

GLACIER ELECTRIC COOPERATIVE, INC.

TRANSMISSION POLICIES

Policy 515

Glacier Electric Cooperative, Inc. (“GEC”) will provide Point-To-Point Transmission Service on its Transmission System pursuant to this Policy. Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transfer of such capacity and energy to designed Point(s) of Delivery.

In general, a party seeking use of GEC’s Transmission System must meet minimum criteria to be an Eligible Customer and to submit a completed application for Transmission Service. GEC will record transmission requests in the chronological order it receives such requests. GEC will determine available transmission capability on its Transmission System to determine if it can accommodate the transmission request. An Eligible transmission customer must enter into a Point-To-Point Transmission Service Agreement to secure contract rights to use GEC Transmission System.

The definition of the term “Eligible Customer” requires each Transmission Customer to become a Member of GEC prior to the receipt of any Transmission Service from GEC. GEC will not offer Transmission Service to non-members.

GEC’s transmission policies are structured to minimize operational and financial impacts to its native load consumers. GEC operates as a not for profit organization and, thus, it cannot assume operational or financial risks that ultimately would fall on its members.

1. Transmission Requests and Reservation Priority

1.1 Procedures for Requests. A request for Transmission Service must be submitted by written application to General Manager, Glacier Electric Cooperative, Inc., P.O. Box 2090, Cut Bank, MT 59427, at least sixty (60) days in advance of the calendar month in which service is to commence. GEC will consider requests for shorter notice when feasible. All applications for Transmission Service must include the following information:

- A. The identity, address, telephone number and facsimile number of the entity requesting service;
- B. A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under this Policy;

- C. The location of the Point(s) of Receipt and Point(s) of Delivery and the identities of the Delivering Parties and the Receiving Parties;
- D. The location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted. GEC will treat this information confidentially except to the extent that disclosure of this information is required by this Policy, by regulatory or judicial order, for reliability purposes pursuant to Good Utility Practices;
- E. A description of the supply characteristics of the capacity and energy to be delivered;
- F. An estimate of the expected capacity and energy to be delivered to the Receiving Party;
- G. The transmission capacity requested for each Point of Receipt and each Point of Delivery on the GEC's Transmission System;
- H. A statement indicating whether the Transmission Customer will execute a Transmission Service Agreement upon notification that GEC can provide the requested

1.2 Reservation Priority. GEC will make available Point to Point Transmission Service on its Transmission System on a first come, first serve basis, such as in the chronological sequence in which each Transmission Customer has requested service. Transmission Provider will place all transmission requests in a queue pursuant to the date and time Transmission Provider received such requests.

If the Transmission System becomes oversubscribed, requests for longer term service may preempt requests for shorter termed service. GEC's transmission needs will always take priority over any transmission service requests by other parties.

1.3 Deposits. A Completed Application for Point-To-Point Transmission Service also shall include a deposit of one month's charge for Transmission Service. If the Application is rejected by GEC because it fails to meet the conditions for service, GEC will return the deposit less any costs incurred by GEC in connection with review of the requested Transmission Service. GEC will also return the deposit less any costs incurred by GEC if GEC is unable to complete any new facilities needed to provide service, if the transmission request is voluntarily withdrawn by the Eligible Customer or the Eligible Customer decides not to enter into a Point-To-Point Transmission Service Agreement. If the Eligible Customer enters into a Point-To-Point Transmission Service Agreement, GEC will return the deposit upon the expiration or termination of the Service Agreement or any extension or renewal thereof.

1.4 Service Agreements. GEC will offer a standard form Point-To-Point Transmission Service Agreement (Attachment A) to an Eligible Customer when the Eligible Customer submits a Completed Application for Point-To-Point Transmission Service and has completed all studies, if any.

1.5 Notice of Deficient Application. If an Applicant fails to meet the requirements of this Policy for submitting an Application, GEC will notify the entity requesting service within thirty (30) days. GEC will attempt to remedy minor deficiencies in the Application through informal communications with the requesting entity. If such efforts are unsuccessful, GEC shall return any Application along with the deposit. Upon receipt of a new Application that fully complies with the requirements of this Policy, the requesting party shall be assigned a new priority based on the date of the new or revised Application.

1.6 Response to Completed Application. Following receipt of a Completed Application by an Eligible Customer for Point-To-Point Transmission Service, GEC shall make a determination of available transmission capability pursuant to Attachment B of this Policy. GEC will notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide Transmission Service without performing a System Impact Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to section 4 of this Policy.

