CENTRAL VALLEY PROJECT CORPORATION MEMBERSHIP AGREEMENT

CITY CLERK FILE COPY

This Membership Agreement (this "Agreement") is made and entered into effective as of July 15, 2003 between the Central Valley Project Corporation, a California nonprofit corporation ("CVP Corp"), and each undersigned participant, collectively referred to as "Participants" and individually as a "Participant." The CVP Corp and any of the Participants individually are called "Party" and collectively are called "Parties."

Whereas, the CVP Corp is formed for the benefit of, and to carry out the purposes of, the Participants by helping the Participants achieve cost savings and efficiencies; and

Whereas, the CVP Corp can benefit the Participants by facilitating CVP customer involvement in activities associated with the Western Area Power Administration ("Western") and others; and

Whereas, the CVP Corp was also formed to act as a funding agent for those CVP customers that voluntarily requested that service; and

Whereas, the Participants through the CVP Corp will provide review, funding, and oversight for selected activities and projects on a case by case basis for those items requiring funding; and

Whereas, the CVP Corp has entered into a contract with Western to act as payment agent for certain Participants; and

Whereas, each undersigned Participant agrees to become a member and may choose which activities, services, and/or projects it would like to participate in as offered by the CVP Corp; and

Whereas, each Participant is willing to fund a proportionate share of the funding commitment for each activity, service, and/or projects that the Participant has agreed to participate in as delineated in the applicable Exhibit.

Now, therefore, in consideration of the terms, conditions and obligations of the CVP Corp and the Participants in this Agreement, the Parties agree as follows:

a) **Exhibits Made Part of Agreement.** Each activity, service and/or project offered by the CVP Corp shall be delineated in an Exhibit, which shall become a part of this Agreement during the term fixed by its provisions. Exhibit(s) existing under this Agreement may change during the term hereof, provided, however, that each Exhibit attached hereto shall be in force and effect in accordance with its terms until respectively superseded by a subsequent exhibit, as allowed by the terms of the exhibit.

b) **Funding Commitment:** Each undersigned Participant hereby agrees to fund a pro-rata share of the total funding commitment for each activity, service or project in which the Participant agrees to participate as delineated in the applicable Exhibit. Each Participant further agrees to fund a pro-rata share of the CVP Corp's start-up and administrative costs as determined by the CVP Corp Board of Directors annually. A Participant may withdraw from funding the activity designated in an Exhibit in accordance with the withdrawal terms contained in the Exhibit but only after all of the obligations it has committed to fund to date have been satisfied.

c) **Deposit and Use of Funds:** The Participant hereby appoints CVP Corp and CVP Corp hereby accepts appointment as payment agent for the Participant for purposes of accepting funds provided by the Participant to satisfy the funding commitments in each Exhibit(s) designated by the Participant and disbursing those funds as required by each Exhibit. Each Participant shall deposit its pro-rata share of the funding commitment with the CVP Corp, acting on behalf of and as an agent for all of the Participants, in payments as described in the Exhibit(s). The CVP Corp will deposit, hold and maintain an accounting for the funds received from the Participants and use such funds only for the purposes of satisfying the funding commitment of the Participant. In the event the Participants' funds are received prior to the time they are to be disbursed pursuant to the Exhibit, such funds shall be invested pursuant to investment policies established by the CVP Corp Board of Directors and net earnings from such investment shall be retained for the benefit of the Participant. If any funds remain after commitments for any period have been satisfied in full, the remaining funds shall be returned to the Participants in proportion to the amount contributed by each Participant. Participant acknowledges and agrees that CVP Corp may engage third parties for the financial management of all funds received and that such funds may be commingled with those of other Participants and third parties.

d) **Investment Earnings.** The CVP Corp will invest funds paid to the CVP Corp by the Participants, and will track the interest and/or earnings applicable to each Participant; any net earnings will be credited to each Participant in proportion to the individual Participant's amount of funds retained and being managed by the CVP Corp. Periodic reports will be provided at least annually to each participant showing the total amount of payments made to the CVP Corp, including the amount of payments made by the CVP Corp on behalf of the Participant and the net earnings credited to the Participant.

e) **Obligation for Payment of Pro-Rata Share.** Each Participant shall pay its funding commitment to the CVP Corp in payments as stated in the applicable Exhibits. The CVP Corp intends to request funds from the Participant at such times and in such amounts as necessary to meet the obligations contained in the Exhibit(s). If a Participant fails to make a payment within the time period

listed in the Exhibit the Participant will be considered to be in default as to that Exhibit.

f) **Right of Set-off.** If a Participant defaults as to its obligations under any Exhibit, the CVP Corp shall have the right to utilize any excess funds credited to that Participant under any other Exhibit(s), including the Participant's share of interest or earnings, in order to satisfy the Participant's outstanding obligations.

g) **Resolution of Disputes.** The Parties will use good faith efforts to settle all disputes arising under, or in relation to, this Agreement. Should any dispute remain unresolved for a period of twenty (20) days, such dispute shall be forwarded to the Board of Directors for resolution. The Board of Directors shall meet within thirty (30) days to discuss and attempt to reach a resolution of the dispute. If a Participant fails to meet all of its obligations, it will be excluded from participating in the CVP Corp's activities, services and/or projects until its outstanding obligations are satisfied or otherwise resolved. The Participant's obligations under this Agreement shall remain until satisfied, unless otherwise modified by procedures to resolve any outstanding disputes, or settled by legal proceedings, with any and all accrued interest due as a result of late payments to the CVP Corp. No Participant shall be liable under this Agreement for the obligations of any other Participant.

h) **Budgets and Billing Procedures.** Budgets and billing procedures will be delineated in the applicable Exhibit.

i) **Board of Directors.** The Board of Directors will make decisions concerning the administration of the CVP Corp's rights and obligations under this agreement.

j) **Term of the Agreement; Termination.** This Agreement shall become effective upon execution by the CVP Corp and upon the signature of a sufficent number of Participants as determined by the CVP Corp Board of Directors and, unless earlier terminated, shall remain in effect until December 31, 2024. This Agreement may be terminated by CVP Corp (i) if the CVP Corp Board of Directors determines that CVP Corp's activities, services and/or projects are not effective and efficient; provided, however, that such termination will not be effective until CVP Corp shall have received written notice from Western that all current obligations of the CVP Corp under the CVP Corp/Western Agreement have been completed and provided further that CVP Corp shall have provided a one hundred twenty (120) day written notice to all Participants prior to such termination or (ii) sixty (60) days following a default under of this Agreement or any Exhibit by the Participant which remains uncured for sixty (60) days provided that CVP Corp shall have provided a one hundred twenty (120) day written notice to such Participant prior to such termination. Any Participant may terminate its individual

participation in the Agreement by providing a one hundred twenty (120) day written notice to the CVP Corp; provided, however, that such termination by the Participant shall not be effective until all the Participant's outstanding obligations are met as delineated in the Exhibit(s).

k) Miscellaneous Provisions.

a) Limitation of Liability. In no event shall any party hereto be liable for any special, incidental, indirect or consequential (including loss of profit) or punitive damages in connection with this agreement, whether based on breach of contract, breach of warranty, strict liability in tort or any other cause of action.

b) Attorneys' Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

c) Entire Agreement. This Agreement, including the Exhibits hereto, constitutes the entire agreement of the parties and supersedes all oral negotiations and prior writings with respect to the subject matter hereof.

d) Assignment. Neither a Participant nor the CVP Corp may assign this Agreement without prior written consent of the Participant and the CVP Corp.

e) Amendment; Waiver of Breach. Any term of this Agreement may be amended or waived only with the written consent of the Participant and the CVP Corp. No waiver of any term or breach of any of the provisions contained in this Agreement or any Exhibit shall be construed to be a waiver of any subsequent breach of the same or of any other provision of this Agreement.

f) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California, without giving effect to the principles of conflict of laws.

g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

h) **Successors and Assigns.** Subject to the provision of the Agreement, all of the terms, covenants and conditions of this Agreement shall inure to the benefit of and shall bind the parties hereto and their permitted successors and assigns.

i) **Separate Entities.** The CVP Corp and each Participant are separate entities, and nothing in this Agreement shall be construed to create or imply any partnership or joint venture among the entities or any of them, or to create any rights or liabilities of any entity hereto for rights or liabilities of any other entity hereto, except to the extent otherwise expressly provided herein or in any other agreement between the entities.

j) **Severability.** If any clause, sentence, paragraph, or part of this Agreement should for any reason be finally adjudged by any court of competent jurisdiction to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remainder of the Agreement but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which the judgment is rendered. If such judgment modifies or holds invalid any material terms or conditions of the Agreement in such a manner that either the CVP Corp or any Participant(s) is required to incur new or different obligations not expressly provided herein or forego benefits which it was otherwise entitled to, these entities shall in good faith renegotiate the terms and conditions affected by the judgment so as to restore the original balance of benefits and burdens contemplated by the entities as of the effective date of this Agreement. Such renegotiated terms and conditions shall be in the form of an amendment to the Agreement that shall be effective upon execution by the CVP Corp or any Participant(s). The original Agreement shall remain in full force and effect, as modified by said judgment, until the negotiation process for the amendment is complete.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CVP Corp

By: G Fraser
[Name] G Fraser
Chair, Board of Directors

Participant

By: Jennifer Sparacino
Name: JENNIFER SPARACINO
Title: CITY MANAGER

ATTEST:

Bernadette DiSanza
asst City Clerk

APPROVED AS TO FORM

7-24-03

DEPUTY CITY ATTORNEY

EXHIBIT A
(FINANCING OF RESTORATION FUND)

1. This Exhibit A, to be effective under and as part of the CVP Corp Membership Agreement (Agreement), shall become effective upon execution of the Agreement and this Exhibit A; and shall remain in effect until either superseded by another Exhibit A, terminated in accordance with this Exhibit A or the Agreement, or termination of the CVP Corp and Western contract.

2. The Parties have determined that the CVP Restoration Fund is a desirable business activity to be funded with CVP Corp Funds to provide Participants more efficient budgetary control through improved predictability of funding requirements.

3. **DEFINITION OF TERMS:**

3.1 CVP Improvement Act of 1992 (CVPIA): A legislative act, enacted on October 30, 1992, that defines provisions for habitat restoration, improvement, acquisition, and other fish and wildlife restoration activities in the CVP.

3.2 Letter of Agreement: Letter of Agreement No. 93-SAO-10156, a written agreement between the Bureau of Reclamation (Reclamation) and Western that establishes procedures to deposit the Restoration payments collected from CVP Power Contractors into the Restoration Fund.

3.3 Power Contractor: An entity purchasing CVP power from Western for a period in excess of 1 year.

3.4 Power Restoration Payment Obligation (PRPO): The portion of the total Restoration payment obligation calculated and assigned annually to CVP Power Contractors by Reclamation.

3.5 Restoration Fund: Fund established in the Treasury of the United States to carry out the habitat restoration, improvement and acquisition provisions of the CVPIA. The Secretary of the Interior annually assesses mitigation and restoration payments from CVP water and power contractors. Such assessments are deposited into the Restoration Fund.

