

## **ENERGY IMBALANCE MARKET IMPLEMENTATION AGREEMENT**

This Implementation Agreement (“Agreement”) is entered into as of March 5, 2015, by and between Puget Sound Energy, Inc., a Washington corporation (“PSE”), and the California Independent System Operator Corporation, a California nonprofit public benefit corporation (“ISO”). PSE and the ISO are sometimes referred to in the Agreement individually as a “Party” and, collectively, as the “Parties”.

### **RECITALS**

A. WHEREAS, PSE has determined there is an opportunity to secure benefits for PSE’s customers through improved dispatch and operation of PSE’s generation fleet and through the efficient use and continued reliable operation of existing and future transmission facilities and desires to participate in the energy imbalance market operated by the ISO (“EIM”);

B. WHEREAS, the ISO has determined there are benefits to ISO market participants through greater access to energy imbalance resources in real-time and through the efficient use and reliable operation of the transmission facilities and markets operated by the ISO, and desires to expand operation of the EIM to include PSE;

C. WHEREAS, PSE acknowledges that the rules and procedures governing the EIM are set forth in the provisions of the ISO tariff as filed with the Federal Energy Regulatory Commission (“FERC”) and that participation in the EIM requires corresponding revisions to PSE’s Open Access Transmission Tariff (“PSE Tariff”) and the execution of associated service agreements; and

D. WHEREAS, the Parties are entering into this Agreement to set forth the terms upon which the ISO will timely configure its systems to incorporate PSE into the EIM (“Project”) on or before October 1, 2016 (“Implementation Date”).

NOW THEREFORE, in consideration of the mutual covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **AGREEMENT**

#### **1. Effective Date and Term.**

(a) This Agreement shall become effective upon the date the Agreement is accepted, approved or otherwise permitted to take effect by FERC, without condition or modification unsatisfactory to either Party (“Effective Date”).

(b) In the event FERC requires any modification to the Agreement or imposes any other condition upon its acceptance or approval of the Agreement, each Party shall have ten (10) days to notify the other Party that any such modification or condition is

unacceptable to that Party. If no Party provides such notice, then the Agreement, as modified or conditioned by FERC, shall take effect as of the date determined under Section 1(a). If either Party provides such notice to the other Party, the Parties shall take any one or more of the following actions: (i) meet and confer and agree to accept any modifications or conditions imposed by such FERC order; (ii) jointly seek further administrative or legal remedies with respect to such FERC order, including a request for rehearing or clarification; or (iii) enter into negotiations with respect to accommodation of such FERC order, provided however, if the Parties have not agreed to such an accommodation within thirty (30) days after the date on which such FERC order becomes a final and non-appealable order, such order shall be deemed an adverse order and the Parties shall have no further rights and obligations under the Agreement.

(c) The term of the Agreement (“Term”) shall commence on the Effective Date and shall terminate upon the earliest to occur of (1) the date FERC permits all necessary revisions to the PSE Tariff to take effect and the service agreements under such tariff and the ISO tariff necessary for the commencement of PSE’s participation in the EIM have taken effect; (2) termination in accordance with Section 2 of this Agreement; or (3) such other date as mutually agreed to by the Parties (“Termination Date”).

(d) This Agreement shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as provided therein.

## 2. Termination.

(a) The Parties may mutually agree to terminate this Agreement in writing at any time. In addition, either Party may terminate this Agreement in its sole discretion after conclusion of the negotiation period in Section 2(b) or as provided in Section 2(d) or 2(e) as applicable.

(b) If either the ISO or PSE seeks to terminate this Agreement, it must first notify the other Party in writing of its intent to do so (“Notice of Intent to Terminate”) and engage in thirty (30) days of good faith negotiations in an effort to resolve its concerns. If the Parties successfully resolve the concerns of the Party issuing the Notice of Intent to Terminate, the Party that issued such notice shall notify the other Party in writing of the withdrawal of such Notice (“Notice of Resolution”).