2. Determination of ATC, Initial Allocation and Renewal Procedures

2.1 Determination of Available Transfer Capability (ATC). A description of the Transmission Provider's specific methodology for assessing available transfer capability is contained in Attachment B of this Policy. In the event sufficient transfer capability may not exist to accommodate a service request, the Transmission Provider will respond by performing a System Impact Study.

Transmission Provider will not offer non-firm transmission capacity, unless the following conditions are met: (i) Transmission Provider determines that all firm transmission is not available for a requested transmission path, (ii) Transmission Provider has adopted or implemented a local area protection scheme that permits non-firm use of the requested transmission path, and (iii) the Transmission Customer requesting non-firm transmission service also purchases firm transmission service during the term of any non-firm transmission service. Transmission Provider's offer of non-firm transmission service is based on the sole discretion of Transmission Provider.

2.2 Initial Allocation of Available Transfer Capacity. For purposes of determining whether existing capability on the Transmission Provider's Transmission System is adequate to accommodate a request for transmission service, Transmission Provider shall arrange for an initial System Impact Study. If Transmission Provider has available sufficient information to determine that its Transmission System has adequate capability to accommodate a new transmission request based on the information provided by the Transmission Customer, Transmission Provider may waive the need for an initial System Impact Study.

2.3 Renewal Rights and Procedures. Existing firm service customers or customers with firm and non-firm service (transmission contracts of five years or more) have rights to continue to take transmission service from the Transmission Provider if the contract between Transmission

Provider and Transmission Customer includes provisions for renewal or roll over of transmission rights. If the Transmission Provider's contract with an existing transmission customer does not address any renewal or roll over transmission rights, an existing transmission customer shall not have any such rights.

Subject to Transmission Provider's current or projected need for use of the Transmission System, the Transmission Customer's to continued transmission service is limited to the amount of firm transmission service the Transmission Customer has contracted for under an existing transmission contract. The transmission reservation priority is independent of whether the existing Transmission Customer continues to purchase capacity and energy from the Transmission Provider or elects to purchase capacity and energy from another supplier. If, at the end of the contract term, the Transmission Provider's Transmission System cannot accommodate all of the requests for transmission service and GEC's needs, the existing firm service customer will be eligible to receive transmission service only if it agrees to accept a contract term at least equal to the longer of a competing request by any new Eligible Customer or five years and to pay the prevailing transmission rate established by the Transmission Provider for such service. The existing firm service customer must provide notice to the Transmission Provider whether it will request an extension of firm transmission service after its current transmission agreement term no less than one year prior to the expiration date of its transmission service agreement.

To the extent an existing transmission customer has not previously paid a deposit with its initial transmission request, that transmission customer must pay a deposit in an amount established by Transmission Provider to be eligible for any renewal or roll over of existing firm transmission rights. Any such transmission provider must pay the deposit with its request to renew or roll over its firm transmission rights or, if it fails to do so, such transmission customer will lose all rights to renew or roll over any existing transmission rights.

3. Transmission Customer's Responsibilities.

- 3.1 Conditions Required of Transmission Customers.** GEC will provide firm Point-To-Point Transmission Service only if the following conditions are satisfied by Transmission Customer:
- (A) The Transmission Customer has pending a Completed Application for service made pursuant to Transmission Provider's transmission policies or Transmission Customer has made a request for reservation of service that has been accepted by Transmission Provider;
 - (B) The Transmission Customer meets the creditworthiness criteria required by GEC;
 - (C) The Transmission Customer agrees to pay for any facilities constructed and chargeable to the Transmission Customer pursuant to the Transmission Agreement whether or not the Transmission Customer takes service for the full term of its transmission reservation.
- 3.2 Transmission Customer Responsibility for Third-Party Arrangements:** Any transmission, interconnection and scheduling arrangements that may be required by other electric systems shall

be the responsibility of the Transmission Customer requesting service. GEC shall not be responsible or liable in any manner for Transmission Customer's failure to contact or make arrangements with such third parties. GEC will take reasonable efforts, however, to assist the Transmission Customer in making such arrangements, including without limitation, providing any information or data required by such other electric system pursuant to Good Utility Practice.

4. Additional Study Procedures for Point-To-Point Transmission Service Requests.

4.1 System Impact Study. After receiving a request for service, GEC shall within thirty (30) days of receipt of a Completed Application, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse GEC for performing the required System Impact Study. A description of GEC's methodology for completing a System Impact Study is provided in Attachment D. For a service request to remain a Completed Application, the Eligible Customer shall execute a System Impact Study Agreement and return it to GEC within fifteen (15) calendar days. If the Eligible Customer elects not to execute the System Impact Study Agreement, or fails to return it to GEC within the fifteen (15) day period, its application shall be deemed withdrawn and its deposit shall be returned less any costs or expenses that GEC incurred.