4. **THE RESTORATION FUND PROGRAM:**

4.1 Under the current Restoration Fund collection procedures, on or about July 1st of each fiscal year (FY), Reclamation notifies Western of the total PRPO for the upcoming FY. Upon receipt of notification, Western will advise the CVP Corp of the annual PRPO and the monthly amounts to be collected from the Power Contractors. The method by which Western determines the annual PRPO obligation for each Power Contractor will be detailed in the procedures in effect at that time as documented in the applicable Federal Register Notice. Currently, Reclamation notifies Western, usually in April, if a midyear adjustment is needed to the initial PRPO determined in the previous July. If a midyear adjustment to the PRPO does occur, Western will recalculate each Power Contractor's annual PRPO and notify the CVP Corp. In the event the Restoration Fund collection procedures change, the Parties will determine if corresponding changes need to be made to this Exhibit.

4.2 Participants will complete a billing change of address letter as shown in Attachment 1 of the CVP Corp and Western contract. Upon receipt of the billing change of address letter, Western will send the respective Participant's monthly Restoration Fund bill to the CVP Corp for payment. Under the current procedures, bills shall typically be received on or about the twenty-fifth (25th), but no later than the last day of the month. The Restoration Fund billing cycle for each FY will begin within 30 days following August 1st or the date written notification of the annual PRPO is received from Reclamation, whichever occurs later.

4.3 The CVP Corp is responsible for payment to Western from funds it has previously collected from the Participants as a collection agent. Under current procedures payments are due and payable before the close of business twenty calendar days after each Restoration Fund Bill is issued, or the next business day thereafter, if said day is a Saturday, Sunday, or a Federal holiday. As specified in the Letter of Agreement, Western will transfer all Restoration Fund payments collected from the CVP Corp for deposit into the Restoration Fund.

4.4 Each Participant will continue to receive a Restoration Fund bill stamped "for information purposes."

4.5 Although the CVP Corp acts as a third party payment agent on behalf of the Participants, each Participant will remain ultimately responsible for payment of the monthly Restoration Fund bill. In the event that Western does not receive payment from CVP Corp, Western will send late notices to both the CVP Corp and the Participant. The Participant and the CVP Corp will immediately coordinate to determine the reason for the late payment, and then the CVP Corp will make the

appropriate payment to Western. If Western assesses late payment charges to the CVP Corp, those charges will be passed on to the Participant.

4.6 Restoration Fund payment obligations are incurred during the term of the Participants' electric service contracts with Western.

5. MONTHLY RESTORATION FUND CALCULATION

5.1 The PRPO varies significantly from one year to the next in a three-year cycle and can cause collections from the Power Contractors to range from $2 million to more than $25 million or more annually. In order to establish uniform payments for the Participant over a three-year cycle, the Participant agrees to make necessary payments to the CVP Corp.

5.2 The CVP Corp will coordinate with Reclamation and Western to estimate the total PRPO payments that will need to be made by the Power Contractors over the next three-year cycle. Each Participants' pro-rata share of the PRPO will then be determined by multiplying the total PRPO for the next three years by the percentage of the PRPO that will be allocated to the Participant over the next three years. The CVP Corp will get the Participant's percentage share of the PRPO from Western. The monthly payment the Participant will make to the CVP Corp will be computed by dividing the Participant's share of the three-year PRPO total by 36 (the number of months). This will be done annually on a three-year rolling basis.

5.3 Participant shall pay the CVP Corp the monthly payments as determined in 5.2. The CVP Corp shall pay the actual amount billed by Western for collection. The difference between the amount collected and the actual payment will either be deposited by the CVP Corp into the funding account, if the amount collected is greater than the payment, or withdrawn from the account if the amount collected is less than the payment. The Participant's balance in the CVP Corp funding account, however, shall never be zero or negative. If the Participants balance approaches zero, the CVP Corp will notify the Participant and the Participant shall deposit sufficient funds in the account so that the Participants projected balance in the account will be positive in every month of the next three-year cycle.

5.4 An example of the procedure that will be used to levelize the Restoration payments over a three-year rolling basis is shown in Attachment A.

5.5 The Participant's PRPO obligation can change because of midyear adjustments, yearly changes in the estimated PRPO, the Participant's share changing because of CVP power marketing actions, and other circumstances. Each year the Participant's Restoration obligation will be reviewed and the monthly payment to the CVP Corp will be adjusted as required. If the Participant's balance in the

funding account is projected to be negative or approaches zero, additional funds will need to be deposited by the Participant into the account. If the PRPO changes and this results in more funds in the account than are needed to meet the Participant's obligation, the Participant may coordinate with the CVP Corp and reduce the monthly payments into the account as long as its share is not projected to go below zero in any month of the three-year rolling period.

5.6 The Participant may deposit more funds into the CVP Corp than is calculated in Section 5.2 to accommodate PRPO changes that may occur because of the events listed in Section 5.5. Thus, when a change listed in Section 5.5 occurs the Participants additional funds on deposit will be available to accommodate the change.

5.7 At the end of the Federal Fiscal Year the CVP Corp will send the Participant an accounting of the funds deposited into the CVP Corp funding account for the Restoration payment, amounts withdrawn from the account, net earnings, and Participant's remaining account balance.

5.8 The CVP Corp is not obligated to make a PRPO payment to Western when the Participant's account reaches zero. It is the responsibility of the Participant to address the non-payment issue with Western.

6.0 **Termination**

Except as otherwise provided in the Agreement, either party may terminate this exhibit upon 120-advance notice to the other, provided all obligations will be preserved until satisfied.

IN WITNESS WHEREOF, the parties hereto have executed this Exhibit A effective as of_____.

CENTRAL VALLEY PROJECT CORPORATION

By; Fraser

Name: G FRASER

Title; CHAIRMAN

PARTICIPANT

By; Jennifer Sparacino

Name; JENNIFER SPARACINO

Title; CITY MANAGER

ATTEST:

Bernadette DeSousa
asst. City Clerk

APPROVED AS TO FORM
Date 7-24-03
DEPUTY CITY ATTORNEY

Attachment A

In this example the yearly PRPO amounts to be collected by Western are: Year 1 - $6 million, Year 2 - $18 million, and Year 3 - $13 million. The participant in this example is responsible for paying 5% of the PRPO assessed by Western.

Description	Year 1	Year 2	Year 3	Total
Total PRPO assessment	$6M	$18M	$13M	$37M
Participant's annual PRPO Payment (5% of yearly amount)	$300K	$900K	$650K	$1850K
Participants levelized share is $37M times 5% divided by 3 for yearly amount (divide by 36 for monthly amount)	$617K	$617K	$616	$1850K
End of Year Deposit balance with CVP Corp	$317K	$34K	$0K	

The next year's annual calculation will update year 2 and 3 estimates and include a projection for year 4. A new three-year levelized amount will be calculated for the Participant taking into consideration the amount in the end of year balance with the CVP Corp. The monthly payment the Participant will make to the CVP Corp will be computed by dividing the Participant's three-year total share of the PRPO by 36 (the number of months). The CVP Corp will pay the actual amount owed to Western and the difference will either be deposited into the funding account or withdrawn from the account. If mid-year adjustments to the PRPO (or any other changes) occur, the projected levelized payment will need to be reviewed to ensure that the end of the month balance with the CVP Corp is always a positive during the three-year period.

PARTICIPANT EXHIBIT B

(Energy Exchange Arrangements for Project Use and First Preference Support)

1. This Participant Exhibit B, to be effective under and as part of the CVP Corporation Membership Agreement (Agreement), shall become effective on December 16, 2004, and shall remain in effect until either superseded by another Participant Exhibit B, terminated in accordance with Section 13 of this exhibit, or termination of either the CVP Corporation and Western contract 03-SNR-00583 or Exhibit B to that contract.

2. The CVP Corporation has agreed to participate with Western in an energy exchange program to provide firm power to help meet the Project Use and First Preference Hourly Energy Deficit, and has executed an Exhibit B to accomplish the energy exchange. This Participant Exhibit B will complete the required arrangements necessary to make energy exchanges between Western and the CVP Corporation.

3. Western will receive Bank Energy from CVP Corporation when there is an Hourly Energy Deficit, and provide Bank Return Energy to the CVP Corporation during selected times when an Hourly Energy Deficit does not occur. Western will track the energy exchanges between Western and the CVP Corporation through an accounting system referred to as the Energy Exchange Bank.

4. The CVP Corporation will have in place by January 1, 2005, an account containing at least $4,537,000 that it will use to make purchases to meet the Bank Energy requests of Western. This amount may be increased to $5 million if further CDEC is provided pursuant to Section 11.1. The CVP Corporation understands that Western may enter into additional exchange arrangements with other entities to meet its responsibilities, including those for Project Use and First Preference Hourly Energy Deficit.

5. The CVP Corporation and the Exchange Participants wish to form an exchange arrangement by which the Exchange Participants will receive Bank Return Energy from Western, via the CVP Corporation, and each Exchange Participant will reimburse the CVP Corporation for the Bank Return Energy received under this exchange arrangement.

6. The CVP Corporation has established and will maintain an account called the Energy Exchange Revolving Account which will be utilized for the deposit of payments received from the Exchange Participants, to make payments for energy purchases, and to earn interest on the account balances.

7. The CVP Corporation will also establish an account called the Energy Valuation Account which will be used to track the Exchange Participant's percentage for scheduling transactions into and out of the CVP Corporation and each Exchange Participant's Bank Return Energy valuation.

8. DEFINITION OF TERMS:

8.1 **Bank Energy (BE):** Amount of energy delivered by CVP Corporation to Western at the designated delivery point to meet the Hourly Energy Deficit.

8.2 **Bank Return Energy (BRE):** Energy to be delivered by Western to CVP Corporation at the designated delivery point to replenish the Energy Exchange Revolving Account.

8.3 **Base Resource (BR):** CVP and Washoe Project power output as determined by Western to be available for marketing, after (1) meeting the requirements of Project Use and First Preference Customers, and (2) any other adjustments required for maintenance, regulation, reserves, transformation losses, and ancillary services.

8.4 **Base Resource Percentage:** The percentage of the Base Resource generation that is allocated to a CVP power customer. This percentage will not be changed due to Base Resource exchanges that may occur as part of Exhibit B to the customer's Base Resource contract.

8.5 **CDEC:** CVP Corporation daily excess capacity energy (CDEC) made available by Western under its current program for marketing excess capacity in 2004.

8.6 **CVP Corporation Administrator:** Agent designated by the CVP Corporation to coordinate Bank Energy deliveries and Bank Return Energy deliveries with the Exchange Participants.

8.7 **CVP Generation:** Amount of power generated at CVP powerplants less station service usage.

8.8 **Designated Suppliers (DS):** One or more Exchange Participants that volunteer to provide Bank Energy to Western on behalf of the CVP Corporation, and have been approved to do so by the CVP Corporation Board.

8.9 **Energy Exchange Bank (EEB):** Accounting system maintained by Western which accounts for the value of all energy exchanged pursuant to Exhibit B between Western and CVP Corporation.

8.10 **Energy Exchange Bank Balance:** The value of the Energy Exchange Bank in dollars at any point in time.

8.11 **Energy Exchange Revolving Account (RA):** A financial account maintained by the CVP Corporation whose funds will be utilized to purchase energy to meet the Bank Energy requirements of Western, receive deposits from

the Exchange Participants, pay expenses and obligations related to the administration of the Participant Exhibit B, and accrue interest from investments.

