ALASKA INTERTIE AGREEMENT

Among

ALASKA POWER AUTHORITY
MUNICIPALITY OF ANCHORAGE, ALASKA
d.b.a. MUNICIPAL LIGHT AND POWER;
CHUGACH ELECTRIC ASSOCIATION, INC.;
CITY OF FAIRBANKS, ALASKA,
MUNICIPAL UTILITIES SYSTEM; and
GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.;
and ALASKA ELECTRIC GENERATION and
TRANSMISSION COOPERATIVE, INC.
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Exhibit "B" Illustration of Intertie Facilities

Exhibit "C" Alaska Intertie Operating Agreement
 Transmission Service Rates APA

Exhibit "D" Minimum Intertie Transfer Capability
 Rights Determination Example
ALASKA INTERTIE AGREEMENT

Among

ALASKA POWER AUTHORITY;
MUNICIPALITY OF ANCHORAGE, ALASKA,
d.b.a. MUNICIPAL LIGHT AND POWER;
CHUGACH ELECTRIC ASSOCIATION, INC.;
CITY OF FAIRBANKS, ALASKA,
MUNICIPAL UTILITIES SYSTEM;
GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.;
ALASKA ELECTRIC GENERATION and
TRANSMISSION COOPERATIVE, INC.

This agreement (hereinafter "Agreement"), is made and entered into this 23rd day of December, 1985, between ALASKA POWER AUTHORITY, public corporation of the State of Alaska ("APA"); THE MUNICIPALITY OF ANCHORAGE, ALASKA, d.b.a. MUNICIPAL LIGHT AND POWER, a municipal corporation ("AMLP"); CHUGACH ELECTRIC ASSOCIATION, INC., a non-profit electric cooperative membership corporation of the State of Alaska ("CEA"); THE CITY OF FAIRBANKS, ALASKA, MUNICIPAL UTILITIES SYSTEM, a municipal corporation ("FMUS"); GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., a non-profit electric cooperative membership corporation of the State of Alaska ("GVEA"); and ALASKA ELECTRIC GENERATION and TRANSMISSION COOPERATIVE, INC. ("AEGTC") of which Homer Electric Association, Inc. ("HEA") and Matanuska Electric Association, Inc. ("MEA") are members. These entities are sometimes hereinafter referred to individually as "Participant" or collectively as "Participants". The Participants other than APA are sometimes referred to individually as "Utility Participant" or collectively as "Utility Participants."

WITNESSETH

WHEREAS, AMLP, CEA, FMUS, GVEA, and AEGTC each own and operate electric utility facilities, or will in the future, and are each engaged in the business of providing electric Power and Energy to customers, and

WHEREAS, APA is constructing the electrical transmission facilities to interconnect the Utility Participants in Northcentral Alaska with the Utility Participants in Southcentral Alaska ("Intertie") and is willing to make these electrical transmission facilities available to the Utility Participants for electrical Power and Energy transactions to improve reliability and economical Power and Energy deliveries to the Utility Participants' customers under the Alaska Energy Program established by A.S. 44.83.380; and

WHEREAS, the Utility Participants desire to improve their reliability and engage in transactions of electrical Power and
Energy with each other under individual contractual arrangements between the Utility Participants using the Intertie; and

WHEREAS, the Intertie will interconnect the electric utility systems so that they will be operated in electrical synchronism; and

WHEREAS, the Utility Participants desire to establish individual rights for the transfer capability of the Intertie and a method of determining costs for these rights; and

WHEREAS, AMLP, CEA, FMUS, GVEA, and AEGTC have, in addition, entered into a separate agreement providing for Reserve Capacity and Operating Reserve Responsibility which is included as Addendum No. 1 to this Alaska Intertie Agreement, the purpose of the Addendum being to provide a separate agreement of the Utility Participants with respect to Reserves;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants in this Agreement, the Participants agree as follows:

ARTICLE 1
Definitions

Definitions are specified as Exhibit "A" attached hereto and incorporated herein by this reference. Exhibit "A" shall remain in effect during the term of this Agreement, but may be amended as agreed in writing by all the Participants.

ARTICLE 2
Term and Effective Date

Section 2.1 Effective Date

This Agreement will become effective as of the date set forth above and will, unless otherwise terminated as provided for in this Agreement, continue in effect until terminated as provided for in Section 2.2 of this Article. No costs will be assessed against the Participants under this Agreement until the Intertie is in Commercial Operation. No Participant assumes any obligation by signing this Agreement until all named Participants have signed.