4.2 System Impact Study Agreement and Cost Reimbursement.

- (i) The System Impact Study Agreement will clearly specify GEC's estimate of the actual costs, and time for completion of the System Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, GEC shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.
- (ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for GEC to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.

4.3 System Impact Study Procedures. Upon receipt of an executed System Impact Study Agreement, GEC will use due diligence to complete the System Impact Study within a reasonable period. The System Impact Study will identify any system constraints that may affect the request for Transmission Service and a preliminary estimate of the cost of any Direct Assignment Facilities or Network Upgrades required to provide the requested service. If GEC is unable to complete the System Impact Study within a reasonable period, it shall notify the

Eligible Customer and provide an estimated completion date. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. GEC shall notify the Eligible Customer upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In order for a request to remain a Completed Application, within fifteen (15) calendar days of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or the Application shall be deemed terminated and withdrawn.

- 4.4 Facilities Study Procedures.** If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, GEC, within thirty (30) days of completion of the System Impact Study, shall tender to the Eligible Customer a Facilities Study Agreement pursuant to which the Eligible Customer shall agree to pay GEC for performing the required Facilities Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement and return it to GEC within fifteen (15) calendar days. If the Eligible Customer elects not to execute the Facilities Study Agreement, its application shall be deemed withdrawn and its deposit, less any expenses and costs incurred by GEC, will be returned. Upon receipt of an executed Facilities Study Agreement, GEC will use due diligence to complete the Facilities Study within a reasonable period. If GEC is unable to complete the Facilities Study within a reasonable period, it shall notify the Eligible Customer and provide an estimated completion date. When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Transmission Customer, (ii) the Transmission Customer's appropriate share of the cost of any required Network Upgrades, and (iii) the time required to complete such construction and initiate the requested service. The Transmission Customer shall provide, at Transmission Provider's sole discretion, either a prepayment equivalent to the cost of new facilities or upgrades or a letter of credit in an amount equivalent to the cost of new facilities or upgrades. The Transmission Customer shall have thirty (30) days to execute a Service Agreement and to provide the prepayment or letter of credit (or other forms of security acceptable to Transmission Provider) or the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.
- 4.5 Facilities Study Modifications.** Any change in the design arising from inability to site or construct facilities as proposed will require development of a revised good faith estimate. New good faith estimates also will be required if new statutory or regulatory requirements that are effective before the completion of construction or other circumstances beyond the control of GEC that significantly affect the final cost of new facilities or upgrades to be charged to the Transmission Customer.
- 4.6 Compensation for New Facilities.** Whenever a System Impact Study performed by or for GEC in connection with the provisions of Point-To-Point Service identifies the need for new facilities, the Transmission Customer shall be responsible for such costs. Transmission Customer shall prepay all such costs before commencement of any construction. Transmission Provider will not

provide any credits on its rates for transmission service for Transmission Customer's contribution to construction of any facilities.

4.7 Due Diligence in Completing New Facilities. GEC will use due diligence to add necessary facilities or upgrade its Transmission System within a reasonable time. GEC will not upgrade its existing or planned Transmission System to provide the requested Point-To-Point Transmission Service if doing so would impair system reliability or otherwise impair or degrade existing firm service.

4.8 Partial Interim Service. If GEC determines that it will not have adequate transfer capability to satisfy the full amount of a Completed Application for Point-To-Point Transmission Service, GEC will offer and provide the portion of the requested Point-To-Point Transmission Service that can be accommodated without addition of any facilities. GEC, however, will not provide the incremental amount of requested Point-To-Point Transmission Service that requires the addition of facilities or upgrades to the Transmission System until such facilities or upgrades have been placed in service.

5. Procedures if GEC is Unable to Complete New Transmission Facilities for Point-To-Point Transmission Service.

5.1 Delays in Construction. If any event occurs that will materially affect the time of completion of new facilities, or the ability to complete them, GEC will notify the Transmission Customer. In such circumstances, GEC will within thirty (30) days of notifying the Transmission Customer of such delays, convene a technical meeting with the Transmission Customer to evaluate the alternatives available to the Transmission Customer. GEC also will make available to the Transmission Customer information that is reasonably needed by the Transmission Customer to evaluate any alternatives.

5.2 Alternatives to the Original Facility Additions. When the review process above determines that more than one alternative exists to the original planned construction project, GEC will present such alternatives for consideration by the Transmission Customer. If, upon review of any alternatives, the Transmission Customer desires to maintain its Completed Application subject to construction of the alternative facilities, it may request GEC to submit a revised Transmission Agreement for Point-To-Point Transmission Service. If GEC concludes that no reasonable alternative exists and the Transmission Customer disagrees, the Transmission Customer may seek relief under the dispute resolution procedures.