8.12 **Energy Valuation Account (VA):** An accounting system maintained by the CVP Corporation to track each Exchange Participant's share of the valuation of energy on a weekly basis for the purpose of allocating Bank Energy and Bank Return Energy transactions.

8.13 **Exchange Participant (EP):** CVP Corporation member who executes a Participant Exhibit B.

8.14 **Exhibit B:** An exhibit of the CVP Corporation and Western contract 03-SNR-00583 that defines the terms and conditions of an energy exchange program to provide firm power to help meet the Project Use and First Preference Hourly Energy Deficit,

8.15 **First Preference:** Preference customer within a county of origin (Trinity, Calaveras, and Tuolumne) as specified under the Trinity River Division Act and the New Melones project provisions of the Flood Control Act of 1962.

8.16 **Hourly Energy Deficit:** When hourly scheduled CVP Generation plus Western purchases are not sufficient to meet the combined scheduled hourly energy needs of Project Use and First Preference customers.

8.17 **Participant Exhibit B:** The agreement between the CVP Corporation and an Exchange Participant that defines the terms and conditions for the Exchange Participant to (1) receive Bank Return Energy from Western, (2) provide funding to the CVP Corporation for the Bank Return Energy received, and (3) if agreed by the parties, become a Designated Supplier.

8.18 **Project Use:** Amount of power needed to deliver CVP water through CVP facilities.

8.19 **Uncontrollable Forces:** Any cause beyond the control of the CVP Corporation, including but not restricted to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order of public authority and action or non-action by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence the CVP Corporation could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome.

8.20. **Voluntary Contribution:** A voluntary cash advancement of funds that an Exchange Participant makes to the CVP Corporation to be added to the Energy

Exchange Revolving Account for use as the CVP Corporation determines pursuant to the terms and conditions of this Participant Exhibit B.

9. **Project Use and First Preference Energy Needs:**

9.1 There are periods of time when CVP Generation is insufficient to meet the Project Use and First Preference energy needs. This can occur on an hourly, daily, weekly, or longer basis and typically occurs during the fall and winter months. When CVP Generation is insufficient, Western is responsible for ensuring that energy is available to meet Project Use and First Preference power requirements. Base Resource is available under Western's 2004 Power Marketing Plan only after Western meets its obligations to Project Use and First Preference customer power. Western has determined that to meet its Project Use and First Preference obligations, Western must establish an Energy Exchange Bank account for CVP Corporation transactions.

9.2 Exhibit B of the Western and CVP Corporation contract requires the CVP Corporation to provide Western the necessary Bank Energy to meet Western's Project Use and First Preference needs, but only up to the point of the value in the Energy Exchange Revolving Account. The Exchange Participants may also be asked to provide Voluntary Contributions if additional funds are needed in the Energy Exchange Revolving Account. If Voluntary Contributions are made by the Exchange Participants to achieve a higher threshold, the new threshold level will be determined by the mutual agreement between Western and the CVP Corporation.

10. **Energy Exchange Arrangement:**

10.1 General Concepts:

10.1.1 Western shall maintain and administer an Energy Exchange Bank to track Bank Energy and Bank Return Energy values.

10.1.2 Monthly, Western will provide a statement of Energy Exchange Bank transactions, including an ending Energy Exchange Bank Balance to CVP Corporation. Any time that CVP Corporation provides Bank Energy to Western, the Energy Exchange Bank Balance will be reduced accordingly. Any time that Western provides Bank Return Energy to CVP Corporation, the Energy Exchange Bank Balance will be increased accordingly.

10.1.3 CVP Corporation will provide Bank Energy to Western, and Western will provide Bank Return Energy to CVP Corporation subject to scheduling protocols developed by Western and the CVP Corp.

10.1.4 Western and the CVP Corporation have agreed to use the Dow Jones daily average firm NP15 index prices for the Bank Energy and Bank Return Energy transactions under Exhibit B of the Western/CVP Corporation Contract. As an alternative in the event the Dow Jones NP15 index prices are no longer available, Western and the CVP Corporation have agreed to use the Inter-Continental Exchange (ICE) index prices. Western and the CVP Corporation agree to provide as much notice as possible in the event of a change to the ICE index. Upon mutual agreement of Western and the CVP Corporation, an alternative index may be used if the need arises.

10.1.5 Western and CVP Corporation agree that the Energy Exchange Bank Balance will swing through the Federal Fiscal year (October 1 through September 30), but Western and the CVP Corporation will attempt by September 30 of each year to return the Energy Exchange Bank Balance to zero.

10.1.6 It is the intent of Western and the CVP Corporation that the Energy Exchange Bank Balance will be zero prior to the termination of the CVP Corporation and Western Exhibit B. If the Energy Exchange Bank Balance is not zero, Western and the CVP Corporation agree to the following:

1) If Western owes CVP Corporation energy (the Energy Exchange Bank Balance is negative), Western will schedule sufficient energy to CVP Corporation within one year of termination to bring the Energy Exchange Bank Balance to zero. After the Energy Exchange Bank Balance has been brought to zero the CVP Corporation will return to the Exchange Participants the remaining funds in the Energy Exchange Revolving Account, after meeting any outstanding expenses and obligations of the CVP Corporation related to the Participants Exhibit B, based on each of the Exchange Participants dollar total remaining in the Energy Exchange Revolving Account or

2) If CVP Corporation owes Western energy (the Energy Exchange Bank Balance is positive) CVP Corporation will pay Western the monetary value remaining in the Energy Exchange Bank within 30 days of termination to bring the Energy Exchange Bank Balance to zero, unless otherwise agreed. Any funds remaining in the Energy Exchange Revolving Account after this obligation has been met will be returned to the Exchange Participants as stated in 1) above.

10.2 Bank Energy Provisions:

10.2.1 Each month, Western will submit to CVP Corporation (1) monthly forecasts of available Base Resource energy, and (2) an estimate of Bank

Energy that will be required by Western. The procedures and timeline for submitting weekly and daily information between Western and the CVP Corporation is set forth in Attachment 2 to Exhibit B in the CVP Corporation and Western contract.

10.2.2 The Bank Energy that the CVP Corporation causes to be delivered to Western will be Western Electricity Coordinating Council (WECC) "Firm" energy, valued using the on-peak and off-peak firm NP15 index price for the day the energy is delivered. The on-peak index will be used for energy delivered during on-peak hours; the off-peak index will be used for energy delivered during off-peak hours. The applicable day's on-peak or off-peak index price will be multiplied by the number of megawatts delivered each hour of the day. The calculated sum for all hours of the day, multiplied by an administrative adder of 1.05, will determine the dollar value of the Bank Energy supplied for that day and will be added to the amount owed by Western to the Energy Exchange Bank. Attachment 1 to Exhibit B of the CVP Corporation and Western contract provides an example of how the bank accounting process will work.

10.2.3 The CVP Corporation will provide to Western a certain number of megawatts for each respective hour of the active day, and will confirm these hourly amounts with Western. The CVP Corporation will cause to be delivered the requested Bank Energy to Western at Western's Tracy 230-kV substation (or as otherwise agreed) in accordance with the schedule received from Western. All ISO load-related costs, including ISO export costs associated with deliveries of Bank Energy from the ISO grid to the SMUD Control Area shall be borne by Western, excluding ISO congestion costs, which shall be borne by the Designated Supplier(s). All delivery costs from outside of California shall be borne by the Designated Supplier(s).

10.2.4 If the CVP Corporation and Western agree, Bank Energy can be delivered to a point other than on Western's transmission system.

10.2.5 The CVP Corporation Administrator will coordinate the arrangements for the delivery of energy to Western. The details of this coordination process are contained in Attachment A, Scheduling Protocols, and the associated timelines in Attachment B, Timelines for Scheduling. After Bank Energy is delivered, entities providing the energy will bill the CVP Corporation for that energy based upon the on-peak and off-peak firm NP15 index price for the day the energy is delivered. The on-peak index will be used to pay for the energy delivered during on-peak hours and the off-peak index will be used to pay for energy delivered during the off-peak hours. When a bill is received from the Designated Supplier, the CVP Corporation Administrator will verify the energy

deliveries and associated index value and then direct the CVP Corporation Treasurer to make the payments to each Designated Supplier.

10.2.6 If the CVP Corporation does not provide a schedule to supply the Bank Energy in accordance with Western's request, Western will acquire the required energy through other means. The CVP Corporation will reimburse Western for the actual acquisition and transmission costs, including applicable control area charges, to obtain the requested energy. Western will submit a bill to the CVP Corporation and the CVP Corporation shall pay Western the amount due in accordance with the terms of Western's General Power Contract Provisions in effect at the time. If the non-delivery of Bank Energy was the fault of a Designated Supplier, the Western bill for non-delivery will be passed to the Designated Supplier for payment to the CVP Corporation. The defaulting Designated Supplier will receive a payment from the CVP Corporation for the energy value equal to its energy obligation scheduled, including the value for the quantity of energy that was not delivered at the applicable on-peak or off-peak firm NP-15 price index. If the non-delivery of Bank Energy was due to an Uncontrollable Force, Western and CVP Corporation agree that to determine the value of the Bank Energy to be added to the amount owed by Western to the Energy Exchange Bank, Western and the CVP Corporation will value the Bank Energy that was scheduled, but unable to be delivered, based on the actual cost of the energy purchased by Western to keep the Bank Energy schedule whole. Actual cost will be used in place of using the firm NP15 index to value the energy. In the instance of an Uncontrollable Force, the CVP Corporation will not forward a bill to the Designated Suppliers.

10.2.7 When the CVP Corporation reimburses Western as set forth in Section 10.2.6, Western shall use the valuation process set forth in Sections 10.2.2 and 10.2.6 to determine the value of the Bank Energy to be added to the amount owed by Western in the Energy Exchange Bank.

10.3 Bank Return Energy Provisions:

10.3.1 Western will provide Bank Return Energy to the CVP Corporation during times when the CVP Generation exceeds Project Use and First Preference Energy needs. Each month Western will submit to the CVP Corporation an estimate of Bank Return Energy availability. The CVP Corporation will notify the Exchange Participants of the parameters in Section 10.3.2 by which they should estimate their Bank Return Energy forecasts. Since Bank Energy is energy received by Western on behalf of Project Use and First Preference customers. Western will schedule Bank Return Energy prior to scheduling Base Resource energy, provided the Bank Return Energy does not exceed 10 percent of the available Base Resource in any hour, unless otherwise agreed to by Western.

10.3.2 When Western makes Bank Return Energy available to the CVP Corporation, and if the CVP Corporation opts to receive such Bank Return Energy, then the Bank Return Energy must be 1) scheduled for at least 6 consecutive hours and 2) the maximum Bank Return Energy scheduled in any hour must not exceed one-sixth of the total quantity of the Bank Return Energy amount for the day (i.e. if the total Bank Return Energy provided for the day is 300 megawatt hours (MWH), then the maximum schedule in an hour can not exceed 50 MWH). Each Exchange Participant may independently select which six or more consecutive hours they wish to schedule the Bank Return Energy.