(c) At the time the Notice of Intent to Terminate is provided, or any time thereafter unless a Notice of Resolution is issued, PSE may provide written notice directing the ISO to suspend performance on any or all work on the Project for a specified period of time (“Notice to Suspend Work”). Upon receipt of a Notice to Suspend Work, the ISO shall: (1) discontinue work on the Project; (2) place no further orders with subcontractors related to the Project; (3) take commercially reasonable actions to suspend all orders and subcontracts; (4) protect and maintain the work on the

Project; and (5) otherwise mitigate PSE's costs and liabilities for the areas of work suspended. The ISO will not invoice PSE pursuant to Section 4(c) of this Agreement for any milestone payment following the issuance of a Notice to Suspend Work. To the extent a Notice of Resolution is issued pursuant to Section 2(b), the Notice to Suspend Work in effect at the time shall be deemed withdrawn and the ISO shall be entitled to invoice PSE for any milestone completed as specified in Section 4(c) of this Agreement and PSE shall pay such invoice pursuant to Section 4.

(d) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, the ISO may terminate this Agreement by providing written notice to PSE that it is terminating this Agreement ("Termination Notice") effective immediately. The ISO may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject to modification only as described in Section 3(e); or (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction.

(e) Any time after 30 days from the date of the Notice of Intent to Terminate under Section 2(b), issued by either Party, and prior to the date of a Notice of Resolution, PSE may terminate this Agreement by providing written notice to the ISO that it is terminating this Agreement ("Termination Notice") effective immediately. PSE may terminate this Agreement at its sole discretion for any reason, including but not limited to: (i) a lack of reasonable progress in the development of the Project in accordance with Exhibit A to this Agreement, subject only to modification only as described in Section 3(e); (ii) a disagreement between the Parties regarding Project design, scope, or implementation, which disagreement the Parties are unable to resolve to their mutual satisfaction; (iii) if PSE determines in its sole discretion that the Project is not likely to provide the benefits PSE is seeking to obtain; or (iv) PSE determines in its sole discretion that the EIM governance structure is not acceptable.

(f) In the event this Agreement is terminated by either or both of the Parties pursuant to its terms, this Agreement will become wholly void and of no further force and effect, without further action by either Party, and the liabilities and obligations of the Parties hereunder will terminate, and each Party shall be fully released and discharged from any liability or obligation under or resulting from this Agreement as of the date of the Termination Notice provided in Section 2(d) or 2(e), as applicable, notwithstanding the requirement for the ISO to submit the filing specified in Section 2(g). Notwithstanding the foregoing, the rights and obligations set forth in Sections 5 and 6 shall survive the termination of this Agreement and remain in full force and effect as specified in Sections 5 and 6, and any milestone payment obligation pursuant to Section 4(c) that arose prior to the Termination Notice in accordance with Section 2(d) or 2(e) shall survive until satisfied or resolved in accordance with Section 11.

(g) The Parties acknowledge that the ISO is required to file a timely notice of termination with FERC. The Parties acknowledge and agree that the filing of the notice

of termination by the ISO with FERC will be considered timely if the filing of the notice of termination is made after the preconditions for termination have been met, and the ISO files the notice of termination within ten (10) days after the Termination Notice has been provided by either the ISO in accordance with Section 2(d) or PSE in accordance with Section 2(e). This Agreement shall terminate upon acceptance by FERC of such a notice of termination.

3. Implementation Scope and Schedule.

(a) The Parties shall complete the Project as described in Exhibit A, subject to modification only as described in Section 3(e) below.

(b) The Parties agree that after execution and prior to the Effective Date of this Agreement, the ISO at a regularly scheduled meeting will recommend to its Board of Governors that PSE receive a seat on the Energy Imbalance Market Transitional Committee as provided in the charter.

(c) The Parties shall seek to (1) add PSE (upon terms acceptable to each of BPA, PacifiCorp and PSE) as a party to the Non-Binding Memorandum of Understanding Executed by the United States of America Department of Energy acting by and through the Bonneville Power Administration and PacifiCorp and California Independent System Operator Corporation, Contract No. 14TX-15995, executed February 14, 2014 ("MOU"), or (2) if adding PSE to the MOU is not feasible or, in PSE's determination, is not desirable, negotiate a new memorandum of understanding among the ISO, PSE and the Bonneville Power Administration equivalent to the MOU.