5.3 Obligations for Unfinished Facility Additions. If GEC and the Transmission Customer mutually agree that no other alternatives exist and the requested services cannot be provided out of existing capability of the Transmission System, GEC's obligation to provide transmission service shall terminate and GEC shall return any deposit made by the Transmission Customer less any costs and expenses incurred by GEC.

6. Nature of Point-To-Point Service

GEC will provide Point-To-Point Service pursuant to the terms and conditions of its Transmission Agreement and Transmission Providers transmission policies. Point-To-Point Transmission Service is for the receipt of capacity and energy at designated Point(s) of Receipt and the transfer of such capacity and energy to designated Point(s) of Delivery.

- 6.1 **Term.** The minimum term of Point-To-Point Service shall be one (1) year and the maximum term shall be specified in the Transmission Agreement.
- 6.2 **Curtailement of Service.** If a Curtailement of GEC's Transmission System, or a portion thereof, is required to maintain reliable operation of such system and the systems directly and indirectly interconnected with GEC's Transmission System. Curtailements will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. When GEC determines that an electrical emergency exists on its Transmission System and implements emergency procedures to Curtail Firm Transmission Service, the Transmission Customer shall make required reductions upon request of GEC or its designated agent. GEC reserves the right, however, to Curtail, in whole or in part, any Firm Transmission Service provided on its Transmission System when, in GEC's sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. GEC will notify all affected Transmission Customers in a timely manner of any scheduled Curtailements.
- 6.3 **Classification of Firm Transmission Service.** GEC will provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Point-To-Point Transmission Service Agreement along with a corresponding capacity reservation associated with each Point of Receipt. Each Point of Delivery at which firm transfer capability is reserved by the Transmission Customer shall be set forth in the Point-To-Point Transmission Service Agreement. The greater of either (1) the sum of capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. Transmission Customer shall be billed for its Reserved Capacity pursuant to GEC's rate schedules. The Transmission Customer may not exceed its firm capacity reserved at each Point of Receipt and each Point of Delivery. GEC shall specify the rate treatment and all related conditions applicable if Transmission Customer exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or uses Transmission Service at a Point of Receipt or Delivery that it has not reserved.
- 6.4 **Scheduling.** GEC will rely on the applicable Balancing Authority to establish scheduling requirements. Current scheduling requirements And Transmission Customer's obligation to obtain scheduling services are set forth in Schedule 1 of this Policy.

6.5 Indemnification. Transmission Provider will provide transmission service to the extent that such service does not create undue risks and costs to Transmission Provider and its members, retail power customers, and other customers. To the extent the rates, fees, and charges Transmission Provider establishes for transmission service do not compensate Transmission Customer for all such risks, costs, or expenses, Transmission Provider will include provisions in its transmission contracts that require transmission customers to indemnify and hold Transmission Provider harmless from providing the transmission service, except for Transmission Provider's own negligence or intentional wrong doing.

7. Procedures for Expansion or Modification of Transmission System

7.1 Transmission Service that Requires Expansion or Modification of the Transmission System: If the Transmission Provider determines that it cannot accommodate an application for Point-To-Point Transmission Service because of insufficient capability on its Transmission System, the Transmission Provider will, to the extent economically reasonable, expand or modify its Transmission System to provide the requested Firm Transmission Service, consistent with its planning obligations, provided that the Transmission Customer agrees to compensate the Transmission Provider for such costs. The Transmission Provider will conform to Good Utility Practice and its planning obligations in determining the need for new facilities and in the design and construction of such facilities. The Transmission Provider's obligation applies to only those facilities that the transmission Provider has the right to expand or modify.

The Transmission Customer must agree to compensate the Transmission Provider for any necessary transmission facility additions prior to any commitment by Transmission Provider to construct any additional facilities. Any Direct Assignment Facilities costs to be charged to the Transmission Customer will be specified in the Transmission Service Agreement prior to initiating service.

7.2 Deferral of Service: The Transmission Provider may defer providing service until it completes construction of new transmission facilities or upgrades needed to provide Firm PTP Transmission Service whenever the Transmission Provider determines that providing the requested service would, without such new facilities or upgrades, impair or degrade reliability to any existing firm service or to Transmission Provider's native load customers.