10.3.3 Western will provide CVP Corporation with monthly estimates of Bank Return Energy available. In addition to the monthly estimates, the procedures and timeline for submitting weekly and daily information between Western and the CVP Corporation is set forth in Attachment 2 to Exhibit B in the CVP Corporation and Western contract. In accordance with the timeline in Attachment 2, CVP Corporation will provide Western with an hourly amount of requested Bank Return Energy. Western will notify CVP Corporation whether or not it is able to meet the requested amount and then confirm an hourly schedule, in accordance with the timeline in Attachment 2. Western will deliver the Bank Return Energy to CVP Corporation at Western's Tracy 230-kV substation (or as otherwise agreed). All costs associated with deliveries of Bank Return Energy from Western's Tracy 230-kV Substation point of delivery (or alternate point of delivery as agreed by Western and the CVP Corporation) shall be borne by the CVP Corporation. If the Parties agree, Bank Return Energy can be delivered to a point other than on Western's transmission system.

10.3.4 The Bank Return Energy Western delivers to CVP Corporation will be WECC "Firm" energy, valued using the on-peak and off-peak NP15 index price for the day the energy is delivered. The on-peak index will be used for energy delivered during on-peak hours; the off-peak index will be used for energy delivered during off-peak hours. The applicable day's on-peak or off-peak index price will be multiplied by the number of megawatts delivered each hour of the day. The calculated sum for all hours of the day will determine the dollar value of the Bank Return Energy supplied for that day and will be subtracted from the amount that Western owes in the Energy Exchange Bank.

10.3.5 The CVP Corporation will send a monthly invoice to each participant for the Bank Return Energy received. The rate per KWh will be based on the on-peak and off-peak firm NP15 price for the day the energy is delivered. To determine a daily amount owed to the CVP Corporation by an Exchange Participant, the applicable day's on-peak and/or off-peak index price will be multiplied by the number of megawatts delivered to the

Exchange Participant each hour of the day and then multiplied by a factor of 0.95. The daily amounts will be summed to get a monthly total dollar amount for billing by the CVP Corporation.

11. **Exchange Process:**

11.1 Western provided excess capacity sales to the Exchange Participants starting on June 20, 2004 to seed the CVP Corporation with CDEC, and the money the CVP Corporation received from those sales was put into the Energy Exchange Revolving Account. That balance will be used by the CVP Corporation to pay for energy purchases to meet the scheduled firming requirements for Project Use and First Preference energy needs.

11.2 CVP Corporation Bank Accounts

11.2.1 The CVP Corporation will maintain two accounts; the Energy Exchange Revolving Account and the Energy Valuation Account. The Energy Exchange Revolving Account will be a monthly financial account to receive payments from the Exchange Participants, make payments for Bank Energy delivered, and accrue interest on deposits. The Energy Valuation Account will be an account kept by the CVP Corporation Administrator that will be updated hourly and summarized weekly to allocate Bank Energy and Bank Return Energy among the Exchange Participants.

11.2.2 The Energy Valuation Account will track the dollar value in the account for each Exchange Participant. The individual Exchange Participants will have their percentage shares in the Energy Valuation Account updated weekly, unlike the Energy Exchange Revolving Account, to track Exchange Participants deposits into and withdrawals from the account. The weekly update will be done because the actual financial account numbers in the Energy Exchange Revolving Account will sometimes lag the current transactions that will be contained in the Energy Valuation Account

11.2.3 The purpose of the Energy Valuation Account is to track each Exchange Participant's percentage share of Bank Energy and Bank Return Energy. The valuation of each participants share will be updated on a weekly basis. Thus, the percentage share for each participant will be known and constant during each week's scheduling activities. Percentage shares in the Energy Valuation Account will be recalculated each Friday and will be applied to schedules for trade dates during the seven day period beginning the following Thursday. The Energy Valuation Account will only have energy valuations and will not include interest and expenses that the Energy Exchange Revolving Account will have.

11.2.4 The initial account balance for each Exchange Participant in the Energy Valuation Account will reflect the payment made to the CVP

Corporation for the amount billed for CDEC. This amount will be adjusted to account for subsequent energy transaction changes, Voluntary Contributions, and new or terminating Exchange Participants. When withdrawals are made from the Energy Exchange Revolving Account to pay for Bank Energy purchases for Western, the withdrawals will be recorded pro rata based upon each Exchange Participant's balance in the Energy Valuation Account compared to the total Exchange Participant balance. When deposits are made to the Energy Exchange Revolving Account by the Exchange Participants for Bank Return Energy received, the deposits will record each payment made by the Exchange Participants, and the payment amounts will be reflected in the respective Exchange Participants' balances.

11.2.5 The Energy Exchange Revolving Account will be reconciled monthly with the Energy Valuation Account to link the financial account with the dollar valuation of each Exchange Participant's Bank Energy and Bank Return Energy transactions.

11.3 Delivery of Bank Energy from CVP Corporation to Western

11.3.1 Western will request the Bank Energy from the CVP Corporation in accordance with Exhibit B of the Western and CVP Corporation contract. The CVP Corporation will cause to be purchased Bank Energy using the dollars in the Energy Exchange Revolving Account to purchase the energy. The CVP Corporation will coordinate the delivery schedule to Western. The CVP Corporation will pay the Designated Supplier(s) for Bank Energy delivered based upon the on-peak and off-peak firm NP15 index price for the day the energy is delivered, as discussed in Article 10.2.2 of this exhibit.

11.3.2 When the CVP Corporation Energy Exchange Revolving Account is used to make purchases, the CVP Corporation will reduce pro rata each Exchange Participants account balance as discussed in 11.2.4.

11.3.3 If the Energy Exchange Revolving Account balance goes to zero, this program will temporarily cease to be used to provide firming energy for Project Use and First Preference energy needs. When Bank Return Energy is provided to the CVP Corporation participants and payments are received in the Energy Exchange Revolving Account, the program will be used again for Bank Energy requirements.

11.4 Bank Return Energy from Western

11.4.1 After Western notifies the CVP Corporation of the time frames that CVP energy is available for return, the CVP Corporation will notify the Exchange Participants of the time frame for availability, the total amount of Bank Return Energy each is entitled to schedule, and the maximum hourly amount that may be scheduled.

11.4.2 When Bank Return Energy is made available to the CVP Corporation, the CVP Corporation will allocate that availability among the Exchange Participants based upon the Base Resource percentage of each Exchange Participant normalized to 100 percent of those participating in this Participant Exhibit B. Each Exchange Participant will determine, within the time frame provided by Western, the days and hours when they will schedule the Bank Return Energy. They will then coordinate the schedule to the CVP Corporation and include their Bank Return Energy schedule with the Base Resource schedule they provide to Western. The CVP Corporation will then bill the Exchange Participants as discussed in Article10.3.5.

11.4.3 There will be two different time periods and thus two different procedures for scheduling Bank Return Energy.

11.4.3.1 From September 1 to March 31 of each year the Bank Return Energy can be scheduled by an Exchange Participant utilizing the procedures outlined in Section 10.3 on an as available basis. Each Exchange Participant will be allowed to schedule up to its normalized Base Resource Percentage of the Bank Return Energy available on a daily basis.

11.4.3.2 From April 1 to August 31 of each year a value reservation system will be used in order to give each Exchange Participant an opportunity to schedule their Bank Return Energy value in a manner that best meets their needs. The value of the Bank Return Energy in the Energy Valuation Account as of April 1 of each year will be allocated to each Exchange Participant based upon the Base Resource Percentage of each participant normalized to 100 percent. That value is then reserved for the Exchange Participant for scheduling within the April 1 to August 31 reservation period in compliance with the procedures outlined in Section 10.3. Within the reservation period each Exchange Participant can schedule up to their allocated amount of Bank Return Energy until their dollar value of Bank Return Energy allocated to them in their Energy Valuation Account is reduced to zero. An example of this process is shown in Attachment C.

11.4.4 The Energy Valuation Account will be used to track each Exchange Participants Bank Return Energy value. If any Exchange Participant has value in the Energy Valuation Account during the April 1 to August 31 value reservation period, new CVP Corporation participants will not be allowed to join this Participant Exhibit B. New participants can join this Participant Exhibit B during the period from September 1 through March 31 and can

also join from April 1 to August 31 if all of the existing Exchange Participants have a zero Bank Return Energy value in the Energy Valuation Account.

11.4.5 For the hourly scheduling of Bank Return Energy under either Section 11.4.3.1 or Section 11.4.3.2 time period, the CVP Corporation will allocate the Bank Return Energy limits provided by Western to each Exchange Participant based upon the Base Resource Percentage normalized to 100 percent. For example, Participant A has a Base Resource Percentage of 20 percent and Participant B has a Base Resource Percentage of 30 percent. The percentages normalized to 100 percent are 40 percent and 60 percent respectively. If Western states that the maximum limit for Bank Return Energy scheduling is 50 MWh, Participant A can schedule up to 20 MWh (40% times 50 MWh) and Participant B can schedule up to 30 MWh (60% times 50 MWh). Each Exchange Participant can schedule up to their allocated amount as long as they comply with the provisions of Article 10.3.2.

11.4.6 It is the responsibility of each Exchange Participant to schedule the Bank Return Energy reserved pursuant to Section 11.4.3.2 by August 31 of each year. If the Exchange Participant does not want to schedule any or all of its Bank Return Energy reserved pursuant to Section 11.4.3.2, the Exchange Participant will notify the CVP Corporation Administrator of its intent to not schedule Bank Return Energy. The CVP Corporation Administrator will then notify the other Exchange Participants of the availability of Bank Return Energy from that Exchange Participant. The remaining Exchange Participants may then schedule that energy value. If more than one Exchange Participant wants to schedule the energy value, it will be prorated amongst the interested parties based upon their Base Resource percentage normalized to 100 percent. If none of the other Exchange Participants want to schedule the Bank Return Energy by September 30, the Exchange Participant who did not schedule its reserved Bank Return Energy value is still obligated to pay that value to the CVP Corporation for deposit into the Energy Exchange Revolving Account.

12. **Administration:**

12.1 NCPA will initially be the CVP Corporation Administrator to coordinate the Bank Energy purchases and the Bank Return Energy with Western. The CVP Corporation Administrator will coordinate the schedules of the Exchange Participants with Western and will also maintain the accounts. NCPA will also act on behalf of its members who assign their CVP Base Resource percentage to NCPA, thus representing those assignments who are participating in this agreement.

12.2 The interest that accrues in the Energy Exchange Revolving Account will be pro rata allocated to each Exchange Participant based on the dollar value that

each Exchange Participant has in the Energy Valuation Account. The CVP Corporation board, however, may utilize an appropriate amount of the interest that accrues in the Energy Exchange Revolving Account to offset the administrative and overhead expenses of this program. If such administrative and overhead expenses are greater than the accrued interest earnings, the CVP Corporation Board of Directors may authorize the collection of monthly or annual fees to be paid by the Exchange Participants.

12.3 It is recognized that the CVP Corporation will have full use of the funds in the Energy Exchange Revolving Account; however, such use of funds will be limited to the energy exchange arrangements made pursuant to Exhibit B of the Western-CVP Corporation Contract and this Participant Exhibit B. Funds in the Energy Exchange Revolving Account will only be invested in US Treasury or US Agency securities or money market funds that invest only in such securities. The CVP Corporation is required to have in place by January 1, 2005 all the arrangements necessary to carry out the energy exchange program established pursuant to Exhibit B of the Western-CVP Corporation Contract and this Participant Exhibit B.

