



Department of Energy

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

TRANSMISSION BUSINESS LINE

November 18, 2004

In reply refer to: TM/OPP-2

Mr. Ken Morgan
Transmission Substation Supervising Engineer
Public Utility District No. 1 of Clallam County
P. O. Box 1090
Port Angeles, WA 98362

Ken
Dear Mr. Morgan:

Enclosed are two originals of the Emergency Response Operation and Maintenance Agreement Contract No. 04TX-11631 (Agreement) between the Bonneville Power Administration's Transmission Business Line and Public Utility District No. 1 of Clallam County. This Agreement concerns the Port Angeles – Sappho #1 115 kV Transmission Line.

Please have both originals of the Agreement signed by the appropriate authority, and return one signed original to me at the address above. Please keep the other signed original for your records. If you choose to return the original via overnight mail, please address it to my attention at:

Bonneville Power Administration
Mail Stop: TM/OPP-2
8100 NE Parkway Drive - Suite 50
Vancouver, WA 98662

If you have any questions, please contact me at (360) 619-6009, or Paul Fiedler, Electrical Engineer, at (360) 704-1611.

Sincerely,

Thomas M. Noguchi
Senior Transmission Account Executive
Transmission Marketing and Sales

2 Enclosures

cc: Mr. Fred Mitchell – Clallam Co. PUD

RECEIVED
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PUD No. 1

EMERGENCY RESPONSE OPERATION AND MAINTENANCE AGREEMENT

For the Port Angeles – Sappho #1 115 kV Transmission Line

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PUBLIC UTILITY DISTRICT No. 1 OF CLALLAM COUNTY

Index to Sections

| Section | | Page |
|----------------|--|-------------|
| 1. | Term of Agreement | 2 |
| 2. | Exhibits and Revision of Exhibits | 2 |
| 3. | Ownership, Rights, and Operation | 3 |
| 4. | Dispatch Jurisdiction | 3 |
| 5. | Dispatch Operation of 115/69 kV Facilities | 3 |
| 6. | Emergency Response and Repair of Port Angeles-Sappho Line | 4 |
| 7. | Environmental Requirements | 5 |
| 8. | Emergency Repair Materials | 5 |
| 9. | Payment for Emergency Repair | 5 |
| 10. | Relationship of the Parties | 6 |
| 11. | Work Responsibility | 6 |
| 12. | Liability and Indemnification | 6 |
| 13. | Miscellaneous | 7 |
| 14. | Choice of Law | 9 |
| 15. | Signatures | 9 |

Exhibit A Notices

This EMERGENCY RESPONSE OPERATION AND MAINTENANCE AGREEMENT (Agreement), executed _____, 2004, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville) and PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY (District), a public utility district organized under the laws of the state of Washington (hereinafter sometimes referred to collectively as "Parties" and individually as "Party").

RECITALS

The Parties desire to maintain reliable service to the District's western loads served by Bonneville's Sappho substation. Bonneville owns and operates the Port Angeles-Sappho #1 115 kV transmission line, the Port Angeles substation and Sappho substation. The District has two 69 kV points of delivery at Bonneville's Sappho substation.

The Parties are committed to minimizing service interruptions and recognize that they can provide valuable assistance to each other in emergency response to service interruptions.

The Parties desire to enter into this Agreement providing for emergency response operation and maintenance of facilities and to provide for payment for such emergency response.

The Parties have entered into this Agreement for the purpose of providing more reliable service to the District's western loads served by Bonneville's Sappho substation.

Bonneville is authorized pursuant to law to operate and maintain transmission facilities and to enter into agreements to carry out such authority.

Now therefore, in consideration of the promises and mutual covenants and agreements herein contained, the Parties do agree as follows:

1. TERM OF AGREEMENT

This Agreement shall be effective at 0000 hours on the date of execution (Effective Date), and shall continue in effect until such time the facilities comprising the Port Angeles-Sappho #1 115 kV transmission line, are permanently taken out of service or upon thirty (30) days prior written notice of termination by either Party; however, all liabilities accrued hereunder shall be and are hereby preserved until satisfied.

2. EXHIBIT AND REVISION OF EXHIBIT

- (a) Exhibit A attached hereto and as subsequently revised is hereby incorporated as part of this Agreement.
- (b) Either Party may revise its notice information in Exhibit A and it will be made a part of this Agreement effective as of the date specified.