(d) The Parties shall undertake the activities described in Exhibit A with the objective of completing the Project and implementing the EIM no later than the Implementation Date, including all milestones listed under Exhibit A for the Implementation Date, subject to modification only as described in Section 3(e) below.

(e) Either Party may propose a change in Exhibit A or the Implementation Date to the other Party. If a Party proposes a change in Exhibit A or the Implementation Date, the Parties shall negotiate in good faith to attempt to reach agreement on the proposal and any necessary changes in Exhibit A and any other affected provision of this Agreement, provided that any change in Exhibit A, or any change to the Implementation Date, must be mutually agreed to by the Parties. The agreement of the Parties to a change in Exhibit A, or a change to the Implementation Date, shall be memorialized in a revision to Exhibit A, which will then be binding on the Parties and shall be posted on the internet web sites of the ISO and PSE, without the need for execution of an amendment to this Agreement. Changes that require revision of any provision of this Agreement other than Exhibit A shall be reflected in an executed amendment to this Agreement and filed with FERC for acceptance.

(f) At least once per calendar month during the Term, the Parties' Designated Executives, or their designees, will meet telephonically or in person (at a mutually agreed to location) to discuss the status of the performance of the tasks necessary to



achieve the milestones in Exhibit A and the continued appropriateness of Exhibit A to ensure that the Project can meet the Implementation Date. For purposes of this section, “Designated Executive” shall mean the individual identified in Section 8(g), or her or his designee or successor.

4. Implementation Charges, Invoicing and Milestone Payments.

(a) PSE shall pay the ISO a fixed fee of \$750,000 for costs incurred by the ISO to implement the Project (“Implementation Fee”), subject to completion of the milestones specified in Section 4(c) and subject to adjustment only as described in Section 4(b).

(b) The ISO will provide notice to PSE if the sum of its actual costs through the date of such notice and its projected costs to accomplish the balance of the Project exceed the Implementation Fee. The Implementation Fee shall be subject to adjustment only by mutual agreement of the Parties if the Parties agree to a change in Exhibit A, or a change to the Implementation Date, in accordance with Section 3(e) and the Parties agree that an adjustment to the Implementation Fee is warranted in light of such change.

(c) Upon completion of the milestones identified in Exhibit A, the ISO shall invoice PSE for the Implementation Fee as follows:

- i. \$150,000 upon the Effective Date as further described in Section 1 of this Agreement and Exhibit A as Milestone 1;
- ii. \$150,000 upon deployment into the ISO test environment of the full network model database that includes the topology of the PSE system as further described in Exhibit A as Milestone 2;
- iii. \$150,000 upon ISO promotion of market network model including PSE area to non-production system with PSE connection and data exchange data in advance of market simulation as further described in Exhibit A as Milestone 3;
- iv. \$150,000 upon commencement of EIM market simulation as further described in Exhibit A as Milestone 4; and
- v. \$150,000 upon the Implementation Date as further described in Exhibit A as Milestone 5.

(d) Following the completion of each milestone identified in Section 4(c)(i) through (v), the ISO will deliver to PSE an invoice which will show the amount due, together with reasonable documentation supporting the completion of the milestone being invoiced. PSE shall pay the invoice no later than forty-five (45) days after the date of receipt. Any milestone payment past due will accrue interest, per annum, calculated in accordance with the methodology specified for interest in the FERC regulations at 18 C.F.R. § 35.19a(a)(2)(iii) (the “FERC Methodology”).

(e) If a milestone has not been completed as described in Section 4(c)(i), (ii), (iii), (iv), or (v) and in Exhibit A, as Exhibit A may have been modified in accordance with Section 3(e), the Parties shall negotiate in good faith an agreed upon change to the Project Delivery Dates (as defined in Exhibit A) consistent with Section 3(e) such that the timing of milestone payments in Section 4(c) can be adjusted to correspond to the updated Exhibit A.

