,000, to participate in the transformer exchange program. At this time, the Company does not seek approval of any ratemaking treatment for the sharing agreement fees and any new inventory required by the terms of the agreement.

12. In order to expedite the approval process of this Application, the Company has included both printed and electronic versions of a proposed Notice of Application.

[4] Spare Transformer Sharing Agreement, § 3.3 Obligation to Replace
[5] Spare Transformer Sharing Agreement, § 4.7 Determination of Purchase Price

MODIFIED PROCEDURE

13. The Company believes that a hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing, RP 201 et *seq.* If, however, the Commission determines that a technical hearing is required, the Company stands ready for immediate consideration of its Application and will present its testimony to support the Application in such hearing.

CONCLUSION

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission: (i) process this Application under Modified Procedure; (ii) grant advance authorization to transfer spare transformers to other participating utilities if required pursuant to a sharing agreement.

DATED this 22th day of May 2014.

Respectfully submitted,

ROCKY MOUNTAIN POWER

R. Jeff Richards
Daniel E. Solander
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4014
Facsimile No. (801) 220-3299
E-mail: daniel.solander@pacificorp.com

Attorneys for Rocky Mountain Power

EXHIBIT A

SPARE TRANSFORMER SHARING AGREEMENT

CONFORMED COPY AS OF MARCH 2011

SPARE TRANSFORMER SHARING AGREEMENT

This Spare Transformer Sharing Agreement, dated as of March 15, 2006 (this "Agreement") is entered into by and among each entity that executes and delivers this Agreement, as contemplated hereby (each, a "Party").

WHEREAS, each Party owns or has rights to own or access, or intends to acquire ownership of or rights to own or access, one or more Qualified Spare Transformers (as defined below); and

WHEREAS, each Party desires to participate in an arrangement to share such Qualified Spare Transformers under certain circumstances; and

WHEREAS, each Party desires to memorialize in a written agreement such circumstances and all related rights, responsibilities and obligations associated therewith in an agreement by and among all such Parties; and

WHEREAS, each Party acknowledges that this Agreement is the written agreement so contemplated to be entered into by and among all such Parties; and

WHEREAS, this Agreement originally became effective as of March 15, 2006;

WHEREAS, by virtue of that certain Amendment No. 1 to this Agreement, entered into as of June 15, 2007, Article XI, Section 9.5 and Section 12.9 of this Agreement were duly amended, in accordance with the provisions of Section 12.3 hereof, to add a new Section 11.4, to add two new sentences to the end of Section 9.5 and to add two new sentences to the end of Section 12.9 (such amendments, collectively, the "Amendments"); and

WHEREAS, on August 7, 2007, the 345-138 Equipment Sub-Committee and the 230-138 Equipment Sub-Committee made certain modifications to their respective minimum standards originally set forth on Exhibit A hereto (such modifications, collectively, the "Minimum Standard Modifications"); and

WHEREAS, this Agreement has been conformed to incorporate herein each of the Amendments and each of the Minimum Standard Modifications.

NOW, THEREFORE, in consideration of these premises and the representations, warranties, covenants and agreements contained herein, each Party, intending to be legally bound hereby, agrees as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following capitalized terms have the meanings set forth below:

"Affiliate" means with respect to any Person, each other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Person. For purposes of this definition, "control" means the ability to elect or appoint, directly or indirectly, a majority of the board of directors or other governing body of the relevant Person.

"Approval Date" means (i) if there are Required Regulatory Approvals set forth on a Party's signature page to this Agreement, the earliest of the date on which a Party has obtained all such Required Regulatory Approvals and the date on which a Party determines that it is no longer required to obtain any such Required Regulatory Approvals, or (ii) if there are no Required Regulatory Approvals set forth on a Party's signature page to this Agreement, the date on which such Party has executed and delivered this Agreement.

"Business Day" means any day other than Saturday, Sunday and any day which is a day on which banking institutions in the State of New York are authorized by law or other governmental action to close.

"Call Notice" has the meaning set forth in Section 4.1.

"Call Right" has the meaning set forth in Section 4.1.

"Commit" or "Committed" or "Committing" means that a Participating Utility unconditionally commits, or has committed, subject to the terms of this Agreement, all or a portion of a specifically designated Qualified Spare Transformer that is owned by such Participating Utility, or that such Participating Utility otherwise has rights to own or access, such that if a Call Right is properly exercised pursuant to the terms of Article IV hereof, the Participating Utility, together with all other Persons that also own or have access to such Qualified Spare Transformer, is obligated to sell, or cause to be sold, such Qualified Spare Transformer pursuant to this Agreement.

"Commitment Formula" means the formula described below for calculating the MVA required to be Committed by Participating Utilities in respect of a particular Equipment Class:

> In calculating the MVA required to be Committed by Participating Utilities in respect of a particular Equipment Class, each Participating Utility that is a member of such Equipment Class must provide the relevant Equipment Sub-

Committee with the following information: (i) the number of banks of spare transformers and the total MVA represented thereby ("Needed MVA") that such Participating Utility would need, in the event that it suffers an S-5 contingency in respect of such Equipment Class (i.e., it has lost five substations that utilize spare transformers in such Equipment Class), to restore its system to satisfy an N-0 Contingency, (ii) the total amount of such Participating Utility's connected MVA in such Equipment Class ("Connected MVA"), and (iii) the total number of qualified spare transformers, together with their MVA, that such Participating Utility then owns and is willing to share with others under this Agreement ("Available Spares"); provided, however, that such number of Available Spares shall in no way be deemed to limit a Participating Utility's Required Obligation in any way.

Based on the foregoing information, the relevant Equipment Sub-Committee will (i) sum the Needed MVA reported by all Participating Utilities in the subject Equipment Class (such sum, the "Aggregate Needed MVA"), (ii) sum the Connected MVA reported by all Participating Utilities in such Equipment Class (such sum, the "Aggregate Connected MVA"), and (iii) determine the "MVA Factor," which shall mean the sum of the Needed MVA reported by the Participating Utility reporting the largest Needed MVA in such Equipment Class and the amount of MVA represented by the Available Spares reported by such Participating Utility.

Then, the relevant Equipment Sub-Committee shall determine the Required Obligation for each Participating Utility in respect of such Equipment Class by calculating, with respect to each Participating Utility, the average of (i) the MVA Factor multiplied by the ratio of such Participating Utility's Needed MVA to the Aggregate Needed MVA, and (ii) the MVA Factor multiplied by the ratio of such Participating Utility's Connected MVA to the Aggregate Connected MVA. The resulting average for each Participating Utility shall be the MVA required to be Committed by it for that Equipment Class.

For illustrative purposes only, Exhibit B includes an example of the application of the foregoing Commitment Formula to determine the Required Obligation for hypothetical Participating Utilities in a hypothetical Equipment Class.

"Effective Date" has the meaning set forth in Section 2.1.

"Equipment Class" means one of the classes of spare transformers identified on Exhibit A to this Agreement, provided, however, that the Equipment Committee may revise such Exhibit A, from time to time, to add additional classes of spare transformers thereto, with any such revisions to become automatically effective for all purposes hereunder upon the affirmative action of the Equipment Committee.

"Equipment Committee" means the Equipment Committee contemplated by Article V.

"Equipment Sub-Committee(s)" means the Equipment Sub-Committee(s) contemplated by Article V.

"Estimated Purchase Price" means the Seller's good faith estimate of the Purchase Price, as contemplated by Section 4.7.

"Executive Committee" means the Executive Committee contemplated by Article VI.

"Force Majeure" means an event or circumstance that prevents a Participating Utility from performing its obligations under this Agreement, that is not within the reasonable control of, or the result of the negligence of, such Participating Utility, and that, by the exercise of due diligence, such Participating Utility is unable to overcome or avoid or cause to be avoided.

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

"Initial Fee" has the meaning set forth in Section 2.1.

"Initial Measurement Date" means June 30, 2008.

"Liens" means any mortgages, pledges, liens, claims, charges, security interests, conditional and installment sale agreements, activity and use limitations, easements, covenants, encumbrances, obligations, limitations, title defects and any other restrictions of any kind, including restrictions on use, transfer or the exercise of any other attribute of ownership.

"Measurement Date" means the Initial Measurement Date and each anniversary of the Initial Measurement Date.

"MVA" means megavolt amperes.

"N-0 Contingency" means, for purposes of this Agreement, a state of the bulk transmission system such that the loss of any single element (N-1), at peak-load conditions, may be expected to result in instability and/or a system in which thermal rating and voltage limits may be exceeded, provided that any such result may reasonably be contained through emergency actions of the transmission operator.

"Net Book Value" means the net book value of a particular Qualified Spare Transformer determined in the ordinary course and consistent with the past practices of the Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, so long as such practices conform to U.S. generally accepted accounting principles, otherwise such net book value shall be determined in accordance with U.S. generally accepted accounting principles.

"Objection" has the meaning set forth in Section 4.3.

"Participating Utility" has the meaning set forth in Section 2.1.

"Permitted Disposition" means (i) the sale of a Qualified Spare Transformer pursuant to the terms of this Agreement, (ii) the placement in service or similar disposition of a Qualified Spare Transformer not already in service by a Participating Utility for its own use in accordance with Good Utility Practice, (iii) the replacement of a Qualified Spare Transformer, due to its age, obsolescence, damage or any similar reason, in the ordinary course of business consistent with Good Utility Practice, with another Qualified Spare Transformer, (iv) the disposition of a Qualified Spare Transformer pursuant to any rule, regulation or order issued by any governmental authority requiring such disposition that is applicable to such Qualified Spare Transformer and/or the Participating Utility that Committed it hereunder, (v) the disposition of a Qualified Spare Transformer to another utility that has suffered a casualty or loss of one of its transformers pursuant to any voluntary sharing arrangement or similar arrangement or program, including any informal arrangements, in which the Participating Utility that Committed such Qualified Spare Transformer is participating, and (vi) the loss of a Qualified Spare Transformer in connection with a Triggering Event or other casualty.

