

CONSTRUCTION AND COORDINATION AGREEMENT
FOR PATH 15 UPGRADE

AMONG

TRANS-ELECT, INC.,

WESTERN AREA POWER ADMINISTRATION,

AND

PACIFIC GAS & ELECTRIC COMPANY

EXECUTED

December 30, 2002

1
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3 **CONSTRUCTION AND COORDINATION AGREEMENT**
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1
2 **PATH 15 UPGRADE**
3 **CONSTRUCTION AND COORDINATION AGREEMENT**
4

5 1 PARTIES: This Path 15 Upgrade Construction and Coordination
6 Agreement (CCA) is entered into as of December 30, 2002
7 pursuant to the Acts of Congress approved June 17, 1902 (32
8 Stat. 388), March 4, 1921 (41 Stat. 1404); January 12, 1927
9 (44 Stat. 957), August 4, 1977 (91 Stat. 565), July 16, 1984
10 (98 Stat. 403, 416), August 15, 1985 (99 Stat. 293, 321), as
11 amended or supplemented. This CCA is among the following
12 entities (each a "Party" and collectively the "Parties"):
13 Trans-Elect, Inc. ("Trans-Elect"), Western Area Power
14 Administration ("Western" and, collectively with Trans-Elect,
15 the "Line Parties") and Pacific Gas & Electric Company
16 ("PG&E").
17

18 2 RECITALS

19 2.1 Congress authorized the construction of the California Oregon
20 Transmission Project, including the Los Banos-Gates
21 Transmission Line, in the 1985 Energy and Water Development
22 Appropriations Act (98 Stat. 403, 416 (1984), *see, also,*
23 Supplemental Appropriations for Fiscal Year 1985, (99 Stat.
24 293,321 (1985)).

25 2.2 Section 302 of the Department of Energy Organic Act (42
26 U.S.C. § 7152) authorizes Western's Administrator to carry
27 out the power marketing duties under the Reclamation Laws,
28 which includes the authority to execute contracts.

29 2.3 Western Order O 110.2 delegates to Western's Regional
30 Managers the authority to execute contracts on behalf of
31 Western's Administrator.

1 2.4 The Parties signed that certain Memorandum of Understanding
2 for Path 15 Project ("MOU") dated October 16, 2001 and the
3 Secretary of Energy approved the Project, as defined in the
4 MOU, on October 16, 2001.

5 2.5 The Parties entered into that certain Path 15 Upgrade Project
6 Letter Agreement ("LA") on April 25, 2002, with respect to
7 the Project and their commitment to negotiate and execute
8 additional contractual documents setting forth each Party's
9 responsibilities and operational details of the Project.

10 2.6 The LA contemplates the execution of a Participation
11 Agreement to provide additional and supplemental terms for
12 construction and coordination of Project Work. This CCA
13 replaces the Participation Agreement contemplated in the LA.

14 2.7 The Path 15 Upgrade Project will promote reliability, enhance
15 power transfer capability between northern and southern
16 California, and promote a more competitive electrical market
17 in the West.

18 2.8 The Parties desire to coordinate the Transmission Line Work
19 by Line Parties and PG&E Modifications (collectively the
20 "Project Work") to mitigate the risks to each Party and to
21 assure timely and efficient completion of the Project Work

22 2.9 This CCA provides terms and conditions for the activities and
23 their coordination to complete the construction of the Los
24 Banos-Gates 500-kV transmission line, substation and
25 associated facilities, including design work, material
26 acquisition, substation work, additional environmental work,
27 land acquisition, construction activities and post
28 construction activities.

29
30 3 TERM AND TERMINATION: This CCA shall become effective on
31 December 30, 2002 (the "Effective Date"). This CCA shall
32 terminate only by a unanimous written decision by the Parties

1 unless terminated earlier in accordance herewith or in a
2 subsequent written agreement among the Parties.

3
4 DEFINITIONS: Whenever used in this CCA, the following terms
5 when initially capitalized shall have the below meaning. The
6 singular of any definition shall include the plural and the
7 plural shall include the singular. Any reference to a single
8 Party shall, following a valid Assignment by such Party, be
9 deemed a reference to the applicable assignee.

10
11 4.1 Assignment: Any transfer of rights, title, interests, and
12 obligations under this CCA, the MOU and/or the LA of all or
13 any portion of a Party's share of the Project.

14 4.2 CAISO: The California Independent System Operator or its
15 successor.

16 4.3 CCA: This Construction and Coordination Agreement.

17 4.4 COIA or Coordinated Operation and Interconnection Agreement:
18 An agreement to be negotiated and executed among the Parties
19 (or their permitted successors) setting forth the terms and
20 conditions for the coordination, operation and the
21 interconnection of the Project with PG&E's electric system
22 at PG&E's Los Banos and Gates Substations.

23 4.5 Communication Facilities: The Land, equipment, and facilities
24 included in the Project that are necessary and useful for
25 communication to monitor the status and to maintain control
26 of the Project's operations.

27 4.6 Confidential Information: Confidential information as more
28 fully described in Section 36.

29 4.7 Construction Work: Project Work including but not limited to
30 design work, material acquisition, substation modification
31 work, additional environmental work, land acquisition,
32 construction and any other work necessary for the

1 construction of the Transmission Line and PG&E
2 Modifications.

3 4.8 Coordination Committee: The Coordination Committee
4 established by the Parties and operated in accordance with
5 Section 6 of this CCA. The Coordination Committee replaces
6 the Management Committee described in Section 8 of the LA.

7 4.9 Coordination Contact: See Section 7 of this CCA.

8 4.10 CPUC: The California Public Utilities Commission or any
9 successor agency thereto.

10 4.11 Default: See Section 10 of this CCA.

11 4.12 Effective Date: See Section 3 of this CCA.

12 4.13 Entitlement: A Party's allocation of a portion of
13 Transmission System Rights associated with the Rated Path 15
14 Upgrade Transfer Capability expressed as a percentage (%).

15 4.14 EPC Contract: A contract for the engineering, procurement
16 and construction of a portion of the Project which places
17 the risk of delay in completion of the Project on the
18 contractor and provides for the payment of liquidated
19 damages by the contractor in the event of a delay in the
20 completion of the Project.

21 4.15 FERC or Commission: The Federal Energy Regulatory Commission
22 or its successor.

23 4.16 Financing Closing Date: A date upon which Trans-Elect has
24 entered into a financing agreement with one or more lenders
25 for the financing or refinancing of its payment obligations
26 pursuant to Section 9.

27 4.17 Financing Default: An acceleration of the indebtedness owing
28 by Trans-Elect to the T-E Lenders due to a default under the
29 Financing Documents.

30 4.18 Financing Documents: The loan agreement and other financing
31 documentation, as amended from time to time, entered into
32 between Trans-Elect and the T-E Lenders on a Financing

1 Closing Date.

2 4.19 Force Majeure: Any cause beyond the reasonable control of a
3 Party which renders it unable to perform such a given
4 obligation hereunder, including but not limited to failure
5 of or imminent threat of failure of facilities due to flood,
6 earthquake, volcanic activity, tsunami, tornado, storm,
7 fire, pestilence, lightning, and other natural catastrophe,
8 epidemic, war, riot, civil disturbance or disobedience,
9 vandalism, strike, labor dispute, labor or material
10 shortage, sabotage, terrorism, government priorities,
11 restraint by court order or public authority, and action or
12 non-action by, or inability to obtain the necessary
13 authorizations or approvals from, any governmental agency
14 (not meant to include Western) or authority, which by
15 exercise of due diligence such Party could not reasonably
16 have expected or foreseen and which by the exercise of due
17 diligence by the claiming Party cannot be overcome.

18 4.20 Gates Substation Modifications: Those modifications as
19 determined necessary by the comprehensive plan of service to
20 interconnect the Transmission Line into PG&E's transmission
21 system at PG&E's Gates Substation as further described in
22 Appendix C of this CCA.

23 4.21 Initial Work: Transmission Line Work performed by the Line
24 Parties that is accomplished using the Initial Funding
25 provided under Section 6.4 of the LA. "Initial Work"
26 includes but is not limited to design work, material
27 acquisition, additional environmental work, and land
28 acquisition necessary for the construction of the
29 Transmission Line.

30 4.22 LA: The Path 15 Project Participants Letter Agreement dated
31 April 25, 2002 executed by Trans-Elect, Western and PG&E.

32 4.23 Land: The land upon which the Transmission Line will be

1 constructed, regardless of whether the interest in such land
2 is held in fee, by ground lease, by easement, or by license.

3 4.24 Lenders' Consent Agreement: That agreement more
4 specifically defined in Section 9.5 between the T-E Lenders
5 and the Parties specifying the T-E Lenders' rights and
6 remedies in the event of a continuing Financing Default.

7 4.25 Line Parties: Collectively, Trans-Elect and Western.

8 4.26 Line Parties' Treasurer: The entity responsible for
9 invoicing, billing for Transmission Line Work, accounting
10 and managing the Trust Account, and drawing, if necessary,
11 amounts payable under the TE Security. Initially the Line
12 Parties' Treasurer shall be Western.

13 4.27 Los Banos Substation Modifications: Those modifications as
14 determined necessary by the comprehensive plan of service to
15 interconnect the Transmission Line into PG&E's transmission
16 system at PG&E's Los Banos Substation, as further described
17 in Appendix C of this CCA.

18 4.28 MOU: The Memorandum of Understanding as defined in Section
19 2.1 of this CCA.

20 4.29 NERC: North American Electric Reliability Council or its
21 successor.

22 4.30 Party: Each of Pacific Gas and Electric Company, Trans-
23 Elect, Inc. and Western Area Power Administration, together
24 with their permitted successors and assigns.

25 4.31 PG&E Modifications: Those modifications necessary to
26 interconnect the completed and functioning Transmission Line
27 with the PG&E electric system, including the Substation
28 Modifications and modifications to the electric system, if
29 any, and RAS Modifications required to obtain the transfer
30 capability determined from the Project Design Studies.

31 4.32 Project: The Path 15 Upgrade Project consisting of the
32 Transmission Line and the PG&E Modifications designed to

1 achieve the increase in transfer capability of the existing
2 Path 15 transfer capability as demonstrated in the Project
3 Design Studies.

4 4.33 Project Budget: The complete budget of proposed expenditures
5 required to complete the Project.

6 4.34 Project Costs: All costs of the Project Work and the tasks
7 necessary to accomplish the Project Work, including, but not
8 limited to, additional financing costs, interest, or
9 penalties incurred by any Party as a result of construction
10 delays which result in an obligation on the part of a
11 contractor to pay liquidated damages under an EPC contract
12 or other construction contract, or under applicable
13 insurance policies, whether related to the Transmission Line
14 Work or PG&E Modifications, such additional costs being
15 limited to the amount of liquidated damages specified and
16 paid under the EPC contract, other construction contract or
17 under applicable insurance policies for such delay. The
18 Parties shall be entitled to use the same expense categories
19 in compiling their portion of the Project Costs so that the
20 Parties' final accounting are consistent and encompass
21 comparable expenses.

22 4.35 Project Design Studies: Those studies conducted and relied
23 upon to satisfy the WECC requirements for obtaining an
24 accepted transfer capability rating for the upgraded
25 electrical system, specified separately in each direction.

26 4.36 Project Manager: The entity responsible for managing the
27 activities of the Project. The initial Project Manager
28 shall be Western, as provided in Section 13.

29 4.37 Project Schedule: The unanimously agreed schedule of Project
30 Work substantially in the form attached hereto as Appendix
31 B, which provides dates for completion and progress
32 milestones to provide a benchmark for the monitoring of the

1 coordinated Project Work progress.

2 4.38 Project Transfer Trigger Event: An event that allows
3 Assignment to the T-E lenders as more fully described in
4 Section 9.6 of this CCA.

5 4.39 Project Work: The Transmission Line Work and the PG&E
6 Modifications, collectively.

7 4.40 Prudent Utility Practice: Any of the practices, methods, and
8 acts engaged in or approved by a significant portion of the
9 electric utility industry during the relevant time period,
10 or any of the practices, methods, and acts which, in the
11 exercise of reasonable judgment in light of the facts known
12 at the time the decision was made, could have been expected
13 to accomplish the desired result at a reasonable cost
14 consistent with good business practices, reliability,
15 safety, and expedition. "Prudent Utility Practice" is not
16 intended to be any one of a number of the optimum practices,
17 methods, or acts to the exclusion of all others, but rather
18 to be such practices, methods or acts generally accepted in
19 the region.

20 4.41 Rated Path 15 Upgrade Transfer Capability: The amount of
21 transfer capability allocated to the Project as determined
22 in the Coordinated Operation and Interconnection Agreement.

23 4.42 RAS Modifications: Those modifications to the existing Path
24 15 Remedial Action Scheme that are required to support the
25 accepted transfer capability rating achieved with
26 Transmission Line and PG&E Modifications in the Project
27 Design Studies.

28 4.43 Remedial Action Scheme: The facilities and procedures that
29 are required to meet applicable reliability criteria for the
30 performance of the electric system after an electrical
31 system disturbance.

32 4.44 Secretary or Secretary of Energy: The Secretary of the

1 United States Department of Energy or his authorized
2 representative or successor.

3 4.45 Special Facility Agreement: The agreement to be negotiated
4 and agreed by the Parties within 90 days of the execution of
5 this CCA, and then attached hereto as Appendix D, to address
6 the construction of the PG&E Modifications in the event of a
7 PG&E withdrawal, suspension following an Adverse Agency
8 Action, removal by Western or PG&E Default.

9 4.46 Special Purpose Entity: An entity, including, but not
10 limited to a corporation, partnership or limited liability
11 company created by Trans-Elect for the purpose of obtaining
12 financing for the Project and assuming Trans-Elect's
13 commitments and responsibilities with respect to the
14 Project.

15 4.47 Submission Date: The date on which the last of the Parties'
16 final accountings of Project Costs is provided, as more
17 fully set forth in Section 15.4.