3. OWNERSHIP, RIGHTS AND OPERATION

- (a) Bonneville will continue to own, operate and maintain all the following facilities:
 - (1) the Port Angeles-Sappho #1 115 kV transmission line;
 - (2) the Sappho substation; and
 - (3) the Port Angeles substation.
- (b) The District will continue to own and maintain their two 69 kV points of delivery at Bonneville's Sappho substation.
- (c) The District may operate its 69 kV facilities in Bonneville's Sappho substation under the direction and with the approval of the Bonneville dispatcher.

4. DISPATCH JURISDICTION

Bonneville shall have Dispatch Jurisdiction over the Port Angeles-Sappho #1 115 kV transmission line. Dispatch Jurisdiction means that Bonneville's dispatchers shall have at all times full operational rights and ability to direct the District's dispatchers to open or close circuit breakers and disconnect switches at Sappho.

An Electrical Disturbance (which is defined as any sudden, unexpected, changed, or abnormal electric condition occurring in or on an electric system that can or does cause damage) may cause conditions within the substation or on the transmission line that require Bonneville dispatchers to take action or automatically cause operation of circuit breakers. In these cases, both Bonneville's dispatchers and the District's dispatchers will subsequently assess the situation and determine a course of action. Bonneville's dispatchers will have final approval rights for any action taken.

5. DISPATCH OPERATION OF 115/69 kV FACILITIES

- (a) Bonneville shall at all times have full operational rights and ability to:
 - (1) Remotely operate and/or direct Bonneville substation operators to open and close the circuit breakers and disconnect switches at Sappho and Port Angeles substations as necessary after notification of the District dispatcher; and
 - (2) Direct the District dispatchers to open and close the circuit breakers, circuit switcher and disconnect switches to perform sectionalizing and to restore service at Sappho Substation.

- (b) The District dispatcher shall notify the Bonneville dispatcher and obtain verbal concurrence before taking any action to open or close the circuit breakers, circuit switcher or disconnect switches at Sappho substation.
- (c) The District dispatcher shall notify the Bonneville dispatcher and obtain verbal concurrence before taking any action to open or close the circuit breakers, circuit switcher or disconnect switches at Port Angeles substation.

**6. EMERGENCY RESPONSE AND REPAIR OF PORT ANGELES-SAPPHO #1
115 kV TRANSMISSION LINE - DISPATCHING PROCEDURES**

- (a) Upon interruption of service, the District may be the first responder for emergency repairs to the Port Angeles-Sappho #1 115 kV transmission line. Before proceeding, District must request a terminal clearance at Port Angeles substation on the B-647 terminal from the Bonneville dispatcher. Bonneville dispatcher will direct Bonneville substation operator to open and tag isolating devices at Port Angeles substation. No tags will be ordered removed or isolating devices ordered closed until after the District dispatcher releases the clearance.
- (b) The Bonneville dispatcher will direct the District dispatcher to open and tag the 69 kV isolating devices at Sappho substation. A Bonneville substation operator will not be required at Sappho.
- (c) After the District confirms to the Bonneville dispatcher that isolating devices are open and tagged at Sappho substation, the District dispatcher must issue the Bonneville dispatcher a terminal clearance on the District's feeders #1 and #2 at Sappho and the Bonneville dispatcher will issue the clearance on the Port Angeles B-647 terminal to the District.
- (d) The District will inspect the Port Angeles-Sappho #1 115 kV transmission line and perform emergency repairs in accordance with the District's procedures and standards.
- (e) If there is damage and the damage is extensive, the District should request Bonneville assistance before Bonneville crews will go to work on the facilities.
- (f) After repairs are complete and the District line crew and equipment are in the clear, the District must release clearance to the Bonneville dispatcher. If Bonneville crews were also needed, they will declare to the Bonneville dispatcher when they and their equipment are in the clear and release their clearance to the Bonneville dispatcher. The Bonneville dispatcher will release the clearance to the District and direct the District dispatcher to remove tags at Sappho substation. The Bonneville dispatcher will direct Bonneville's substation operator to remove tags and close isolating devices at Port Angeles substation. Bonneville dispatcher will further direct Bonneville substation switchman to energize the Port Angeles-Sappho #1 115 kV transmission line.

- (g) Should energization of the Port Angeles-Sappho #1 115 kV transmission line be unsuccessful, the process outlined above shall be repeated.
- (h) Following successful energization of the Port Angeles-Sappho #1 115 kV transmission line, the Bonneville dispatcher will direct the District dispatcher to restore service at Sappho substation. Under this condition, the District dispatcher may direct switching at Sappho without the presence of a Bonneville substation operator.

7. ENVIRONMENTAL REQUIREMENTS

The Parties agree to comply fully with the substantive requirements of all applicable Federal, State and local environmental laws and to mitigate and abate adverse environmental impact accordingly, to the extent required by law.