"Permitted Liens" means (i) statutory Liens for current taxes, assessments or governmental charges not yet due or delinquent or the validity or amount of which is being contested in good faith by appropriate proceedings, (ii) mechanics', carriers', workers', repairers', landlords' and other similar Liens arising or incurred in the ordinary course of business relating to obligations as to which there is no default on the part of the Participating Utility or the validity or amount of which is being contested in good faith by appropriate proceedings, (iii) pledges, deposits or other Liens securing the performance of bids, trade contracts, leases or statutory obligations (including workers' compensation, unemployment insurance or other social security legislation), (iv) Liens arising or incurred in connection with the purchase of the subject Qualified Spare Transformer as to which there is no default on the part of the Participating Utility, (v) Liens arising or incurred in connection with any first mortgage or similar general financing instrument of the Participating Utility as to which there is no default on the part of the Participating Utility, (vi) rights reserved to or vested in a governmental entity or obligations or Liens set forth in any federal, state, local or municipal franchise, grant or license, governing ordinance or any provision of law under which any portion of the Participating Utility's business is conducted or requested, (vii) rights of condemnation, eminent domain or similar rights, and (viii) Liens created by the obligations imposed on the Participating Utility pursuant to this Agreement.

"Person" means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization or governmental entity or any department or agency thereof.

"Project Manager" has the meaning set forth in Section 6.10.

"Purchase Price" means the sum of (x) at the Seller's sole option, either the Replacement Cost for the subject Qualified Spare Transformer or the Net Book Value of the subject Qualified Spare Transformer, plus (y) an amount equal to the sum of (i) any "load-out" costs, including any costs of the Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, to remove such transformer from its pad, test such transformer and empty it of oil, (ii) any freight and other transportation costs of the Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, associated with delivering such transformer to the Buyer, and (iii) the tax liability, if any, of the Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, attributable to the sale of the subject Qualified Spare Transformer at the Replacement Cost or Net Book Value, as the case may be.

"Qualified Participating Utility" means any Participating Utility that (i) on the most recent Measurement Date, had Committed a number of Qualified Spare Transformers that is at least equal to its Required Obligation as contemplated by Section 3.1 hereof in respect of each Equipment Class that such Participating Utility is then a member of, (ii) on the date on which the determination is made as to whether such Participating Utility is a Qualified Participating Utility, (x) has Committed all Qualified Spare Transformers required to be then Committed by it pursuant to Section 3.1 hereof in respect of each Equipment Class that such Participating Utility is then a member of, and (y) if applicable pursuant to Section 3.2 hereof, is, in good faith, using its commercially reasonable efforts to take or cause to be taken all actions necessary to permit such Participating Utility to Commit a number of Qualified Spare Transformers that is at least equal to its Required Obligation calculated for the next succeeding Measurement Date in respect of each Equipment Class that such Participating Utility is then a member of as soon as practicable but in no event later than the next succeeding Measurement Date, and (iii) is not then in breach of any of its other obligations under this Agreement.

"Qualified Spare Transformer" means an electrical transformer that satisfies those minimum standards set forth on Exhibit A to this Agreement opposite the Equipment Class of such transformer, with such minimum standards to be reviewed and, as necessary, revised, from time to time, by the relevant Equipment Sub-Committee, with any such revisions to become automatically effective for all purposes hereunder upon the affirmative action of such Equipment Sub-Committee. The number of Qualified Spare Transformers that any Participating Utility shall be deemed to have Committed hereunder shall be determined in accordance with Section 3.7.

"Related Parties" has the meaning set forth in Section 9.4.

"Replacement Cost" means all reasonable costs or expenses incurred by a Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, to replace a particular Qualified Spare Transformer with another transformer of like specifications, which reasonable costs or expenses shall be deemed to include those costs and/or expenses that are appropriate and not excessive under the circumstances prevailing at the time the cost or expense is paid or incurred and may include, but are not limited to, the purchase price for such transformer, transportation costs associated with the delivery of such transformer, and other direct acquisition costs incurred by the Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer; provided, however, that in the event that a Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, in connection with or following the sale of a Qualified Spare Transformer pursuant to the terms of Article IV, elects to replace such Qualified Spare Transformer with another Qualified Spare Transformer owned by such Seller, or, if applicable, the other owner(s) of such Qualified Spare Transformer, or any of their respective Affiliates, or otherwise elects not to purchase a replacement transformer, the Replacement Cost shall be deemed to be, for all purposes hereunder, the Net Book Value of the Qualified Spare Transformer so sold.

"Replacement Date" means, upon any disposition of a Qualified Spare Transformer Committed hereunder, the date that is eighteen calendar months following the date of such disposition. For purposes of this definition, the phrase "date of such disposition" shall refer to the date on which title to the subject transformer is transferred, the date on which the subject transformer is replaced, the date of loss of the subject transformer, or the date on which any other disposition of the subject transformer occurs, as the case may be.

"Replacement Spare Transformer" has the meaning set forth in Section 3.3.

"Representative" means an individual appointed by a Participating Utility pursuant to Section 5.1 or Section 5.2 hereof to (i) serve as its Representative to the Equipment Committee and (ii) receive, on such Participating Utility's behalf, all information to be delivered to any Participating Utility pursuant to this Agreement, provided that any such Representative shall be required by the Participating Utility that he or she represents to observe the confidentiality provisions set forth in Article XI hereof with respect to such information. Each Representative shall also serve on those Equipment Sub-Committees corresponding to the Equipment Classes that the Participating Utility that he or she represents has joined as a member hereunder.

"Required Obligation" means, for each Participating Utility, and in respect of each Equipment Class that such Participating Utility is then a member of, that number of Qualified Spare Transformers representing the MVA required to be Committed by such Participating Utility as calculated for each Measurement Date by the relevant Equipment Sub-Committee pursuant to the Commitment Formula, with Exhibit B to this Agreement to be revised, from time to time, by the relevant Equipment Sub-Committee to reflect each such Participating Utility's Required Obligation for the Initial Measurement Date and the Required Obligation calculated for each succeeding Measurement Date, with any

such revisions to become automatically effective for all purposes hereunder upon the affirmative action of such Equipment Sub-Committee. Notwithstanding any provision of this Agreement to the contrary, a Participating Utility's Required Obligation in respect of a particular Equipment Class shall be zero until such time as such Equipment Class first has three or more members inclusive of such Participating Utility.

"Required Regulatory Approvals" means, with respect to a particular Party, those governmental or other approvals or waivers, and notices to any governmental authorities or other Persons, including any federal notices and approvals, that are (i) required to authorize, or are required in connection with, the performance of this Agreement by such Party, including its performance of the obligations of a Participating Utility hereunder, and (ii) set forth on such Party's signature page to this Agreement.

"Triggering Event" means an act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. §101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. §1601 et seq., as the same may be amended from time to time.

ARTICLE II

PARTICIPATING UTILITIES

Section 2.1 Binding Obligation. A Party is bound by this Agreement upon its execution and delivery of this Agreement, which shall be evidenced by such Party's execution and delivery of a signature page to this Agreement. An executed signature page to this Agreement shall be deemed to be delivered for all purposes hereunder if it is delivered to the Equipment Committee or, if the Equipment Committee has not yet held its first meeting, to the Project Manager. Contemporaneously with its execution and delivery of its signature page to this Agreement, each Party shall pay the sum of $10,000 (the "Initial Fee") to an account established by the Executive Committee to be used for the administration of this Agreement, provided, that until the Executive Committee establishes any such account, the Initial Fee shall be paid to the Project Manager, which Person shall hold such funds on behalf of the Executive Committee to be deposited into such account as soon as it is established by the Executive Committee. A Party shall become a "Participating Utility" for all purposes hereunder (a "Participating Utility"), immediately and without any further action, upon the later of (i) its Approval Date, and (ii) the date on which at least one of the Equipment Classes that it joins as a member, as contemplated by Section 2.2, first has three or more members inclusive of such Party (the latest of such dates, such Party's "Effective Date"). For the avoidance of doubt, and notwithstanding any other provision of this Agreement to the contrary, except for those obligations and rights contemplated by Articles II, VII, VIII, X, XI and XII hereof, until a Party becomes a Participating Utility hereunder it shall owe no obligation hereunder and shall not be entitled to exercise any rights (including any Call Right) or remedies hereunder.

Section 2.2 Equipment Classes. Upon its relevant Approval Date, each Party shall provide a written notice to the Equipment Committee and any relevant Equipment Sub-Committee, or if the Equipment Committee has not yet held its first meeting to the Project Manager, that identifies the Equipment Class, or Equipment Classes, such Party is then joining as a member under this Agreement, following which designation, such Party shall be a member of such Equipment Class until it withdraws from such Equipment Class in strict compliance with Section 10.1 hereof. A Party may join as a member of any other Equipment Class at any time by providing written notice of its decision to become a member of any such other Equipment Class to the Equipment Committee and the relevant Equipment Sub-Committee, or if the Equipment Committee has not yet held its first meeting to the Project Manager, but in no event may a Party withdraw as a member of any Equipment Class, except in strict compliance with Section 10.1 hereof.

Section 2.3 Required Regulatory Approvals. Upon its execution and delivery of this Agreement, each Party shall set forth on its signature page to this Agreement all of its Required Regulatory Approvals. Each Party, from and after the date of its execution and delivery of this Agreement, shall promptly prepare and file all necessary applications, notices, petitions, filings and other documents, and to use all commercially reasonable efforts, to obtain all Required Regulatory Approvals; provided, however, that the sole remedy for any failure by a Party to use such efforts shall be as set forth in the last sentence of this Section 2.3. If there are Required Regulatory Approvals set forth on a Party's signature page to this Agreement, then no later than the third Business Day following such Party's relevant Approval Date, such Party shall deliver a written notice to the Equipment Committee, or if the Equipment Committee has not yet held its first meeting to the Project Manager, to the effect that it has obtained all such Required Regulatory Approvals or that it is no longer required to obtain such Required Regulatory Approvals. If the relevant Effective Date for a Party has not occurred on or before the date that is the eighteen month anniversary of the date on which such Party has executed and delivered this Agreement, this Agreement shall be null and void and of no further force or effect with respect to such Party.