18 4.48 Substation Modifications: All work, including but not
19 limited to design work, engineering, material acquisition,
20 construction, and other work necessary for PG&E to
21 interconnect with the Transmission Line as contemplated in
22 the Project Design Studies. The "Substation Modifications"
23 consist of the Gates Substation Modifications and the Los
24 Banos Substation Modifications, collectively.

25 4.49 T-E Lenders: The lenders from time to time party to the
26 construction loan or similar financing entered into by
27 Trans-Elect or its Special Purpose Entity on a Financing
28 Closing Date for the purpose of financing or refinancing all
29 or a portion of the costs of development and construction of
30 the Transmission Line.

31 4.50 T-E Security: A financing arrangement acceptable to the T-E
32 Lenders provided on behalf of Trans-Elect for the purpose of

1 securing the payment of its Transmission Line Work expenses
2 from the proceeds of the financing to be obtained by Trans-
3 Elect from the T-E Lenders, or such other security as may be
4 reasonably satisfactory to Western as Project Manager in its
5 sole discretion. In the event of a Financial Default by
6 Trans-Elect, Trans-Elect shall enable the Project Manager to
7 access the proceeds of the construction loan facility in the
8 manner provided in Section 9.3.3.

9 4.51 Transmission Line: The physical 84 mile 500-kV Los Banos-
10 Gates transmission line including associated structures to
11 be constructed pursuant to this CCA, but not including any
12 part of the PG&E Modifications.

13 4.52 Transmission Line Assets: All tangible and intangible
14 property necessary for the construction of the Transmission
15 Line, including, but not limited to, land and land rights,
16 easements, construction materials, permits, certificates, or
17 other governmental authorizations, design and construction
18 plans and documents, fully or partially constructed portions
19 of the Transmission Line and all EPC contracts or other
20 contracts being used for the construction of the
21 Transmission Line.

22 4.53 TLCC or Transmission Line Coordination Committee: The
23 Transmission Line Coordination Committee established and
24 described in Article 9 of this CCA, which replaces the
25 Transmission Line Construction Committee contemplated in the
26 LA.

27 4.54 Transmission Line Work: All work, including but not limited
28 to design work, engineering, material acquisition,
29 development, financing, underwriting, contracting,
30 environmental work, land acquisition, construction and any
31 other work necessary for the construction of the
32 Transmission Line as contemplated in the Project Design

1 Studies as further described in Appendix C.

2 4.55 TSRs or Transmission System Rights: TSRs are an exclusive
3 transmission entitlement on the Project Upgrade portion of
4 the Path 15 (Los Banos to Gates) transmission path in an
5 amount equal to the incremental increase in the Path 15 (Los
6 Banos to Gates) transmission capability resulting from the
7 Project. The holder of TSRs is entitled to all associated
8 rights, including "firm transmission rights" (and the
9 revenue derived therefrom) as such term is used by the CAISO
10 Tariff and Protocols. The use of this definition does not
11 limit the Parties in seeking any additional revenues or
12 rights that are authorized by FERC due to a beneficial
13 increase in the CAISO controlled grid capacity resulting
14 from the Path 15 Upgrades.

15 4.56 Trust Account: A non-interest bearing account established in
16 the United States Treasury by Western, containing funds that
17 are immediately available for Transmission Line Work
18 performed by Western, as provided under this CCA.

19 4.57 WECC: The Western Electric Coordinating Council or its
20 successor.

21
22 5 PROJECT SCOPE: This CCA further specifies the
23 responsibilities for each Party's performance of the Project
24 Work in order to complete and implement the Project.

25 5.1 Tasks. The Parties agree that the tasks necessary to
26 accomplish the Project Work, to be performed by one or more
27 Parties to this CCA as designated in Appendix B, include but
28 are not limited to:

- 29 (a) Design work,
- 30 (b) Project design studies,
- 31 (c) Financing, development, underwriting and
32 contracting,

- 1 (d) Material and equipment acquisition,
- 2 (e) Additional environmental work,
- 3 (f) Land acquisition,
- 4 (g) Construction of the Transmission Line,
- 5 Construction of the PG&E Modifications
- 6 (h) Post construction activities necessary to achieve
- 7 commercial operation of the Transmission Line,
- 8 (i) Additional Communication Facilities, and
- 9 (j) RAS Modifications.

10 5.2 Project Schedule:

11 (a) The Project Work shall be performed in a diligent
12 manner by the Party or Parties responsible therefor,
13 consistent with the Project milestones described in
14 Section 8.3 and the subsequent Project Schedule
15 substantially in the form attached hereto as Appendix
16 B, and as it may be amended by unanimous action of the
17 Coordination Committee as set forth in this CCA. The
18 Project Schedule shall be finalized and approved
19 within 90 days after execution of this Agreement. Any
20 Party may, by written notice to the other Parties'
21 Coordination Contacts and to each Coordination
22 Committee representative (if different), request an
23 amendment to the performance dates of one or more of
24 the milestones for the Project Work under such Party's
25 control. Each other Party shall review the proposed
26 Project Schedule amendment and shall, in each Party's
27 sole discretion, approve or disapprove the proposed
28 amendment within fifteen (15) business days of receipt
29 of the request; if both other Parties approve the
30 proposed amendment, then the Coordination Committee
31 will so amend and restate the Project Schedule and
32 milestones. If either other Party has not approved

1 the proposed amendment within such fifteen (15)
2 business day period, the proposed amendment shall be
3 referred to the Coordination Committee for its review
4 and determination in accordance with Section 6 of this
5 CCA.

6 (b) Any unapproved deviations by a Party from the
7 Project Schedule (as the same may have been amended
8 and restated from time to time, and as each milestone
9 may be adjusted for a properly claimed Force Majeure
10 and for delays resulting from the negligence,
11 misconduct or financial inability to perform of
12 another Party) will only be deemed to amend the
13 Project Schedule and this CCA if the other Parties not
14 responsible for the non-conforming tasks or milestones
15 agree to the deviation in accordance with the
16 preceding clause (a), or the deviation is approved by
17 the Coordination Committee pursuant to Section 6.

18 (c) Changes to the Project Schedule required due to
19 legal actions with respect to environmental matters or
20 Project land acquisitions will be made at Western's
21 sole discretion and shall not be subject to approval
22 by the Coordination Committee or otherwise subject to
23 this section, provided, that Western will consult with
24 the Coordination Committee prior to making Project
25 Schedule changes pursuant to this Section, and that,
26 if changes are made per this Section 5.2(c), affected
27 Project Schedule milestones will be comparably
28 adjusted as appropriate.

29 5.3 Rescheduling upon Failure to Perform: Any unapproved
30 deviations from the Project Schedule (as the same may have
31 been amended and restated from time to time under Section
32 5.2) continuing for thirty (30) days past the due date for

1 such milestone (as such milestone may be adjusted for a
2 properly claimed Force Majeure and for delays resulting from
3 the negligence, misconduct or financial inability to perform
4 of another Party) shall be a Default hereunder, subject to
5 the Notice and Cure Period provisions of Section 11.1 of
6 this CCA, provided that instead of declaring a Default
7 hereunder, the other Parties may by mutual agreement
8 reschedule the completion of any or all other portions of
9 the Project Work under such Parties' control, on a day-for-
10 day basis, based upon the revised or implied date on which
11 such milestone will actually be completed. If both other
12 Parties so reschedule their milestones, then (a) such
13 rescheduled milestones shall be deemed accepted by the
14 defaulting Party as an amendment to the Project Schedule
15 under Section 5.2 of this CCA and (b) the Default created by
16 the failure under this Section 5.3 shall be deemed cured to
17 the degree, but only to the degree, that the failing Party's
18 performance is in accord with the modified Project Schedule.

19 5.4 For purposes of clarity, nothing in this Section 5 shall
20 limit a Party's right to terminate this CCA pursuant to
21 Section 11.3.

22
23 6 COORDINATION COMMITTEE AND COORDINATION OF WORK:

24 6.1 Establishment of Coordination Committee. Two committees
25 shall be established for the duration of the Project: a
26 Coordination Committee (as described in this Section 6) and
27 a Transmission Line Coordination Committee (TLCC) (as
28 described in Section 9). There is hereby established a
29 Coordination Committee, which shall be responsible for
30 securing effective managerial and policy direction for the
31 construction and operation of the Project, cooperation and
32 interchange of information for the PG&E Modifications and

1 Transmission Line Work, and for providing consultation on a
2 prompt and orderly basis among the Parties in connection
3 with the various matters which may arise from time to time
4 with respect to the Project. The Coordination Committee
5 shall continue as represented in this Section 6 until it is
6 replaced by a new management structure. The Parties may
7 replace the Coordination Committee with a new management
8 structure on the later to occur of Project's final cost
9 accounting provided in Section 15 or sixty (60) days after
10 commencement of commercial operation, or as the Parties may
11 otherwise provide by an amendment to this CCA. The new
12 management structure and duties shall be recorded and
13 approved by the existing Coordination Committee.

14 6.2 Coordination Committee Representation. Each Party shall
15 appoint one representative to the Coordination Committee.
16 Except as provided in this CCA with respect to Default,
17 schedules, remedies, budgets, suspension, withdrawal and
18 termination the PG&E representative's role is limited to
19 decisions that affect the PG&E Modifications, and PG&E will
20 have no role in decisions relating solely to the
21 Transmission Line. Except as provided in this CCA with
22 respect to Default, schedules, remedies, budgets,
23 suspension, withdrawal and termination, neither
24 representative from Trans-Elect or Western will have a role
25 in decisions relating solely to the PG&E Modifications. The
26 representatives of each of Western, Trans-Elect and PG&E
27 shall have a role in all decisions relating to the
28 coordination of the Transmission Line Work and the PG&E
29 Modifications. Each Party shall also identify a second
30 person who shall be an executive officer of such Party and
31 who shall be available to provide a "second opinion" on
32 behalf of such Party if that Party's representative is

1 unable to reach a consensus with the other two
2 representatives on the Coordination Committee. The manner
3 in which such second opinion shall be solicited and obtained
4 is set forth in Section 6.7.

5 6.3 Coordination Committee Chair. The representative appointed
6 by Western shall be the initial chair of the Coordination
7 Committee, and Western's representative shall continue as
8 Chair as long as Western is the Project Manager. Sixty days
9 after commencement of commercial operation, Western will
10 vacate its Project Management role, and at that time, the
11 Coordination Committee or its successor will elect a new
12 chair.

13 6.4 Alternate: Each Party shall designate an alternate
14 representative. In the event that the Party's Coordination
15 Committee representative is absent, the alternate will make
16 decisions and vote on behalf of that Party's absent
17 representative. In the event a Party is aware that both the
18 Coordination Committee representative and the designated
19 alternative will be absent, that Party may designate a
20 temporary alternative by providing written or electronic
21 notice to all Parties.

22 6.5 Ex Officio Members. The Coordination Committee may designate
23 an individual or individuals to serve as ex officio members,
24 secretaries and treasurer for the Coordination Committee,
25 and any other committee created by the Coordination
26 Committee, and such ex officio members and secretaries shall
27 arrange meetings, draft and distribute agendas, monthly
28 reports, milestone tracking reports and other preparatory
29 materials, and draft and distribute minutes of all
30 Coordination Committee meetings. Costs incurred by such
31 designees, committee members and related Project Work shall
32 be Project Costs, allocable to the Party, which incurs such

1 costs. Any such ex officio members are not entitled to vote
2 on any matter before the Coordination Committee.

3 6.6 Coordination Committee Voting. All actions or decisions by
4 the Coordination Committee shall be by unanimous consensus.
5 Except as provided in this CCA with respect to Default,
6 schedules, remedies, budgets, suspension, withdrawal, or
7 termination, PG&E shall have no vote on issues relating
8 solely to the Transmission Line. Except as provided in
9 this CCA with respect to Default, schedules, remedies,
10 budgets, suspension, withdrawal, or termination, neither
11 representative from Trans-Elect or Western will have a role
12 in decisions relating solely to the PG&E Modifications. The
13 representatives of each of Western, Trans-Elect and PG&E
14 shall have a vote in all decisions relating to the
15 coordination of the Transmission Line Work and the PG&E
16 Modifications.

17 6.7 In the event that consensus cannot be reached, the following
18 procedure shall apply to all decisions except those
19 identified in Section 6.6. The other two Coordination
20 Committee members may jointly request a "second opinion"
21 from the Non-consenting Party. When a "second opinion" is
22 requested, the proposed action or decision shall be
23 submitted to the executive officer identified by the Non-
24 consenting Party pursuant to Section 6.2, and such executive
25 officer shall promptly deliver a response to the
26 Coordination Committee. If the "second opinion is in favor
27 of the action or decision proposed by the other two
28 Coordination Committee members, a consensus shall be deemed
29 to have been reached. If the "second opinion" supports the
30 position taken by the Non-consenting Party representative,
31 then the executive officer who provided that "second
32 opinion" may request a "second opinion" with respect to the

1 same proposed change, action or decision from the executive
2 officers identified by the other Parties pursuant to Section
3 6.2. If the three executive officers are then unable to
4 reach a consensus, the matter shall be considered to be a
5 dispute subject to resolution in accordance with Article 20
6 of this CCA.

7 6.8 Notwithstanding the other provisions of Section 6, the
8 following items must be approved by unanimous approval and
9 are not subject to "second opinion" or dispute resolution:
10 (1) changes to the scope of the Project including any change
11 to the scope of the PG&E Modifications set forth in Appendix
12 C; and (2) actions that direct or would cause a Party to
13 expend funds in excess of the cost estimates set forth for
14 each item in Exhibit B of the LA.

15 6.9 Coordination Committee Meetings. The Coordination Committee
16 shall meet at least monthly, or at such times and locations
17 as reasonably determined by the Chair with input from the
18 other Parties. With the consent of all Parties, a regular
19 monthly meeting may be cancelled. Regular monthly meetings
20 and additional meetings may be conducted with one or more
21 Coordination Committee members present telephonically, so
22 long as all Parties' representatives can hear each other
23 contemporaneously and are assured as to the other Parties'
24 representatives identity. Special meetings of the
25 Coordination Committee may be held at reasonable and
26 mutually convenient times and places upon the request of any
27 Party. All members of the Coordination Committee must be
28 present in person or telephonically to constitute a quorum
29 of the Coordination Committee. Any action or decision taken
30 by the Coordination Committee may be taken without a meeting
31 by a written consent signed by all Coordination Committee
32 members.