8. EMERGENCY REPAIR MATERIALS

- (a) Bonneville will maintain a stock of wood poles, insulators, hardware and other materials most likely to be required for emergency repairs to the Port Angeles-Sappho #1 115 kV transmission line. The emergency stock will be stored at Bonneville's Port Angeles substation. To the greatest practical extent without extending the outage, the District must pull materials from this stock to perform emergency repairs. The District may furnish like material from its own stock when quantities of Bonneville stock are inadequate for the scope of the emergency repair or when use of Bonneville stock will substantially lengthen the outage (by one hour or more).
- (b) The District must itemize the materials removed from Bonneville stock for each emergency repair. Written itemization of materials removed from stock must be included with the invoice submitted under Section 9(b) below.

9. PAYMENT FOR EMERGENCY REPAIR

After an interruption of service and following receipt of an invoice including detailed and itemized costs of labor, material and equipment, Bonneville will reimburse the District for emergency repair of the Port Angeles-Sappho #1 115 kV transmission line.

- (a) Bonneville will reimburse the District for all reasonable costs and expenses incurred and documented by the District in performing services under this Agreement.
- (b) The District must provide Bonneville with an invoice, submitted pursuant to the Notice of Invoice section in Exhibit A, for all costs and expenses incurred for performing services under this Agreement, including but not limited to:
 - (1) labor costs;
 - (2) replacement cost of materials and supplies expended or furnished by the District;

- (3) charges, at rates internally used by the District, for the use of transportation equipment and other equipment required; and
 - (4) standard overhead rates on labor, equipment and materials.
- (c) Bonneville shall pay the invoice within thirty (30) days of receipt of the invoice.

10. RELATIONSHIP OF THE PARTIES

No Party is the agent or principal for the other Party, nor are they partners or joint venturers; and the Parties agree that they will not represent to any other party that they act in the capacity of agent or principal for the other Party. Except as set forth in section 12 and 13 below, each Party shall assume liability for injury or damage to persons or property arising solely from the negligent acts of its own employees, agents or contractors to the extent allowed by law.

11. WORK RESPONSIBILITY

- (a) The District must give all instructions for work to be done to the District's supervisor(s) or foremen designated for such purpose.
- (b) The District agrees to use its best effort to assure that all repair work performed hereunder will be done in accordance with good utility practices; however, no express or implied warranties are given with respect to such repair work.

12. LIABILITY AND INDEMNIFICATION

- (a) Bonneville will be responsible for any damage to persons or property only to the extent authorized by the Federal Tort Claims Act.
- (b) The District must indemnify and hold Bonneville harmless from and against any and all direct or indirect loss, damage, cost or expense which the District may incur by reason of bodily injury, including death, to any person or persons or by reason of damage to or destruction of any property, including the loss of use thereof, which results from performing emergency repairs under this Agreement, save and except where the loss, damage, cost or expense is attributable to negligence or willful misconduct on the part of Bonneville.
- (c) Except as provided in this section and to the extent allowed by law, each Party assumes all liability for injury or damage to persons or property arising from the act or neglect of its own employees, agents or contractors.

- (d) Each Party shall design, construct, operate, maintain and use its electric system in conformance with good electric utility practices:
 - (1) To minimize Electric Disturbances such as, but not limited to, the abnormal flow of power which may interfere with the electric system of the other Party or any electric system connected with such other Party's electric system; and
 - (2) To minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

- (e) In the event any claim or demands are made or a suit or action is filed against Bonneville alleging liability for which the District must indemnify and hold harmless Bonneville pursuant to section 12(b), Bonneville shall notify the District thereof without delay. The District, at its sole cost and expense, may settle, compromise or defend the same in such manner, as it, in its sole discretion, deems necessary or prudent.

13. MISCELLANEOUS

(a) Audit Rights

- (1) District must maintain complete and accurate files and records concerning all goods and services provided and all amounts billed under this Agreement. Records regarding costs chargeable pursuant to this Agreement must be maintained in accordance with generally accepted accounting standards. The District must maintain such files and records for at least two years after the completion of work required pursuant to this Agreement. Bonneville, at its own expense, will have the right, at any reasonable time, upon reasonable notice, and in conformance with generally accepted auditing standards, to inspect and audit those records during the course of work and throughout a two-year retention period after the completion of such work. Bonneville will have the right, in accordance with this section 14(b), to inspect and audit those records and the District must accommodate such inspection and audit at Bonneville expense.