ARTICLE III

BASIC OBLIGATIONS

Section 3.1 Obligation to Commit. On each Measurement Date, each Participating Utility shall have Committed a number of Qualified Spare Transformers that is at least equal to its Required Obligation in respect of each Equipment Class that such Participating Utility is then a member of and, following such Measurement Date, such Participating Utility shall continue to Commit such number of Qualified Spare Transformers through the next succeeding Measurement Date; provided, however, that prior to the first Measurement Date following the date on which a Party becomes a Participating Utility, such Participating Utility shall be deemed to be in compliance with its obligations set forth in this sentence so long as, in the event that it then owns or otherwise has rights to own or access one or more Qualified Spare Transformers, it Commits at least one of such Qualified Spare Transformers up to its Required Obligation calculated for such Measurement Date in respect of each Equipment Class that such Participating Utility is then a member of. On or following any Permitted Disposition by a Participating Utility, so long as such Participating Utility is in compliance with its obligations set forth in Section 3.3 hereof, such Participating Utility shall be deemed to have Committed the Replacement Spare Transformer (as defined below) as a Qualified Spare Transformer for purposes of satisfying its obligations set forth in this Section 3.1, whether or not such Participating Utility yet owns or otherwise has rights to own or access such Replacement Spare Transformer, with such Replacement Spare Transformer becoming a Qualified Spare Transformer that is Committed hereunder upon such Participating Utility's acquisition of ownership, or rights to own or access, such Replacement Spare Transformer. Upon request by the relevant Equipment Sub-Committee, each Participating Utility shall present such Equipment Sub-Committee with evidence reasonably satisfactory to such Equipment Sub-Committee of such Participating Utility's compliance with its obligations set forth in this Section 3.1.

Section 3.2 Obligation to Acquire. If, at any time prior to the next succeeding Measurement Date, a Participating Utility has not yet Committed a number of Qualified Spare Transformers that is at least equal to its Required Obligation calculated for such next succeeding Measurement Date in respect of each Equipment Class that such Participating Utility is then a member of, such Participating Utility shall, in good faith, use its commercially reasonable efforts to take or cause to be taken all actions necessary for such Participating Utility to Commit a number of Qualified Spare Transformers that is at least equal to its Required Obligation calculated for such next succeeding Measurement Date in respect of each Equipment Class that such Participating Utility is then a member of as soon as practicable but in no event later than such next succeeding Measurement Date, except in the case of any Qualified Spare Transformer that is Committed hereunder and is then disposed of in a Permitted Disposition, in which case, such Participating Utility shall comply with its obligations set forth in Section 3.3 in respect of a Replacement Spare Transformer. For the avoidance of doubt, such commercially reasonable efforts shall include, without limitation, executing such purchase orders and other contracts, making any necessary payments under such purchase

orders or other contracts, and taking all other reasonable action that is consistent with procuring a Qualified Spare Transformer or rights to own or access a Qualified Spare Transformer. Upon request by the relevant Equipment Sub-Committee, each Participating Utility shall present such Equipment Sub-Committee with evidence reasonably satisfactory to such Equipment Sub-Committee of such Participating Utility's compliance with its obligations set forth in this Section 3.2.

Section 3.3 Obligation to Replace. If, at any time, a Participating Utility disposes of a Qualified Spare Transformer that such Participating Utility had Committed pursuant to the terms of this Agreement in a Permitted Disposition, or any such Qualified Spare Transformer is otherwise disposed of, in each case such that the disposition causes the number of Qualified Spare Transformers Committed by such Participating Utility to be less than its current Required Obligation, then such Participating Utility shall, in good faith, use its commercially reasonable efforts to take or cause to be taken all actions necessary for such Participating Utility to Commit, in the same Equipment Class, another Qualified Spare Transformer that such Participating Utility owns or has rights to own or access (a "Replacement Spare Transformer") in place of the one so disposed of as soon as practicable but in no event later than the Replacement Date. For the avoidance of doubt, such commercially reasonable efforts shall include, without limitation, executing such purchase orders and other contracts, making any necessary payments under such purchase orders or other contracts, and taking all other reasonable action that is consistent with procuring a Qualified Spare Transformer or rights to own or access a Qualified Spare Transformer. Upon request by the relevant Equipment Sub-Committee, each Participating Utility shall present such Equipment Sub-Committee with evidence reasonably satisfactory to such Equipment Sub-Committee of such Participating Utility's compliance with its obligations set forth in this Section 3.3.

Section 3.4 Obligation to Report. In respect of each Equipment Class that a Participating Utility is a member of, upon becoming a member of such Equipment Class, and from time to time thereafter as requested by the relevant Equipment Sub-Committee, such Participating Utility shall provide the relevant Equipment Sub-Committee with complete and accurate information necessary for such Equipment Sub-Committee to calculate Required Obligations. Exhibit C to this Agreement shall list in respect of each Participating Utility, opposite the name of such Participating Utility, all Qualified Spare Transformers, by Equipment Class, then Committed by such Participating Utility, together with such additional information regarding each such Qualified Spare Transformers as may be required, from time to time, by the Equipment Committee, with any revisions to the information required to be set forth on Exhibit C to become automatically effective for all purposes hereunder upon the affirmative action of the Equipment Committee. In Committing any Qualified Spare Transformers pursuant to the terms of this Agreement, each Participating Utility shall contemporaneously provide the Equipment Sub-Committee(s) for the Equipment Class(es) of the Qualified Spare Transformer(s) so Committed with the information contemplated by this Section 3.4, with Exhibit C to this Agreement to be updated as necessary to reflect the same. In addition, in Committing a Qualified Spare Transformer hereunder, a Participating Utility shall provide the relevant Equipment Sub-Committee with the identity of each and every

other Person that has rights to own or access such Qualified Spare Transformer, together with a description of the nature of any such rights. Each Participating Utility shall promptly, but in no event later than ten (10) Business Days following any loss, disposition or acquisition of a Qualified Spare Transformer Committed or to be Committed hereunder, deliver a written notice to the relevant Equipment Sub-Committee of any loss or disposition of a Qualified Spare Transformer Committed by such Participating Utility or any acquisition of a Qualified Spare Transformer to be Committed by such Participating Utility, together with any other information required by this Section 3.4. Each Equipment Sub-Committee shall cause Exhibit C to this Agreement to be updated on a regular basis to reflect any loss, disposition or acquisition so noticed, as well as the most current information in respect of Qualified Spare Transformers that are Committed hereunder, as contemplated by this Section 3.4, with any such revisions to become automatically effective for all purposes hereunder upon the affirmative action of such Equipment Sub-Committee and a revised copy of Exhibit C to be provided to each Participating Utility's Representative. For the avoidance of doubt, consistent with the confidentiality provisions set forth in Article XI hereof, Exhibit C shall not be made publicly available, but shall be provided only to each Participating Utility's Representative and such other Persons permitted by Section 11.1 hereof.

Section 3.5 Obligation to Maintain. Each Participating Utility shall, in respect of each Qualified Spare Transformer that it Commits hereunder, (i) store and maintain, or cause to be stored and maintained, such Qualified Spare Transformer in accordance with Good Utility Practice and with such care and in such a manner that is at least as favorable as that practiced by such Participating Utility in respect of its other assets, (ii) maintain, or cause to be maintained, such Qualified Spare Transformer with such care and in such a manner that (x) the Participating Utility is able to count it as a spare transformer on its system, (y) it is a complete transformer comprised of all of its standard parts and components, and (z) it is capable of being operated on the Participating Utility's system, (iii) maintain and store, or cause to be maintained and stored, such Qualified Spare Transformer such that it can be shipped to a Buyer as soon as practicable following its receipt of a Call Notice but in no event later than ten (10) calendar days' following its receipt of any such Call Notice, (iv) not subject such Qualified Spare Transformer to, or permit such Qualified Spare Transformer to be subject to, any Lien other than Permitted Liens, and (v) not dispose of such Qualified Spare Transformer except in a Permitted Disposition.

Section 3.6 Obligation to Certify Compliance. On or before June 30 of each calendar year, each Participating Utility shall deliver to the Equipment Committee a certificate executed on behalf of such Participating Utility by a duly authorized executive officer thereof certifying that such Participating Utility is in compliance with its obligations set forth in Article III of this Agreement.

Section 3.7 Determining Number of Qualified Spare Transformers Committed. For purposes of determining the number of Qualified Spare Transformers (and the MVA represented thereby) that a Participating Utility shall be deemed to have Committed hereunder, the following rules shall apply: (i) if a Participating Utility owns 100% of a Qualified Spare Transformer and no other Person has rights to own or access

such Qualified Spare Transformer, such Participating Utility must Commit its entire interest in such Qualified Spare Transformer in order for such Qualified Spare Transformer (and the MVA represented thereby) to be counted hereunder and such Qualified Spare Transformer (and the MVA represented thereby) shall be multiplied by a factor of 1.0, (ii) if a Participating Utility owns a percentage less than 100% of a Qualified Spare Transformer (or owns 100% of a Qualified Spare Transformer but has granted any other Person rights to own or access such Qualified Spare Transformer), or otherwise has rights to own or access less than 100% of such Qualified Spare Transformer, each Person that owns, or has rights to own or access, a percentage of such Qualified Spare Transformer must also be a Participating Utility that Commits its interest in or rights to such Qualified Spare Transformer in order for such Qualified Spare Transformer (and the MVA represented thereby) to be counted hereunder and, with respect to each such Participating Utility, such Qualified Spare Transformer (and the MVA represented thereby) shall be multiplied by a factor the numerator of which is the percentage of such Participating Utility's ownership or rights to own or access such Qualified Spare Transformer (or, if such Participating Utility owns 100% of such Qualified Spare Transformer but has granted any other Person rights to own or access such Qualified Spare Transformer, 100 minus the aggregate percentage of such rights granted to all such Persons) and the denominator of which is 100, (iii) if a Participating Utility owns or has rights to own or access a Qualified Spare Transformer as a tenant in common or pursuant to any contract, instrument, agency relationship or other arrangement with one or more other Persons, each such Person must also be a Participating Utility that Commits (or in the case of ownership or other rights as a tenant in common or similar nature, each such Person must have executed an instrument satisfactory to the relevant Equipment Sub-Committee pursuant to which such Person, without being granted any rights whatsoever under this Agreement, including Call Rights, grants such Participating Utility the legal right to Commit) its interest in or rights to such Qualified Spare Transformer in order for such Qualified Spare Transformer (and the MVA represented thereby) to be counted hereunder and, with respect to each such Participating Utility, such Qualified Spare Transformer (and the MVA represented thereby) shall be multiplied by a factor the numerator of which is 1 and the denominator of which is that number of Persons (including such Participating Utility) that owns or has rights to own or access such Qualified Spare Transformer as a tenant in common or pursuant to such contract, instrument, agency relationship or other arrangement. A Qualified Spare Transformer that is then in service on a particular Participating Utility's system may be Committed and counted hereunder as a Qualified Spare Transformer, as contemplated by this Section 3.7; however, it is anticipated that any Participating Utility that Commits a Qualified Spare Transformer that is then in service on its system will do so with due regard to all applicable reliability standards of the electric reliability organization and such Participating Utility's respective regional entity.