12.4 The CVP Corporation will provide the Exchange Participants a monthly report on the CVP Corporation Energy Exchange Revolving Account along with each Exchange Participants share of the balance. The CVP Corporation will also provide a copy of the monthly reports that Western provides to the CVP Corporation, including a statement of the Energy Exchange Bank transactions and the ending Energy Exchange Bank balance, if there is a discrepancy between the CVP Corporation reports and that of an Exchange Participant, the parties will meet to reconcile the numbers.

12.5 Any Exchange Participant may audit the accounting of this exchange program at the Exchange Participant's own expense.

13. **Termination:**

13.1 The term of this Participant Exhibit B shall be coincident with the term of Contract 03-SNR-00583 or until Exhibit B of that contract is terminated. Either party may terminate this Participant Exhibit B upon 120 days advance written notice to the other, provided all obligations will be preserved until satisfied. An Exchange Participant will not be allowed to terminate this Participant Exhibit B, however, until their entire Bank Return Energy has been returned and they have paid the CVP Corporation for the value of the Bank Return Energy.

13.2 If an Exchange Participant terminates this Participant Exhibit B with the CVP Corporation, its share of the funds held in the Energy Exchange Revolving Fund as a result of the initial CDEC seeding program will not be returned to the Exchange Participant, including any interest on such funds, but will remain in. the Energy Exchange Revolving Fund until Exhibit B between the CVP Corporation

and Western is terminated. If there is still money in the CVP Corporation Energy Exchange Revolving Account for CDEC when Exhibit B between the CVP Corporation and Western is terminated, the Exchange Participant will be refunded its share of the remaining dollars.

13.3 When Exhibit B between the CVP Corporation and Western is terminated, the share of the funds remaining in the Energy Exchange Revolving Fund will be returned after the requirements in 10.1.6 of this exhibit are satisfied. The Exchange Participant will be refunded the total of all Voluntary Contributions that were made by the terminating Exchange Participant to the CVP Corporation Bank Account, by no later than the one-year anniversary of the terminating Exchange Participant's written notice. The returned Voluntary Contributions will be paid interest earned at the average rate of the CVP Corporation Energy Exchange Revolving Account starting from 120 days after the termination notice until the funds are returned. No funds will be return to the Exchange Participant for payments made by the Exchange Participant to the CVP Corporation for Bank Energy received or any energy received during the seeding phase under this Participant's Exhibit B, except at the time of the termination of the Western-CVP Corp Contract and/or Exhibit B to the Western-CVP Corp Contract, per Section 10.1.6 of this Participant's Exhibit B.

APPROVED AS TO FORM:

ROLAND D. PFEIFER
Assistant City Attorney

ATTEST:

City Clerk

EXCHANGE PARTICIPANT

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By: Jennifer Sparacino

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By:

Title: Chairman

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ATTACHMENT A

EXCHANGE PARTICIPANT SCHEDULING PROTOCOLS

1. PURPOSE

The purpose of these protocols is to provide the CVP Corporation Exchange Participant (EP) with written instructions to follow so that the CVP Corporation Administrator (CCA) can arrange for Bank Energy and Bank Return Energy to be scheduled with Western to satisfy all the requirements under the Participant Exhibit B.

2. RESPONSIBILITY

2.1 The CCA will follow all provisions of the Participant Exhibit B. The CCA will coordinate all schedules with the EP. The CCA will notify the EP of all Bank Return Energy that Western will provide to CVP Corporation and all Bank Energy requested by Western from CVP Corporation for delivery to Western following the timelines in Attachment B. The CCA, in addition to Westerns postings, will provide the EP with all of the Western forecasts and reports pertaining to Bank Energy Accounts.

2.2 Each quarter the CCA will post those EP that will be Designated Suppliers (DS) of Bank Energy. A list of all DS will be made available to all EP. The DS shall follow the timelines in Attachment A to provide Bank Energy when it is requested by the CCA.

2.3 The DS will be allocated a percentage share of all Bank Energy, both in the CAISO & SMUD Control (SCA) areas, as requested by the CCA each quarter pursuant to Section 2.1. The CCA will update the quarterly posting to add to the list additional DS and change the percentage allocation assigned to each DS as needed. The initial list of DS will include SMUD, NCPA, SVP and Redding. Those EP that elect to become a DS shall give notice to the CCA and be approved by the CVP Corporation Board. The CVP Corporation Board will establish the normalized percentages for each DS based on each DS Base Resource Percentage.

Example: If SMUD, NCPA, SVP & Redding were DS the normalized percentage of the Base Resource would be used. SMUD=44.6%, NCPA=30.3%, SVP=13.0% and Redding =12.1% (includes Shasta assignment). If another DS were to be added to the list or other assignments made, then the percentages would be adjusted.

2.4 The DS may coordinate amongst themselves and change the allocations to

achieve maximum efficiency as long as the Bank Energy request is met. The original DS, however, will be responsible for the delivery of its share of Bank Energy to Western.

3. PROCEDURE

3.1 Bank Energy

3.1.1 Western will provide CCA with the requested Bank Energy per hour in accordance with Section 10.2 of Participant Exhibit B. The CCA will allocate to each DS its share of the Bank Energy schedule request received from Western in accordance with Section 2.3 of this Attachment.

3.1.2 Each DS will provide the CCA all data on how it plans to meet its share of the energy required for the scheduling period being scheduled or other arrangements they have agreed to with the CCA and other DS. These other arrangements may include one or more of the DS scheduling all of the Bank Energy with Western. All data provided by the DS will follow the timelines listed in Attachment B.

3.1.3 When Bank Energy is scheduled to Western by the DS, the DS share of the requested energy schedules will contain the same percentage share for each of the hours Western requested. Any deviation from the same percentage for each requested hour will be as mutually agreed to between the DS and the CCA.

3.1.4 The CCA will manage both the Energy Valuation Account (VA) and the Energy Exchange Revolving Account (RA) for the EP. Each EP will have a percentage share of the VA and a dollar amount associated with the RA. When Bank Energy is delivered to Western, the CCA will expend money from the RA to pay the DS for providing the Bank Energy pursuant to Section 10.2.5 of the Participant Exhibit B.

3.2 Bank Return Energy

3.2.1 Western will provide CCA with the availability for Bank Return Energy in accordance with Section 10.3 of the Participant Exhibit B. The CCA will post this information to the EP exactly as it was received from Western and provide each EP with its share of the Bank Return Energy that it can schedule. Of the total capacity and energy that Western will allow to be scheduled, each EP may schedule up to their share of the total each day. Each EP's share will be determined by multiplying the total made available by Western by the EP Base Resource percentage normalized to 100%. Each EP may not schedule more than one-sixth of its energy share in any one hour of the day.

3.2.2 When the EP schedules Bank Return Energy, the CCA will invoice them pursuant to Section 10.3.5 of the Participant Exhibit B.

4. ACCOUNTING

Bank Energy and Bank Return Energy will be accounted for as set forth in Section 11.2 of the Participant Exhibit B agreement.

5. COMMUNICATION

5.1 Western and CVP Corporation: Western will notify the CCA when Bank Energy is required or Bank Return Energy is available. Western will provide the Bank Energy request or Bank Return Energy availability information electronically to the CCA. The CCA will provide this information to the EP and/or DS depending on the type of energy being scheduled. This information will be updated as needed prior to the delivery date. The CCA will communicate with Western, the EP and/or DS schedules for delivery of Bank Energy or Bank Return Energy for the day requested according to the timelines in Attachment B.

5.2 CVP Corporation and the DS: The CCA will notify all DS of the Bank Energy obligation. If all DS have not communicated their availability to supply Bank Energy or their schedules of Bank Energy to the CCA on time, (according to the timelines in Attachment B), the CCA will call the DS to verify their schedules.

5.3 CVP Corporation and EP: The CCA will provide the EP's all necessary data for their schedules that are used for Bank Return Energy availability as forecasted by Western per timelines in Attachment B by electronic means.

6. SCHEDULING

6.1 BANK ENERGY

6.1.1 Following the guidelines in Section 3.1 and pursuant to Attachment B, the CCA will request the DS to schedule the Bank Energy directly with Western, based on the DS allocation percentage. If the DS schedules less than its share of Bank Energy, the CCA will coordinate with the DS to determine if an error was made.

6.1.2 If the DS cannot meet its allocation of Bank Energy, the DS shall coordinate with the other DS to have one of them meet all or part of its allocation amount. If there is a failure to deliver regarding the Bank Energy request, the DS who did not meet its allocation amount will have all costs associated with such failure billed to them. Even if the original DS has another DS supply all or part of the Bank Energy for it, the CVP Corporation will still hold the original DS responsible if the requested Bank Energy is not delivered.

6.2 BANK RETURN ENERGY

6.2.1 Western will provide the CCA with monthly estimates of Bank Return Energy availability for the EP to schedule pursuant to Section 3.2 and Attachment B. The CCA will distribute that information to the EP for its planning purposes.

6.2.2 On a daily basis Western will provide the total amount of Bank Return Energy that can be scheduled pursuant to the timelines provided in Attachment B. The CCA will allocate that daily amount to each EP, in accordance with each EP Base Resource Percentage normalized to 100 percent, to determine the amount each EP can schedule.

6.2.3 On a daily basis each EP can elect to schedule up to its daily allocated amount. The CCA will coordinate with each EP their request for Bank Return Energy.

6.2.4 Each EP that is scheduling its Bank Return Energy allocation will directly schedule with Western for delivery in accordance with the timelines in Attachment B.

7. REPORTS

7.1 In addition to the monthly estimates, Western will provide a statement of Energy Exchange Bank transactions, including an ending Energy Exchange Bank Balance to CVP Corporation.

7.2 The CCA will distribute Western's monthly report to each EP after it is received. In addition, the CCA will distribute weekly to each EP the value they have in the VA and the amount and value of Bank Return Energy that was scheduled by each of them.

ATTACHMENT B - Revision 1
TIMELINES FOR SCHEDULING

1. GENERAL CONCEPTS:

1.1 This Attachment B - Revision 1, to be effective under and as a part of Participant Exhibit B, shall replace the original Attachment B and shall remain in effect until superseded by another Attachment B or termination of Participant Exhibit B.

1.2 The CVP Corporation and the Exchange Participant will make best efforts to meet these timelines and protocols; Provided, That in the event of a conflict, the timelines as set forth in this Attachment 2 shall prevail. In the event the timelines and/or protocols require modification from time-to-time due to changing industry standards, Western and the CVP Corporation shall make the appropriate modifications to their timeline agreement and this Attachment 2 will be modified to reflect those changes.

1.3 CCA and Western will utilize the WECC scheduling calendar. Under WECC protocols, 7 days of transmission are scheduled in 5 days (Monday through Friday). Under this protocol,

Monday is the "Day Ahead" or "Scheduling Day" for Tuesday, the "Active Day,"

Tuesday is the "Day Ahead" or "Scheduling Day" for Wednesday, the "Active Day,"

Wednesday is the "Day Ahead" or "Scheduling Day" for Thursday, the "Active Day,"

Thursday is the "Day Ahead" or "Scheduling Day" for "Active Days" Friday and Saturday,

Friday is the "Day Ahead" or "Scheduling Day" for "Active Days" Sunday and Monday.