(f) If PSE disputes any portion of any amount specified in an invoice delivered by the ISO in accordance with Section 4(c), PSE shall pay its total amount of the invoice when due, and identify the disputed amount and state that the disputed amount is being paid under protest. Any disputed amount shall be resolved pursuant to the provisions of Section 11. If it is determined pursuant to Section 11 that an overpayment or underpayment has been made by PSE or any amount on an invoice is incorrect, then (i) in the case of any overpayment, the ISO shall promptly return the amount of the overpayment (or credit the amount of the overpayment on the next invoice) to PSE; and (ii) in the case of an underpayment, PSE shall promptly pay the amount of the underpayment to the ISO. Any overpayment or underpayment shall include interest for the period from the date of overpayment, underpayment, or incorrect allocation, until such amount has been paid or credited against a future invoice calculated in the manner prescribed for calculating interest in Section 4(d).

(g) All costs necessary to implement the Project not provided for in this Agreement shall be borne separately by each Party, which in the case of the ISO will be recovered through rates as may be authorized by its regulatory authorities.

(h) All milestone payments required to be made under the terms of this Agreement shall be made to the account or accounts designated by the Party which the milestone payment is owed, by wire transfer (in immediately available funds in the lawful currency of the United States).

## 5. Confidentiality.

(a) All written or oral information received from the other Party in connection with this Agreement (but not this Agreement after it is filed with FERC) necessary to complete the Project and marked or otherwise identified at the time of communication by such Party as containing information that Party considers commercially sensitive or confidential shall constitute "Confidential Information" subject to the terms and conditions herein.

(b) If PSE releases PSE's Confidential Information in connection with a public process or a regulatory filing, or if the ISO releases the ISO's Confidential Information in connection with a public process or a regulatory filing, then the information released shall no longer constitute Confidential Information. In addition, Confidential Information does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by either Party, its officers, directors, employees, agents, or representatives; (ii) is or becomes available to such Party on a non-confidential basis from other sources or their agents or representatives when such sources are not known

by such Party to be prohibited from making the disclosure; (iii) is already known to such Party or has been independently acquired or developed by such Party without violating any of such Party's obligations under this Section 5; (iv) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, with regard to information for discussion at any stakeholder meetings or during the stakeholder process or with any regulatory authority; or (v) is the subject of a mutual written agreement between the Parties, including an agreement evidenced through an exchange of electronic or other communications, to allow for such disclosure and designation as non-confidential or public information on a case-by-case basis in accordance with Section 10 of this Agreement.

(c) The Confidential Information will be kept confidential by each Party and each Party agrees to protect the Confidential Information using the same degree of care, but no less than a reasonable degree of care, as a Party uses to protect its own confidential information of a like nature. Notwithstanding the preceding sentence, a Party may disclose the Confidential Information or portions thereof to those of such Party's officers, employees, partners, representatives, advisors, or agents who need to know such information for the purpose of analyzing or performing an obligation related to the Project. Notwithstanding the foregoing, a Party is not authorized to disclose such Confidential Information to any officers, employees, partners, representatives, advisors, or agents without (i) informing such officer, employee, partner, representative, advisor, or agent of the confidential nature of the Confidential Information and (ii) receiving the agreement of such officer, employee, partner, representative, advisor, or agent as to the confidentiality obligation herein. Each Party agrees to be responsible for any breach of this Section 5 by such Party or a Party's officers, employees, partners, representatives, advisors or agents.

(d) In the event that a Party becomes compelled by a court of competent jurisdiction or regulatory authority (by law, rule, regulation, order, deposition, interrogatory, request for documents, data request issued by a regulatory authority, subpoena, civil investigative demand or similar request or process) to disclose any of the Confidential Information, such Party shall (to the extent legally permitted) provide the other Party with prompt written notice of such requirement so that the other Party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Section 5. In the event that such protective order or other remedy is not obtained, or that such Party waives compliance with the provisions hereof, the Party compelled to disclose shall (i) furnish only that portion of the Confidential Information which, in accordance with the advice of its own counsel (which may include internal counsel), is legally required to be furnished, and (ii) exercise reasonable efforts to obtain assurances that confidential treatment will be accorded the Confidential Information so furnished.