8. Transmission Construction and Services on Systems of Other Utilities.

8.1 Responsibility for Third Party System Additions. GEC shall not be responsible for making arrangements for any necessary engineering, permitting, and construction of transmission or distribution facilities on the system(s) of any other entity or for applying or obtaining any approvals or rights on such systems. Transmission Customer is solely responsible for notifying any Affected Systems, operators, and regulatory agencies concerning the use or access to

systems of any other entities. GEC will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including providing information or data required by such other electric system(s) pursuant to Good Utility Practice.

8.2 Coordination of Third Party System Additions. In circumstances where the need for transmission facilities or upgrades is necessary and if such upgrades further require the addition of transmission facilities on other systems, GEC shall have the right to coordinate construction on its own system with the construction required by others. GEC, after consultation with the Transmission Provider and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner. GEC shall notify the Transmission Customer in writing of the basis for any decision to defer construction and the specific problems with much be resolved before it will initiate or resume construction of new facilities. Within sixty (60) calendar days of receiving written notification by GEC of its intent to defer construction, the Transmission Customer may dispute the decision in accordance to the dispute resolution provisions.

9. Ancillary Services

9.1 Need for Ancillary Services. Ancillary Services are needed with transmission service to maintain reliability within and among the Balancing Authority Areas affected by the transmission service. Transmission Customer is required to purchase from the Balancing Authority or a qualified third-party provider for the area that the Transmission Provider's transmission lines are located the following Ancillary Services (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation or Other Sources.

9.2 Offer of Ancillary Services. The local Balancing Authority Area operator is required to offer the following Ancillary Services only to the Transmission Customer serving load within the Balancing Authority Area (i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve – Spinning, (iv) Operating Reserve – Supplemental, and (v) Generator Imbalance. The Transmission Customer serving load within the local Balancing Authority Area is required to acquire these Ancillary Services, whether from the Balancing Authority, from a third party, or by self-supply. The Transmission Customer may not decline the Balancing Authority Area's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Balancing Authority. A Transmission Customer that exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or an Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved is required to pay for all of the Ancillary Services identified in this section that were provided by the Balancing Authority associated with the unreserved service. The Transmission Customer or Eligible Customer will pay for Ancillary Services based on the amount of transmission service it used but did not reserve.

The Transmission Provider is a utility providing transmission service but is not a Balancing Authority Area operator and is unable to provide some or all of the Ancillary Services. In this case, the Transmission Provider may provide Ancillary Services by acting as the Transmission Customer's agent to secure these Ancillary Services from the Balancing Authority Area operator. The Transmission Customer may elect to (i) have the Transmission Provider act as its agent, (ii) secure the Ancillary Services directly from the Balancing Authority Area operator, or (iii) secure the Ancillary Services (discussed in Schedules 3, 4, 5, 6 and 9) from a third party or by self-supply when technically feasible.

9.3 Rate and Costs for Ancillary Services. The Transmission Provider or the Balancing Authority Area operator shall specify the rate treatment and all related terms and conditions in the event of an unauthorized use of Ancillary Services by the Transmission Customer.

9.4 Specific Ancillary Services. The specific Ancillary Services that Transmission Customer shall obtain are.

A. Scheduling, System Control and Dispatch Service

B. Reactive Supply and Voltage Control from Generation or Other Sources Service

C. Regulation and Frequency Response Service

D. Energy Imbalance Service

E. Operating Reserve – Spinning Reserve Service

F. Operating Reserve – Supplemental Reserve Service

G. Generator Imbalance Service

10. Meter and Power Factor Corrections at Receipt and Delivery Point(s).

10.1 Transmission Customer's Obligations. Unless otherwise agreed, the Transmission Customer shall be responsible for installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted pursuant to the Transmission Agreement and to communicate the information to GEC or its designated agent. Such equipment shall remain the property of the Transmission Customer.

10.2 Transmission Provider Access to Metering Data. GEC shall have access to metering data, which may reasonably be required to facilitate measurements and billings under the Transmission Agreement.

- 10.3 Power Factor.** Unless otherwise agreed, the Transmission Customer shall maintain a power factor within the same range as GEC pursuant to Good Utility Practices. The power factor requirements are specified in the Transmission Agreement where applicable.
- 10.4 Changes in Service Specifications.** Any request by Transmission Provider to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service under this Policy, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Transmission Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Transmission Agreement.