ARTICLE IV

CALL RIGHTS

Section 4.1 Exercise of Call Right. In the event that a Participating Utility is a Qualified Participating Utility and suffers the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice), (i) such Participating Utility shall first take all actions necessary to use any and all spare transformers that it may own or otherwise have rights to own or access in the Equipment Class with respect to which the destruction or long-term disabling occurred in an effort to remedy such destruction or long-term disabling to the extent necessary to satisfy an N-0 Contingency, and (ii) if, following such actions, such Participating Utility has not been able to remedy such destruction or long-term disabling to the extent necessary to satisfy an N-0 Contingency, such Participating Utility (the "Buyer") shall have the right, subject to the terms of this Article IV, and only to the extent necessary to provide such Participating Utility with a sufficient number of transformers in service on its system to satisfy an N-0 Contingency, to purchase, in its sole discretion, any Qualified Spare Transformer that all or a portion of which is Committed hereunder in an Equipment Class that the Buyer has joined as a member and with respect to which such destruction or long-term disabling occurred in consideration for the applicable Purchase Price (the "Call Right"), by delivering a written notice (the "Call Notice") to any Participating Utility that has Committed such Qualified Spare Transformer hereunder (the "Seller") certifying that it (x) is a Qualified Participating Utility, (y) has suffered the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice) and (z) has complied with its obligations set forth in clause (i) of this Section 4.1 and nevertheless is unable to satisfy an N-0 Contingency (collectively, the "Prerequisites") and identifying the Qualified Spare Transformer with respect to which the Call Right is being exercised.

Section 4.2 Execution of Call Right. Upon receipt of a Call Notice, the Seller shall, unless it asserts in good faith an Objection (as defined below), sell, or cause to be sold, the Qualified Spare Transformer that is the subject of the Call Notice to the Buyer free and clear of all Liens, other than Permitted Liens, in consideration for the applicable Purchase Price, with such sale to be consummated on the following terms: (i) no later than three (3) calendar days following its receipt of a Call Notice, the Seller shall deliver a written notice to the Buyer setting forth the Estimated Purchase Price, (ii) the Buyer shall deliver the Estimated Purchase Price to the Seller, or such other Person as the Seller may designate, by wire transfer in immediately available funds to an account or accounts designated by the Seller or, if acceptable to the Seller, in its sole discretion, by delivering a promissory note, in form and substance satisfactory to the Seller, made payable to the Seller, or such other Person as the Seller may designate, in the principal amount of the Estimated Purchase Price or by such other means as are mutually acceptable to the Buyer and the Seller, (iii) the Buyer shall purchase the Qualified Spare Transformer subject to the disclaimers set forth in Section 4.6, and the Buyer and the Seller shall provide those indemnities in respect of the purchase of such Qualified Spare

Transformer that are contemplated by Section 9.5, (iv) unless the Buyer and the Seller agree otherwise, the Buyer shall purchase the Qualified Spare Transformer, and title thereto shall transfer, at the location at which the Seller is then maintaining, or causing to be maintained, such Qualified Spare Transformer, with the Buyer responsible for any and all transportation costs, and the Buyer to bear the risk of loss, from such point of sale, (v) the Buyer and the Seller shall execute and deliver, or cause to be executed and delivered, such documents or instruments as either the Buyer or the Seller shall reasonably request in connection with evidencing the sale of the subject Qualified Spare Transformer to the Buyer or the vesting of title thereto in the Buyer, (vi) upon and following the consummation of any such sale, the Seller shall use all commercially reasonable efforts to cancel, satisfy or otherwise remove, or cause to be cancelled, satisfied or otherwise removed, any and all Liens to which the Qualified Spare Transformer may be subject at the time of sale to the Buyer or otherwise as a result of any acts or omissions of the Seller or any other Person having rights to own or access such Qualified Spare Transformer, and (vii) following the consummation of any such sale, the Buyer and the Seller shall determine and make, or cause to be made, any payments in respect of the Purchase Price that are required pursuant to Section 4.7.

Section 4.3 Objection to Call Right. In the event that, upon receipt of a Call Notice, the Seller has a good faith basis to assert that (i) the Prerequisites have not been satisfied, (ii) the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, has suffered the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice) or other casualty that is then still affecting the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, or (iii) it would be inequitable to require the sale of the subject Qualified Spare Transformer pursuant to the Call Notice because the Seller has received more than one Call Notice for the same Qualified Spare Transformer or the Seller has received multiple Call Notices in respect of the same Triggering Event while other Participating Utilities in the same Equipment Class have not received any Call Notices in respect of such Triggering Event, the Seller may make any such assertion by delivering to the Buyer and the Executive Committee, no later than one (1) calendar day following the Seller's receipt of a Call Notice, a written notice making such an assertion (an "Objection"), upon receipt of which the Buyer may refer the matter immediately to the Executive Committee, in which case the Executive Committee shall promptly convene to determine whether or not (i) the Prerequisites have been satisfied, (ii) the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, has suffered the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice) or other casualty that is then still affecting the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, or (iii) it would be inequitable to require the sale of the subject Qualified Spare Transformer pursuant to the Call Notice. In the event the Executive Committee determines that (i) the Prerequisites have been satisfied, (ii) the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, has not suffered the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice) or other casualty that is then still affecting the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer,

and/or (iii) it would not be inequitable to require the sale of the subject Qualified Spare Transformer pursuant to the Call Notice, as applicable, the Seller shall proceed to consummate, or caused to be consummated, the sale of the Qualified Spare Transformer indicated in the Call Notice pursuant to the terms of Section 4.2. In the event the Executive Committee determines that (i) the Prerequisites have not been satisfied, (ii) the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, has suffered the destruction or long-term disabling of one or more electric transmission substations in connection with a Triggering Event (other than in response to a Call Notice) or other casualty that is then still affecting the Seller, or if applicable the other owner(s) of the subject Qualified Spare Transformer, and/or (iii) it would be inequitable to require the sale of the subject Qualified Spare Transformer pursuant to the Call Notice, as applicable, the Seller shall be under no obligation to consummate, or cause to be consummated, the sale of the Qualified Spare Transformer indicated in the Call Notice, but the Buyer shall be free to deliver another Call Notice to any Participating Utility, including the Seller, at such time, and in such event, as the Buyer in good faith believes that the Prerequisites have been satisfied and that the Participating Utility to which such Call Notice is to be delivered has no good faith basis to assert an Objection.

Section 4.4 Disputes Concerning Call Rights. In the event of any dispute between the Buyer and the Seller concerning any Call Notice, the satisfaction of the Prerequisites, any Objection, the refusal, for any reason, by the Buyer or the Seller to consummate, or cause to be consummated, a sale pursuant to the terms of this Agreement, or any other matter relating to the consummation of a sale pursuant to the terms of this Agreement shall first be referred to the Executive Committee, by written notice delivered by the Buyer or the Seller, for resolution prior to either the Buyer or the Seller pursuing any remedies set forth in Article IX. In the event the Executive Committee fails to propose a resolution to the matter within three (3) Business Days of such matter being referred to it, or in the event the Buyer or the Seller disagree with the Executive Committee's proposed resolution of the matter, the Buyer and the Seller shall be free to exercise any and all available remedies as contemplated by Article IX.

Section 4.5 Qualified Spare Transformers with Multiple Owners. Each Participating Utility that owns, or has rights to own or access, together with one or more other Participating Utilities, any portion of a particular Qualified Spare Transformer that is Committed hereunder hereby appoints each other Participating Utility that owns, or has rights to own or access, any portion of such Qualified Spare Transformer as its true and lawful agent and attorney-in-fact for purposes of consummating, or causing to be consummated, the sale of such Qualified Spare Transformer in strict compliance with this Article IV such that if any Participating Utility that owns or has rights to own or access any portion of such Qualified Spare Transformer receives a Call Notice in respect of such Qualified Spare Transformer it shall have sufficient authority, rights and powers to consummate, or cause to be consummated, the sale of such Qualified Spare Transformer as a Seller hereunder, without any further action required by any other Participating Utility that owns or has rights to own or access such Qualified Spare Transformer, with each such Participating Utility declaring that the foregoing powers are coupled with an interest and are irrevocable.

Section 4.6 Certain Disclaimers. For the avoidance of doubt, each Participating Utility acknowledges and agrees that any Qualified Spare Transformer purchased pursuant to the terms of this Agreement is, and shall be, sold subject to the following disclaimers:

> EXCEPT FOR THOSE REPRESENTATIONS AND WARRANTIES OF THE SELLER SET FORTH IN ARTICLE VIII and EXCEPT FOR THOSE COVENANTS OF THE SELLER SET FORTH IN SECTION 4.2 AND SECTION 9.5 OF THIS AGREEMENT, SUCH QUALIFIED SPARE TRANSFORMER IS SOLD "AS IS, WHERE IS" AND THE SELLER DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF SUCH QUALIFIED SPARE TRANSFORMER, AND SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, OR AS TO THE WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT.