(e) Notwithstanding the foregoing, the Parties acknowledge that they are required by law or regulation to report certain information that could embody Confidential Information from time to time, and may do so from time to time without providing prior notice to the other Party. Such reports may include models, filings, and

reports of costs, general rate case filings, cost adjustment mechanisms, FERC-required reporting, investigations, annual state reports that include resources and loads, integrated resource planning reports, reports to entities such as FERC, the North American Electric Reliability Council (“NERC”), Western Electricity Coordinating Council (“WECC”), or similar or successor organizations, or similar or successor forms, filings, or reports, the specific names of which may vary by jurisdiction, along with supporting documentation. Additionally, in regulatory proceedings or investigations in all state and federal jurisdictions in which they may do business, the Parties will from time to time be required to produce Confidential Information, and may do so without prior notice using its business judgment in compliance with all of the foregoing and including the appropriate level of confidentiality for such disclosures in the normal course of business.

(f) Each Party is entitled to seek equitable relief, by injunction or otherwise, to enforce its rights under this Section 5 to prevent the release of Confidential Information without bond or proof of damages, and may seek other remedies available at law or in equity for breach of this provision.

(g) Upon written request by a Party, the other Party shall promptly return to the requesting Party or destroy all Confidential Information it received, including all copies of its analyses, compilations, studies or other documents prepared by or for it, that contain the Confidential Information in a manner that would allow its extraction or that would allow the identification of the requesting Party as the source of the Confidential Information or inputs to the analysis. Notwithstanding the foregoing, neither Party shall be required to destroy or alter any computer archival and backup tapes or archival and backup files (collectively, “Computer Tapes”), provided that such Computer Tapes shall be kept confidential in accordance with the terms of this Agreement.

(h) Nothing in this Agreement shall be deemed to restrict either Party from engaging with third parties with respect to any matter and for any reason, specifically including the EIM, provided Confidential Information is treated in accordance with this Section 5.

(i) This Section 5, Confidentiality, applies for two years (24 months) after the Termination Date or the date of any expiration or termination of this Agreement.

## 6. Limitation of Liability; Indemnity.

(a) The Parties acknowledge and agree that neither Party shall be liable to the other Party for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to such other Party’s decision to enter into this Agreement, such other Party’s performance under this Agreement, or any other decision by such Party with respect to the Project.

(b) Each Party shall indemnify, defend and hold harmless each of the other Party and its officers, directors, employees, agents, contractors and sub-contractors, from and against all third-party claims, judgments, losses, liabilities, costs, expenses (including reasonable attorneys' fees) and damages for personal injury, death or property damage, to the extent caused by the negligence or willful misconduct of the indemnifying Party, its officers, directors, agents, employees, contractors or sub-contractors related to this Agreement ; provided, that this indemnification shall be only to the extent such personal injury, death or property damage is not attributable to the negligence or willful misconduct related to this Agreement or breach of this Agreement of the Party seeking indemnification, its officers, directors, agents, employees, contractors or sub-contractors. The indemnified Party shall give the other Party prompt notice of any such claim. The indemnifying Party, in consultation with the indemnified Party, shall have the right to choose competent counsel, control the conduct of any litigation or other proceeding, and settle any claim. The indemnified Party shall provide all documents and assistance reasonably requested by the indemnifying Party.

(c) The rights and obligations under this Section 6 shall survive the Termination Date and any expiration or termination of this Agreement.

## 7. Representation and Warranties

(a) Representations and Warranties of PSE. PSE represents and warrants to the ISO as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.



(6) All material governmental authorizations in connection with the due execution and delivery of this Agreement, have been duly obtained or made prior to the date hereof and are in full force and effect.

(b) Representations and Warranties of the ISO. ISO represents and warrants to PSE as of the Effective Date as follows:

(1) It is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(2) It has all requisite corporate power necessary to own its assets and carry on its business as now being conducted or as proposed to be conducted under this Agreement.

(3) It has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the execution and delivery of this Agreement and the performance by it of this Agreement have been duly authorized by all necessary corporate action on its part.

(4) The execution and delivery of this Agreement and the performance by it of this Agreement do not: (i) violate its organizational documents; (ii) violate any governmental requirements applicable to it; or (iii) result in a breach of or constitute a default of any material agreement to which it is a party.