Section 2.2 Termination

2.2.1 This Agreement may be terminated at any time by
mutual consent of all Participants.

2.2.2 Any Participant may terminate its participation in this Agreement by giving at least 48 months advance written notice. APA may terminate this Agreement by giving at least 48 months advance written notice when APA determines such action to be required to improve Power systems serving the Alaska Railbelt Utilities. Unless it is otherwise agreed any Participant which terminates its participation will continue to be liable only for Intertie-related costs due and payable before the date of its termination.

2.2.3 Any Participant shall have the right to terminate its participation in this Agreement within 30 calendar days following APA's encumbrance of any debt obligation which is a cost recoverable by APA under Article 8 of this Agreement. APA shall notify all Participants in writing at least 90 calendar days in advance of an encumbrance of such debt obligation, including the amount and terms of the obligation. Each Participant shall notify APA in writing of its intention either to terminate or not to terminate its participation in this Agreement within 60 calendar days following receipt of such APA notice of its intention to encumber a debt obligation.

ARTICLE 3

General

Section 3.1 Interconnected Operation

3.1.1 Participants shall cooperate and assist in a timely manner in the energization, testing and operation of the Intertie so as not to impair or delay the interconnected operation of the Intertie.

3.1.2 Participants shall operate their electric transmission systems interconnected and shall cooperate in furnishing or receiving through the point(s) of interconnection of their systems such quantities of electric Power and Energy as may from time to time be required by agreement between the Participants in accordance with the terms and provisions of this Agreement.

3.1.3 The systems of the Participants shall operate interconnected continuously under normal
conditions and the Participants shall cooperate in keeping the frequency of the interconnected systems of the Participants at 60Hz as closely as practicable, and in keeping the interchange of Power and Energy between the systems of the Participants as closely as practicable to the scheduled amounts. If synchronous operations of the Participants' systems are interrupted, the Participants shall cooperate to remove the cause of the interruption as soon as practicable and restore their systems to normal interconnected operating condition.

3.1.4 Participants shall maintain standards established by the Operating Committee for the control of time error and shall take appropriate corrective action to reduce time error upon receipt of a time error correction notification. The Intertie Operator of the Southern Group has the responsibility to implement the time error correction procedures as developed by the Operating Committee established under Article 9. In addition, the Intertie Operator of the Southern Group will coordinate each time correction to assure that it will start and end at the same time and will be made at the same rate by all interconnected systems.

3.1.5 The systems of the Participants shall normally be operated and maintained to minimize, in accordance with Prudent Utility Practices, the likelihood of a disturbance originating in the system of one Participant causing impairment to the service of the system of another Participant or of any other system with which any Participant is interconnected.

3.1.6 Each Participant shall be responsible for the reactive volt-ampere requirements of its system. Reactive volt-amperes may be interchanged between systems from time to time, subject to agreement between the Participants.

3.1.7 Each Participant shall maintain voltage levels on its system at any point of interconnection as are deemed appropriate by the Operating Committee and are compatible with interconnected operations with other systems.

3.1.8 To the extent it can be controlled, no Participant shall impose any abnormal load upon the facilities of another Participant. If emergency conditions arise on the system of one Participant which
overload the facilities of another Participant, the Participant upon whose system the emergency arises shall take steps immediately to reduce the load on such overloaded facilities to their safe and proper capacity, even though this may require that Participant to drop load.

3.1.9

Unintentional interchange of Power and Energy between interconnected systems will occur because of the impossibility of continuously controlling generation exactly to equal the load. It is recognized that, due to the manner in which the systems of the Participants are interconnected or may be interconnected with each other and with other systems, a portion of the Power and Energy scheduled for delivery between two such interconnected systems may not flow directly from the supplier to the receiver over the intended route through the transmission systems of the Participants, but may result in inadvertent flows through other systems. Therefore, because of these conditions:

3.1.9.1 All intentional Power and Energy deliveries between the system of one Participant and the system of another Participant will be scheduled in advance.

3.1.9.2 It shall be the responsibility of each Participant to maintain the net Power and Energy flowing into and out of its system during each hour so that deliveries are, as near as practicable, equal to the net scheduled amount. The difference between the net scheduled deliveries and the actual net deliveries will be balanced out in-kind in accordance with principles and practices established by the Operating Committee.