1 6.10 General Authority of Coordination Committee. The
2 Coordination Committee shall coordinate all Project Work and
3 the Project Schedule established by the Parties and monitor
4 and review and approve the initial Project Budget. The
5 Coordination Committee shall adopt policies and procedures,
6 establish and abolish subcommittees, and, consistent with
7 Section 6.6, take such other action that it deems necessary
8 to complete the overall Project. The Coordination Committee
9 shall be responsible for coordinating with PG&E and the TLCC
10 to ensure that the design, development, and construction of
11 the PG&E Modifications and the Transmission Line are
12 effectively, efficiently and economically coordinated within
13 the overall Project Schedule.

14 6.11 Limitations on Coordination Committee Roles. Trans-Elect's
15 participation in the Coordination Committee is solely for
16 the purpose of protecting its investment in the Project.
17 PG&E's participation in the Coordination Committee is solely
18 for the purpose of coordinating the PG&E Modifications with
19 the Transmission Line Work. At no time will Trans-Elect or
20 PG&E have, or be deemed to have, responsibility for
21 management of the transmission facilities included in the
22 Project solely by virtue of participation in the TLCC (by
23 Trans-Elect) or the Coordination Committee (by Trans-Elect
24 or PG&E) for any other purpose whatsoever including, but not
25 limited to, determination whether or not California
26 regulatory jurisdiction exists over Trans-Elect, the
27 Project, the Project Work or any component thereof.

28
29 7 Coordination Contacts. On or promptly after the Effective
30 Date, the Parties shall each identify one representative to
31 serve as a "Coordination Contact", which shall be the primary
32 point of technical and day-to-day contact; construction

1 oversight; cooperation and interchange of construction
2 information; providing construction decisions; oversight of
3 any concerns arising during construction that reasonably
4 could be expected to affect the functionality of the Project
5 and Project facility maintenance; and consultation on a
6 prompt and orderly basis among the Parties; and, at each
7 Party's discretion, may also be such Party's representative
8 on the Coordination Committee to coordinate the communication
9 between the Parties in implementing this Agreement, including
10 the completion of Project Work in accordance with the Project
11 Schedule. Each Party shall notify the other Parties in
12 writing of the person that it appoints as its Coordination
13 Contact. Such appointments may be changed at any time by
14 similar notice. Each Coordination Contact may at any time
15 designate a substitute to act for him or her with respect to
16 any matter or matters. Each Coordination Contact or
17 substitute shall be a responsible person familiar with the
18 operations and Project Work of the Party which he or she
19 represents. Each Coordination Contact or substitute shall be
20 available during regular business hours in California. Each
21 Party shall have a procedure to reach the Coordination
22 Contact, substitute or appropriate personnel in case of
23 emergencies. Each Coordination Contact shall be responsible
24 for providing to the Project Manager the monthly reports
25 described in Section 18 of this CCA.

26
27 8 PG&E MODIFICATIONS:

28 8.1 Responsibility: PG&E shall have sole responsibility for all
29 aspects of the PG&E Modifications, provided that PG&E shall
30 coordinate the completion of the PG&E Modifications with the
31 Project Manager so as to maintain an overall completion of
32 Project Work in accordance with the Project Schedule.

1 PG&E's responsibility under this CCA is limited to only
2 PG&E's Modifications.

3 8.2 Costs: PG&E shall be solely responsible for and shall pay
4 promptly when due all costs of the PG&E Modifications,
5 provided that nothing in the foregoing shall be deemed to
6 limit or waive PG&E's right to contest or appeal any such
7 cost or charge to any third party, nor waive any claims or
8 rights that PG&E may have with respect to such costs, nor
9 alter the financial terms of any Special Facilities
10 Agreement which may become effective following a withdrawal
11 or suspension of PG&E hereunder. Upon any Line Party's
12 reasonable request, which, unless a Default by PG&E has
13 occurred and is continuing, shall be no more frequently than
14 monthly, PG&E shall advise the Line Parties of its ability
15 to fund its remaining portion of the PG&E Modifications.
16 PG&E shall pay all costs to maintain and replace the
17 facilities it constructed so as to maintain the
18 functionality of the PG&E Modifications in accordance with
19 Prudent Utility Practice.

20 8.3 Order of the Transmission Line Work and PG&E Modifications.

21 (a) Attached to this CCA, as Appendix B, is a form of
22 Project Schedule. Promptly after the execution
23 hereof the Coordination Committee shall diligently
24 and by unanimous action complete such Project
25 Schedule substantially in the form attached hereto or
26 as otherwise determined as necessary to successfully
27 coordinate construction of the Project, by modifying
28 Appendix B to specify the dates and adding or
29 adjusting the tasks described in the Appendix and the
30 parties responsible for completing said tasks. The
31 Project Schedule shall be finalized and approved
32 within 90 days after execution of this Agreement.

1 (b) The table set forth in Section 8.3(c) sets forth the
2 Parties' good faith estimates of the dates of
3 completion of certain Transmission Line Work and PG&E
4 Modification milestones. In the event of a conflict
5 between this table and the finalized Project Schedule
6 adopted under Section 8.3(a), the latter shall
7 control and the dates in the table shall be deemed
8 modified to so conform.

9 (c) The Parties agree that PG&E need not undertake the
10 tasks set forth in the table set forth below under
11 the heading "PG&E Milestones" until the satisfaction
12 by the Line Parties of the corresponding task on the
13 same numbered line under the heading "T-line
14 Milestones", unless such satisfaction is (i) waived
15 by PG&E in its sole discretion, or (ii) the table or
16 the Project Schedule shall have been unanimously
17 amended or waived by the Coordination Committee. The
18 Parties acknowledge that these milestones assume that
19 engineering, procurement and construction work will
20 be completed through EPC contracts for each of the
21 Transmission Line Work and the PG&E Modifications.
22 The Parties reserve the right to structure contracts
23 as each deems appropriate to complete these
24 milestones in an efficient and timely manner, and
25 agree that if an arrangement other than EPC
26 contracting is used for these milestones, such
27 milestones still apply.

28
29
30
31 **Table I: Milestone Table**

	T-Line Milestones (approximate date)	PG&E Milestones
--	--------------------------------------	-----------------

1.	Develop Detailed Project schedule	Develop Detailed Project schedule
2.	Solicit EPC Contract (1/03)	Solicit Substation Engineering and Design Contract within 30 Days
3.	Issue Notice To Proceed to EPC Contractor (5/03)	Issue Notice to Proceed to Substation Engineering and Design within 30 Days
4.	Issue Tower Steel Purchase Orders or Equivalent (Fund EPC Steel Bid Item)	Issue Substation Equipment Purchase Orders within 30 Days
5.	50 % of Tower Foundation Work Completed	Begin Substation Construction Work within 30 days
6.	Terminate Conductor at Substations	Commence Commissioning as Appropriate
7.	All Jumpers Installed at Substations, Transmission Line Released to be Energized	Energize within 14 days or Sooner

1
2 8.4 Conditions Precedent to PG&E Milestones. In addition to the
3 conditions set forth in the foregoing clause 8.3(c), before
4 PG&E commences the performance of any particular milestone,
5 each of the following conditions shall have been satisfied
6 by the Line Parties:

7 (a) (1) No Default by Trans-Elect or Western shall
8 have occurred and be continuing under this CCA; (2)
9 there shall not exist any condition, event or act
10 which upon the passage of time, the giving of notice
11 or both would constitute a Default by Trans-Elect or
12 Western; and (3) no default or event of default by
13 Trans-Elect or Western shall have occurred and be
14 continuing under the MOU, the LA or the COIA (to the
15 degree that each of the foregoing is at such time in
16 force and effect).

17 (b) The representations and warranties of Trans-Elect
18 set forth in this CCA shall have been true and correct
19 as of the Effective Date and shall remain true and
20 correct as of the date of the commencement of such
21 portion of the PG&E Modifications.

22 8.4.1. The above conditions may be amended by the

1 Coordination Committee or waived by PG&E or the
2 Coordination Committee.

3
4 9 TRANSMISSION LINE WORK:

5 9.1 Transmission Line Coordination Committee ("TLCC"):

6 9.1.1. Establishment: The Line Parties hereby establish a
7 TLCC. Each Line Party will have an equal role in the
8 TLCC. PG&E will have no role in the TLCC. The TLCC's
9 duties will include the development of all Transmission
10 Line bid specifications. The TLCC shall continue until
11 it is replaced by a successor structure. The Line
12 Parties may replace the TLCC with a new structure sixty
13 (60) days after commencement of commercial operation or
14 any time thereafter. The new structure and duties shall
15 be recorded and approved by the existing TLCC. The TLCC
16 shall ensure the timely completion and initial operation
17 of the Transmission Line and further ensure that all
18 necessary on-going Transmission Line Work is completed
19 in a manner that preserves the functionality of the
20 transmission line in accordance with Prudent Utility
21 Practice. The TLCC shall approve by consensus the
22 portion of the Project Budget related to the
23 Transmission Line Work to be submitted to the
24 Coordinating Committee.

25 9.1.2. Representation: Trans-Elect and Western shall each
26 have one representative on the TLCC. Such
27 representative may be, but need not be, each such
28 Party's Coordination Contact. If invited by Trans-Elect
29 or Western, PG&E (either through its Coordination
30 Contact or another authorized representative) may attend
31 any TLCC meeting, provided that PG&E is under no
32 obligation to do so. Each of Trans-Elect and Western

1 shall also designate a second person, having authority
2 to speak for and bind such Line Party, as a "second
3 opinion" point of contact for the "Voting" section
4 below.

5 9.1.3. Chair: Trans-Elect shall be the chair of the TLCC
6 through commencement of commercial operation of the
7 Project. The TLCC or its successor may appoint a new
8 chair after commencement of commercial operation.

9 9.1.4. Alternate: Each Line Party shall designate an
10 alternate. In the event that the Party's TLCC
11 representative is absent, the alternate will make
12 decisions and vote on behalf of that Party's absent
13 representative. In the event a Party is aware that both
14 the TLCC representative and the designated alternative
15 will be absent, that Party may designate a temporary
16 alternative by providing written or electronic notice to
17 all Parties.

18 9.1.5. Voting: All actions or decisions by the TLCC shall be
19 by consensus between the Line Parties. If the members
20 of the TLCC cannot agree on a particular proposed
21 action, then the TLCC representative who is the
22 proponent of the proposed action may request a "second
23 opinion" from the Line Party (the "Non-consenting Line
24 Party") whose representative does not agree with the
25 proposed action or decision. When a "second opinion" is
26 requested hereunder, the proposed action shall be
27 submitted to the executive officer identified by the
28 Non-consenting Line Party under the "Representation"
29 section above, and such executive officer shall promptly
30 deliver a response to the TLCC. If the "second opinion"
31 is in favor of the action or decision proposed by the
32 other TLCC member, a consensus shall be deemed to have

1 been reached. If the "second opinion" supports the
2 position taken by the TLCC representative appointed by
3 the Non-consenting Line Party, then the executive
4 officer who provided that "second opinion" may request a
5 countervailing opinion with respect to the same proposed
6 action from the executive officer identified by the
7 other TLCC Line Party. If the two executive officers
8 are then unable to reach a consensus, the matter shall
9 be considered to be a dispute subject to resolution in
10 accordance with Section 20 of this CCA.

11 9.1.6. Meetings: The TLCC shall meet at least monthly, at
12 times and locations reasonably determined by the Chair.
13 With the consent of all TLCC members a regular meeting
14 monthly meeting may be cancelled. In addition to
15 assembled meetings, meetings, at the request of either
16 Party, also shall be conducted telephonically, so long
17 as all Parties' representatives can hear each other
18 contemporaneously and are assured as to the other
19 Parties' representatives identity. Special meetings of
20 the TLCC may be held at reasonable and mutually
21 convenient times and places at the request of either of
22 Trans-Elect or Western.

23 9.2 Provision of TE Security: Trans-Elect will provide the TE
24 Security and shall have responsibility for managing the
25 drawing of funds from the TE Security and making such funds
26 available on a timely basis to the Trust Account.

27 9.3 Funding and Payments:

28 9.3.1. General: Trans-Elect shall pay Western \$4,277,658,
29 on December 31, 2002. Following the initial payments,
30 Trans-Elect shall make payment in full for any amounts
31 owed in accordance with this CCA within twenty-five
32 (25) calendar days from the date on which an invoice

1 was received, regardless of any dispute which may
2 exist as to any part of such invoice. Bills shall be
3 considered paid when payment is received by Western.
4 Western will assess a fee of twenty-five dollars
5 (\$25.00) for processing a late payment. Payments
6 received will first be applied to the charges for late
7 payment assessed on the principal and then to payment
8 of the principal. In addition to the late payment,
9 interest will be charged to the extent Western uses
10 appropriated funds to cover expense short falls
11 created by bills not paid in full by the due date.
12 Interest shall be charged at three hundredths percent
13 (0.03%) of the principal sum unpaid for each day
14 payment is delinquent, to be added until the amount
15 due is paid in full. Upon PG&E's reasonable request,
16 which, unless a Default by either Line Party has
17 occurred and is continuing shall be no more frequently
18 than monthly, Western as Project Manager shall advise
19 PG&E of the ability of the Line Parties and/or the
20 TLCC (as the case may be) to fund the remaining
21 portion of the Transmission Line Work.

22 9.3.2. Advance Payments: The Line Parties shall be
23 responsible for paying 60 days in advance into the
24 Trust Account the costs of budgeted Transmission Line
25 Work performed by Western. In the event the cost of
26 the Transmission Line Work exceeds or has not been
27 provided for in the budget, such items shall first be
28 provided to the TLCC for its approval. If the TLCC
29 approves such items, the Line Parties shall be
30 responsible for paying 60 days in advance into the
31 Trust Account for such costs.