11. Sale or Assignment of Transmission Services.

- 11.1. Procedures for Assignment or Transfer of Services.** A Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Transmission Agreement, but only to another Eligible Customer (the Assignee) with the prior written approval of GEC. The Transmission Customer that sells, assigns or transfers its rights under its Transmission Agreement is hereafter referred to as the Reseller. Compensation to Resellers for any sale, assignment or transfer shall not exceed the transmission rates that the Reseller pays to GEC under the Transmission Agreement. If the Assignee does not request any changes in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other term or condition set forth in the original Transmission Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. A Reseller shall notify GEC of any pending sale, assignment or transfer as soon as practical before such sale, assignment or transfer. Absent prior notice to GEC and approval by GEC, GEC shall not permit any transmission by such Assignee. The Assignee shall be subject to all terms and conditions of this Policy. If the Assignee requests a change in service, the reservation priority of service will be determined to the procedures set forth in this Policy.
- 11.2 Limitation of Assignment or Transfer Service.** If the Assignee requests a change in the Point(s) of Receipt or Point(s) of Delivery, or a change in any other specifications set forth in the original Transmission Agreement, GEC will consent to such change subject to the provisions of this Policy, provided that the change will not impair the operation and reliability of GEC's generation, transmission or distribution systems. The Assignee shall compensate GEC for performing any System Impact Study needed to evaluate the capability of the Transmission System to accommodate the proposed change and any additional costs resulting from such change. The Reseller shall remain liable for the performance of all obligations under the Transmission Agreement, except as specifically agreed to by GEC, Reseller and the Assignee through an amendment to the Service Agreement.

12. Billing and Payment

12.1 Rates. Transmission Provider will develop transmission rates based on cost of service and other factors, such as regulatory compliance costs and risk. Transmission Provider will design its transmission rates to ensure its retail power customers are protected from any undue costs and risks arising from the Transmission Provider making transmission service available to transmission customers.

12.2 Billing Procedure.

Within a reasonable time after the first day of each month, GEC will submit an invoice to the Transmission Customer for the charges for all services furnished under the Transmission Agreement during the preceding month. Transmission Customer must pay the invoice within twenty (20) days of receipt. All payments shall be made in immediately available funds payable to GEC, or by wire transfer to a bank named by GEC.

12.3 Interest on Unpaid Balances.

GEC will calculate interest on any unpaid amounts will be assessed penalty charges of 1.5% monthly. Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by GEC.

12.4 Customer Default. If the Transmission Customer fails, for any reason other than a good faith billing dispute as described below, to make payments to GEC on or before the due date as described above, and such failure of payment is not corrected within thirty (30) calendar days after GEC notifies the Transmission Customer to cure such failure, a default by the Transmission Customer shall be deemed to exist. Upon the occurrence of a default, GEC may initiate a dispute resolution procedure to resolve the matter and may suspend Transmission Service to the Transmission Customer to enforce the payment provisions in the Transmission Agreement.

If there exists a good faith billing dispute between GEC and Transmission Customer, GEC will continue to provide service under the Transmission Agreement as long as the Transmission Customer (i) continues to make all payments not in dispute, and (ii) pays into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If the Transmission Customer fails to meet these two requirements for continuation of service, then GEC may provide notice to the Transmission Customer of its intention to suspend service in fifteen (15) calendar days.

13. Force Majeure and Indemnification.

The Transmission Service Agreement between GEC and the Transmission Customer shall set forth the terms and conditions concerning Force Majeure and Indemnification. In general, the Transmission Customer shall indemnify and hold harmless GEC for all costs and liabilities that arise from Transmission Customer's use of the GEC Transmission System.

14. Creditworthiness.

GEC may require Transmission Customer to provide and maintain in effect during the term of the Transmission Agreement, an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations under the Transmission Agreement, or an alternative form of security proposed by the Transmission Customer and acceptable to GEC, in its sole discretion, that protects GEC against the risk of non-payment and non-performance.

15. Dispute Resolution.

Unless otherwise expressly provided for in this Agreement, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under this Agreement.

15.1 Informal Resolution. The Parties agree to use their best efforts to resolve any dispute(s) that may arise regarding this Agreement. Any dispute that arises under or with respect to this Agreement that cannot be resolved shall be considered to have arisen when one Party sends the other Party a written notice of dispute (Notice of Dispute). The period for informal negotiations shall be fourteen (14) days from receipt of the written notice of dispute unless such time period is modified by written agreement of the Parties.