3.1.9.3 When there is a scheduled Power and Energy delivery by one Participant to another Participant, and a portion of the scheduled Power and Energy actually flows through other systems which are not part of the scheduled transmission path, the portion of the Power and Energy flowing through such other systems will be considered as having been delivered by the scheduled supplier by the scheduled transmission path.
3.1.9.4 It is not the intent to grant any Participant any right generally to use the system of any other Participant as an intermediary in Power and Energy flows, nor will the consent by a Participant to any such inadvertent flow through its system in a particular case create any right for the continuance of such flows. When such inadvertent flow is objectionable to a Participant experiencing the flow, the Participants shall cooperate to prevent such flow from occurring normally and to minimize inadvertent flows of this character.

3.1.10 Each Participant shall provide on its electric system the necessary communications, telemetering and control facilities at the points of interconnection and other appropriate locations.

3.1.11 In addition to meter records, the Participants shall keep such log sheets and other records (as determined by the Operating Committee) as may be needed to afford a clear history of the various scheduled and actual movements of Power and Energy into and out of the systems of the Participants. The originals of all such meter records, log sheets and other records shall be open to inspection during normal business hours by representatives of each Participant. Each Participant shall furnish to the Operating Committee appropriate data from meter registrations and other sources on the time basis required by the Operating Committee when such data is useful for settlements, special tests, operating records or for other purposes not inconsistent with this Agreement.

3.1.12 All Intertie Power and Energy transfers between the Participants shall be scheduled in advance and all Intertie billings shall be based on those schedules rather than on metered quantities. Each Participant will notify the Intertie Operator dispatcher(s) and other Participants with which it is directly interconnected before intentionally taking Power or Energy. Additions or modifications to these established schedules may be made by the dispatchers of the Participants pursuant to criteria established by the Operating Committee.
Section 3.2 Utility Responsibility

3.2.1 Each Utility Participant is responsible for its own real and reactive load, plus reserves necessary and adequate to meet its respective obligations, and will operate and maintain its system and perform all duties and exercise all rights under this Agreement in a manner consistent with Prudent Utility Practices.

3.2.2 Each Utility Participant will be responsible for its Reserve Capacity Obligation and a portion of the required interconnected system Operating Reserves as provided for in Addendum No. 1 to this Agreement.

3.2.3 Each Utility Participant will implement an automatic load shedding system in accordance with the criteria developed by the Operating Committee. When such criteria require installation of a coordinated automatic load shedding program applicable to a Utility Participant and its wholesale electric utility customers, the Utility Participant must see that such a program is implemented on the wholesale electric utility customer's system. In the alternative, if such a program is not implemented, the Utility Participant must provide the equivalent of the wholesale electric utility's program requirement and install it on the Utility Participant's own utility system, which may include, if the wholesale utility customer is not participating in the program in a fashion that meets such criteria, automatic shedding of the wholesale utility's total system if necessary. In accordance with the guidelines established by the Operating Committee, Utility Participants shall coordinate, operate and set automatic load shedding systems to achieve maximum benefits to Participants.

3.2.4 Through the Operating Committee, Participants shall coordinate the setting and operation of protective relays and control devices so as to maximize protection of facilities without unnecessarily restricting Power flow or inhibiting system reliability.

3.2.5 Utility Participants shall regulate the interconnected system real and reactive Power flow and voltage as required by the Intertie Operators, which shall be in accordance with the procedures set down by the Operating Committee.
Section 3.3 Curtailment of Service

Except as otherwise specifically prohibited, any Utility Participant will have the right to refuse to deliver Power or Energy under this Agreement, or, having begun such delivery, to curtail, restrict or discontinue such delivery, whenever, in such Utility Participant's judgment, such delivery will endanger its facilities or interfere with its obligations, now existing or hereafter created consistent with this Agreement, to its customers or to other electric utilities.

Section 3.4 Other Agreements

The respective systems of the Participants are now or may be interconnected with other systems, and other agreements for interconnection, mutual assistance, pooling, Power supply and transmission services may exist. Future agreements may be entered into between Participants and other systems provided they are not in conflict with any provision of this Agreement. The Participants agree to conduct operations under any existing agreements to avoid a conflict with this Agreement. While the Participants intend to assist each other when requested, such other agreements may limit the capabilities available to the Participants to provide assistance under the terms of this Agreement.