The protocol is modified for weeks that contain holidays or specially designated WECC non-scheduling days.

2. SCHEDULING BANK ENERGY TO WESTERN:

2.1 By 1600 hours, two days prior to the Scheduling Day, Western will advise CCA of its anticipated need for energy in the CAISO and/or SCA control areas to cover Project Use (PU) and First Preference (FP) customers for the applicable Active Days. The requirement will be provided electronically between Western and the CCA.

2.2 By 1605, two days prior to the Scheduling Day, the CCA will notify the DS electronically, of the request from Western for Bank Energy deliveries based on set percentages.

2.3 By 1200 hours, one day prior to the Scheduling Day, the DS will notify the CCA electronically of the amount of Bank Energy to be delivered and the delivery point.

2.4 By 1300 hours, one day prior to the Scheduling Day, CCA will confirm the required Bank Energy schedules to be provided and will provide Western by phone the energy amounts and delivery points for each DS.

2.5 By 0730 hours, of the Scheduling Day, each DS will notify the CCA of its schedule for Bank Energy to Western. If a DS anticipates a failure to schedule its obligation with Western, the DS will notify the other DS of the deficiency so they can schedule the energy to Western. The DS failing to schedule Bank Energy shall notify the CCA of arrangements made with other DS to meet its obligation to schedule Bank Energy to Western.

2.6 By 0730 hours, of the Scheduling Day, each DS will provide its Bank Energy final schedule information to Western electronically.

3. SCHEDULING BANK RETURN ENERGY FROM WESTERN:

3.1 By 1700 hours, three days prior to the Scheduling Day, Western will advise the CCA by electronic means of the amount of Bank Return Energy available to be scheduled by the EP.

3.2 By 0900 hours, two days prior to the Scheduling Day, the CCA will allocate the scheduling amounts available to each EP and transmit that information electronically.

3.3 By 1100 hours, two days prior to the Scheduling Day, each EP will provide its Bank Return Energy schedule to the CCA. The CCA will validate electronically all Bank Return Energy amounts.

3.4 By 1115 hours, two days prior to the Scheduling Day, the CCA will notify each EP by phone of receipt of its schedule and any validation problems with Bank Return Energy amounts.

3.5 By 1130 hours, two days prior to Scheduling Day, the EP will make necessary adjustments to its Bank Return Energy amounts to be scheduled and notify the CCA electronically.

3.6 By 1200 hours, two days prior to the Scheduling Day, the CCA will notify Western electronically of each EP's final Bank Return Energy schedule.

3.7 By 0100 hours, of the Scheduling Day, Western will provide the CCA the detailed scheduling information needed for the Bank Return Energy to be scheduled from Western to the EP.

3.8 By 0600 hours, of the Scheduling Day, the CCA will provide final Bank Return Energy schedules to each EP.

3.9 By 0800 hours, of the Scheduling Day, each EP will provide Bank Return Energy schedules to Western at the time of providing its Base Resource schedules.

4. FORECASTS:

In addition to the monthly estimates, the procedures and Timelines for submitting weekly and daily information between the Western and the CVP Corporation is set forth in Attachment B.

5. TIMELINE:

NCPA/WAPA/CVP Corporation/Participant Communication Timeline

(E) means electronic
(P) means by phone
(F) means by ftp or email
W-N means WAPA to NCPA
N-W means NCPA to WAPA
N-P means NCPA to CVP Corporation Participants
P-N means CVP Corporation Participants to NCPA
P-W means CVP Corporation Participants to WAPA
N-I means NCPA to ISC)
S means the Scheduling Day per the WECC Scheduling Calendar
A-3 means 3 days prior to the active day

BRE means CVP Corporation arrangement of bank return energy from Western
CBE means CVP Corporation arrangement of bank energy to Western

In the below, S refers to the Scheduling Day. So, Thursday is the scheduling day for Fri and Sat, Friday is the scheduling day for Sun and Mon.

S-3	**17:00 BRE**	**(E)W-N**	Amount of bank return energy available, probably published on the Web or by email
S-2	**9:00 BRE**	**(E) N-P**	Available bank return energy to each participant
S-2	**11:00 BRE**	**(E) P-N**	Each participant provides bank return energy schedule to CCA - CCA validates load shapes
S-2	**11:15BRE**	**(P) N-P**	Notification of any validation problems to participants
S-2	**11:30 BRE**	**(E) P-N**	Resubmission of bank return energy schedule, if necessary
S-2	**12:00 BRE**	**(E) N-W**	Final bank return energy schedules, by participant & delivery point
S	**1:00 BRE**	**(P or F) W-N**	Detailed scheduling information, such as split between SC trades and imports, any necessary scheduling and tagging information
S	**6:00 BRE**	**(E) N-P**	Final bank return energy schedule to each participant
S	**8:00 BRE**	**(E) P-W**	Detailed scheduling information, such as split between SC trades and imports, any necessary scheduling and tagging information
S	**15:00 BRE**	**(P) P-W**	E-tagging information for Western creation of tags for bank return energy
S-2	**16:00 CBE**	**(E) W-N**	CVP Corporation bank energy requirements in ISO and SCA areas
S-2	**16:05 CBE**	**(E) N-P**	Notify designated suppliers of required bank energy deliveries based on set percentages
S-1	**12:00 CBE**	**(E) P-N**	Designated suppliers notification on delivery of bank energy - MWh data in ISO and SCA areas
S-1	**13:00 CBE**	**(P) N-W**	Confirm intent to deliver CVP Corporation bank energy
S	**7.30 CBE**	**(E) P-N**	Designated suppliers bank energy schedules, any expected failure to deliver and arrangements

			for alternate delivery
S	7:30 CBE	(E) N-W	CVP Corporation bank energy schedules by participant by delivery point (**Participants have** then 2 hours for schedules with ISO)
	15:00 CBE	(P) W-P	E-Tagging information to participants for bank energy

Note: The 15:00 timeframe for providing E-tagging information is the latest possible time. E-Tagging information will be provided in a timely manner between the parties.

6. ENERGY UNITS:

All energy will be scheduled in whole megawatts.

7. E-TAGGING:

E-Tagging information will be exchanged in a timely manner between the CCA, EP and Western to facilitate scheduling.

ATTACHMENT C

(BANK RETURN ENERGY Example)

There will be two different scheduling procedures for Bank Return Energy depending upon the time of the year. The open scheduling period for Bank Return Energy is from September 1 through March 31 and is based upon an Exchange Participant's (EP) Base Resource (BR) percentage normalized to 100%. The second scheduling period will be a reservation period from April 1 though August 31 and each EP's share, also based on an EP's BR percentage normalized to 100%, of the April 1 Bank Return Energy (BRE) value will be reserved for its exclusive scheduling during this period.

For this example, assume that the CVP Corporation has four participants, each having a normalized Base Resource percentage of 10%, 25%, 15%, and 50% respectively, and that $1 million of Bank Energy was delivered to Western. The value of Bank Return Energy to be returned to the CVP Corporation is therefore $1.05 million ($1 million X 1.05). Therefore, the amount recorded in Energy Exchange Bank (EEB) as maintained by Western is $1,050,000 as a negative value (that is, the amount owed to the CVP Corporation). Furthermore, assume that Western does not request any Bank Energy (BE) during both periods provided in this example.

For Period September 1 through March 31:

During the September 1 though March 31 period, Western declares that Bank Return Energy is available for 10 days (not necessarily consecutive days) during this period and each day the value of the BRE offered is $40,000. An EP may take up to its BR percentage normalized to 100 percent of the BRE value offered each day. Assume that one participant schedules its share *every* day, while the other participants take some on various days. After the completion of the 10 days that BRE was offered, each EP has taken a value of BRE as shown in the table below. The total value of BRE taken during

this period equals $180,000. The remaining value of BRE would be $870,000 ($1,050,000-$180,000). The CVP Corporation would have been paid $171,000 ($180,000 minus 5%) by these EPs for the BRE received during this first period.

TABLE For Period September 1 through March 31

		Participant A	Participant B	Participant C	Participant D	Totals
Normalized BR%		10.00%	25.00%	15.00%	50.00%	100.00%
BRE Available	Value of BRE Available					
Day 1	$40,000	$4,000	$10,000			$14,000
Day 2	$40,000		$10,000	$6,000		$16,000
Day 3	$40,000		$10,000		$20,000	$30,000
Day 4	$40,000	$4,000	$10,000	$6,000		$20,000
Day 5	$40,000		$10,000			$10,000
Day 6	$40,000		$10,000			$10,000
Day 7	$40,000	$4,000	$10,000			$14,000
Day 8	$40,000		$10,000	$6,000	$20,000	$36,000
Day 9	$40,000		$10,000	$6,000		$16,000
Day 10	$40,000	$4,000	$10,000			$14,000
Total BRE value offered	$400,000					
BRE value taken this period		$16,000	$100,000	$24,000	$40,000	$180,000

EP pays CVP Corp	$15,200	$95,000	$22,800	$38,000	$171,000

Summary For Period September 1 through March 31

Initial EEB value	**$1,050,000**
BRE value taken this period	**$180,000**
BRE value added (Western requests BE)	$0
EEB value remaining	**$870,000**
Funds contributed to CVP Corp	**$171,000**

For Period April 1 through August 31:

During the April 1 though August 31 period, the remaining value of BRE, which is to be offered and taken on a reservation basis, has an initial value of $870,000. This will be allocated to the EPs based upon their BR percentage normalized to 100 percent and each EP may use it individually to meet its requirements as set forth in Section 11.4.3.2. During the April 1 though August 31 period each EP may only use the dollar value that is allocated to it on April 1, and they may use it anytime during this period when Western has BRE available. If Western did not have any BRE remaining before the end of the April 1 though August 31 period, this would indicate that all EPs would have already used their allocated shares of the BRE value. The value of BRE taken during the April 1 though August 31 period by each EP is shown in the table below, and the total value of BRE taken is $755,000. An EP that has not taken all its reservation value

of BRE by the end of the April 1 though August 31 period is still obligated to pay the CVP Corporation the full reservation value of BRE minus 5% by the end of that period. In this example, Participant D is still obligated to pay the CVP Corporation an amount of $109,250 ($115,000 minus 5%) after having taken some, but not all, of the BRE that was reserved for it by Western on behalf of the CVP Corporation. Once Participant D makes this final obligation payment, the CVP Corporation would have received the full revenue requirement of $826,500 ($870,000 minus 5%) for this latter period from all EPs together. If Western requires additional Bank Energy during this period, that value will be added to the Bank Return Energy that is allocated to each Exchange Participant.

TABLE For Period April 1 through August 31

	Participant A	Participant B	Participant C	Participant D	Totals
Normalized BR%	10.00%	25.00%	15.00%	50.00%	100.00%
BRE value offered					$870,000
Value Reserved for each EP	$87,000	$217,500	$130,500	$435,000	$870,000
Usage of BRE					
April		$50,000			$50,000
May		$150,000	$6,000		$156,000
June	$50,000	$17,500		$100,000	$167,500
July	$37,000			$120,000	$157,000
August			$124,500	$100,000	$224,500
BRE value taken this period	$87,000	$217,500	$130,500	$320,000	$755,000
Value of BRE reserved but not taken (EP still obligated to pay CVP Corp)	$0	$0	$0	$115,000	$115,000

EP Pays CVP Corp	$82,650	$206,625	$123,975	$413,250	$826,500

Summary For Period April 1 through August 31

Initial EEB value	**$870,000**
BRE value reserved this period	**$870,000**
BRE value added (Western requests BE)	$0
EEB value remaining	$0
Funds contributed to CVP Corp	**$826,500**

The CVP Corporation would have received the full revenue requirement of $997,500 ($1,050,000 minus 5%) for both periods, as shown below.