Section 4.7 Determination of Purchase Price. No later than six (6) calendar months following any sale consummated pursuant to the terms of this Agreement, the Seller shall deliver to the Buyer a written notice prepared in good faith and setting forth the Seller's calculation of the Purchase Price, together with written documentation of the Seller's actual costs and expenses incurred in respect of any costs or expenses included in the Purchase Price and of the Seller's tax liability, if any, attributable to the sale of the subject Qualified Spare Transformer at the Replacement Cost or the Net Book Value, as the case may be. If the Buyer in good faith objects to the Seller's calculation of the Purchase Price, it may object to such calculation by delivering a written notice to the relevant Equipment Sub-Committee and the Seller requesting that such Equipment Sub-Committee review the Seller's calculation of the Purchase Price. For the avoidance of doubt, any dispute concerning the Purchase Price shall first be so referred to the relevant Equipment Sub-Committee prior to either the Buyer or the Seller pursuing any remedies set forth in Article IX. Upon receipt of any such notice, the relevant Equipment Sub-Committee shall promptly convene to determine the Purchase Price of the subject Qualified Spare Transformer. In connection with the foregoing, each of the Buyer and the Seller shall fully cooperate with any such review by such Equipment Sub-Committee, including by providing such books and records, and such other information available to it, as is necessary for such Equipment Sub-Committee to conduct such review. In the event that such Equipment Sub-Committee fails to determine the Purchase Price within twenty (20) Business Days of such matter being referred to it, or in the event the Buyer or the Seller disagree with such Equipment Sub-Committee's determination of the Purchase Price, the Buyer and the Seller shall be free to exercise any and all available remedies as contemplated by Article IX. In the event that the Buyer and the Seller agree on the amount of the Purchase Price, the Buyer and the Seller agree with the relevant Equipment Sub-Committee's determination of the Purchase Price or the Purchase Price is finally determined by a court of competent jurisdiction, (i) if the Purchase Price exceeds the Estimated Purchase Price actually paid, the Buyer shall within

ten (10) Business Days of such agreement or determination pay to the Seller the amount by which the Purchase Price exceeds the Estimated Purchase Price, and (ii) if the Estimated Purchase Price actually paid exceeds the Purchase Price, the Seller shall within ten (10) Business Days of such agreement or determination refund to the Buyer the amount by which the Estimated Purchase Price exceeds the Purchase Price.

ARTICLE V

EQUIPMENT COMMITTEE

Section 5.1 Composition of Equipment Committee. Each Participating Utility shall be entitled to appoint one individual who qualifies as a Representative hereunder to serve as its Representative on the Equipment Committee and on those Equipment Sub-Committees corresponding to the Equipment Classes that such Participating Utility has joined as a member hereunder. In order for an individual to qualify as a Representative hereunder, he or she must (i) have engineering and utility operation experience, (ii) be authorized by the Participating Utility that it represents to bind such Participating Utility in any matters to be acted upon by the Equipment Committee or any Equipment Sub-Committee hereunder, and (iii) be required by such Participating Utility to observe the confidentiality provisions set forth in Article XI hereof. No later than three (3) Business Days following its relevant Effective Date, each Participating Utility shall name its initial Representative, and provide the contact information required by this Agreement for such Representative, by delivering to the Equipment Committee, or if the Equipment Committee has not yet held its first meeting, the Project Manager, a notice setting forth such name and such contact information. The chairperson of the Equipment Committee shall, from time to time, provide all Representatives to the Equipment Committee with an updated list of the names and contact information for all other Representatives to the Equipment Committee.

Section 5.2 Subsequent Representatives; Proxies. Each Participating Utility shall be entitled to remove and replace its Representative at any time, in its discretion, and to fill any vacancy in its Representative, in any case so long as (i) the Representative appointed as a replacement or to fill any vacancy is qualified as a Representative under Section 5.1 hereof and (ii) such Participating Utility provides notice to the Equipment Committee that the Representative so appointed is the current Representative of such Participating Utility. A Representative may execute one or more proxies for purposes of being represented and voting at any meeting of the Equipment Committee or any Equipment Sub-Committee so long as any such proxy is in writing, is signed by the Representative granting the proxy, and the proxy is granted in favor of an employee of the Participating Utility represented by the Representative who would otherwise meet the qualifications of a Representative under Section 5.1 hereunder. Notwithstanding the foregoing, any Representative removed by a Participating Utility, and any Person who is granted a proxy, through such proxy's duration and following its expiration or termination, shall continue to be required by the Participating Utility that he or she represents or represented to observe the confidentiality provisions set forth in

Article XI hereof, with such Participating Utility responsible for any failure by any such Person to comply with such provisions.

Section 5.3 Equipment Sub-Committees. The Equipment Committee shall be divided into a number of Equipment Sub-Committees corresponding to the Equipment Classes of Qualified Spare Transformers that have been Committed hereunder, with each Representative serving on those Equipment Sub-Committees that correspond to the Equipment Class or Equipment Classes of any Qualified Spare Transformers that the Participating Utility that he or she represents has Committed hereunder.

Section 5.4 Responsibilities. The Equipment Committee shall meet, from time to time, to consider and act upon the following matters: (i) elect its chairperson, (ii) elect Participating Utilities for the purpose of appointing members of the Executive Committee, as contemplated by Section 6.2 hereof, (iii) take such other action contemplated by this Agreement to be taken by the Equipment Committee. Each Equipment Sub-Committee shall meet, from time to time, to consider and act upon the following matters: (i) elect its chairperson, (ii) calculate Required Obligations as contemplated by this Agreement, and (iii) take such other action contemplated by this Agreement to be taken by such Equipment Sub-Committee. Each Equipment Sub-Committee shall, as soon as practicable following such time as its Equipment Class first has three or more members, calculate the Required Obligation for each of its members in respect of the Initial Measurement Date, and, as soon as practicable following the Initial Measurement Date and each Measurement Date thereafter, calculate the Required Obligation for each of its members in respect of the next succeeding Measurement Date. In addition, in the event that, following the calculation of any such Required Obligation, one or more additional Participating Utilities joins a particular Equipment Class, the relevant Equipment Sub-Committee may, upon the affirmative action of the members of such Equipment Class, recalculate the Required Obligation for each of its members for the next succeeding Measurement Date.

Section 5.5 Meetings. At its first meeting of each calendar year, the Equipment Committee and each Equipment Sub-Committee, respectively, shall meet to elect its respective chairperson and transact such other business as shall properly come before it under this Agreement. The chairpersons of the Equipment Committee and each Equipment Sub-Committee, as the case may be, shall call a meeting of the Equipment Committee and such Equipment Sub-Committee, respectively (i) within 45 days following the beginning of each calendar year, provided, however, that during calendar year 2006, the initial meeting of the Equipment Committee shall be called as soon as practicable following the date hereof, (ii) as necessary to perform the function of the Equipment Committee and such Equipment Sub-Committee, as the case may be, under this Agreement, (iii) at the request of twenty percent of the members of the Equipment Committee or the Equipment Sub-Committee, as the case may be, and (iv) as the chairperson, in his or her discretion, otherwise deems necessary.

Section 5.6 Notice of Meetings. The chairpersons of the Equipment Committee and each Equipment Sub-Committee shall deliver, or cause to be delivered, to

each Representative serving on the Equipment Committee and such Equipment Sub-Committee, respectively, a notice, delivered to such Representative's email address, containing the date, place, time of, and dial-in instructions for telephone conference participation in, any meeting of the Equipment Committee or such Equipment Sub-Committee, as the case may be, on or before two (2) Business Days prior to such meeting, or on such shorter notice as the chairperson deems necessary under the circumstances. Each Representative is responsible for providing the Equipment Committee with a current email address to use for notice purposes hereunder.

Section 5.7 Telephonic Meetings. The Equipment Committee and each Equipment Sub-Committee may meet in person or by telephone conference call, so long as each member of the Equipment Committee or Equipment Sub-Committee, as the case may be, is able to hear and speak to all other members in attendance at such meeting. Any meeting that is held in person shall also provide adequate means for Representatives to participate by telephone conference as well, as contemplated by the immediately preceding sentence.

Section 5.8 Quorum; Required Vote. A majority of the members of the Equipment Committee or any Equipment Sub-Committee shall constitute a quorum for the conduct of business at any meeting of the Equipment Committee or an Equipment Sub-Committee, respectively. A decision by a simple majority of the votes cast by members of the Equipment Committee or any Equipment Sub-Committee present and voting at any such meeting of the Equipment Committee or such Equipment Sub-Committee at which a quorum is present, respectively, shall constitute the action of the Equipment Committee or such Equipment Sub-Committee, as the case may be. A Representative may be represented and vote at any meeting by means of a proxy, as provided in Section 5.2. In acting upon any matter brought before the Equipment Committee, including the election of any Participating Utility by the Equipment Committee for purposes of appointing a member of the Executive Committee pursuant to Section 6.2 hereof, each Representative shall be entitled to cast a number of votes equal to the amount of MVA represented by the number of Qualified Spare Transformers then deemed to be Committed hereunder by the Participating Utility that such Representative represents, as determined in accordance with Section 3.7. In acting upon any matter brought before any Equipment Sub-Committee, each Representative shall be entitled to cast a number of votes equal to the amount of MVA represented by the number of Qualified Spare Transformers then deemed to be Committed hereunder in the relevant Equipment Class by the Participating Utility that such Representative represents, as determined in accordance with Section 3.7.

Section 5.9 Notices to Equipment Committee or Equipment Sub-Committee. All notices required to be given hereunder to the Equipment Committee or any Equipment Sub-Committee shall be given to the Project Manager until the Equipment Committee or Equipment Sub-Committee, as the case may be, holds its first meeting and elects its first chairperson, and thereafter shall be given to the current chairperson of the Equipment Committee or Equipment Sub-Committee, as the case may be, at such email address as such chairperson may provide upon his or her election and from time to time thereafter.

Section 5.10 Disputes. Any dispute involving any decision of the Equipment Committee or any Equipment Sub-Committee shall first be referred to the Executive Committee, by written notice delivered to the Executive Committee by any affected Participating Utility, for resolution prior to any such Participating Utility pursuing any remedies set forth in Article IX. In the event the Executive Committee fails to propose a resolution to the matter within ten (10) Business Days of such matter being referred to it, or in the event any affected Participating Utility disagrees with the Executive Committee's proposed resolution of the matter, any such affected Participating Utility shall be free to exercise any and all available remedies as contemplated by Article IX.

ARTICLE VI

EXECUTIVE COMMITTEE

Section 6.1 Composition of Executive Committee. The Executive Committee shall be comprised of eleven (11) members appointed by those eleven (11) Participating Utilities elected by the Equipment Committee for the purpose of appointing a member of the Executive Committee pursuant to Section 6.2 hereof; provided, however, that (i) one of such Participating Utilities so elected shall be a Participating Utility whose annual peak load is such that seventy-five percent of all other Participating Utilities have annual peak loads greater than the annual peak load of such Participating Utility, (ii) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the FRCC region as of the date hereof, (iii) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the SERC region as of the date hereof, (iv) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the WECC region as of the date hereof, (v) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the ERCOT region as of the date hereof, (vi) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the SPP region as of the date hereof, (vii) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the NPCC region as of the date hereof, (viii) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the MRO region as of the date hereof, and (ix) one of such Participating Utilities so elected shall be a Participating Utility that operates in the geographic area covered by the Reliability First region as of the date hereof.