32 9.3.3. Billing: Western, as Project Manager, will be

1 responsible for all billing of Trans-Elect in
2 accordance with Section 6.1 of the LA.
3 Notwithstanding any other provision of this CCA,
4 Western has no authority or basis to bill PG&E for any
5 cost. In the event that Trans-Elect fails to provide
6 funding to Western, for deposit into the Trust
7 Account, based on the expected funding necessary to
8 construct the Transmission Line and perform the
9 Transmission Line Work, then Western as Project
10 Manager may utilize the TE Security for such funds as
11 permitted under the provisions of Section 9.3.4.
12 Western shall not be required to perform any work
13 pursuant to this CCA until sufficient funds are in the
14 Western controlled Trust Account. All funds remaining
15 upon completion of the Initial Work shall be rolled
16 into Transmission Line Work.

17 9.3.4. TE Security for Line Parties Funding: Under the
18 direction of the TLCC, the TE Security will be
19 provided to secure the funds to be used by Western so
20 long as Trans-Elect is a participant in the project
21 and has not terminated the CCA or been removed from
22 the project or exercised its rights under Section
23 11.8. Trans-Elect will authorize disbursements to
24 Western from the TE Security or assign the right to
25 draw upon the TE Security to Western for the purpose
26 of funding work which Western has already performed or
27 scheduled, exclusive of prior work as defined in
28 Section 14.1, for a period of up to 60 days from the
29 date that Trans-Elect has failed to make an advance
30 payment required under Section 9.3.2. The TE Security
31 shall be reduced, dollar for dollar, by the amount of
32 any funds advanced by Trans-Elect to Western and/or

1 the Trust Account for work identified in this CCA or
2 approved by the TLCC. In the event that Western
3 utilizes the TE Security or in the event that the TE
4 Lenders exercise their rights under Section 9.5 to
5 complete the Project after a Trans-Elect default,
6 Trans-Elect shall retain all of its rights to receive
7 its proportional share of Transmission Systems Rights
8 as set forth in Section 11.5.2.

9 9.3.5. Trust Account: Funds provided by Trans-Elect or
10 drawn from the TE Security in accordance herewith will
11 be transferred into the Trust Account for Western,
12 within the United States Treasury, where funds will be
13 held prior to commitment, obligation, and expenditure
14 in accordance with this CCA. No interest will be
15 earned on the funds in the Trust Account. Western
16 will administer the Trust Account.

17 9.4 EPC Contract for Transmission Line Work: Western shall enter
18 into an EPC contract for the Transmission Line Work. The
19 TLCC shall have a limited role in aspects of the procurement
20 process. Its role is limited to reviewing and providing
21 input on: (a) the solicitation before publication and (b)
22 any amendments that have an adverse effect on the funding or
23 scheduling after publication. In the event a need arises to
24 make such an amendment to the solicitation, Western shall
25 provide the proposed amendment to the TLCC. The TLCC shall
26 review and provide input on the amendment within three
27 business days or request an extension of time. In the event
28 TLCC fails to provide approval or a request an extension of
29 time, the amendment shall be deemed approved. Western will
30 notify Trans-Elect of the contract award at the same time
31 that Western notifies the successful bidder. In the event
32 any member of the TLCC determines that the contract does not

1 conform in material respects to the solicitation together
2 with any amendments, and that such non-conformation will
3 have an affect on Trans-Elect's ability to raise financing
4 to satisfy Trans-Elect's obligations under Section 9.3, any
5 member of the TLCC may notify Western not to issue the
6 notice to proceed to the EPC contractor. Such notice must
7 be received by Western no later than fourteen days after
8 Western issues the award. In the event Western receives
9 such a notice, Western will work with the TLCC and the
10 contractor to modify the contract to satisfy the financing
11 concerns. The EPC contract shall include a clause that
12 provides in the event of a delay in the completion of the
13 Transmission Line Work that the contractor shall pay
14 liquidated damages to Western. Western shall deposit
15 liquidated damages received pursuant to the EPC contract
16 into the Trust Account. The liquidated damages shall be
17 used to offset Project Costs in the following manner.

18 (a) Trans-Elect must inform Western of the increased
19 costs it has incurred because of the delay that
20 obligates the EPC contractor to pay liquidated
21 damages.

22 (b) Trans-Elect's additional costs due to the delay
23 must be based on its actual costs and may not
24 exceed the amount of liquidated damages paid by
25 the EPC contractor. In the event Western receives
26 such notice and after Western receives the
27 liquidated damages from the EPC contractor,
28 Western will reduce Trans-Elect's payment
29 obligation for the next month in an amount
30 equivalent to the additional costs that Trans-
31 Elect has incurred. In the event Trans-Elect's
32 monthly invoice is less than the amount of

1 additional costs due to the delay, Western shall
2 pay Trans-Elect from the Trust Account. In no
3 event will Western's obligations to reduce Trans-
4 Elect's payment obligation or to pay Trans-Elect
5 under this section, exceed the amount of
6 liquidated damages actually received by Western.

7 9.5 Financing of Transmission Line: Upon a Financing Closing
8 Date, if requested by Trans-Elect, the T-E Lenders and the
9 Parties shall enter into an agreement (the Lenders Consent
10 Agreement) in form and substance reasonably satisfactory to
11 the T-E Lenders and the Parties. Such Lenders Consent
12 Agreement will include provisions stating:

- 13 (a) PG&E's and Western's consent to a collateral
14 assignment by Trans-Elect to the T-E Lenders of all
15 of Trans-Elect's rights under the MOU, the LA, this
16 Agreement and the COIA;
- 17 (b) the right of the T-E Lenders to cure Defaults by
18 Trans-Elect or Western under any of such assigned
19 agreements; including, but not limited to, the right
20 to complete and construct the Project after a
21 Default; and
- 22 (c) that upon the occurrence of a Project Transfer
23 Trigger Event the T-E Lenders shall have the right
24 to implement an agreement that:
- 25 (i) conveys a 30 year leasehold interest in the
26 Transmission Line and the Transmission
27 Line Assets (in its existing state as a
28 work in progress) to the T-E Lenders or a
29 designee or assignee of the T-E Lenders
30 (collectively, the "Lenders' Designee").
31 The conveyance of the leasehold shall be
32 subject to the Project Entitlements as

1 provided for in Section 3 of the Letter
2 Agreement and such conveyance does not
3 alter any Party's Project Entitlement in
4 the Project;

5 (ii) provides that the leasehold interest shall
6 include an easement or other satisfactory
7 grant of access to lands held by Western
8 which are necessary to permit the
9 completion of the construction and the
10 siting of the Transmission Line; and

11 (iii) provides the T-E Lenders or the T-E
12 Lenders' Designee with the following
13 rights under each of the conditions
14 defined herein: (A) upon completion of the
15 Transmission Line by or on behalf of the
16 T-E Lenders or the Lenders' Designee, if
17 the rights of the Parties can be fully
18 restored in such a manner to assure the
19 Lenders' Designee that the cash flow from
20 the Entitlements will be sufficient to
21 service the loans outstanding under the
22 Financing Documents with at least the same
23 debt service coverage as was projected as
24 of the most recent Financing Closing Date,
25 the T-E Lenders or the Lender's Designee
26 shall terminate the leasehold and convey,
27 free of charge, the Transmission Line and
28 Transmission Line Assets free of liens
29 back to Western, and the rights of the
30 Parties under the MOU, LA, CCA and COIA
31 shall be fully restored; (B) if, upon
32 completion of the Transmission Line by or

1 on behalf of the T-E Lenders or the
2 Lenders' Designee the rights of the
3 Parties under this Agreement cannot be
4 fully restored in such a manner to assure
5 the Lenders' Designee that the cash flow
6 from the Entitlements will be sufficient
7 to service the loans outstanding under the
8 Financing Documents with at least the same
9 debt service coverage as was projected as
10 of the most recent Financing Closing Date,
11 the T-E Lenders or the Lenders' Designee
12 shall retain the long term leasehold
13 interest, and may convey such interest and
14 rights to a third party on such terms as
15 the T-E Lenders or T-E Lenders' Designee
16 and such third party may agree, with
17 Western retaining a first right of offer
18 to purchase the leasehold interest; and
19 (C) if the T-E Lenders or the Lenders'
20 Designee elect not to complete the
21 Transmission Line, Western shall use the
22 exemption from the Administrator of the
23 General Services Administration from
24 otherwise applicable federal regulations
25 regarding the sale of federal property (as
26 referenced in Section 11.5.1 herein) to
27 sell or otherwise dispose of the remaining
28 Transmission Line Assets and other
29 salvageable property of the Project and to
30 pay the proceeds of such sales to the
31 Parties in conformance with Section
32 11.5.1; and (D) if the T-E Lenders or the

1 Lenders' Designee elect not to complete
2 the Transmission Line and if Western has
3 not obtained an exemption as described in
4 Section 11.5.1 herein then the T-E Lenders
5 or the Lender's Designee will retain the
6 30 year leasehold interest in the
7 Transmission Line and may dispose of the
8 leasehold interest, with Western retaining
9 a first right of offer to purchase the
10 leasehold interest.

11 (iv) Any disposal of the leasehold by the T-E
12 Lenders or their Designee under this
13 Section 9.5(c) shall be subject to the
14 Project Entitlements as provided for in
15 Section 3 of the Letter Agreement.

16 9.6 Project Transfer Trigger Event. A Project Transfer Trigger
17 Event shall occur when a continuing Financing Default exists
18 at a time when:

19 (a) either (i) Western does not provide satisfactory
20 assurance to the T-E Lenders that (a) the Project
21 will be completed on or before the 180th day after
22 the date specified for such completion in the
23 Project Schedule as in effect on the Financing
24 Closing Date, as such date may be adjusted as
25 provided for in this Agreement and that (b) Project
26 Costs will not exceed the amount set forth in the
27 Project Budget by more than 10%, including the
28 contingency amounts provided for therein (except
29 that any contingency amount related to the funding
30 of the Substation Modifications shall only be
31 included if Trans-Elect is actually providing
32 funding for the Substation Modifications pursuant to

1 Section 11.5.3 as in effect on the Financing Closing
2 Date); or (ii) Western does not provide satisfactory
3 assurance to the T-E Lenders in the event of a
4 Default by PG&E that Western has acted within 90
5 days to proceed to complete the Project and
6 interconnect the Project in case of such Default or
7 to commence all reasonable steps to cure the Default
8 of PG&E, including, but not limited to, commencing
9 the necessary proceedings to permit interconnection
10 of the Transmission Line to the PG&E system and
11 commencing any condemnation action as provided for
12 in Section 11.3; and,

13 (b) Trans-Elect is not in Default under any of its
14 material obligations: For purposes of determining
15 whether Trans-Elect is in Default, neither of the
16 following shall be considered a Default of its
17 material obligations: (i) a failure to provide
18 funding under Section 9 shall not be considered a
19 default for this purpose if any occurrence or
20 circumstance relating to Western, PG&E or the
21 Project has resulted in a failure of a condition
22 precedent to the T-E Lender's obligation to provide
23 funding under the Financing Documents and (ii) the
24 bankruptcy of Trans-Elect shall not be considered a
25 Default for this purpose if the T-E Lenders make
26 funding available to meet Trans-Elect's funding
27 commitments under the CCA.

28 (c) Except as may be provided in the Lender's Consent
29 Agreement, nothing in the foregoing modifies the
30 Default provisions contained in Section 11.1 or
31 11.2.

32 9.7 The Parties acknowledge that Trans-Elect will capitalize and

1 include all costs and fees incurred by Trans-Elect relating
2 to the development, financing, underwriting and contracting
3 and construction of the Project in Trans-Elect's share of
4 Project Costs for inclusion in the Project's tariffed rates
5 and for allocation of TSRs.

6 9.8 Limited Participation. Trans-Elect's participation in the
7 TLCC is solely for the purpose of protecting its investment
8 in the Project. At no time will Trans-Elect have, or be
9 deemed to have, responsibility for management of the
10 transmission facilities included in the Project solely by
11 virtue of participation in the TLCC for any purpose
12 whatsoever including, but not limited to, determination
13 whether or not California regulatory jurisdiction exists
14 over Trans-Elect, the Project, the Project Work or any
15 component thereof.

16 9.9 Special Purpose Entity: Trans-Elect, at its sole option, may
17 create a Special Purpose Entity for the purpose of obtaining
18 or funding the financing required to fulfill Trans-Elect's
19 commitments with respect to the Project. In order for the
20 Special Purpose Entity to be assigned all of the rights and
21 obligations of Trans-Elect under the CCA related to the
22 financing of the project, thereby releasing Trans-Elect from
23 all such obligations, the Special Purpose Entity must be
24 able to access the proceeds of the financing and the T-E
25 Lenders must consent to the assignment of Trans-Elect's
26 rights to the Special Purpose Entity. To the extent that
27 Trans-Elect (or the Special Purpose Entity) has any funding
28 obligations under Section 9.3, Western shall have the right
29 to examine the Financing Documents and approve or disapprove
30 those terms of the Financing Document which grant access to
31 the financing proceeds to the Special Purpose Entity and
32 those terms or conditions which would result in a Financing

1 Default, which approval shall not be unreasonably withheld.

2
3 10 DEFAULTS: A Party shall be in Default if:

4 10.1 It is a Line Party and it fails to make payments in
5 accordance with this CCA;

6 10.2 It shall fail to perform, comply with or observe or shall
7 otherwise breach any one or more terms, obligations,
8 covenants or agreements contained in this CCA, including but
9 not limited to a failure to perform work in accordance with
10 the Project Schedule;

11 10.3 Any representation or warranty of such Party made in this
12 CCA, the MOU or the LA or any other documents or agreements
13 executed in connection with the transactions contemplated by
14 this CCA shall prove to have been false or misleading in any
15 material respect upon the date when made or when deemed to
16 have been made;

17 10.4 It shall lose, have suspended or have revoked, or fail to
18 renew, any license or permit now held or hereinafter
19 acquired if such loss, suspension, revocation or failure to
20 renew could reasonably be expected to have a material
21 adverse effect on the Project, the Transmission Line Work,
22 or the PG&E Modifications;

23 10.5 With respect to Trans-Elect, if a receiver or liquidator or
24 trustee of Trans-Elect or of any of its property shall be
25 appointed by a court of competent jurisdiction and such
26 receiver, liquidator or trustee shall not have been
27 discharged within thirty (30) days or by decree of a court
28 Trans-Elect shall be adjudicated bankrupt or insolvent or
29 any substantial part of its property shall have been
30 sequestered, and such decree shall have continued
31 undischarged and unstayed for a period of thirty (30) days
32 after the entry thereof, or a petition to file bankruptcy or

1 to reorganize Trans-Elect pursuant to any of the provisions
2 of the federal bankruptcy Code, as now in effect or as it
3 may hereafter be amended, or pursuant to any other similar
4 state statute as now or hereafter in effect, shall be filed
5 against Trans-Elect and shall not be dismissed within thirty
6 (30) days, or if such petition shall be voluntarily filed by
7 Trans-Elect.