- (2) If there are any inaccuracies in the billings, the necessary adjustments must be made in accordance with the Prompt Payment Act, 31 U.S.C. 3901 *et seq.*

(b) **Dispute Resolution**

- (1) Pending resolution of a disputed matter, the Parties will continue performance of their respective obligations pursuant to this Agreement.
- (2) In the event of a dispute arising out of this Agreement, both Parties will negotiate in good faith to reach an acceptable and timely resolution of the dispute. Should the Parties be unable to make progress or resolve the dispute to their mutual satisfaction within five days after such negotiation begins or any other mutually acceptable time period, the Parties will attempt in good faith to resolve the dispute through nonbinding mediation.
- (3) Neither Party will be obligated to engage in mediation for longer than five days. Each Party will be responsible for its own expenses and one-half of the expenses of the mediator.

(c) **Assignment**

Either Party may assign its rights under this Agreement to any other person or entity with the written permission of the other Party, which permission may not be unreasonably delayed or withheld. The provisions of any assignment must bind any such assignee to all provisions of this Agreement.

(d) **Section Headings**

Section headings and subheadings appearing in this Agreement are inserted for convenience only and will not be construed as interpretations of text.

(e) **Several Obligations**

Except where specifically stated in this Agreement to be otherwise, the duties, obligations and liabilities of the Parties are intended to be several and not joint or collective.

(f) **Waiver**

Any waiver at any time by any Party of its rights with respect to a default under this Agreement, or with respect to any other matters arising in connection with this Agreement, will only be effective if given in writing and will not be deemed as a waiver with respect to any subsequent default of any other matter.

(g) **Complete Agreement**

This Agreement constitutes the entire Agreement between the Parties regarding the operation, maintenance and repair of the facilities. Any prior oral or written agreements, representations and understandings between the Parties regarding the operation, maintenance and repair of the facilities are superseded by this Agreement.

(h) **No Oral Modification**

No modification to this Agreement will be valid unless it is in writing and signed by both Parties.

(i) **Permit**

The District is hereby authorized for the term of this Agreement to enter the property of Bonneville to implement the terms of this Agreement.

14. CHOICE OF LAW

This Agreement must be interpreted, construed and implemented pursuant to Federal law.

15. SIGNATURES

The signatories represent that they are authorized to enter into this Agreement on behalf of the Party for whom they sign.

PUBLIC UTILITY DISTRICT No. 1
OF CLALLAM COUNTY

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By: _____

By: *Nancy E. Morgan*

Name: _____
(Print / Type)

Name: Nancy E. Morgan
(Print / Type)

Title: _____

Acting
Title: Transmission Sales Manager

Date: _____

Date: 11-18-01

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**EXHIBIT A
NOTICES**

1. NOTICES RELATING TO PROVISIONS OF THIS AGREEMENT

Any notice or other communication related to this Agreement, other than notices of an operating nature (section 2 below), or notices for invoices (section 3 below) shall be in writing and shall be deemed to have been received if delivered in person, First Class mail, by telefax or sent by acknowledged delivery as set forth below:

Administrative contacts under this Agreement are as follows:

If to District:

Public Utility District No. 1
of Clallam County
P.O. Box 1090
2431 E. Highway 101
Port Angeles, WA 98362
Attention: General Manager
Phone: (360) 452-9771
Fax: (360) 452-9338

If to Bonneville:

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409
Attention: Transmission Account Executive
for Clallam PUD – TM/OPP-2
Phone: (360) 619-6009
Fax: (360) 619-6940

By Overnight Delivery

Bonneville Power Administration
8100 NE Parkway Drive, Suite 50
Vancouver, WA 98662
Attention: Transmission Account Executive
for Clallam PUD – TM/OPP-2

2. NOTICES OF AN OPERATING NATURE

Any notice, request, or demand of an operating nature by the Bonneville or the District shall be made either orally or in writing by telefax or sent by First Class mail or acknowledged delivery.

Operations contacts under this Agreement as follows:

If to District:

Public Utility District No. 1
of Clallam County
P.O. Box 1090
Port Angeles, WA 98362
Attention: General Manager
Phone: (360) 452-9771
Fax: (360) 452-9338

If to Bonneville:

Bonneville Power Administration
Olympia Region
5240 Trospen Street SW
Olympia, WA 98512
Attention: Regional Manager
Phone: (360) 704-1600
Fax: (360) 704-1619

3. NOTICES FOR INVOICES

Any invoice related to sections 8 or 9 of this Agreement shall be submitted to:

Cost Analyst – TFO
Bonneville Power Administration – Olympia Region
5240 Trospen Road SW
Olympia, WA 98512
Phone: (360) 704-1605
Fax: (360) 704-1619

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