Section 6.2 Selection of Executive Committee. At the first meeting of the Equipment Committee of each calendar year (or, during calendar year 2006, at such time as the Equipment Committee deems appropriate), the Equipment Committee shall elect eleven (11) Participating Utilities, in strict compliance with the provisions of Section 6.1 hereof, with each Participating Utility so elected entitled to each appoint one member of the Executive Committee to serve a term commencing on the date of such meeting until his or her successor is appointed and duly qualified at the first meeting of

the Equipment Committee of the next succeeding calendar year. Each Participating Utility so elected to appoint a member of the Executive Committee shall appoint its chief executive officer or such other senior officer of such Participating Utility as its chief executive officer may designate. No Participating Utility may be elected to appoint more than one member of the Executive Committee during any calendar year, no Participating Utility may be elected to appoint a member of the Executive Committee for more than two (2) consecutive years, and at no time shall two or more Participating Utility's that are Affiliates be elected to appoint a member of the Executive Committee during the same calendar year unless, in each case, there are no other Participating Utilities that would otherwise qualify for election pursuant to this Section 6.2.

Section 6.3 Vacancies. Each Participating Utility that is entitled to appoint a member of the Executive Committee shall be entitled to remove and replace the member it so appointed at any time. In the event of a vacancy, for any reason, in any member of the Executive Committee, the Participating Utility that originally appointed such member shall be entitled to fill such vacancy by naming a new member of the Executive Committee so long as (i) the member appointed to fill any such vacancy is the chief executive officer of such Participating Utility or such other senior officer of such Participating Utility as its chief executive officer may designate and (ii) such Participating Utility provides notice to the Executive Committee that it has filled such vacancy.

Section 6.4 Responsibilities. The Executive Committee shall meet, from time to time, to consider and act upon the following matters: (i) to elect its chairperson, (ii) to develop a budget, and determine the dues to be paid by Participating Utilities, for the next succeeding calendar year, as contemplated by Section 7.2 hereof, and (iii) to take such other action contemplated by this Agreement to be taken by the Executive Committee.

Section 6.5 Meetings. The first meeting of the Executive Committee of each calendar year shall be held as soon as practicable following the first meeting of the Equipment Committee of such calendar year, upon at least two (2) Business Days' prior notice to the members of the Executive Committee delivered by the chairperson of the Equipment Committee, for the purpose of electing the chairperson of the Executive Committee and transacting such other business as shall properly come before it under this Agreement. Thereafter, the chairperson of the Executive Committee shall call a meeting of the Executive Committee (i) as necessary to perform the function of the Executive Committee under this Agreement, (ii) at the request of twenty percent of the members of the Executive Committee, and (iii) as the chairperson, in his or her discretion, otherwise deems necessary.

Section 6.6 Notice of Meetings. Except with respect to the first meeting of the Executive Committee of each calendar year, which shall be noticed as contemplated in Section 6.5 hereof, the chairperson of the Executive Committee shall deliver, or cause to be delivered, to each member of the Executive Committee a notice delivered to such member's email address, containing the date, place, time of, and dial-in instructions for telephone conference participation in, any meeting of the Executive

Committee on or before one calendar day prior to such meeting, or on such shorter notice as the chairperson deems necessary under the circumstances. Each member is responsible for providing the Executive Committee with a current email address to use for notice purposes hereunder, as well as such member's work, home and cellular telephone contact information.

Section 6.7 Telephonic Meetings. The Executive Committee may meet in person or by telephone conference call, so long as each member of the Executive Committee is able to hear and speak to all other members in attendance at such meeting. Any meeting that is held in person shall also provide adequate means for members to participate by telephone conference as well, as contemplated by the immediately preceding sentence.

Section 6.8 Quorum; Required Vote. A majority of the members of the Executive Committee shall constitute a quorum for the conduct of business at any meeting of the Executive Committee. A decision by a simple majority of the votes cast by members of the Executive Committee present and voting at any such meeting of the Executive Committee at which a quorum is present shall constitute the action of the Executive Committee. No member of the Executive Committee may vote or be represented at any meeting by means of a proxy. In acting upon any matter brought before the Executive Committee, each member shall be entitled to cast one vote.

Section 6.9 Notices to Executive Committee. All notices required to be given hereunder to the Executive Committee shall be given to the chairperson of the Equipment Committee until the Executive Committee holds its first meeting and elects its first chairperson, and thereafter shall be given to the current chairperson of the Executive Committee, at such email address as such chairperson may provide upon his or her election and from time to time thereafter.

Section 6.10 Project Manager. The Executive Committee is authorized to enter into such arrangements as it deems necessary and appropriate to retain one or more qualified Persons to serve as the project manager of this Agreement (the "Project Manager"). Any such Project Manager shall be reasonably compensated, and reimbursed for its expenses, by the Executive Committee, with such compensation and expenses to be taken into account by the Executive Committee in preparing the budget and determining dues as contemplated by Section 7.2 hereof. Each Participating Utility acknowledges and agrees that Edison Electric Institute shall, until the Initial Measurement Date or such earlier date as the Executive Committee may determine, serve as the Project Manager and, in such capacity, shall (i) oversee the development of a database of Qualified Spare Transformers that are Committed hereunder, (ii) develop and deliver summary reports on the status of such database, industry participation in this Agreement, and such other matters as may be requested by the Executive Committee or the Equipment Committee, (iii) assist the Executive Committee, the Equipment Committee, and the Equipment Sub-Committees with their respective administrative responsibilities as contemplated by this Agreement, including the coordination of their respective meetings, and the preparation of, and revisions to, the Exhibits to this Agreement as contemplated hereby.

ARTICLE VII

FINANCIAL MATTERS

Section 7.1 Cost Sharing. Each Party recognizes and agrees that all Parties are responsible for sharing the costs associated with the administration of this Agreement, as provided in this Article VII.

Section 7.2 Budget; Dues. Beginning with the calendar year 2006, and continuing each calendar year thereafter, the Executive Committee shall adopt a budget, and determine the dues to be paid by Parties, for the next succeeding calendar year. Dues shall be paid by each Party, on or before the date set by the Executive Committee for the payment of dues for such calendar year, to an account established by the Executive Committee to be used for the administration of this Agreement, provided, that until the Executive Committee establishes any such account, all dues shall be paid to the Project Manager, which Person shall hold such funds on behalf of the Executive Committee to be deposited into such account as soon as it is established by the Executive Committee. Notwithstanding any other provision of this Agreement to the contrary, a Party shall be excused from paying dues as contemplated by this Section 7.2 during the calendar year in which such Party executes and delivers its signature page to this Agreement and pays the Initial Fee contemplated by Section 2.1.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

Each Party represents and warrants to all other Parties that:

Section 8.1 Organization. On the date that such Party executes and delivers this Agreement, on the Effective Date, and on the date of any sale consummated pursuant to the terms of this Agreement, such Party is duly organized, validly existing and in good standing under the laws of the state of its organization or by federal statute and has all requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby.

Section 8.2 Authorization. On the date that such Party executes and delivers this Agreement, on the Effective Date, and on the date of any sale consummated pursuant to the terms of this Agreement, the execution and delivery of this Agreement, and the performance of its obligations hereunder, have been duly authorized by all necessary action on the part of such Party and do not, and will not, violate, conflict with or give rise to a breach or event of default under any of such Party's constituent documents or any agreement by which such Party or any Qualified Spare Transformer that it Commits hereunder may be bound.

Section 8.3 Binding Obligation. On the date that such Party executes and delivers this Agreement, on the Effective Date, and on the date of any sale consummated pursuant to the terms of this Agreement, this Agreement is a legal, valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to the qualification, however, that the enforcement of the rights and remedies hereunder may become subject to (i) bankruptcy and other similar laws of general application affecting rights and remedies of creditors and (ii) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 8.4 No Approvals Necessary. On the date that such Party executes and delivers this Agreement, except for those Required Regulatory Approvals set forth on its signature page to this Agreement, such Party has obtained any and all Required Regulatory Approvals. On the Effective Date and on the date of any sale consummated pursuant to the terms of this Agreement, such Party has obtained any and all Required Regulatory Approvals.

Section 8.5 Title to Qualified Spare Transformer. On the Effective Date and on the date of any sale consummated pursuant to the terms of this Agreement, with respect to each Qualified Spare Transformer that it Commits, or purports to Commit, hereunder, such Party owns or has rights to own or access, directly or indirectly, such Qualified Spare Transformer free and clear of any Liens, except for Permitted Liens, such that in the event such Qualified Spare Transformer is sold to a Buyer pursuant to the terms of this Agreement, upon the consummation of any such sale, subject only to clause (vi) of Section 4.2 hereof, the Buyer shall have good and valid title to such Qualified Spare Transformer.

Section 8.6 Condition of Qualified Spare Transformer. On the Effective Date and on the date of any sale consummated pursuant to the terms of this Agreement, with respect to each Qualified Spare Transformer that it Commits, or purports to Commit, hereunder, such Party has maintained each such Qualified Spare Transformer in strict compliance with Section 3.5.

ARTICLE IX

REMEDIES; INDEMNIFICATION

Section 9.1 Specific Performance. Each Participating Utility acknowledges and agrees that all other Participating Utilities that have Committed or plan to Commit a Qualified Spare Transformer in the Equipment Class or Equipment Classes to which it has Committed a Qualified Spare Transformer are relying on it to consummate, or cause to be consummated, the sale of such Qualified Spare Transformer upon the proper exercise of a Call Right under this Agreement, that each such Qualified Spare Transformer is unique, that it would be virtually impossible to quickly obtain a fully adequate substitute for any such Qualified Spare Transformer in the event that it

fails to consummate, or cause to be consummated, the sale of a Qualified Spare Transformer pursuant to a properly exercised Call Right under this Agreement, and that the award of damages at law may not be an adequate remedy. Accordingly, each Participating Utility agrees that in the event that it fails to consummate, or cause to be consummated, the sale of a Qualified Spare Transformer pursuant to a properly exercised Call Right under this Agreement, and in addition to any other remedy contemplated hereby, a court of competent jurisdiction shall have the power and authority to grant a request made by the Buyer for specific performance, including, without limitation, a request for specific performance to enforce the powers granted in Section 4.5 hereof, where such specific performance is an appropriate remedy under applicable law or applicable equitable principles. Notwithstanding any provision of this Agreement to the contrary, if any Participating Utility resorts to legal proceedings to specifically enforce this Agreement, the Participating Utility that is the prevailing party in such proceedings will be entitled to recover from the Participating Utility that is not the prevailing party in such proceedings all costs incurred by the prevailing party, including reasonable attorney's fees, in addition to any other relief to which it may be entitled under the terms hereof; provided, however, that the foregoing recovery of costs shall at all times be subject to the limitations set forth in Section 9.4.