8 10.6 With respect to PG&E, if Bankruptcy Court revokes approval
9 to expend funds to implement the PG&E Modifications.

10 10.7 Western shall not be considered in default if unable to meet
11 schedules due to Trans-Elect's inability to provide funds in
12 a timely and sufficient manner. Nothing in this Section
13 shall affect the rights accorded the T-E Lenders or their
14 Designee in Sections 9.5 and 9.6.

15
16 11 REMEDIES:

17 11.1 At any time following Default hereunder, any non-defaulting
18 Party may provide a Notice of Default to the defaulting
19 Party demanding a cure. The defaulting Party shall have ten
20 (10) days (for any monetary Default) or ninety (90) days
21 (for all other Defaults) (such period the "Cure Period")
22 following the transmission of such Notice of Default in
23 which to cure such Default or, if the Default is non-
24 monetary and of a nature which cannot be cured in such Cure
25 Period, to commence curing such Default and thereafter
26 diligently prosecute such cure to completion. A failure to
27 so cure (or commence cure and thereafter diligently pursue
28 the same to completion) within such Cure Period shall,
29 without limitation of any other rights or remedies of the
30 non-defaulting Parties hereunder, immediately suspend all
31 rights and privileges (but not duties, liabilities or
32 obligations) of such defaulting Party, provided that, as

1 between the Line Parties, and unless otherwise agreed to in
2 writing by the Line Parties, Western may by notice to the
3 other Parties assume a defaulting Line Party's obligations
4 from that date forward.

5 11.2 Suspension. All rights and privileges (but not duties,
6 liabilities or obligations) of any defaulting Party which
7 has failed to cure (or commence to cure and thereafter
8 diligently pursue the same to completion) its Default within
9 an applicable Cure Period, as more fully set forth in
10 Section 11.1, shall be suspended until such Default is
11 cured. For purposes of clarification, such suspended rights
12 and privileges shall include the ability to provide a Notice
13 of Default to any other party hereto and to declare a Force
14 Majeure. If a defaulting Party's rights and privileges are
15 so suspended for three consecutive months (subject to the
16 application of the proviso regarding Line Party succession
17 in Section 11.1), the non-defaulting Parties, without
18 liabilities, may remove such Party from the Project as
19 specified in Section 11.3.

20 11.3 Withdrawal, Removal and Termination.

21 (a) In the event Western is the defaulting Party, a non-
22 defaulting Party may terminate this CCA with the consent
23 of all the non-defaulting Parties and written
24 concurrence from the Secretary of Energy by providing
25 notice to Western and the other Party after the
26 expiration of the period set forth in Section 11.2. In
27 the event of such Default, a non-defaulting Party may
28 terminate this CCA only upon the later of (i) all non-
29 defaulting parties providing written notice of
30 termination as described in the first sentence of this
31 Section 11.3(a), or (ii) the acceptance of a filing at
32 FERC of a notice of termination for the CCA. After the

1 expiration of the period set forth in Section 11.2, the
2 non-defaulting Parties by unanimous vote and with the
3 consent of the Secretary of Energy may remove Western
4 from the Project. Alternatively, Trans-Elect and/or the
5 T-E Lenders may cease further funding of the Project or
6 exercise their rights under the Lender's Consent
7 Agreement and the provisions of Section 9.5 in the event
8 of a Project Transfer Trigger Event.

9 (b) In all other Defaults, the Project Manager may
10 remove the defaulting Party by providing notice to the
11 defaulting Party and the non-defaulting Party after the
12 expiration of the period set forth in Section 11.2.
13 Subject to the Line Party succession right set forth in
14 Section 11.1, in the event of such Default and removal,
15 the remaining Parties shall then take action in
16 accordance with Section 11.5. In the event of Default
17 by Trans-Elect, the T-E Lenders shall be entitled to
18 exercise their rights under Section 9.5, including the
19 right to attempt to cure any Default then in effect on
20 the part of Trans-Elect. If PG&E Defaults and is
21 removed or terminated from the Project, Western shall
22 enter into the Special Facilities Agreement, the form of
23 which shall be agreed to by the Parties within 90 days
24 of the execution of this document and which will be
25 attached as Appendix D to this CCA. Western may seek to
26 condemn rights to the access necessary to complete the
27 interconnection of the Project to PG&E's system.
28 Nothing in this CCA precludes PG&E's from contesting any
29 condemnation proceeding or seeking compensation
30 therefor. Within 90 days from the execution of this
31 CCA, the Special Facilities Agreement shall be
32 negotiated and attached as Appendix D to this CCA. The

1 Parties recognize that the costs under the Special
2 Facilities Agreement will differ from those in the
3 Project Budget. Trans-Elect and Western shall modify
4 the Project Budget accordingly. Trans-Elect shall fund
5 such additional costs under the same terms and
6 conditions as it provides funding for the Transmission
7 Line Work.

8 (c) If an Adverse Agency Action (as defined in Section
9 11.4) occurs and continues as described in Section
10 11.4(c) and 11.4(d) then (i) Trans-Elect or PG&E may
11 withdraw from this CCA and the LA without liability to
12 the other Parties upon written notice provided to the
13 other Parties, or (ii) the Project Manager in its sole
14 discretion and without liability may remove the affected
15 Party from the Project. In each case above (A) such
16 withdrawal or removal is subject to Section 11.5 and (B)
17 nothing in this Section 11.3(c) shall constitute or be
18 deemed to be a waiver by either Line Party of its rights
19 to obtain an interconnection agreement with PG&E for the
20 Transmission Line, pursuant to the Federal Power Act and
21 the implementation orders of FERC. In the event an
22 Adverse Agency Action takes place and the Line Parties
23 seek an interconnection pursuant to the Federal Power
24 Act, the Parties shall execute a Special Facilities
25 Agreement, as provided for in Section 11.3(b) above, to
26 govern the construction of the PG&E Modifications in
27 accordance with the Project Schedule, promptly after a
28 withdrawal or removal under this Section 11.3(c). In
29 the event that the Parties enter a Special Facilities
30 Agreement and subsequently the Adverse Agency Action is
31 favorably terminated, the Parties may agree to suspend
32 the Special Facilities Agreement and restore the

1 affected Party to this CCA on a basis mutually agreeable
2 to the Parties.

3 11.4 Adverse Agency Action.

4 (a) An "Adverse Agency Action" shall exist: (i)
5 immediately upon the issuance of a decision, order, or
6 ruling, of the CPUC, a CPUC Commissioner, or a CPUC
7 Administrative Law Judge ordering PG&E not to
8 participate in the Project, or (ii) immediately upon the
9 issuance of a decision, order or ruling of the CPUC, a
10 CPUC Commissioner, or a CPUC Administrative Law Judge
11 ordering any Party to apply for a Certificate of Public
12 Convenience and Necessity and/or a Permit to Construct
13 for the Path 15 Project. The issuance of a proposed
14 decision or an alternate decision is not an Adverse
15 Agency Action.

16 (b) The Party subject to an Adverse Agency Action under
17 clause (a) (i) shall have the right to stop work under
18 this CCA and the LA immediately upon the occurrence of
19 such Adverse Agency Action, (ii) shall notify the other
20 Parties of its intent to appeal the Adverse Agency
21 Action to the appropriate regulatory or judicial body
22 within 15 days of such Adverse Agency Action and of the
23 steps that the affected Party will take to address the
24 Adverse Agency Action and shall commence and thereafter
25 diligently prosecute the same unless this CCA is earlier
26 terminated or such affected Party is removed from this
27 CCA pursuant to Section 11.3 of this CCA, and
28 (iii) shall have the right in its sole discretion, but
29 not the obligation to pursue further appeals of any
30 order or decision constituting an Adverse Agency Action,
31 provided, that any appeal shall not toll the period of
32 time set forth in Section 11.3(b).

1 (c) If Adverse Agency Action has continued for at least
2 fifteen days and if the non-affected Parties'
3 Coordination Committee Members reasonably determine that
4 such Adverse Agency Action will delay the date of final
5 Project completion, as set forth in the Project Schedule
6 then the removal and withdrawal provisions in Section
7 11.3(c) shall immediately become available.

8 (d) If the non-adversely affected Parties' Coordination
9 Committee Members determine the Adverse Agency Action
10 will not affect the final completion of the Project, the
11 Adverse Agency Action may continue for up to 120 days
12 before the removal or withdrawal provisions in Section
13 11.3(c) shall apply. Such adversely affected party
14 shall not have any liability to the other Parties as a
15 result of the Adverse Agency Action.

16 11.5 Consequences of withdrawal or removal. In the event a Party
17 chooses to withdraw or is removed, that Party will have no
18 further role in the Project or on any committee. The
19 remaining Parties will consult to determine whether to
20 terminate this CCA and the Project Work or to continue the
21 Project.

22 11.5.1. In the event the remaining Parties choose to
23 terminate the Project, to the extent allowed by law,
24 the Parties shall be entitled to obtain compensation
25 for their past contributions from whatever assets of
26 the Project can be refunded, salvaged or liquidated in
27 proportion to their relative contributions. The Line
28 Parties shall only obtain compensation from the
29 Transmission Line Assets. PG&E shall only obtain
30 compensation from the PG&E Modifications. Pursuant to
31 federal property disposal laws, Western shall use its
32 best efforts to obtain from the Administrator of the

1 General Service Administration, or its successor, an
2 exemption from the federal disposal regulations
3 regarding the disposal of federally-owned Path 15
4 Upgrade Project property that would permit Western to
5 compensate the Parties from the proceeds of the
6 disposal in the event of a decision by the Parties to
7 terminate the Project as described in this Section.
8 Subject to the requirements and procedures for the
9 disposition of property owned by Western, including
10 the above-referenced exemption, the compensation to
11 other Parties may be in the form of Assignments,
12 rights, or title to property or the proceeds from the
13 disposition of such property. Nothing in this section
14 entitles any Party to obtain compensation if federal
15 property disposal laws or regulations preclude it. In
16 the event the Project sustains any damages due to the
17 withdrawing or removed Party and proceeds to the
18 withdrawing or removed Party are available under this
19 Section 11.5.1, the damages shall first be deducted
20 from the proceeds.

21 11.5.2. In the event the remaining Parties proceed with the
22 Project and the withdrawing or removed Party is a Line
23 Party, the withdrawing or removed Party shall receive
24 a share of the transmission system rights of the
25 Project, upon commencement of commercial operation,
26 based on its contribution to the overall cost of the
27 Project; provided, however, any costs or damages
28 sustained by the Project as a result of the withdrawal
29 or removal of such Party will be deducted from the
30 withdrawing or removed Party's financial contribution
31 before determining the Party's interests.

32 11.5.3. In the event the remaining Parties proceed with the

1 Project and the withdrawing or removed Party is PG&E,
2 then the Line Parties may enter into a Special
3 Facilities Agreement with PG&E, as set forth in
4 Section 11.3(b) above and PG&E may include its costs
5 for the PG&E Modifications in the Special Facilities
6 Agreement, provided in the event of dispute, PG&E's
7 costs will be subject to FERC review. Any costs or
8 damages sustained by the Project as a result of the
9 withdrawal or removal will be deducted from the amount
10 that PG&E includes in its costs. In the event PG&E
11 withdraws due to an Adverse Agency Action and the Line
12 Parties enter into a Special Facilities Agreement, the
13 Project may be subject to certain taxes, these taxes
14 will not be deducted from PG&E's share of the Project.

15 11.6 Survival of Rights. Termination of this CCA or withdrawal or
16 removal of a Party shall not relieve any Party of any of its
17 liabilities and obligations arising hereunder prior to the
18 date termination becomes effective, and each Party may take
19 whatever judicial or administrative actions as appear
20 necessary or desirable to enforce its rights hereunder.

21 11.7 Withdrawal by Trans-Elect Prior to Obtaining Financing. The
22 Parties acknowledge that Trans-Elect's participation in the
23 Project is predicated on Trans-Elect's ability to procure
24 equity funding and debt financing for the Transmission Line
25 Work. If Trans-Elect (or its Special Purpose Entity) is
26 unable to or determines in good faith that it is unable to
27 procure such financing on a non-recourse basis on acceptable
28 terms, then Trans-Elect shall have the right to withdraw
29 from the Project upon notice to the other Parties. Trans-
30 Elect must provide such notice within 30 days after the
31 award of the Transmission Line EPC Contract; however, if
32 Trans-Elect holds commitment letters for the full amount of

1 funding required to meet its obligations under Section 9.3
2 then Trans-Elect shall be entitled an additional 15 days
3 before its right to withdraw under the terms of this section
4 expire. In the event Trans-Elect requires an additional
5 fifteen days, it shall provide notice that it will require
6 the additional fifteen days and copies of the commitment
7 letters to Western. Further, in the event Trans-Elect
8 requires an additional fifteen days, Western and PG&E shall
9 be entitled to make appropriate changes to the Project
10 Schedule to reflect any modifications to the Project
11 Schedule that results from the additional fifteen days.
12 Provided Trans-Elect provides timely notice to withdraw,
13 neither the absence of such financing nor any such
14 withdrawal by Trans-Elect shall constitute a Default under
15 this Agreement. Upon delivery of a notice of withdrawal
16 neither Trans-Elect nor the Special Purpose Entity shall
17 have any further obligations or liability under this CCA
18 from and after the date of the notice of withdrawal except
19 such liabilities and obligations as may have arisen prior to
20 the date of such notice. The rights of Trans-Elect under
21 Section 11.5.1 and 11.5.2 of this CCA shall be unaffected by
22 any such withdrawal.