Summary For Both Periods Together (One Year)

Initial EEB value	**$1,050,000**
BRE value taken in September to March	**$180,000**
BRE value taken/reserved in April to August	**$870,000**
EEB value remaining	**$0**
Total Paid to CVP Corp for both periods ($1,050,000 X .95)	**$997,500**

The difference of $2,500 ($1M minus $997,500) is due to the mathematical fact that 1.05 times a quantity that is then multiplied by 0.95 does not exactly equal 1.00.

PARTICIPANT EXHIBIT C

CONTRACT FOR DISPLACEMENT OF BASE RESOURCE

1. This Participant Exhibit C to be effective under, and as part of, the CVP Corporation Membership Agreement (Agreement), shall become effective on Jun 6, 2009 and shall remain in effect until either superseded by another Participant Exhibit C, terminated in accordance with Section 4 of this exhibit, or termination of Contract 09-SNR-01256 (Displacement Contract).

2. The purpose of the Displacement Program is to preserve the value and benefit of the First Preference Power (FPP) and Base Resource (BR) allocations, create efficiencies amongst Central Valley Project (CVP) customers, and minimize delivery costs among the Non-Direct Connect Customers (NDCC) and the Direct Connect Customers (DCC). The CVP Corporation (CVP Corp) has agreed to be the Displacement Program Administrator of a base resource displacement program as more fully described in the Displacement Contract between DCCs, NDCCs and the Western Area Power Administration (Western). This Participant Exhibit C will establish the obligation of NDCCs and DCCs to pay for the costs of the program incurred by CVP Corp in performing its administrative responsibilities.

3. Explanatory Recitals:

3.1 Consistent with Western's 2004 Power Marketing Plan, Western provides FPP to First Preference Customers under a full requirements contract and provides a percentage of the Base Resource (BR) to CVP customers under a BR contract. FPP and BR customers that are not directly connected to Western's transmission system shall be referred to as NDCCs. FPP and BR customers that are directly connected to Western's transmission system shall be referred to as DCCs.

3.2. The Federal Energy Regulatory Commission (FERC) conditionally approved the California Independent System Operator's (CAISO) proposed Integrated Balancing Authority Area (IBAA) proposal on September 19, 2008. The CAISO implemented the IBAA proposal simultaneously with the start-up of its Market Redesign and Technology Upgrade (MRTU).

3.3. Under IBAA, imports from the Sacramento Municipal Utility District (SMUD)/Western and Turlock Irrigation District (TID) BAs into the CAISO BA are priced differently than exports from the CAISO BA into the SMUD/Western and TID BAs and therefore implementation of IBAA could result in adverse financial impacts to both the NDCCs and the DCCs. The NDCCs and DCCs believe that the CAISO's MRTU pricing proposal may expose them to increased financial exposure, unreasonable congestion and loss charges, and unpredictable pricing outcomes. The NDCCs and DCCs further believe the IBAA pricing proposal may have the effect of causing sales to the CAISO from the SMUD/Western and TID

BAs to be uneconomic in certain circumstances to the ultimate detriment of the NDCC and DCC ratepayers.

3.4. The loads that the NDCCs are serving with power received under their FPP and BR contracts incur charges from the CAISO for imports from the SMUD/Western and TID BAs.

3.5. At times the DCCs export resources out of the CAISO BA into the SMUD/Western and TID BAs, resulting in DCCs incurring charges from the CAISO.

3.6 The NDCCs and the DCCs seek to create a Displacement Program under which the NDCCs FPP or BR can be scheduled to the DCCs in the SMUD/Western and TID BAs, and the DCCs in turn can schedule an equal amount of energy in quality, quantity, and timing to the NDCCs from resources scheduled from or through the CAISO BA.

3.7. In consideration of the CAISO's IBAA program, Western is offering the Displacement Program as a means to continue to fulfill the intent of the 2004 Power Marketing Plan.

3.8. Western is willing to facilitate a Displacement Program of FPP and BR with the NDCCs and the DCCs.

3.9 Although the Western Displacement Contract documents the terms and conditions for a Displacement Program for FPP and BR, it does not preclude the future inclusion of Project Use Energy (PUE) under the Displacement Program when Western and the Bureau of Reclamation have deemed it appropriate for PUE to be included. The terms and conditions for the inclusion of PUE would be determined at that time.

3.10 The Displacement Program principles, scheduling and settlement processes to be used in the Displacement Program are delineated in the Displacement Contract.

3.11 This exhibit establishes the repayment mechanisms necessary to pay for the services required to enable the Displacement Program. The CVP Corp will have a contract with the Displacement Scheduling Aggregator who will be responsible for scheduling the displaced BR energy between DCCs and NDCCs on an hourly basis, calculating the savings statements, and preparing corresponding financial reports which will be used as input for invoicing. Another CVP Corp contract will be with a Scheduling Coordinator which will schedule the trades between the DCCs and NDCCs to the CAISO. A third contract for a Billing Agent is required to collect and make payments to and from the participants as calculated by the Displacement Scheduling Aggregator and collect fees from the participants to pay for the service contracts required to

enable the displacement transactions. The fees collected under this Exhibit C will be used to pay for these and other services as required to implement the Displacement Program.

4. EFFECTIVE DATE AND TERM OF CONTRACT:

4.1 This Exhibit C shall become effective on the first day Western designates the Displacement Program to be effective and shall remain in effect until midnight of December 31, 2024, subject to prior termination as otherwise provided for herein.

4.2 Western's consent is required before any BR, FPP, or PUE customer can participate in the Displacement Program.

4.3 At any time during the term of this Exhibit C, any participant may terminate its participation under this Exhibit C for any reason upon twenty eight (28) calendar days advance written notice to the CVP Corp and Western that it intends to terminate its participation in the Displacement Program. Such termination shall be effective no earlier than the first day of the calendar month that falls at least 28 calendar days after such notification is provided. After a DCC or NDCC has terminated its participation in the Displacement Program, Western will modify Exhibit A of Contract 09-SNR-01256 as appropriate to remove such NDCC or DCC.

4.4 The term of this Participant Exhibit C shall be coincident with the term of Contract 09-SNR-01256. This Exhibit C will remain in effect as long as there is at least one NDCC and one DCC, unless terminated earlier by Western in accordance with the Displacement Contract.

4.5 All obligations incurred hereunder by any individual DCC or NDCC shall be preserved until satisfied. If the Displacement Scheduling Aggregator has made a commitment for information technology or other services beyond the date when the Displacement Program is terminated, the DCCs and NDCCs will be responsible for those costs in accordance with the CVP Corp/Displacement Scheduling Aggregator contract. Similarly, any CAISO costs incurred by the Scheduling Coordinator and billed after the termination date along with the associated costs incurred by the Billing Agent to finalize the payment of costs will be the responsibility of the DCCs and NDCCs.

5. DEFINITION OF TERMS:

Unless defined in Section 5 of this Exhibit C or defined elsewhere in this exhibit, all terms used in this exhibit with initial capitalization shall have the same meaning as those contained in the Master Definitions Supplement of the CAISO Tariff. In addition, as used herein, the following terms whether singular or plural, or used with or without initial capitalization, shall have the following meanings:

5.1 "Administrative Base Fee" means the fee collected by CVP Corp from the DCCs and NDCCs for covering ongoing administrative costs of the Displacement Program.

5.2 "Administrative Startup Fee Premium" means the fee collected by CVP Corp for covering the startup costs of the Displacement Program

5.3 "Base Resource" means CVP and Washoe Project power output, as determined by Western to be available for marketing, after (1) meeting the requirements of Project Use and First Preference Customers, and (2) any other adjustments required for maintenance, regulation, reserves, transformation losses, and ancillary services. For the purpose of this exhibit BR shall also include energy from the Hourly Exchange Program.

5.4 "Billing Agent" means the entity required to collect and make payments to and from the participants as calculated by the Displacement Scheduling Aggregator and collect fees from the participants to make payments for the service contracts required to enable the displacement transactions.

5.5 "CAISO" means the California Independent System Operator Corporation or its successor.

5.6 "Displacement Account" means the CVP Corp account that is used to deposit and withdraw money to settle the transactions of the Displacement Program.

5.7 "Displacement Contract" means the agreement between Western and NDCCs and DCCs executed to establish the Displacement Program.

5.8 "Displacement Energy" means energy transactions under the Displacement Contract.

5.9 "Displacement Program" means the program developed by Western, the NDCCs and DCCs and documented in the Displacement Contract to provide for the displacement of BR, FPP and PUE.

5.10 "Displacement Scheduling Aggregator" means the entity that has contracted with the Displacement Program Administrator to perform the duties related to determining allocation of costs and benefits among the DCCs and NDCCs to the Displacement Program.

5.11 "First Preference Customer" means a customer or preference-qualified entity located within Trinity, Calaveras, or Tuolumne Counties, California, as specified under the Trinity River Division Act (69 Stat. 719) and the New Melones provisions of the Flood Control Act of 1962 (76 Stat. 1173, 1191-1192).

5.12 "First Preference Power" means capacity and energy available under a First Preference Customer entitlement, which is the sum of 1) CVP generation, including energy exchanges with other entities; and 2) purchases made to meet the combined Project Use and First Preference Customer loads.

5.13 "Hourly Exchange Program" means the program in which all BR energy in excess of a CVP customer's load is retained by Western and offered by Western for sale to other CVP customers.

5.14 "Marketing Plan" means Western's 2004 Power Marketing Plan for the Sierra Nevada Region.

5.15 "Prefunding Entity" means any entity or Participant that pre-funds the startup costs of the Displacement Program

5.16 "Project Use Energy" means the power used to operate CVP and Washoe Project facilities in accordance with authorized purposes and pursuant to Reclamation Law.

5.1.7 "Scheduling Coordinator" means the entity that will schedule the trades between the DCCs and NDCCs to the CAISO.

6. PAYMENT OBLIGATIONS:

6.1 NDCCs and DCCs agree that they will be responsible for all costs allocated to them under the Displacement Program.

6.1.1 Under the terms of this Exhibit, the NDCCs and DCCs will reimburse the CVP Corp for all costs of administrating the Displacement Program.

6.1.2 The CVP Corp will be responsible for determining and settling the collection and payment of Displacement Program savings between the DCCs and the NDCCs. The settlements and shared savings methodology procedures are documented in Exhibit B of the Displacement Contract as may be modified in accordance with the procedures in that contract.

6.1.3 The CVP Corp will be responsible for determining the value of failed Inter-SC trades and billing or paying the DCC or NDCC for the failed trade.