Section 9.2 Other Remedies. For the avoidance of doubt, the remedy provided for in Section 9.1 is not exclusive and is not intended to preclude any Participating Utility from pursuing any other right or remedy that may be available to such Participating Utility at law or in equity, including any such right to recover direct damages or pursue such other legal or equitable relief as may be available under applicable law or applicable equitable principles.

Section 9.3 Cumulative Remedies. For the avoidance of doubt, all rights and remedies of any Participating Utility under this Agreement are cumulative of every other right or remedy that such Participating Utility may otherwise have at law or in equity and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

Section 9.4 Limitation on Damages. Notwithstanding any other provision of this Agreement to the contrary, (i) no Participating Utility, nor any of its officers, directors, agents, employees, parents, Affiliates, successors, assigns, contractors or subcontractors (collectively, "Related Parties") shall be liable to any other Participating Utility or its Related Parties for any liabilities, damages, obligations, payments, losses, costs, or expenses under this Agreement in any amount in excess of the actual compensatory damages, court costs and reasonable attorneys' fees suffered by such other Participating Utility or its Related Parties in connection with, or resulting from, performance or non-performance of this Agreement, or any actions undertaken in connection with or related to this Agreement, (ii) each Participating Utility waives any right to recover incidental, punitive, exemplary, special, indirect, multiple, or consequential damages (including attorneys' fees or litigation costs to recover the same and lost profits) in connection with, or resulting from, performance or non-performance of this Agreement, or any actions undertaken in connection with or related to this Agreement, including any such damages which are based upon causes of action for

breach of contract, tort (including negligence and misrepresentation), breach of warranty, or strict liability, and (iii) in no event shall any Participating Utility, in connection with any single event or series of related events, be liable to any other Participating Utility hereunder in any amount in excess of 150% of the Purchase Price for the relevant Qualified Spare Transformer.

Section 9.5 Indemnification. In respect of any purchase and sale consummated as a result of a Call Right exercised under this Agreement, the Buyer and the Seller shall make the following indemnities:

Subject at all times to the limitations set forth in Section 9.4, the Seller agrees to indemnify, defend and hold the Buyer harmless from and against any loss, damage, expense (including reasonable attorneys' fees) or claim, whether direct or indirect, known or unknown, absolute or contingent, that relates to, results from, or arises in connection with (i) any breach of the Seller's representations and warranties contained in Article VIII, and (ii) any and all Liens to which the subject Qualified Spare Transformer may be subject at the time of sale to the Buyer or otherwise as a result of any acts or omissions of the Seller or any other Person having rights to own or access such Qualified Spare Transformer; and

Subject at all times to the limitations set forth in Section 9.4, the Buyer agrees to indemnify, defend and hold the Seller harmless from and against any loss, damage, expense (including reasonable attorneys' fees) or claim, whether direct or indirect, known or unknown, absolute or contingent, that relates to, results from, or arises in connection with (i) any breach of the Buyer's representations and warranties contained in Article VIII, (ii) any and all liabilities and obligations in respect of the subject Qualified Spare Transformer that are attributable to the period of time on and following the time of sale to the Buyer (other than liabilities and obligations attributable to any breach of the Seller's representations and warranties set forth in Article VIII or the Seller's covenants set forth in Section 4.2), and (iii) any claims made by any third party for personal injury, death, property damage or otherwise arising from or incidental to the sale of the subject Qualified Spare Transformer to the extent such loss, damage, expense, or claim is caused by any act or omission of the Buyer.

Notwithstanding any provision of this Section 9.5 to the contrary, (i) no Party that is the United States, a State or any political subdivision of a State, or any agency, authority, or instrumentality of any one or more of the foregoing, or any corporation which is wholly owned, directly or indirectly, by any one or more of the foregoing (a "Governmental Entity") shall be obligated to defend or to accept defense from any Buyer or Seller, as the case may be, in connection with such Governmental Entity's or such Buyer's or Seller's indemnification obligations contemplated by this Section 9.5, and (ii) each Party acknowledges and agrees that the indemnity obligations of a Governmental Entity pursuant to this Section 9.5 may be limited to the extent that the principle of sovereign immunity is applicable. Except as expressly limited by the immediately preceding sentence; a

Governmental Entity shall indemnify and hold harmless Buyers and Sellers, as the case may be, as contemplated in this Section 9.5.

Section 9.6 Survival of Representations and Warranties. For purposes of the indemnities contemplated by Section 9.5, the representations and warranties set forth in Article VIII shall survive the consummation of any sale pursuant to the terms of Article IV until the second anniversary of the consummation of such sale, except for those representations and warranties set forth in Sections 8.2 and 8.5, which representations and warranties shall survive indefinitely.

ARTICLE X

WITHDRAWAL

Section 10.1 Withdrawal Procedure. On and following such time as a Party becomes a member of a particular Equipment Class, a Party may withdraw as a member of such Equipment Class under this Agreement only if on or before the date that is two (2) years prior to the date of such Party's desired date of withdrawal it delivers to the Equipment Committee and the relevant Equipment Sub-Committee a written notice of its intention to withdraw as a member of such Equipment Class; provided, however, that following its Effective Date, a Party may withdraw as a member of a particular Equipment Class without notice, by delivering a written notice to such effect to the Equipment Committee and the relevant Equipment Sub-Committee, in the event that, prior to such Party's withdrawal, such Equipment Class does not have at least three members, inclusive of such Party.

Section 10.2 Effectiveness of Withdrawal. A Party shall be deemed to have withdrawn from this Agreement only after it has withdrawn from each Equipment Class in which it was a member pursuant to the provisions of Section 10.1 hereof. Notwithstanding a Party's withdrawal from an Equipment Class or this Agreement, as contemplated hereby, such Party shall continue to enjoy any rights, and shall remain liable for any obligations, that arose or accrued to it under this Agreement prior to the date of any such withdrawal.

ARTICLE XI

CONFIDENTIALITY

Section 11.1 Confidentiality Obligation. Each Party (i) shall maintain the confidentiality of all information provided to it pursuant to the terms of this Agreement, including the information set forth on Exhibit C, and shall take all actions reasonably necessary to ensure that only its Representative, and such other Persons directly involved in the administration and performance of this Agreement by such Party, has access to such information, except as otherwise necessary to enforce its rights or comply with its obligations hereunder, and that its Representative, and such other

Persons, shall comply with the provisions of this Article XI, (ii) shall not disclose any such information to any other third parties, unless otherwise provided hereunder, and (iii) agrees to use such information only for such purposes and in such manner as is contemplated by the terms of this Agreement. Notwithstanding the foregoing, each Party shall be permitted to use any information provided to it under the terms of this Agreement in support of any claim or counterclaim respecting an alleged breach of any other Party's obligations under this Agreement.

Section 11.2 Permitted Disclosures. In the event that a Party is required to provide information that was provided to it in respect of another Party under the terms of this Agreement to the Federal Energy Regulatory Commission, state public utility commission or public service commission, a court, or other governmental authority, such Party shall (i) promptly notify each affected Party, (ii) reasonably cooperate with any such affected Party's request to object to the disclosure of the requested information (unless the disclosing Party is advised by legal counsel that any such request to object would materially prejudice its interest before such governmental authority), and (iii) seek confidential treatment for any such information disclosed. Notwithstanding any other provision of this Agreement to the contrary, each Party acknowledges and agrees that this Agreement and its Exhibits may be filed with any state or federal regulatory agency or commission in connection with securing any Required Regulatory Approvals of any Party hereunder; provided, however, that a Party making any such filing seeks from the applicable agency or commission confidential treatment of the information contained in Exhibit C.

Section 11.3 Exceptions. Notwithstanding any other provision of this Agreement to the contrary, the confidentiality obligations set forth in this Article XI shall not apply to information that (i) is already known or in the possession of the Party receiving such information at the time of disclosure, as evidenced by written documentation, without such Party being bound by a pre-existing, confidentiality agreement or secrecy obligation in respect thereof, (ii) after the time of its disclosure hereunder, becomes subsequently available to such Party on a non-confidential basis from a source not known by such Party to be bound by a confidentiality agreement or secrecy obligation in respect thereof, (iii) is or becomes generally available to the public other than as a result of a breach of the confidentiality obligations set forth in this Article XI, or (iv) is independently developed by a Party without use, directly or indirectly, of any information disclosed under this Agreement, as evidenced by written documentation.

Section 11.4 FOIA Matters.

To the extent that a Party is or may be subject to the provisions of the Freedom of Information Act, 5 U.S.C. section 552 (as amended from time to time, "FOIA" and any such Party, a "FOIA Party"), the following additional provisions of this Agreement shall apply:

(a) Notwithstanding any provision of this Agreement to the contrary, the confidentiality obligations set forth in this Article XI shall not apply to information that a

FOIA Party is required to disclose pursuant to any applicable provisions of FOIA, so long as any such disclosure is limited to only that information that is required to be so disclosed under the applicable provisions of FOIA after taking into consideration such exemptions from the FOIA publication and disclosure requirements as may be applicable;

(b) Each FOIA Party hereby expressly acknowledges and agrees that:

(i) the Project Manager shall post all information provided under this Agreement by any other Party to this Agreement or by the Project Manager on a secure web-site (the "Web-site") that is designed to afford each FOIA Party the opportunity to view such information relating to its Equipment Class(es) by read-only means. Each FOIA Party shall have read-only access to the Web-site at all times and may view such information relating to its Equipment Class(es) at any time. Each FOIA Party acknowledges and agrees that its right to use any such information is strictly limited to enforcing its rights or complying with its obligations under this Agreement;

(ii) it will not disclose any information provided by any other Party to this Agreement or by the Project Manager, except as permitted under this Article XI, including this Section 11.4 (provided, however, that such FOIA Party shall notify such other Party or the Project Manager, as the case maybe, as far in advance of the FOIA Party's disclosure of any such information as is reasonably practicable under the circumstances);

(iii) it will not physically possess or retain (including by electronic means) any information provided by any other Party to this Agreement or by the Project Manager and under no circumstances will it integrate in any way such information into its own record system or files; and

(iv) it will not rely on any information provided by any other Party to this Agreement or by the Project Manager to develop any policy or for any other purposes, except for the limited purpose of enforcing its rights (including the exercise of Call Rights pursuant to Article IV of this Agreement) or complying with its obligations under this Agreement; and

(c) The Project Manager shall provide each FOIA Party secure, dedicated space in the Web-site for use by each such FOIA Party to copy and store records available on the Web-site relating to its Equipment Class(es) into its workspace in connection with enforcing its rights and complying with its obligations under this Agreement.