23
24 12 REPRESENTATIONS AND WARRANTIES

25 12.1 Trans-Elect Representations and Warranties. Trans-Elect
26 makes the following representations and warranties:

- 27 (a) Trans-Elect is duly organized and validly existing
28 under the laws of the State of Delaware, is in good
29 standing under its certificate of formation and the
30 laws of the State of Delaware and all other states
31 where the failure to be so qualified could reasonably
32 be expected to have a material adverse effect, has the

1 requisite power and authority to own its properties,
2 to carry on its business as now being conducted, and
3 to enter into this CCA and the transactions
4 contemplated herein and perform and carry out all
5 covenants and obligations on its part to be performed
6 under and pursuant to this CCA, and is duly authorized
7 to execute and deliver this CCA and consummate the
8 transactions contemplated herein.

9 (b) Trans-Elect is not prohibited from entering this CCA
10 or discharging and performing all covenants and
11 obligations on its part to be performed under and
12 pursuant to this CCA. The execution and delivery of
13 this CCA, the consummation of the transactions
14 contemplated herein and the fulfillment of and
15 compliance with the provisions of this CCA will not
16 conflict with or constitute a breach of or a default
17 under, or require any consent, license or approval
18 that has not been obtained pursuant to, any of the
19 terms, conditions or provisions of any applicable laws
20 and regulations of any Governmental Authority, the
21 certificate of Trans-Elect or any other contractual
22 limitation, restriction or outstanding trust
23 indenture, deed of trust, mortgage, loan agreement,
24 lease, other evidence of indebtedness or any other
25 agreement or instrument to which Trans-Elect is a
26 party or by which it or any of its property is bound.

27 (c) Trans-Elect has taken all such actions as may be
28 necessary or advisable and proper to authorize this
29 CCA, the execution and delivery hereof, and the
30 consummation of transactions contemplated thereby.

31 (d) This CCA is a legal, valid and binding obligation of
32 Trans-Elect enforceable in accordance with its terms,

1 except as limited by laws of general applicability
2 limiting the enforcement of creditor's rights or by
3 the exercise of judicial discretion in accordance with
4 general principles of equity.

5 12.2 PG&E Representations and Warranties. PG&E makes the
6 following representations and warranties:

7 (a) PG&E is duly organized and validly existing under
8 the laws of the State of California, is in good
9 standing under its certificate of formation and the
10 laws of the State of California and all other states
11 where the failure to be so qualified could reasonably
12 be expected to have a material adverse effect, has the
13 requisite power and authority to own its properties,
14 to carry on its business as now being conducted, and
15 to enter into this CCA and the transactions
16 contemplated herein and perform and carry out all
17 covenants and obligations on its part to be performed
18 under and pursuant to this CCA, and is duly authorized
19 to execute and deliver this CCA and consummate the
20 transactions contemplated herein.

21 (b) PG&E is not prohibited from entering this CCA or
22 discharging and performing all covenants and
23 obligations on its part to be performed under and
24 pursuant to this CCA. The execution and delivery of
25 this CCA, the consummation of the transactions
26 contemplated herein and the fulfillment of and
27 compliance with the provisions of this CCA will not
28 conflict with or constitute a breach of or a default
29 under, or require any consent, license or approval
30 that has not been obtained pursuant to, any of the
31 terms, conditions or provisions of any applicable laws
32 and regulations of any Governmental Authority, the

1 certificate of PG&E or any other contractual
2 limitation, restriction or outstanding trust
3 indenture, deed of trust, mortgage, loan agreement,
4 lease, other evidence of indebtedness or any other
5 agreement or instrument to which PG&E is a party or by
6 which it or any of its property is bound.

7 (c) PG&E has taken all such actions as may be necessary
8 or advisable and proper to authorize this CCA, the
9 execution and delivery hereof, and the consummation of
10 transactions contemplated thereby.

11 (d) This CCA is a legal, valid and binding obligation of
12 PG&E enforceable in accordance with its terms, except
13 as limited by laws of general applicability limiting
14 the enforcement of creditor's rights or by the
15 exercise of judicial discretion in accordance with
16 general principles of equity.

17 (e) Without limitation of any of the foregoing, PG&E
18 represents and warrants that PG&E has received
19 approval to enter into this CCA and perform all
20 obligations related thereto, pursuant to Order
21 Granting Debtor's Motion for Order Approving
22 Expenditure of Funds to Upgrade Substations and, if
23 necessary, reconductor a 230 kV Transmission Line to
24 Support the Los Banos-Gates 500 kV Transmission
25 Project (Path 15 Upgrade Project), No. 01-30923 DM
26 (Bankr. N.D.Cal. Feb. 8, 2002).

27
28 13 PROJECT MANAGEMENT:

29 13.1 Designation: The following supplement the project management
30 duties of the Parties as set forth in Section 4 of the LA:

31 13.2 Designation: During the construction of the Project, Western
32 will act as the Project Manager and provide services for

1 managing the day-to-day activities of the Transmission Line
2 Work and coordination with the PG&E Modifications and
3 Project budget execution. Western will oversee the Parties'
4 activities to assist meeting the Project Schedule and
5 budgets, and see that the Parties cooperate to move the
6 Project forward. Western will serve in this role until 60
7 days after commencement of commercial operation, unless
8 Western is earlier removed from or assigns its rights under
9 this CCA in which case the remaining Parties shall nominate
10 the replacement Project Manager. Effective on the 60th day
11 after commencement of commercial operation, management of
12 the Project will be determined and governed by the
13 Coordination Committee or its successor. Western will
14 ensure that the necessary negotiated Project agreements are
15 executed; that the Parties actively participate in the
16 process; that the Parties cooperate to move the Project
17 forward. Western will also perform lead Federal Agency
18 efforts for the National Environmental Policy Act process,
19 will acquire necessary Land rights for the Project, as well
20 as other functions necessary for the completion of the
21 Project.

22 13.3 PG&E Modifications Management: PG&E will have full
23 responsibility for all aspects of the PG&E Modifications.
24 PG&E has the responsibility to coordinate with the Project
25 Manager, via the Coordination Committee, to complete the
26 PG&E Modifications in accordance with the completion of the
27 Transmission Line, Project Schedule and budget.

28 13.4 Transmission Line Project Management: Western, with
29 direction from the TLCC, will have full responsibility for
30 all aspects of the development of the Transmission Line.
31 Western has the responsibility to co-ordinate with the
32 Project Manager and with PG&E to complete the Transmission

1 Line in accordance with the completion of the PG&E
2 Modifications.

3
4 14 PRIOR WORK:

5 14.1 PG&E, Trans-Elect and others have performed certain Project
6 Work in advance of the execution hereof and in so doing have
7 produced work tangible or intangible product in support of
8 the timely completion of the Project. These work products
9 shall be reviewed by the Parties and to the extent agreed as
10 useful and beneficially incurred on behalf of the Project
11 will be credited to the respective entity that provided
12 them. No reimbursement for any such prior work shall be
13 paid from the Initial Funding provided by Trans-Elect
14 pursuant to the LA.

15 14.2 All Transmission Line Work provided by Western in accordance
16 with this Section 14, together with all Transmission Line
17 Work or Initial Work heretofore approved by the TLCC or
18 under the LA or undertaken by Western, shall be reviewed by
19 the TLCC within 120_days of the Effective Date and the TLCC
20 shall within such time approve, authorize, and ratify such
21 work performed as of the Effective Date or shall reasonably
22 request such additional documentation and evidence of
23 expenditures as may be necessary in order for Trans-Elect to
24 conduct due diligence and satisfy itself as to such work.
25 The prior work covered by this Section 14.2 includes but is
26 not limited to:

- 27 (a) The acquisition of all necessary Land,
- 28 (b) Project management services as required to satisfy
29 technical and administrative requirements,
- 30 (c) Design work,
- 31 (d) Environmental work,
- 32 (e) Cost estimates and schedule for planning and design,

- (f) Material and equipment acquisition, and
- (g) Construction and post construction work.

15 ALLOCATION OF ENTITLEMENT:

15.1 Under the terms of the LA, each Party is entitled to a certain portion of the transmission rights on the Transmission Line ("Entitlement") as set forth in the LA. Section 3.2.2 of the LA provides that the final allocations will be determined based on the ratio of each Parties' contribution to the Project provided that Western's Entitlement shall not be less than 10%. All incremental increases in the Path 15 (Los Banos to Gates) transmission capability resulting from the Project shall be allocated to the Path 15 Project. The determination of the Project's share of such transfer capability shall be more fully described in the Path 15 Upgrade Project COIA, to be negotiated later.

15.2 The Parties intend to turn over the operational control of the Parties' Entitlements to the CAISO as set forth in Section 5.7 of the LA.

15.3 The Project operation will be interconnected to the PG&E electrical system as set forth in Section 5.5 of the LA subject to Sections 11.3 through 11.5 of this CCA and as superceded by the COIA.

15.4 The Project Cost accounting to determine the final allocation of Entitlements in accordance with Section 3.2.2 of the LA shall be determined as follows:

- (a) Each Party shall provide the Coordination Committee and the other Parties with a final accounting of their Project Costs within 180 days after the commencement of commercial operations (the date the last such final accounting is provided being the Submission

1 Date).

2 (b) Any Party may initiate an audit of another
3 Party's final accounting pursuant to Section 19 of this
4 CCA within 30 days after the Submission Date, which audit
5 if initiated shall be completed within 90 days of the
6 Submission Date.

7 (c) Within 30 days after the completion of any audits
8 of the Parties' final accountings, or if no such audits
9 are initiated within 60 days of the Submission Date, the
10 Coordination Committee shall meet to determine the final
11 allocation of Entitlements pursuant to this CCA and the
12 LA. The Coordination Committee shall work thereafter in
13 good faith to finalize such Entitlements.

14 (d) If the Coordination Committee has not reached
15 consensus on a final allocation of the Entitlements
16 within 60 days of commencing its review under the
17 preceding clause (c), then any Party may initiate the
18 dispute resolution process under Section 20 of this CCA
19 in an effort to reach a final allocation of the
20 Entitlements.

21 (e) If a final allocation of the Entitlements has not
22 been achieved within 90 days of the submission to dispute
23 resolution under clause (d) above, then notwithstanding
24 any provision of this CCA, any Party may file a petition
25 with FERC or a court of competent jurisdiction seeking a
26 declaration of the final allocation of the Entitlements.
27 Absent further written agreement to extend the deadline
28 for any such filing, the Parties agree that any such
29 petition or court action shall be commenced no later than
30 360 days after the Submission Date. Each Party agrees to
31 toll any otherwise applicable statutes of limitation and
32 waive any defenses based on the passage of time to any

1 such petition(s) or court action(s).

2 (f) The Coordination Committee can modify the times
3 provided in this Section 15.4.

4 15.5 Until the final allocation of the Entitlements is
5 determined, the Initial Allocations provided in Section
6 3.2.1 and in Exhibit A of the LA shall remain in effect.

7 15.6 The final cost accounting is subject to applicable existing
8 laws and regulations (including FERC regulations).

9
10 16 ASSET OWNERSHIP: The Parties acknowledge and affirm that
11 under Section 3.1.1 of the LA Western will own the Land and
12 the Transmission Line, and that under Section 3.1.2 of the LA
13 PG&E will own the PG&E Modifications.

14
15 17 OPERATION: The operation of the Project will be set forth in
16 the COIA, to be negotiated.

17
18 18 WORK REPORTING REQUIREMENTS: A monthly project report shall
19 be prepared by the Project Manager, based on information
20 regularly submitted to it by each Party's Coordination
21 Contact and itself, and promptly provided to each Party.
22 Such report will at a minimum state the current status of
23 each milestone set forth in Appendix B, and shall state for
24 those milestones that are complete the actual costs expended
25 therefor and for those milestones that are then in progress
26 the current status of such progress with specificity,
27 including the percentage completed on a task, any major
28 issues outstanding with respect to such progress, and the
29 expected completion date of each milestone not yet completed.

30
31 19 AUDITS: Subject to the requirements of confidentiality under
32 Section 35 of this CCA, each Party shall have the right, and

1 no more frequently than quarterly so long as the Party being
2 audited is not then in Default and during normal business
3 hours and upon prior reasonable notice to the other Parties,
4 to audit the accounts and records of any Party, the TLCC, the
5 Trust Account, or the TE Security, pertaining to the
6 performance and/or satisfaction of obligations arising under
7 this CCA. Such audits shall be performed at the offices
8 where such accounts and records are maintained and shall be
9 limited to those portions of such accounts and records that
10 relate the Project and the Work. Such audits shall be
11 performed at the sole expense of the requesting Party, but
12 the reasonable incurred costs will be Project Costs for the
13 purposes of this CCA and the LA. Any audit of a Party's
14 final Project Costs as submitted to the Coordination
15 Committee under Section 15.4 shall be completed no later than
16 90 days after the Submission Date. In the event that such
17 audit of a Party's final Project Costs finds that a Party's
18 actual Project Costs differ from its final accounting, then
19 the Coordination Committee shall decide upon the correct
20 figures to be used for the Entitlement allocation, provided
21 that nothing in the foregoing waives any Party's right to
22 challenge such decision in accordance with Sections 15.4 and
23 20.

24
25 20 RESOLUTION OF DISPUTES: Any dispute arising between the
26 Parties regarding the performance of their obligations under
27 this CCA shall be resolved according to the following
28 procedures.