ARTICLE 4 Utility Participant

Section 4.1 Utility Participant

4.1.1 An electric utility holding a Certificate of Public Convenience and Necessity from the Alaska Public Utilities Commission, or an organization whose members hold such a certificate and normally operate interconnected with a Participant or Participants signatory to this Agreement, may at its option become a Utility Participant under this Agreement. APA will become a Utility Participant at such time as it sells Power to a party that is not a Participant and is connected to the Participants' interconnected system.

4.1.2 An electric utility seeking Utility Participant status shall give 48 months written notice to the Participants of its intention. Such changes or modifications to this Agreement necessary to
provide for an additional Utility Participant shall be made by an addendum to this Agreement signed by all parties.

4.1.3 An electric utility can have Participant status and representation through one organization or corporate entity only. No Participant is to have more than one vote or representative directly or indirectly through another organization with which it is affiliated. It is the intent of this Section to limit Participant representation and voting so that no Participant can control or exercise control through any organizational structure more than its single Participant status.

ARTICLE 5
Associate Participant

Section 5.1 Associate Participant

5.1.1 An electric utility holding a Certificate of Public Convenience and Necessity from the Alaska Public Utilities Commission, or an organization whose members hold such a certificate and normally operate interconnected with a Participant may become an Associate Participant by complying with Subsection 5.1.2 of this Section. The Alaska Power Administration may become an Associate Participant by complying with Subsection 5.1.2 of this Section.

5.1.2 An electric utility desiring Associate Participant status shall notify APA in writing. In the notice, the Associate Participant must designate the name and address of a person to receive correspondence.

5.1.3 Upon receiving written notice of an electric utility desiring Associate Participant status, APA shall notify all Participants. The Associate Participant shall receive all subsequent notices, meeting minutes, reports, all correspondence pertaining to this Agreement, and will be notified of the scheduled meetings on a timely basis.

Section 5.2 Associate Participant's Participation

5.2.1 An Associate Participant will have the right to attend all meetings and receive copies of notices, meeting minutes and reports on the activities involving this Agreement.
5.2.2 An Associate Participant may participate in the meetings, but its vote or input on the activities and operations of the Intertie will be through a Utility Participant with whom the Associate Participant is directly interconnected.

ARTICLE 6
Addendum No. 1 to the Agreement

Section 6.1 Reserve Capacity Agreement Signatories.
Utility Participants who sign this Agreement shall also sign Addendum No. 1, Reserve Capacity and Operating Reserve Responsibility, attached to this Agreement. If additional Utility Participants sign this Agreement, they must also sign Addendum No. 1.

ARTICLE 7
Minimum Rights of the Utilities to Use the Intertie Facilities

Section 7.1 Minimum Intertie Transfer Capability Rights ("MITCR").

7.1.1 Utility Participants shall have the right of first refusal to an allocated portion of the maximum Intertie transfer capability plus an allotment of capability not scheduled or used by the other Participants for the purpose of transmitting or receiving Power and Energy over the Intertie.

7.1.2 The Intertie transfer capability shall be shared in proportion to the size of the Utility Participants of the Northern and Southern Groups as described in Section 7.2 of this Article. If a Utility Participant is not using all or part of its MITCR in each direction, other Utility Participants have the right to use that unused part to make transfers across the Intertie, either as a purchase or sale of Power and/or Energy. In addition to its minimum rights, each Utility Participant shall have a right to an allocation of any unscheduled or unused MITCR of the other Participants.

7.1.3 During emergencies when it is necessary to use the Intertie to transfer Energy to maintain system integrity, a Participant's MITCR will be adjusted until such Energy is rescheduled as Scheduled Outage service. To the extent practical such MITCR adjustment shall be shared proportionally among the Participants.

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Section 7.2 Determination of the MITCR

7.2.1 The Operating Committee shall determine the MITCR by June first each year, or when a new Participant becomes a party to this Agreement. The MITCR of each Participant shall be calculated as follows:

The MITCR shall be determined by June 1 each year based on the average of the three most recent Annual System Demands of the Utility Participants. The MITCR for the remaining portion of the initial fiscal year is set out in Exhibit D. Temporary reductions of MITCR may be required for interim periods due to maintenance, safety or equipment failure. The MITCR shall be determined separately for the Utility Participants of the Northern Group and of the Southern Group. A Utility Participant's MITCR shall be the ratio of its average Annual System Demand to the sum of the average Annual System Demands of its respective group multiplied by the Intertie transfer capability of the Intertie. (Exhibit D of this Agreement contains a determination of the initial MITCR.)