(5) This Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, regulatory authority, or other similar laws affecting creditors' rights generally and by principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

(6) All material governmental authorizations in connection with the due execution and delivery of, and performance by it of its obligations under this Agreement, have been duly obtained or made prior to the date hereof and are in full force and effect.

## 8. General Provisions.

(a) This Agreement, including Exhibit A to this Agreement, constitutes the entire agreement between the Parties, and supersedes any prior written or oral agreements or understandings between the Parties, relating to the subject matter of this Agreement; provided, that nothing in this Agreement shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by any other agreement between the Parties, or by any statute or any other law or applicable court or regulatory decision by which such Party is bound.

(b) This Agreement may not be amended except in writing hereafter signed by both of the Parties; provided, however, the Parties may mutually agree to changes in Exhibit A in accordance with Section 3(e).

(c) Any waiver by a Party to this Agreement of any provision or condition of this Agreement must be in writing signed by the Party to be bound by such waiver, shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.

(d) This Agreement is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.

(e) Neither Party shall have the right to voluntarily assign its interest in this Agreement, including its rights, duties, and obligations hereunder, without the prior written consent of the other Party, which consent may be withheld by the other Party in its sole and absolute discretion. Any assignment made in violation of the terms of this Section 8(e) shall be null and void and shall have no force and effect.

(f) In the event that any provision of this Agreement is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law, and such invalid or unenforceable provision shall be replaced by the Parties with a provision that is valid and enforceable and that comes closest to expressing the Parties' intention with respect to such invalid or unenforceable provision.

(g) Whenever this Agreement requires or provides that (i) a notice be given by a Party to the other Party or (ii) a Party's action requires the approval or consent of the other Party, such notice, consent or approval shall be given in writing and shall be given by personal delivery, by recognized overnight courier service, email or by certified mail (return receipt requested), postage prepaid, to the recipient thereof at the address given for such Party as set forth below, or to such other address as may be designated by notice given by any Party to the other Party in accordance with the provisions of this Section 8(g):

If to PSE:

Puget Sound Energy, Inc.  
10885 NE 4<sup>th</sup> St., PSE 12  
Bellevue, WA 98004  
Attention: David Mills, Vice President Energy Operations  
E-mail: [david.mills@pse.com](mailto:david.mills@pse.com)

If to the ISO:

California Independent System Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Attention: Vice President, Technology

E-mail: [PRistanovic@caiso.com](mailto:PRistanovic@caiso.com)

Each notice, consent or approval shall be conclusively deemed to have been given (i) on the day of the actual delivery thereof, if given by personal delivery, email sent by 5:00 p.m., or overnight delivery, or (ii) date of delivery shown on the receipt, if given by certified mail (return receipt requested). It is the responsibility of each Party to provide, in accordance with this Section, notice to the other Party of any necessary change in the contact or address information herein.

(h) This Agreement may be executed in one or more counterparts (including by facsimile or a scanned image), each of which when so executed shall be deemed to be an original, and all of which shall together constitute one and the same instrument.

(i) Nothing contained in this Agreement shall be construed as creating a corporation, company, partnership, association, joint venture or other entity with the other Party, nor shall anything contained in this Agreement be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party.

(j) The decision to execute an EIM service agreement and participate in the EIM remains within the sole discretion of PSE and the decision whether to continue to offer EIM services (subject to Sections 1(c) and 2) remains within the sole discretion of the ISO.

(k) Nothing in this Agreement shall preclude a Party from exercising any rights or taking any action (or having its affiliates take any action) with respect to any other project.

(l) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply: (i) any reference in this Agreement to gender includes all genders, and the meaning of defined terms applies to both the singular and the plural of those terms; (ii) the insertion of headings are for convenience of reference only and do not affect, and will not be utilized in construing or interpreting, this Agreement; (iii) all references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified; (iv) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement (including Exhibit A to this Agreement) as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires; (v) the word "including" or any variation thereof means "including, without limitation" and does not limit any general statement that it follows to the specific or similar items or matters immediately following it; and (vi) the Parties have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the Parties and no presumption or burden of proof favoring or disfavoring any Party will exist or arise by virtue of the authorship of any provision of this Agreement.