29 20.1 Informal Settlement:

30 PROCEDURE: The Parties shall attempt in good faith to
31 resolve any dispute arising out of or relating to this CCA
32 promptly by negotiations between a vice president of PG&E or

1 his or her designated representative and an executive of
2 similar authority of each Line Party. Any Party may give the
3 other Parties written notice of any dispute, and within
4 twenty (20) days after delivery of such notice, the
5 executives shall meet at a mutually acceptable time and place
6 (for a total of no less than six meetings), and thereafter as
7 often as they reasonably deem necessary (but at least weekly)
8 to exchange information and to attempt to resolve the
9 dispute. If the matter has not been resolved within forty-
10 two (42) days of the first meeting, any Party may initiate a
11 mediation of the controversy.

12 CONFIDENTIALITY: In addition to being subject to the
13 Confidential Information provisions of this CCA, all
14 negotiations, settlement conferences, compromise discussions
15 and any mediation conducted pursuant to this clause are
16 confidential and shall be treated as compromise and
17 settlement negotiations

18 PRELIMINARY INJUNCTION: Notwithstanding the foregoing
19 provisions, a Party may seek a preliminary injunction or
20 other provisional judicial remedy if in its judgment such
21 action is necessary to avoid irreparable damage or to
22 preserve the status quo. In the event a Party fails to seek
23 an injunction, nothing in this Section shall affect the
24 Project Schedules, Section 11 or a Party's obligations
25 thereunder.

26 20.2 Formal Dispute Resolution: In the absence of a voluntary
27 resolution reached in accordance with Section 20.1, any
28 Party may seek to resolve a dispute by seeking judicial
29 relief or regulatory relief at FERC. The Party, with the
30 written consent of all Parties which are Parties to such
31 disputes, in the alternative may submit the dispute to non-
32 binding arbitration which shall be conducted using any

1 procedures agreed to by such Parties. No litigation or
2 arbitration shall be commenced until not less than twenty
3 (20) days after notice of the initiation of proceedings has
4 been provided to all of the Parties to the dispute, provided
5 further, however, that the preceding requirement shall not
6 preclude a Party from initiating litigation or arbitration
7 to secure any legal right which may otherwise be forfeited
8 due to limitation or requirements imposed by rule or
9 statute.

10 20.3 Continuation of Project Work: Unless otherwise agreed upon
11 by the Parties or ordered by a court, Project Work shall
12 continue until a judgment or award is issued, provided that
13 any Party performing Project Work shall take all reasonable
14 measures, to the extent available, to avoid aggravating the
15 dispute being settled, arbitrated or litigated, giving due
16 consideration to any scheduled completion date for the
17 Project Work related to the dispute.

18
19 21 ASSIGNMENT:

20 21.1 Assignment: Other than provided in this Section 21, any
21 Party may make an Assignment of its rights and obligations
22 under the MOU, the LA, this Agreement and the COIA,
23 consistent with applicable laws, only after obtaining the
24 written consent of each of the other Parties, which consent
25 shall not be unreasonably withheld. Notwithstanding the
26 above, Congress may assign Western's rights without the
27 consent of any Party. Any Assignment in whole or in part by
28 PG&E in accordance with any Plan of Reorganization approved
29 by the U.S. Bankruptcy Court in re Pacific Gas and Electric
30 Company, Case No. 01-30923 DM (Bankruptcy Ct., N.D. Cal.)
31 shall be a permitted Assignment hereunder not subject to
32 further rights of consent from the other Parties hereto. In

1 addition, Trans-Elect, without consent of any Party, may
2 enter into an Assignment of its rights under this CCA, the
3 MOU, the LA and the COIA, as applicable, for security
4 purposes in favor of one or more T-E Lenders and such T-E
5 Lenders may make an Assignment of Trans-Elect's rights and
6 obligations under this CCA, the MOU, the LA and the COIA, as
7 applicable, hereunder to a purchaser at foreclosure or at a
8 sale in lieu of foreclosure. If requested by the T-E
9 Lenders, the Parties will enter into a separate consent
10 confirming such security assignment and providing for other
11 customary matters. To the extent directed by Congress,
12 Western may assign any right or interest that it may have
13 without the consent of any Party. A Party's assignee (other
14 than T-E Lenders that are taking an Assignment for security
15 purposes only) shall expressly assume in writing the duties
16 and obligations of such Party under this CCA, the MOU, the
17 LA, and the COIA, as applicable, and shall immediately
18 furnish or cause to be furnished to all other Parties a true
19 and correct copy of the documents evidencing such Assignment
20 and assumption of duties and obligations. The assigning
21 Party shall give notice to and provide the other Parties
22 with a copy of the documents evidencing such proposed
23 Assignment no less than thirty (30) days prior to the
24 proposed effective date of the Assignment. Each Party shall
25 give notice of its consent or denial of consent within such
26 thirty (30) day period in accordance with Section 35 of this
27 CCA. No Assignment shall be made except to an entity that
28 also receives a transfer of the assignor's interest under
29 the MOU, the Letter Agreement and the Coordinated Operation
30 and Interconnection Agreement (if in effect), and the
31 Parties hereby consent to the assignment of such other
32 agreements to an entity to which a valid Assignment is made

1 hereunder.

2 21.2 Collateral Assignment: A Party may make a collateral
3 Assignment of or grant a security interest in its
4 Entitlements and/or all or a portion of its interests in
5 this CCA to any lender or investor of such Party, and so
6 long as no Default has occurred and is continuing by the
7 assigning Party, the other Parties hereto agree to provide
8 reasonable and customary consents to such collateral
9 Assignment or grant of security interest.

10 21.3 Entitlement Use: Nothing in this Section 21 or this CCA
11 shall be deemed to alter the requirement of Section 5.7 of
12 the LA that the operational control of the Entitlements
13 shall be turned over to the CAISO, and no consent of the
14 other Parties to the CCA shall be necessary to do so.

15
16 22 Nonpartitionment:

17 22.1 Each Party hereby waives the right to partition the Project,
18 whether by partitionment in kind or by sale and division of
19 the proceeds thereof.

20 22.2 The Parties shall not resort to any action at law or in
21 equity to partition the Project in any manner described, and
22 each Party waives the benefits of all laws that may now or
23 hereafter authorize such partition.

24
25 23 LIABILITY:

26 23.1 Except for damage or loss resulting from willful action or
27 willful failure to act, gross negligence, or breach of
28 fiduciary obligation in connection with this CCA, and
29 subject to the provisions of Section 23.2 of this CCA, no
30 Party, its members, directors, members of its governing
31 body, officers, or employees shall be liable to any other
32 Party for any such loss or damage in connection with this

1 CCA not covered by insurance obtained for that purpose.

2 23.2 Each Party shall be responsible for the consequences of its
3 own willful action or willful failure to act, gross
4 negligence, and breach of fiduciary obligation in connection
5 with this CCA, and in connection with any work undertaken in
6 accordance with this CCA. Nothing in this Section 23 shall
7 require any Party to obtain insurance covering the willful
8 action or willful failure to act, gross negligence, or
9 breach of fiduciary obligation of any Party.

10 23.3 The provisions of this Section 23 shall not be construed to
11 relieve any insurer of its obligation to pay any insurance
12 proceeds in accordance with the terms and conditions of
13 valid and enforceable insurance policies.

14
15 24 FORCE MAJEURE:

16 24.1 In the case of a Force Majeure the claiming Party shall
17 notify the other Parties Coordination Contract and
18 Coordination Committee members (if different) promptly after
19 becoming aware of such Force Majeure (including subsequent
20 notification of additional cause(s) of Force Majeure during
21 an already declared Force Majeure period). Such notice must
22 include, the event, the expected duration of such event, and
23 of the steps that the Party is taking and plans to take to
24 address such event. Such Party may also propose an
25 alteration to the Project Schedule (that is, in addition to
26 the automatic suspension of the running of such Project
27 Schedule which results from a proper Force Majeure
28 declaration) as a result of such event. For purposes of
29 clarity, any such proposed Project Schedule modification
30 will be addressed as set forth in Section 5 of this CCA, and
31 shall not be automatically made in conjunction with such
32 Force Majeure. From time to time thereafter, but no less

1 frequently than every two weeks, the Party declaring such
2 Force Majeure shall provide written reports to the other
3 Parties' Coordination Contact and Coordination Committee
4 representatives updating the information provided in the
5 initial notice of Force Majeure and setting forth the steps
6 that such Party has completed to date to resolve such Force
7 Majeure. The Coordination Committee, consisting of the
8 Parties not claiming Force Majeure, will be responsible for
9 determining if the Party declaring Force Majeure is acting
10 diligently to clear the Force Majeure.

11 24.2 A Force Majeure claim shall continue only until the earlier
12 to occur of (1) the claiming Party ceases using due
13 diligence to overcome the claimed Force Majeure or (2) the
14 effect of the Force Majeure is ameliorated.

15 24.3 In the absence of an properly declared Force Majeure
16 (including but not limited to a failure in causation, a
17 failure to provide initial notice, or a failure to pursue a
18 cure of such Force Majeure with diligence) a non-performing
19 party may be subject to declarations of default and the
20 remedies therefor under this CCA.

21 24.4 Except for the obligation of a Party to make payments in
22 accordance with this CCA, no Party shall be considered to be
23 in default in the performance of any of its obligations when
24 a failure to perform is due to a properly declared Force
25 Majeure.

26 24.5 Nothing in this Section 24 is meant to avoid any obligation
27 of any Party regarding interconnection of the Project under
28 the Federal Power Act or implementing order or orders of
29 FERC.

30
31 25 FEDERAL CONTRACTING REQUIREMENTS:

32 25.1 Covenant Against Contingent Fees: Each of PG&E and Trans-

1 Elect warrant that it has not employed or retained any
2 person or selling agency to solicit or secure the contract
3 upon an agreement or understanding for a commission,
4 percentage, brokerage, or contingent fee, excepting bona
5 fide employees or bona fide established commercial or
6 selling agencies maintained by their respective
7 organizations for the purpose of securing business. For
8 breach or violation of this warranty, Western shall have the
9 right to annul or terminate this CCA without liability or in
10 its discretion to deduct from the price or consideration the
11 full amount of such commission, percentage, brokerage, or
12 contingent fee.

13 25.2 Contingent Upon Appropriations: Where activities provided
14 for in this CCA extend beyond the current fiscal year,
15 continued expenditures by the United States are contingent
16 upon Congress making the necessary appropriations required
17 for the continued performance of the United States
18 obligations under the LA. In case such appropriation is not
19 made, PG&E and Trans-Elect hereby release the United States
20 from its obligations and from all liability due to the
21 failure of Congress to make such appropriation.

22 25.3 Contract Project Work Hours and Safety Standards: This CCA,
23 to the extent that it is of a character specified in Section
24 103 of the Contract Project Work Hours and Safety Standards
25 Act, 40 U.S.C.A. § 329, is subject to the provisions of the
26 Act, 40 U.S.C.A. §§ 327-333, and to regulations promulgated
27 by the Secretary of Labor pursuant to the Act.

28 25.4 Equal Opportunity Employment Practices: Section 202 of
29 Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as
30 amended by Executive Order No. 12086, 43 Fed. Reg. 46501
31 (1978), which provides, among other things, that PG&E and
32 Trans-Elect will not discriminate against any employee or

1 applicant for employment because of race, color, religion,
2 sex, or national origin, is incorporated by reference in
3 this CCA.

4 25.5 Use of Convict Labor: PG&E and Trans-Elect agree not to
5 employ any person undergoing sentence of imprisonment in
6 performing this CCA except as provided by 18 U.S.C. 4082 (c)
7 (2) and Executive Order 11755, December 29, 1973.

8 25.6 It is understood by the Parties that, while a Federal agency
9 may, under certain conditions, support legislation, it is
10 prohibited by law from participating in or contributing to
11 any activities influencing legislation or involving
12 lobbying. Participation of Western in this CCA shall be
13 limited to activities that are legal for an agency of the
14 United States.

15
16 26 SEVERABILITY: In the event that any term, covenant, or
17 condition of this CCA or the application of any such term,
18 covenant, or condition shall be held invalid as to any
19 person, entity, or circumstance by any court or agency having
20 jurisdiction, such term, covenant, or condition shall remain
21 in force and effect to the maximum extent permitted by law,
22 and all other terms, covenants, and conditions of this CCA
23 and their application shall not be affected thereby but shall
24 remain in force and effect unless a court or agency holds
25 that such provisions are not separable from all other
26 provisions of this CCA.

27
28 27 WAIVER: Any waiver at any time by a Party of its rights with
29 respect to any matter arising in connection with this CCA
30 shall not be deemed a waiver with respect to any subsequent
31 matter or to any subsequent occurrence of the same matter.
32

1 28 NO THIRD PARTY BENEFICIARIES: None of the promises, rights,
2 or obligations contained in this CCA shall inure to the
3 benefit of any person or entity not a Party to this CCA,
4 provided that nothing in this Section 28 shall limit any
5 Party's rights under Section 21 of this CCA.
6

7 29 PRESERVATION OF OBLIGATIONS: Upon termination of this CCA,
8 any obligations previously incurred in accordance with this
9 CCA, including any obligation to pay money incurred prior to
10 termination, shall be preserved until satisfied.
11

12 30 INTEGRATION:

13 30.1 This CCA constitutes the complete and final expression of
14 the agreement between the Parties and is a complete and
15 exclusive statement of the terms of their agreement, and
16 supersedes all prior and contemporaneous offers, promises,
17 representations, negotiations, discussions, and
18 communications which may have been made in connection with
19 the subject matter of this CCA with the exception of the
20 MOU, the LA, the Deliverables Agreement, and the COIA,
21 provided, however, that in the event of any conflict between
22 the terms and provisions of this CCA and either or both of
23 the MOU, LA, or the Deliverables Agreement, this CCA shall
24 control as to the coordination and performance of the
25 Project Work only. This CCA is the product of negotiations
26 and neither ambiguities nor uncertainties shall, therefore,
27 be construed in a manner, which is prejudicial to any Party.