6.1.4 The monthly CAISO invoice for costs incurred as a result of each DCCs and NDCCs participation in the Displacement Program will be passed through from the Scheduling Coordinator to CVP Corp and the CVP Corp will pay the monthly invoice to the CAISO. As part of the Displacement Scheduling Aggregator's monthly duties under the Displacement Program, the Displacement Scheduling Aggregator will

identify each DCC's and NDCC's share of the monthly CAISO costs and will provide that breakdown to the CVP Corp. The CVP Corp's Billing Agent will include these CAISO charges on each DCC's and NDCC's monthly invoice for payment by each DCC and NDCC.

6.2. The CVP Corp has established and will maintain an account called the Displacement Account which will be utilized to collect receipts and make payments for the sharing of savings between DCCs and NDCCs, to make payments for certain costs incurred to administer the program, and to earn interest on the account balances.

6.3 The CVP Corp administrative costs will be recovered from DCCs and NDCCs by an Administrative Base Fee assessed on each MWh of Displacement Energy transacted by each DCC and each NDCC. Administrative costs include, but are not limited to, the costs associated with the contract for the Displacement Scheduling Aggregator, Displacement Program Scheduling Coordinator, and the Displacement Program Billing Agent.

6.3.1 The Administrative Base Fee will be determined by CVP Corp based upon the timing and size of expected payments for administrative costs and a projection of expected collection of Administrative Base Fees from DCCs and NDCCs.

6.3.2 The Administrative Base Fee, as it may be changed from time to time, is set forth in Attachment B. The CVP Corp will coordinate the development of any revised Administrative Base Fee with the DCCs and NDCCs.

6.4 The CVP Corp will receive end-of-month reporting on all displacement transactions from the Displacement Scheduling Aggregator and based on that reporting, the CVP Corp will either bill or pay each DCC and NDCC as appropriate to ensure that the DCCs and NDCCs share the savings of the previous month's displacement transactions.

6.5 The bills will be sent in electronic format to the DCC or NDCC and will be due by the date specified on the bill, which will normally be 15 days. DCCs and NDCCs shall make payment to the CVP Corp's Billing Agent. If a payment is late, it will accrue an interest penalty of one percent per month. Bills will be issued based on the CAISO's preliminary billing statements and trued-up when the CAISO issues the final bill.

6.6 The revenue collected from DCCs and NDCCs who owe for displacement savings will be sent to DCCs and NDCCs that are to receive the displacement savings as soon as possible after the revenue has been collected.

6.7 The CVP Corp is acting solely as an agent for all parties to the Displacement Program to distribute payments related to the Displacement Program savings, and to collect administrative costs. Should a DCC or NDCC not make a timely payment to the CVP Corp associated with their payment obligations under the Displacement Program, the CVP Corp will withhold payments owed to the other DCCs or NDCCs pro rata based upon the amounts owed.

6.8 Startup costs for the administration related to the Displacement Program will be prefunded by Prefunding Entities at the levels shown in Attachment A. The CVP Corp will send a bill to the Prefunding Entity when the funds are needed. The Prefunding Entity contributions will be paid back to the Prefunding Entities through collection of an Administrative Startup Fee Premium on each MWh of Displacement Energy transacted by each DCC and each NDCC. The premium amount is set forth in Attachment B.

6.8.1 Once CVP Corp has collected sufficient funds through the Administrative Startup Fee Premium to pay back the Prefunding Entity contributions without interest, the Administrative Startup Fee Premium will be terminated. For the sake of ease of administration, the Administrative Startup Fee will be kept in place for whole calendar months.

6.8.2 Once the Administrative Startup Fee Premium has been terminated, the CVP Corp will begin rebating the Administrative Startup Fee Premium to those Prefunding Entities who paid the Administrative Startup Fee Premium as soon as sufficient fees have been collected. The rebate will be at a rate equal to one half of the Administrative Startup Fee Premium, and will be credited to ongoing transactions of those Prefunding Entities having paid the Administrative Startup Fee Premium, until each such Prefunding Entity has had their total Administrative Startup Fee Premium contributions returned, without interest.

6.9 Western requires a 90 day advance fund for CAISO costs associated with the Displacement Program scheduling coordinator services in case of a payment default by the CVP Corp. This has been estimated to be $3,400 per DCC and NDCC. The CVP Corp will bill each DCC and NDCC $3,400 upon signature of this exhibit, which will be payable within 10 days of signature. The CVP Corp will then provide these dollars to Western to be put into Western's non-interest bearing trust account. Once Western has received the scheduling coordinator reserve funds, the DCC or NDCC can utilize the Displacement Program. Western will not require Federal entities, whether DCCs or NDCCs, to advance fund monies. In addition, for those non-Federal DCCs and NDCCs that Western will be executing the Displacement Program contracts on behalf of, which are identified in Exhibit A to the Displacement Contract, since Western already has advance funding established on behalf of these customers, they will not be required to advance an additional $3,400 required under this section. The City of Redding and the Eastside Power Authority also have existing trust accounts

established with Western and will not be required to advance an additional $3,400 required under this section. If Western revises the 90 day advance amount based on actual charges incurred with the CAISO, the CVP Corp will pass that adjustment on to the DCC or NDCC.

6.10 Western will return the DCCs and NDCCs advance fund amount to the CVP Corp and the CVP Corp will return it to the DCC or NDCC when they terminate their participation in the Displacement Program, unless the DCC or NDCC is in default. If the DCC or NDCC is in default the CVP Corp can use the advance fund to help cure the default.

6.11 If a DCC or NDCC wants data from the Displacement Aggregator that is not needed by the other DCCs or NDCCs, the DCC or NDCC may contract directly with the Displacement Aggregator for the additional service. The cost will be the responsibility of that DCC or NDCC.

6.12 If a DCC or NDCC causes Displacement Program costs to the CVP Corp from actions that are the sole responsibility of that entity, those costs will be allocated directly to that entity.

6.13 The CVP Corp may utilize a portion of the interest that accrues in the Displacement Account to pay for its costs. If the CVP Corp administrative and overhead expenses are greater than the accrued interest earnings, the CVP Corp may authorize the collection of monthly or annual fees to be paid by the DCCs and NDCCs. Any interest remaining after CVP Corp expenses have been paid is available for payment of the Displacement Program administrative costs.

6.14 It is recognized that the CVP Corp will have full use of the funds in the Displacement Account; however, such use of funds will be limited to the implementation of the Displacement Program. Funds in the Displacement Account will only be invested in US Treasury or US Agency securities or money market funds that invest only in such securities.

6.15 if a DCC or NDCC withdraws from the Displacement Program, it will not be entitled to any refund from revenue that may exist in the Displacement Account as a result of the fees assessed per MWh to pay the costs of the Displacement Program. If the Displacement Program is terminated, any remaining funds after payment of all obligations of the Displacement Program will be distributed to the NDCCs and DCCs by the CVP Corp based upon the percentage of Displacement Energy (MWh) transactions of each DCC and NDCC over the 12 months immediately preceding the Displacement Program termination.

6.16 The CVP Corp will provide the DCCs and NDCCs a monthly report developed by the Displacement Scheduling Aggregator regarding the transactions that occurred. If there is a discrepancy between the Displacement

Scheduling Aggregator report and that of the DCC or NDCC, the parties will meet to reconcile the numbers.

6.17 Any DCC or NDCC may audit the accounting of the Displacement Program at the participant's own expense.

6.18 Western may be required to provide legal representation and/or pay for any costs (including judgments) related to legal or regulatory proceedings related to the Displacement Program. The DCCs and NDCCs participating in the Displacement Program during the time frame associated with any legal or regulatory proceeding agree that they will pay Western its legal fees and costs (including any judgment against Western) in accordance with the terms and conditions set forth in the Displacement Contract. CVP Corp shall have no obligation to collect these fees from DCCs and NDCCs, nor shall CVP Corp have any responsibility to pay these fees to Western. However, as it relates to legal representation and fees associated with Western's performance as the CVP Corp's Scheduling Coordinator under Section 7 in Exhibit C to Contract 03-SNR-00583, CVP Corp is responsible for these costs. The CVP Corp will bill each DCC and NDCC under this Exhibit C to the CVP Corporation Membership Agreement, and each DCC and NDCC will be responsible for their appropriate share of these costs under this Exhibit C.

7.0 DEFAULT AND SUSPENSION PROVISIONS:

7.1 The failure of a DCC or NDCC to perform any of its payment obligations under this Exhibit C shall constitute a default. If CVP Corp determines the DCC or NDCC to be in default, the CVP Corp shall notify the DCC or NDCC in writing. If the DCC or NDCC has not cured such default within seven (7) calendar days, the CVP Corp may suspend service under this Exhibit C.

7.2 If the DCC or NDCC has not cured a default within thirty (30) calendar days (from the date of default), the CVP Corp shall have the right to terminate this Exhibit C with the DCC or NDCC and assess damages to the DCC or NDCC.

7.3 Should a DCC or NDCC fail to place the required Inter-SC trades associated with its participation in Displacement Program transactions, CVP Corp may suspend the DCC or NDCC from Displacement Program transactions on a temporary basis, until such DCC or NDCC can demonstrate that it can resume Displacement Program transactions and be successful in entering the required Inter-SC trades.

7.4 Notwithstanding any suspension that CVP Corp may impose on any DCC or NDCC in accordance with Section 7.3, for any DCC or NDCC failure to place the proper Inter-SC trade(s) which results in a financial obligation to CVP Corp due to the failed Inter-SC trade(s), such DCC or NDCC shall pay CVP Corp the settlement amount for the failed Inter-SC trade(s) in advance of the regular

Displacement Program billing cycle and within ten (10) calendar days of receiving notice from CVP Corp for the settlement amount owning. The responsibility for any costs incurred as a result of a DCC's or NDCC's scheduling coordinator failure to submit the necessary information will be the financial responsibility of that DCC or NDCC. Should such DCC or NDCC not make payment for such settlement amount owing related to the failed Inter-SC trades within the specified time, CVP Corp may suspend further Displacement Program transactions for such DCC or NDCC until such DCC or NDCC has paid CVP Corp for the obligations associated with such failed Inter-SC trade(s).

7.5 As Displacement Program Administrator, CVP Corp is acting solely as an agent for all DCCs and NDCCs to the Displacement Program and by signature herein, each DCC or NDCC waives any claim, right and cause of action against CVP Corp for the default of contractors providing services to the CVP Corp on behalf of each individual DCC or NDCC.

PARTICIPANT

By: Jennifer Sparacino

Jennifer Sparacino
Title: City Manager

Address: 1500 Warburton Ave.

Santa Clara, CA 95050

APPROVED AS TO FORM:

SANTA CLARA CITY ATTORNEY'S OFFICE
HELENE LEICHTER, CITY ATTORNEY

By: Lindsay Speck
LINDSAY SPECK
DEPUTY CITY ATTORNEY

ATTEST:

City Clerk

CENTRAL VALLEY PROJECT CORPORATION

By:

Title: Chairman

Address: 651 Commerce Drive

Roseville, Ca 95678

ATTACHMENT A
(Prefunding Entities and Estimated Contributions)

Entity	Amount
CVP Corp	$65,000
SMUD	$25,000
NCPA	$25,000

Attachment B
(CVP Corp Displacement Program Service Fee)

Date Effective	Administrative Base Fee	Administrative Startup Fee Premium
April 1, 2009 - current	$0.55/MWh	$0.25/MWh