9. Governing Law; Venue. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California without regard to its principles of conflicts of laws. Venue for any action hereunder shall be FERC, where subject to its jurisdiction, or in any Sacramento County state or Eastern District federal court located within the State of California. Each Party waives to the fullest extent permitted by law, any right it may have to contest venue and a right to trial by jury in respect of any suit, action, claim or proceeding relating to this Agreement.

10. Communication. The Parties shall develop a communication protocol for the dissemination of material information associated with the Project, which shall be approved by PSE and the ISO. Pursuant to the communication protocol, the individual identified in Section 8(g), or their designee or successor, shall provide reasonable advance notice to the other Party of planned press releases, public statements, and meetings with the public or governmental authorities in which material information concerning the Project or PSE's involvement will be shared. The Parties shall mutually consult with each other as provided in the communication protocol prior to making such public statements or disclosures; provided that nothing herein shall prevent, limit, or delay either Party from making any disclosure required by applicable law or regulation. In the event either Party engages in material unplanned communications about the Project that otherwise should have been subject to this Section and the communication protocol, such Party shall provide notice to the other Party as promptly as possible of the nature and content of such communication.

11. Dispute Resolution. Unless otherwise provided herein, each of the provisions of this Agreement shall be enforceable independently of any other provision of this Agreement and independent of any other claim or cause of action. In the event of any dispute arising under this Agreement, the Parties shall first attempt to resolve the matter through direct good faith negotiation between the Parties, including a full opportunity for escalation within the Parties' respective organizations. If the Parties are unable to resolve the issue within thirty (30) days after such escalation of the dispute, then for matters subject to FERC jurisdiction either Party shall have the right to file a complaint under Section 206 of the Federal Power Act. For all other matters, then:

(a) To the fullest extent permitted by law, each of the Parties hereto waives any right it may have to a trial by jury in respect of litigation directly or indirectly arising out of, under or in connection with this Agreement. Each Party further waives any right to consolidate, or to request the consolidation of, any action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived.

(b) If a waiver of jury trial is deemed by any court of competent jurisdiction to not be enforceable for any reason, then to the fullest extent permitted by law, each of the Parties hereto agrees to binding arbitration. Such arbitration shall be in accordance with the rules and procedures of the American Arbitration Association (AAA). Notwithstanding any AAA rules and procedures or any other provisions or any state or federal laws, the Parties agree that the arbitrators shall not consider or award punitive, special or exemplary damages as a remedy. Upon request by either Party, AAA shall

provide the Parties a list of arbitrators each of who have experience and expertise with respect to integration. Upon each of the Parties receipt of such list, each Party shall have ten (10) days to select an arbitrator. The two selected arbitrators shall then select a third arbitrator within thirty (30) days from the date the initial two arbitrators were selected and the matter subject to arbitration shall be arbitrated within sixty (60) days after the selection of the third arbitrator.

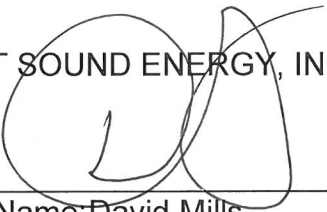
12. Third Party Agreements. The Parties may engage in discussions with third parties, either jointly or unilaterally, to facilitate the Project. Each Party may adopt or modify tariffs or enter into or modify binding agreements between such Party and third parties to implement the approved terms and conditions of the Project or EIM as necessary and appropriate.

13. Compliance. Each Party shall comply with all federal, state, local or municipal governmental authority; any governmental, quasi-governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, including FERC, NERC, WECC; or any court or governmental tribunal; in each case, having jurisdiction over either Party in connection with the execution, delivery and performance of its obligations under this Agreement. This Agreement is not intended to modify, change or otherwise amend the Parties' current functional responsibilities associated with compliance with WECC and NERC Reliability Standards; provided, however, the Parties may enter into separate mutually agreed to arrangements to clarify roles and responsibilities associated with compliance with WECC and NERC Reliability Standards in respect of this Agreement.

IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this Implementation Agreement as of the date first above written.