28 30.2 The following Appendices are attached hereto and made a part
29 of this CCA:

30 Appendix A - Addresses for Notices

31 Appendix B - Form of Project Schedule

32 Appendix C - PG&E Modifications and Transmission Line

1 Work

2
3 31 AMENDMENT: This CCA may be amended only by a written
4 instrument duly executed by all Parties hereto.

5
6 32 GOVERNING LAW: This CCA is made and entered into in the State
7 of California. Interpretation of this CCA, and performance
8 and enforcement thereof, shall be determined in accordance
9 with applicable law. Western is solely subject to the
10 jurisdiction of the United States Government and Federal law.

11
12 33 TITLES: The captions and headings in this CCA are inserted to
13 facilitate reference and shall have no bearing upon the
14 interpretation of any of the terms and provisions of this
15 CCA.

16
17 34 RELATIONSHIP OF THE PARTIES: The obligations and liabilities
18 of the Line Parties, together, and of PG&E are intended not
19 to be joint or collective, but individual to the Line Parties
20 or to PG&E, as the case may be. Except as set forth herein,
21 the liabilities of Trans-Elect and Western are intended not
22 to be joint or collective, but individual to Trans-Elect or
23 Western, as the case may be. Nothing herein contained shall
24 be construed to create an association, joint venture, trust
25 or partnership, or to impose a trust or partnership, or to
26 impose a trust or partnership covenant, obligation, or
27 liability on or with regard to any one or more of the
28 Parties. Each Party shall be responsible for its own
29 covenants, obligations, and liabilities as herein provided.
30 No Party or group of Parties shall be under the control of or
31 shall be deemed to control any other Party or the Parties as
32 a group. Except as expressly provided in this CCA, no Party

1 shall be the agent of or have a right or power to bind any
2 other Party without its express consent.
3

4 35 REGULATORY FILINGS:

5 35.1 Right to Petition Any Regulatory Body. Nothing in this CCA
6 shall be construed as affecting in any way the right of any
7 Party to unilaterally make application to, oppose any
8 application to, or appeal any decision, rule or order of any
9 and all governmental authorities (including but not limited
10 to FERC) that may have jurisdiction over this CCA or any
11 agreement or filing related to the Project for any purpose
12 pursuant to applicable statutes and those governmental
13 authorities' rules and regulations.

14 35.2 Notice. Prior to making a filing under this Section 35, the
15 filing Party shall use reasonable efforts to notify the
16 other Parties of its intent to make a filing at least thirty
17 (30) days in advance and representatives of the Parties
18 shall attempt to meet to discuss the intended filing;
19 provided, however, that the failure of the Parties to give
20 notice, meet, or agree on any intended filing shall not
21 limit a Party's right to make such a filing.

22 35.3 Right to Dissent. Each Party reserves the right to
23 challenge each and every filing of any other Party under
24 Section 35.1 before any and all governmental authorities.
25

26 36 CONFIDENTIALITY:

27 36.1 Term. During the term of this CCA, and for a period of
28 three (3) years after the expiration or termination of this
29 CCA, except as otherwise provided in this Section 36, each
30 Party shall hold in confidence and shall not disclose to any
31 person any Confidential Information of any other Party.

32 36.2 Scope. Any confidential, proprietary or trade secret

1 information of a plan, specification, pattern, procedure,
2 design, device, list, concept, policy or compilation
3 relating to the present or planned business of a Party,
4 which is designated in writing as Confidential by the Party
5 supplying the information. Confidential Information may
6 include, without limitation, any information relating to a
7 Party's technology, research and development, business
8 affairs, and pricing, and any such information supplied by
9 any Party to any other Party prior to the execution of this
10 CCA, provided, however, that Confidential Information shall
11 not include any information submitted to FERC, CAISO or the
12 CPUC by the Party claiming confidentiality, unless submitted
13 under a claim of confidentiality by such Party. Information
14 is Confidential Information only if it is clearly designated
15 or marked in writing as confidential on the face of the
16 document. Confidential Information shall not include
17 information that the receiving Party can demonstrate: (1) is
18 generally available to the public other than as a result of
19 a disclosure by the receiving Party; (2) was in the lawful
20 possession of the receiving Party on a non-confidential
21 basis before receiving it from the disclosing Party; (3) was
22 supplied to the receiving Party without restriction by a
23 third party, who, to the knowledge of the receiving Party,
24 after due inquiry, was under no obligation to the other
25 Party to keep such information confidential; (4) was
26 independently developed by the receiving Party without
27 reference to Confidential Information of the disclosing
28 Party; (5) is, or becomes, publicly known, through no
29 wrongful act or omission of the receiving Party or breach of
30 this CCA; or (6) is required, in accordance with this CCA,
31 to be disclosed by any federal or state government or agency
32 or is otherwise required to be disclosed by law, or order,

1 or is necessary in any legal proceeding establishing rights
2 and obligations under this CCA. Confidential Information
3 will no longer be deemed confidential to the extent that the
4 Party that designated the information as confidential
5 subsequently notifies the receiving Party that it no longer
6 is confidential.

7 36.3 Release of Confidential Information. No Party shall release
8 or disclose any Confidential Information to any other Party,
9 person, except to its employees or consultants on a need-to-
10 know basis in connection with this CCA, unless such person
11 has first been advised of the confidentiality provisions of
12 this Section 36 and has agreed to comply with such
13 provisions. Notwithstanding the foregoing, a Party
14 providing any other Party's Confidential Information to any
15 person shall remain primarily responsible for any release of
16 such other Party's Confidential Information in contravention
17 of this Section 36. Notwithstanding the foregoing, Trans-
18 Elect may disclose confidential information as required to
19 potential lenders or investors and their consultants on a
20 need-to-know basis provided such lenders execute a non-
21 disclosure agreement and be bound by the confidentiality
22 provisions contained herein.

23 36.4 Rights. Each Party retains all rights, title, and interest
24 in the Confidential Information that each Party discloses to
25 any other Party. The disclosure by each Party to any other
26 Party of Confidential Information shall not be deemed a
27 waiver by any Party or any other person or entity of the
28 right to protect the Confidential Information from public
29 disclosure.

30 36.5 No Warranties. By providing Confidential Information, no
31 Party makes any warranties or representations as to its
32 accuracy or completeness. In addition, by supplying

1 Confidential Information, no Party obligates itself to
2 provide any particular information or Confidential
3 Information to any other Party nor to enter into any further
4 agreements or proceed with any other relationship or joint
5 venture.

6 36.6 Standard of Care. Each Party shall use at least the same
7 standard of care to protect Confidential Information it
8 receives as that it uses to protect its own Confidential
9 Information from unauthorized use, disclosure, publication
10 or dissemination. Each Party may use Confidential
11 Information solely to fulfill its obligations to the other
12 Parties under this CCA.

13 36.7 Order of Disclosure. If a Court or a government agency or
14 entity with the right, power, and apparent authority to do
15 so requests or requires any Party, by subpoena, deposition,
16 interrogatories, requests for production of documents,
17 administrative order, or otherwise, to disclose any
18 Confidential Information of another party, that Party shall
19 provide the other Party with prompt notice of such
20 request(s) or requirement(s) so that the other Party may
21 seek an appropriate protective order or waive compliance
22 with the terms of this CCA. Notwithstanding the absence of
23 a protective order or waiver, the Party may disclose such
24 Confidential Information which, in the opinion of its
25 counsel, the Party is legally compelled to disclose. Each
26 Party will use reasonable effort to obtain reliable
27 assurance that confidential treatment will be accorded any
28 Confidential Information so furnished.

29 36.8 Termination of Agreement. Upon termination of this CCA for
30 any reason, each Party shall, within ten (10) days of
31 receipt of a written request from another Party, use
32 reasonable efforts to destroy, erase, or delete (with such

1 destruction, erasure and deletion certified in writing to
2 the other Party) or return to the other Party, without
3 retaining copies thereof, any and all written or electronic
4 Confidential Information received from the other Party. In
5 the event Confidential Information is necessary to reliably
6 operate the Project in a prudent manner then such
7 Confidential Information may be retained. Such information
8 will be identified and agreed to by the Parties.

9 36.9 Remedies. The Parties agree that monetary damages would be
10 inadequate to compensate a Party for the another Party's
11 breach of its obligations under this Section 36. Each Party
12 accordingly agrees that another Party shall be entitled to
13 equitable relief, by way of injunction or otherwise, if the
14 first Party breaches or threatens to breach its obligations
15 under this Section 36, which equitable relief shall be
16 granted without bond or proof of damages, and the receiving
17 Party shall not plead in defense that there would be an
18 adequate remedy at law. Such remedy shall not be deemed to
19 be an exclusive remedy for the breach of this Section, but
20 shall be in addition to all other remedies available at law
21 or in equity. The Parties further acknowledge and agree
22 that the covenants contained herein are necessary for the
23 protection of legitimate business interests and are
24 reasonable in scope. No Party, however, shall be liable for
25 indirect, incidental or consequential or punitive damages of
26 any nature or kind resulting from or arising in connection
27 with this Section 36.

28
29 37 NOTICES: Any notice, demand or request in accordance with
30 this CCA shall be in writing and shall be deemed properly
31 served, given, or made if delivered in person or sent by
32 first class United States mail, postage prepaid, by a

1 confirmed electronic facsimile, or by prepaid commercial
2 courier service to a Party at the address indicated in
3 Appendix A to this CCA.
4

5 38 NO PRECEDENTS: Nothing contained in this CCA shall be
6 construed to establish any precedent for any other agreement,
7 or to grant any rights to or impose any obligations on any
8 Party beyond the scope and term of this CCA.
9

10 39 EXECUTION IN COUNTERPARTS: This CCA may be executed in
11 counterparts and each Party shall deliver its executed
12 counterpart to each other Party.
13

14 40 SIGNATURE CLAUSE: The signatories to this CCA represent that
15 they have been appropriately authorized to enter into this
16 CCA on behalf of the Party for whom they sign.

1
2 IN WITNESS WHEREOF, the Parties have affixed their signatures
3 as of the date(s) set forth below.
4
5
6

7 **Trans-Elect, Inc.**

8 By:

9
10 _____
11 Name:

11 Robert L. Mitchell

12 _____
12 Title:

13 Executive Vice President

14 _____
14 Date:

15 12/30/2002
16 _____

17 **Western Area Power Administration**

18 By:

19
20 _____
20 Name:

21 James D. Keselburg

22 _____
22 Title:

23 Regional Manager

24 _____
24 Date:

25 12/30/2002
26 _____

27 **Pacific Gas & Electric Company**

28 By:

29
30 _____
30 Name:

31 _____
31 Title:

32 _____
32 Date:
33
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APPENDIX A

ADDRESSES FOR NOTICES

To Pacific Gas and Electric Company:

Director, Electric Transmission and Distribution
Engineering
123 Mission St., Room 1222
San Francisco, CA 94105

To Trans-Elect, Inc.:

President & COO
1850 Centennial Park Dr., Ste. 480
Reston, VA 20191

To Western Area Power Administration / Project Manager

Path 15 Project Manager
Sierra Nevada Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630

1 APPENDIX C

2 PG&E MODIFICATIONS AND
3 TRANSMISSION LINE WORK

4
5 The PG&E Modifications are as determined in the Comprehensive
6 Plan of Service, which may include, but are not limited to the
7 following:

8 **Los Banos Substation**

- 9
- 10 • Modify the existing Los Banos 500 kV Substation by
11 extending the existing 500 kV bus by one bay and installing
12 two new 500 kV circuit breakers in the new line position.
 - 13 • Relocate the existing Los Banos - Moss Landing 500 kV
14 transmission line to the new bus position and terminate the
15 new Los Banos - Gates 500 kV transmission line at the
16 existing Moss Landing line position.
 - 17 • Install 250 MVAR of 230 kV shunt capacitors.
 - 18 • Install miscellaneous electrical equipment, including
19 500 kV and 230 kV disconnecting switches, reactors,
20 instrument transformers, protective relaying, metering and
21 control equipment, supervisory control and data acquisition
22 equipment, telemetering equipment, auxiliary alternating
23 current and direct current power system, electrical
24 grounding system, and underground conduits or trench
25 systems.

26 **Gates Substation**

- 27
- 28 • Modify the existing Gates 500 kV substation by installing
29 two new 500 kV circuit breakers at existing 500 kV bay
30 position #4.
 - Relocate the existing Los Banos-Gates #1 transmission line

1 to the existing bay #4

- 2 • Terminate the new Los Banos - Gates #3 500 kV transmission
- 3 line at the existing Los Banos #1 line position.
- 4 • Install two new 500 kV circuit breakers for the existing
- 5 500/230 kV Transformer Bank 11.
- 6 • Modify the arrangement of the 500 kV bus from a ring bus to
- 7 a breaker-and-a-half scheme.
- 8 • Install 250 MVAR of 230 kV shunt capacitors.
- 9 • Install miscellaneous electrical equipment, including
- 10 500 kV and 230 kV disconnecting switches, reactors,
- 11 instrument transformers, protective relaying, metering and
- 12 control equipment, supervisory control and data acquisition
- 13 equipment, telemetering equipment, auxiliary alternating
- 14 current and direct current power system, electrical
- 15 grounding system, and underground conduits or trench
- 16 systems.

17
18 **Gates-Midway 230 kV Reinforcement¹**

- 19 • There are two options for upgrading this path. Option 1
 - 20 reconductors the 230 kV transmission from Midway to Arco
 - 21 including the Arco loop. Option 2 reconfigures the Gates-
 - 22 Midway transmission by establishing two circuits between
 - 23 Gates and Midway. PG&E is in the process of evaluating
 - 24 these options.
-

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TRANSMISSION LINE PARTIES

TRANSMISSION LINE WORK

- Land Acquisition
- Environmental Work
- Material Procurement
- Construction Access Roads
- Communication Facilities, VHF Radio
- Tower Design
- Tower Construction

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APPENDIX D

SPECIAL FACILITIES AGREEMENT