15.2 Nonbinding Mediation. In the event that the parties cannot resolve a dispute by informal negotiations, the Parties agree to submit the dispute to nonbinding mediation. Within fourteen (14) days following the expiration of the time period for informal negotiations, the Parties shall propose and agree upon a neutral and otherwise qualified mediator. In the event that the Parties fail to agree upon a mediator, the Parties shall request that the District Court Judge, for the Ninth Judicial District, Montana, appoint a mediator. The period for mediation shall commence upon the appointment of the mediator and shall not exceed sixty (60) days, unless such time period is modified by written agreement of the Parties. The decision to continue mediation shall be in the sole discretion of each Party. The Parties will bear their own costs of the mediation. In the event that the Parties cannot resolve a dispute by informal negotiations or mediation, venue for judicial enforcement shall be as provided in this Agreement. Notwithstanding the foregoing, injunctive or equitable relief may be sought without resorting to alternative dispute resolution to prevent irreparable harm that would be caused by a breach of this Agreement. In any judicial action, the

prevailing party shall be entitled to payment from the opposing party of its reasonable costs and fees, including, but not limited to, attorneys' fees arising from the civil action. As used herein, the phrase "prevailing party" shall mean the party who, in the reasonable discretion of the finder of fact, most substantially prevails in its claims or defenses in the civil action.

15.3 Performance During Dispute. During any dispute, both Parties shall continue to perform its obligations pursuant to this Agreement.

16. Stranded Costs.

Transmission Customer shall pay all stranded costs attributed to its service requests or Transmission Agreement with GEC.

17. Definitions

Ancillary Services shall mean those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's Transmission System in accordance with Good Utility Practice.

Applicable Reliability Council means the reliability council, such as WECC, applicable to the Transmission System to which the Generating Facility is directly interconnected.

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority of the Transmission System to which the Generating Facility is directly interconnected and the Balancing Authority in which Transmission Provider's Transmission System is located.

Balancing Authority means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time. A Balancing Authority must be certified by NERC and shall be responsible for maintaining load-resource balance within its Balancing Authority Area.

Balancing Authority Area means an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Balancing Authority Areas and contributing to frequency regulation of the interconnection.

Balancing Authority Services means those services provided by a NERC certified Balancing Authority including without limitation generation imbalance service, operating reserves – spinning reserve, operating reserve – supplemental reserve.

Curtailement means a reduction in transmission service in response to a transfer capability shortage as a result of system reliability conditions.

Delivering Party means the entity supplying capacity and energy to be transmitted by GEC at Point(s) of Receipt.

Direct Assignment Facilities means modifications or additions to the Transmission Provider's transmission or distribution facilities that are directly attributable to the transmission service requested by the Transmission Customer.

Eligible Customer means any electric utility, Federal power marketing agency, or any person generating electric energy for sale for resale and which is a GEC Member.

Facilities Study means an engineering study conducted by or on behalf of GEC to determine the required modifications to GEC's Transmission System, including the cost and scheduled completion date for such modifications that will be required to provide the requested transmission service.

Point-To-Point Transmission Service means transmission service provided under the Transmission Agreement that is firm to the extent set forth in the Transmission Agreement.

GEC Member means a person or entity that has completed all requirements for GEC membership, including but not limited to submitting an application to MEC, approval of that application by MEC management and paying any membership dues.

Generating Facility means the electric generation facility that is the origin of the capacity and energy to be transmitted by GEC under the Transmission Agreement.

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utilities in the Pacific Northwest region during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, and which practices, methods, standards and acts reflect due regard for operation and maintenance standards recommended by the equipment suppliers and manufactures, operational limits and all applicable governmental rules. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the Pacific Northwest.

Governmental Authority shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include Interconnection Customer, Transmission Provider, or any Affiliate thereof.

Native Load Customers means the wholesale and retail power customers of GEC on whose behalf GEC, by statute, franchise, regulatory requirement, contract, or membership rights, has undertaken an obligation to construct and operate GEC's system to meet the reliable electric needs of such customers.

Network Upgrades means modifications or additions to transmission related facilities that are necessary to support transmission on GEC's Transmission System. .

North American Reliability Corporation or NERC means the self regulated organization that helps ensure reliability in the bulk electric power system in North America.

Point(s) of Delivery means point(s) on GEC's Transmission System where capacity and energy transmitted by GEC will be made available to the Receiving Party under the Transmission Agreement. Point(s) of Delivery shall be specified in the Transmission Agreement.

Point(s) of Receipt means point(s) of interconnection on GEC's Transmission System where capacity and energy will be made available to the Transmission Customer by the Delivering Party under the Transmission Contract. Point(s) of Delivery shall be specified in the Transmission Agreement.

Point-To-Point Transmission Service means the reservation and transmission of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery under the Transmission Agreement.

Receiving Party means the entity receiving the capacity and energy transmitted by GEC to Point(s) of Delivery.

Service Commencement Date means the date GEC begins to provide service pursuant to the terms of an executed Transmission Agreement

System Impact Study means an assessment by or on behalf of GEC of (i) the adequacy of the Transmission System to accommodate a request for Point-To-Point Transmission Service and (ii) whether any additional costs may be incurred to provide transmission service.