7.2.2 The minimum Intertie transfer capability not scheduled or used by a Participant shall be available to the other Participants in the same group (i.e., Northern or Southern) on an allocated basis in the same proportion as their MITCR is to the total MITCR of their group. A Participant whose unused MITCR is being used by other Participants shall have the right to make use of its full entitlement immediately upon notification of the Participants who are using all or a portion of its MITCR.

7.2.3 A Participant has the right to transfer on a contract basis all or part of its MITCR to other Participants with reasonable written notice to all Participants. A Participant whose unused MITCR is being used by another Participant shall be paid at its request by the using Participant a prorated amount of the Intertie Capacity Rate determined by the following formula:

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\[ P = \frac{ICR \times CP \times HR/THR}{12} \]

- **P** - is the monthly payment due the Participant whose MITCR, or portion thereof, is being used by another Participant;

- **ICR** - is the Intertie Capacity Rate defined in Section 8.2.6 of this Agreement;

- **CP** - is the average amount of capacity in kilowatts which is used by another Participant;

- **HR** - is the number of hours in the month during which the unused MITCR was scheduled by another Participant;

- **THR** - is the total number of hours in the month.

**Section 7.3**

Intertie Transfer Capability

The maximum Intertie transfer capability of the Intertie is 70 MW. The Operating Committee, with the approval of APA, may establish a different maximum Intertie transfer capability. No provision of this Agreement shall prohibit APA from reducing the maximum Intertie transfer capability during periods for maintenance, equipment failure, safety considerations or other reasonable causes involving Prudent Utility Practices. Such temporary reductions of maximum Intertie transfer capability shall proportionally reduce the MITCR of each Utility Participant for that temporary period.

**Section 7.4**

Modifications and Additions to the Intertie

7.4.1 Modifications and additions to the Intertie shall be designed and constructed so as not to reduce the Intertie reliability, subject to Prudent Utility Practice and reasonable economics. Design for such modifications shall be submitted to the Operating Committee for review and comment. The comments of the Operating Committee shall be incorporated into the design of the modifications and additions as they relate to the operation and reliability of the Intertie.

7.4.2 APA shall have the right to make additions, deletions or changes to the Intertie including taps to the line to provide electrical services at locations which it deems beneficial and
reasonable. Costs related to modifications or additions covered by this Section 7.4.2 will not be charged to the Participants as a cost of Intertie use unless such modifications are of direct benefit to the Participants as determined in advance by the Operating Committee.

7.4.3 Participants shall have the right to request additions, deletions or changes to the Intertie. The request shall be in writing to APA with justification for the addition, deletion or change. APA will not unreasonably withhold making such additions, deletions or changes. Any modification shall be at the expense of the requesting Participant(s) unless such modification is of direct benefit to other or all Participants as determined in advance by the Operating Committee, in which case the Operating Committee shall determine how the Utility Participants will share the cost.

7.4.4 APA shall give reasonable notice to all Participants before making any modification as provided herein.

Section 7.5 Cantwell Tap

The electric utility serving the community of Cantwell, Alaska located along the route of the Intertie transmission line shall have the right to use Intertie capacity to provide electric service to Cantwell customers. When the utility is a Participant to this agreement, such required capacity will be provided by that Participant's MITCR. The cost of this service to this utility will be the same as for the Participants under Article 8 of this Agreement. The cost of a substation and associated facilities necessary to provide transmission access to the Intertie shall not be borne by the Utility Participants as part of the cost of the Intertie.

Section 7.6 Susitna Construction Power

APA is responsible for providing Power and Energy for construction of the Susitna Hydro Electric Project. APA reserves the right to tap the Intertie and use Intertie capacity as required for construction Power for the Susitna Project. Terms and conditions applicable to such a tap shall be subject to negotiation and agreement by all Participants.
Section 7.7  
Bradley Lake Hydro Electric Generation Project

APA shall have the right to transfer to participants in the Bradley Lake Project Power and Energy on the Intertie subject to the terms of this Agreement.

ARTICLE 8  
Cost to Utility Participants for Intertie Transfer Capability Rights

Section 8.1  
Intertie Costs

8.1.1  
Costs incurred in operating and maintaining the Intertie and the Annual Debt Service on any bonds or other debt issued by APA for the initial Intertie facilities, including the debt incurred on renewals and replacement of those facilities, shall be shared by the Utility Participants. Intertie costs shall be shared by the Utility Participants in accordance with Alaska Statute 44.83.398(f) which includes, at a minimum, the following costs:

8.1.1.1  "Operation and Maintenance Costs" are all operation costs as provided for in Article 10 of this Agreement and all maintenance costs as provided for in Article 12 of this Agreement, plus any applicable taxes, but excluding uninsured liability resulting from deductible provisions of property insurance policies. The cost of Transmission Service for the Intertie Facilities owned by Matanuska Electric Association as provided for under the "Transmission Service Agreement between Matanuska Electric Association, Inc., which is a member of AEGTC, and Alaska Power Authority," dated _____, shall be a part of the Operation and Maintenance Costs under this Article 8.