(d) In the event that FOIA is amended after the date of this Agreement in such a manner as to materially impact the applicability or effect of the foregoing provisions, the Parties shall cooperate in good faith to negotiate such additional amendments to this Agreement as may be necessary to preserve, to the greatest extent

possible, the applicability and effect of the foregoing provisions in view of any such amendments to FOIA.

ARTICLE XII

GENERAL PROVISIONS

Section 12.1 Force Majeure. To the extent that a Party is prevented by an event of Force Majeure from carrying out, in whole or part, any of its obligations under this Agreement, then to the extent of, and only for so long as the duration of, such Force Majeure event, such Party shall be excused from the performance of those of its obligations under this Agreement so affected by such Force Majeure event, provided, that such Party claiming Force Majeure hereunder promptly gives notice and details of such Force Majeure event to the Equipment Committee and uses all commercially reasonable efforts to remedy such Force Majeure event with all reasonable dispatch.

Section 12.2 Assignment. This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns. No Party shall assign this Agreement in whole or in part, or any of the rights, interests, or obligations hereunder, without the prior written consent of all other Parties that are members of the Equipment Class or Equipment Classes that such Party is then a member of hereunder, except pursuant to the merger, consolidation or sale of all or substantially all of the assets of such Party. No assignment (including by reason of a merger, consolidation or sale of all or substantially all of the assets of any Party), transfer, conveyance, pledge or disposition of rights, interests, duties or obligations under this Agreement by any Party shall relieve such Party from liability and financial responsibility for the performance thereof after any such transfer, assignment, conveyance, pledge or disposition unless and until the transferee or assignee shall agree in writing to assume the obligations and duties of such Party under this Agreement.

Section 12.3 Amendments. This Agreement may be amended, modified or supplemented only by a written instrument executed and delivered by at least two-thirds (66 2/3%) of all Parties that are then parties to this Agreement; provided, however, that any amendment or modification to the terms of Articles III, IV, VIII and IX, Section 2.3, this Section 12.3, and any definitions used in such Articles or Sections, including the definition of Triggering Event and Commitment Formula, may be so amended or modified only by a written instrument executed and delivered by all Parties that are then parties to this Agreement. Any written instrument contemplated by this Section 12.3 may be executed in more than one (1) counterpart, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 12.4 Notices to Parties. All notices and other communications required to be delivered in writing hereunder to a Party shall be deemed given if delivered personally or by facsimile transmission (with confirmation of delivery), or mailed by overnight courier or registered or certified mail (return receipt requested),

postage prepaid, or by email transmission (with confirmation of delivery) to the recipient Party at its contact information set forth under its signature on its signature page to this Agreement (or at such other address, facsimile number, or email address, for a Party as shall be designated by such Party in a notice delivered hereunder; provided however, that notices of a change of address, facsimile number, or email address, shall be effective only upon receipt thereof); and provided, further, that in the event of a Triggering Event, a Party may provide notices otherwise required to be delivered hereunder in writing by telephonic means if, to the extent that, and only for so long as, the other means of notice contemplated by this Section 12.4 are unavailable to such Party.

Section 12.5 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer on any Person, other than the Parties, any rights, interests, obligations or remedies hereunder.

Section 12.6 Interpretation of Agreement. In this Agreement, unless otherwise specified or the context otherwise requires, the singular shall include the plural, the masculine shall include the feminine and neuter, and vice versa. The term "includes" or "including" shall mean "including without limitation." Unless otherwise specified or the context otherwise requires, references to a Section, Article or Exhibit mean a Section, Article or Exhibit of this Agreement and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made. The Article, Section and Exhibit headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement

Section 12.7 Waiver. A waiver of any failure of a Party to comply with any obligation, covenant, agreement, or condition herein by any Party entitled to the benefits thereof shall be effective only by a written instrument signed by such Party granting such waiver, provided, however, that such waiver shall be effective only as between such Parties. In no event shall any such waiver of such obligation, covenant, agreement, or condition operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

Section 12.8 Severability. Each covenant, condition, restriction and other term of this Agreement is intended to be, and shall be construed as, independent and severable from each other covenant, condition, restriction and other term. If any covenant, condition, restriction or other term of this Agreement is held to be invalid by any court of competent authority or governmental authority with appropriate jurisdiction, the invalidity of such covenant, condition, restriction or other term shall not affect the validity of the remaining covenants, conditions, restrictions or other terms hereof. In such an event, the Parties shall, to the extent possible, negotiate an equitable adjustment to any provision of this Agreement as necessary to effect the purposes of this Agreement.

Section 12.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflict of law principles thereof (except to the extent that such law is

preempted by federal law). Notwithstanding any provision of this Section 12.9 to the contrary, the Parties acknowledge and agree that with respect to the rights and obligations of a Governmental Entity that is the United States or any agency, authority or instrumentality of the United States or any corporation which is wholly owned, directly or indirectly, by any one or more of the foregoing, this Agreement shall be governed by and construed in accordance with Federal law.

Independent Parties; No Agency. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership among or between the Parties or to impose any partnership or fiduciary obligation or liability upon any Party. No Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party, except as expressly provided in this Agreement, including as expressly provided in Section 4.5.

Section 12.10 Counterparts. This Agreement may be executed in more than one (1) counterpart, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 12.11 Entire Agreement. This Agreement, including the Exhibits attached hereto, embodies the entire agreement and understanding of the Parties in respect of the obligations and requirements set forth in this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the subject matter contained herein.

IN WITNESS WHEREOF, the Party set forth below has caused this Agreement to be executed and delivered on its behalf by a duly authorized officer as of the date indicated below.

Dated: Dec 6th, 2013

By: _____
Name: Doug Bennion
Title: Vice President, Engineering Services and Asset Management

The foregoing Party hereby sets forth its Required Regulatory Approvals as required by Section 2.3 of this Agreement:

Required regulatory approvals in the states of:
Utah, Wyoming, Idaho, Oregon, California and Washington

The foregoing Party hereby provides its contact information as required by Section 12.4 of this Agreement:

Jack Vranish
825 NE Multnomah St.
LCT 1500
Portland, OR 97232

(503) 813-5016

Jack.Vranish@pacificorp.com

EXHIBITS

Exhibit A	Equipment Classes and Certain Minimum Standards
Exhibit B	Required Obligations of Participating Utilities
Exhibit C	Committed Qualified Spare Transformers

EXHIBIT A

Equipment Classes and Certain Minimum Standards

Set forth below is a list of all Equipment Classes. In respect of Qualified Spare Transformers Committed in any Equipment Class, each such Qualified Spare Transformer must satisfy the following two minimum standards: (i) the Qualified Spare Transformer must be an autotransformer (wye to wye), and (ii) the Qualified Spare Transformer must not be Committed in more than one Equipment Class at any one time. In addition, Qualified Spare Transformers must also satisfy the minimum standards, if any, set forth below opposite the Equipment Class in which it is Committed.

Equipment Class	Minimum Standard
500-345	Must be either (i) a three-phase transformer with MVA of 400 or greater, or (ii) a single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 400 or greater.
500-230	Must be either (i) a three-phase transformer with MVA of 392 or greater, or (ii) a single-phase transformer with MVA of 167 or greater that, when aggregated with any other two single-phase transformers with MVA of 167 or greater Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers.
500-161	To be determined by Equipment Sub-Committee.
500-138	To be determined by Equipment Sub-Committee.
500-115	To be determined by Equipment Sub-Committee.
500-069	To be determined by Equipment Sub-Committee.
345-230	Must be either (i) a three-phase transformer with MVA of 336 or greater, or (ii) a single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 336 or greater.
345-161	Must be either (i) a three-phase transformer with MVA of 400 or greater, or (ii) a single-phase transformer that, when aggregated

	with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 400 or greater.
345-138	Must be either (i) a three-phase transformer with MVA of 200 or greater, or (ii) a single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 200 or greater.
345-115	If a three-phase transformer, must have MVA of 224 or greater. Single-phase transformer minimum standards are to be determined by Equipment Sub-Committee.
230-161	To be determined by Equipment Sub-Committee.
230-138	Must be either (i) a three-phase transformer with MVA of 100 or greater, or (ii) any single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 100 or greater. Transformer(s) must be either wye-to-wye autotransformer(s), or two- or three-winding wye-to-wye transformer(s) with no phase shift between the different windings.
230-115	Must be either (i) a three-phase transformer with MVA of 100 or greater, or (ii) any single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 100 or greater.
230-069	If a three-phase transformer, must have MVA of 50 or greater. Single-phase transformer minimum standards are to be determined by Equipment Sub-Committee.
161-138	To be determined by Equipment Sub-Committee.
161-115	To be determined by Equipment Sub-Committee.
161-069	To be determined by Equipment Sub-Committee.
138-115	To be determined by Equipment Sub-Committee.

138-069	Must be either (i) a three-phase transformer with MVA of 50 or greater, or (ii) a single-phase transformer that, when aggregated with any other two single-phase transformers Committed by the Participating Utility or other Participating Utilities, is sufficient to create at least one full bank of such transformers with an aggregate MVA of 50 or greater.
115-069	To be determined by Equipment Sub-Committee.

EXHIBIT B

Required Obligations of Participating Utilities

The following estimated calculations of Required Obligations are based on currently available data, calculated as if PacifiCorp were, as of the date of PacifiCorp's execution of this Agreement, a Participating Utility in the Equipment Classes identified below:

500 -230 Equipment Subcommittee
Obligation – 193 MVA

345-138 Equipment Subcommittee
Obligation – 141 MVA

EXHIBIT C

Committed Qualified Spare Transformers

[Provided by Participating Utilities following Calculation of Required Obligations and Maintained by Project Manager]

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