Transmission Customer means any Eligible Customer (or its Designated Agent) that executes a GEC Transmission Agreement.

Transmission Customer's Reserved Capacity is defined in section 3.3 of this Agreement.

Transmission Service means Point-To-Point Transmission Service provided under a GEC Transmission Agreement.

Transmission System means the facilities owned, controlled or operated by GEC that are used to provide Transmission Service under a GEC Transmission Agreement and used by GEC to provide electric service for its own power customers and uses.

WECC means Western Electricity Coordinating Council.

Approval

Date: 7-28-2010

President: Mel D Lewis

SCHEDULE 1: SCHEDULING REQUIREMENTS, SYSTEM CONTROL AND DISPATCH SERVICES

Scheduling service is needed to schedule the movement of power, through, out of, within, or into a Balancing Authority Area. This service can be provided only by the operator of the Balancing Authority Area in which the Transmission Facilities are located. Since GEC is not a Balancing Authority, GEC cannot directly provide Scheduling, System Control and Dispatch Service. These services will be provided indirectly by the Balancing Authority for the Transmission System through arrangements between GEC, the Balancing Authority and the Transmission Customer. Transmission Customer must purchase these services from operator of the Balancing Authority Area in which the Transmission Facilities are located. The charges for Scheduling, System Control and Dispatch Service are based on the Balancing Authority rates for these services.

SCHEDULE 2: REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

To maintain transmission voltages on GEC's Transmission System within acceptable limits, generation facilities under control of the Balancing Authority Area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Services must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation Sources Services that must be supplied with respect to the Transmission Customer's transactions will be determined based on the reactive power support necessary to maintain transmission voltages specified by GEC.

Reactive Supply and Voltage Control from Generation Sources Services is to be provided by Transmission Customer making arrangements with the Balancing Authority Area operator or a third party supplier that is approved by the Balancing Authority Area operator and GEC. The Transmission Customer must purchase this service.

SCHEDULE 3: REGULATION AND FREQUENCY RESPONSE

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation which generation output is raised or lowered (predominantly through use of automatic generation control equipment) as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Balancing Authority Area operator for the Transmission System. The Transmission Customer must either purchase this service from the Balancing Authority Area operator or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service.

SCHEDULE 4: ENERGY IMBALANCE SERVICE

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Balancing Authority Area over a single hour. The Transmission Customer must purchase this service from the Balancing Authority Area operator or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligations.

Transmission Customer must maintain deliveries within a deviation band of +/- 1.5 percent (with a minimum of __ MW or __ kW) of the scheduled transaction and this requirement will be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s). Parties should attempt to eliminate energy imbalances within the limits of the deviation band within thirty (30) days. If an energy imbalance is not corrected within thirty (30) days, the Transmission Customer will pay the Balancing Authority Service operator for such service. Energy Imbalances outside the deviation band will be subject to charges to be specified by the Transmission Provider or the Balancing Authority Area operator.

SCHEDULE 5: OPERATING RESERVES – SPINNING RESERVE SERVICE

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output. The Transmission Customer must either purchase this service from the Balancing Authority Area operator or make comparable alternative arrangements to satisfy its Spinning Reserve Service obligation.

SCHEDULE 6: OPERATING RESERVES – SUPPLEMENTAL RESERVE SERVICE

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-state generation or by interruptible load. The Transmission Customer must either purchase this service from the Balancing Authority Area operator or make comparable alternative arrangements to satisfy its Supplemental Reserve Service obligation.

SCHEDULE 7: GENERATOR IMBALANCE SERVICE

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Balancing Authority Area and a delivery schedule from that generator to (1) another Balancing Authority Area or (2) a load within the Balancing Authority Area over a single hour. The Transmission Customer must either purchase this service from the Balancing Authority Area operator or make comparable alternative arrangements to satisfy its Generator Imbalance Service obligation.

Transmission Customer must maintain deliveries within a deviation band of +/- 1.5 percent (with a minimum of __ MW or __ kW) of the scheduled transaction and this requirement will be applied on a net hourly basis to any Generator Imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s).

ATTACHMENT A: FORM OF TRANSMISSION SERVICE AGREEMENT

ATTACHMENT B: METHOD TO ASSESS AVAILABLE TRANSMISSION CAPACITY

ATTACHMENT D: METHODOLOGY FOR COMPLETING A SYSTEM IMPACT STUDY

ATTACHMENT E: PROCEDURES FOR ADDRESSING PARALLEL FLOWS

ATTACHMENT F: TRANSMISSION PLANNING PROCESS