PUGET SOUND ENERGY, INC.

By:

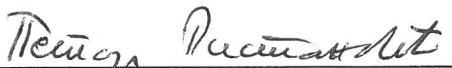


Name: David Mills

Title: Vice President, Energy Operations

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

By:



Name: Petar Ristanovic

Title: Vice President, Technology



## EXHIBIT A: PROJECT SCOPE AND SCHEDULE

The Project consists of the activities and delivery dates identified in this Exhibit A, implemented in accordance with the Agreement. The Parties have included a schedule for the Implementation Date to coordinate their efforts required for completion of the Project on a milestone track.

The Parties understand that input received from stakeholders during the course of implementing the Project, conditions imposed or questions raised in the regulatory approval process, and the activities of the Parties in implementing the Project may cause the Parties to determine that changes in the Project are necessary or desirable. Accordingly, this Exhibit A may be modified in accordance with Section 3(e) of the Agreement.

Each Party is responsible for performing a variety of tasks necessary to achieve the milestones on the scheduled dates specified in the table below (“Project Delivery Dates”) and shall plan accordingly. The Parties shall communicate and coordinate as provided in the Agreement to support the planning and execution to complete the Project.

<b>Project Scope and Milestones</b>	<b>Project Delivery Dates – Final Delivery Date (October 1, 2016)</b>
<b>Detailed Project Management Plan</b> – The Parties will develop and initiate a final project management plan that describes specific project tasks each Party must perform, delivery dates, project team members, meeting requirements, and a process for approving changes to support completion of the Project.	June 1, 2015
<ul style="list-style-type: none"> <li>• <b>Milestone 1</b> – This milestone is completed when: (1) the Agreement has been made effective in accordance with Section 1 of the Agreement, (2) the ISO has recommended that PSE receive a Transitional Committee seat pursuant to Section 3(b), and (3) PSE and the ISO have taken material steps to engage regarding the MOU subject and pursuant to Section 3(c).</li> </ul>	June 15, 2015
<b>Full Network Model Expansion</b> – Full Network Model expansion for PSE and EMS/SCADA, including, proof of concept of export/import of EMS data; complete model into the ISO test environment; complete validation for all SCADA points from PSE; testing of the new market model; and validation of the Outage and State Estimator applications.	4th Quarter 2015

<ul style="list-style-type: none"> <li>• <b>Milestone 2</b> - This milestone is completed upon modeling PSE into the ISO Full Network Model through the EMS which will be deployed into a non-production test environment using the ISO's network and resource modeling process.</li> </ul>	March 2016
<p><b>System Implementation and Connectivity Testing</b> – System requirements and software design, the execution of necessary software vendor contracts, development of Market network model including PSE, allow PSE to connect to a non-production test system.</p>	April 2016
<ul style="list-style-type: none"> <li>• <b>Milestone 3</b> - ISO to promote market network model including PSE area to non-production system, and allow PSE to connect and exchange data in advance of Market Simulation.</li> </ul>	May 2016
<p><b>Construction, Testing and Training in Preparation for Market Simulation</b> - This task includes IT infrastructure upgrades, security testing, training simulators, and functional testing.</p>	June 29, 2016
<ul style="list-style-type: none"> <li>• <b>Milestone 4</b> - The EIM market simulation will allow PSE and the ISO to conduct specific market scenarios in a test environment prior to the production deployment to ensure that all system interfaces are functioning as expected and to produce simulated market results. To complete this milestone, the commencement of EIM simulation will signal that the PSE and the ISO have independently completed EIM system design, development and testing to participate in joint testing. This may include a period of parallel production between PSE and the ISO.</li> </ul>	July 2016
<p><b>System Deployment and Go Live</b> – Implementing the Project and going live will include resource registration, operating procedures and updates, execution of service agreements, completion of the PSE tariff process, applicable board approvals, and the filing and acceptance of service agreements and tariff changes with FERC.</p>	September 1, 2016
<ul style="list-style-type: none"> <li>• <b>Milestone 5</b> – This milestone is complete upon the first production PSE energy imbalance market trade date.</li> </ul>	October 1, 2016