8.1.1.2  "Extraordinary Maintenance and Replacement Costs" are uninsured liability resulting from deductible provisions of property insurance policies, costs of facility maintenance, renewals, and replacements.

8.1.1.3  "Annual Debt Service Cost" is interest on, and amortization charges sufficient
to retire, any bonds or other debt issued by APA for construction of the Intertie, plus the debt service coverage factor determined by APA to be necessary for the marketability of its bonds.

8.1.2 It is anticipated that all costs for construction of the initial Intertie facilities will be paid through direct appropriation from the legislature of the State of Alaska. However, any amount not appropriated will be subject to recovery in accordance with Section 8.1.1 of this Agreement.

8.1.3 Intertie costs will be estimated and budgeted annually by APA for the ensuing fiscal year, July 1st to June 30. APA shall annually develop a preliminary Intertie budget from the Intertie maintenance budget, the Intertie operating budget, the Annual Debt Service costs and APA's administrative expense associated with the Intertie. The preliminary Intertie budget shall be provided to the Participants 13 months before the first day of the budget fiscal year for their review and comment. Written comments of the Participants shall be submitted to APA by July 15th of year preceding the budget fiscal year. Based on the preliminary Intertie budget and the comments from the Participants, APA shall annually establish the Intertie budget and submit it to the APA Board of Directors for approval.

Section 8.2 Calculation of Unit Intertie Costs

8.2.1 On or before March 1st of each year the Utility Participants shall submit to APA projected usage of the Intertie in kwh on a monthly basis for the following fiscal year.

8.2.2 APA shall prepare a preliminary Intertie annual usage estimate in kwh's and provide the same to the Participants by April 1st of the same year. The preliminary Intertie annual usage estimate provided under this Section, with the use of other historic or relevant information shall in no event be less than the amount equal to 30 percent of the kwh's that could be transferred by continuous operation of the Intertie at the maximum rated transfer capacity, (initially established at 70 MW) of the Intertie during that fiscal year. The projected usage in kwh's when in excess of the 30 percent described above shall not exceed the total projected usage of the Participants.
8.2.3 Utility Participants shall provide, by each May 1st, their written comments to APA on the preliminary Intertie annual usage estimate.

8.2.4 Based on the preliminary Intertie annual usage estimates of the Participants and comments received, APA shall establish the estimated annual Intertie usage in kwh's for the following fiscal year.

8.2.5 The "Intertie Energy Rate" for the following fiscal year, expressed in cents per kwh shall be calculated by dividing 83.5 percent of the total annual cost of the Intertie as budgeted in the Intertie budget under Section 8.1 of this Article by the annual Intertie usage as established under Section 8.2.4 of this Article.

8.2.6 The "Intertie Capacity Rate" for the following fiscal year expressed in dollars per kw shall be calculated by dividing 16.5 percent of the total annual cost of the Intertie as budgeted in the Intertie budget under Section 8.1 of this Article, by the sum of the Participant's MITCR, as determined under Section 7.2 of Article 7.

Section 8.3 Initial Calculation of Unit Intertie Costs

Following execution of this Agreement, sufficient time may not be available to establish initial Intertie budget, usage and unit Intertie costs in accordance with sections 8.1 and 8.2 of this Article. Accordingly, such initial budget, usage, and unit Intertie costs for the initial fiscal year, or portion thereof, shall be determined by APA.

Section 8.4 Allocation of Intertie Costs

8.4.1 Each Utility shall be obligated to reimburse APA monthly the sum of the following:

8.4.1.1 The receiving Participant's scheduled use of the Intertie for the month multiplied by the Intertie Energy Rate in effect for that period; plus

8.4.1.2 The Participant's MITCR in accordance with Section 7.2 of Article 7 multiplied by one-twelfth of the Intertie Capacity Rate in effect for that period.
8.4.2 A Utility Participant's obligation to pay in accordance with this Section may be reduced if it can be demonstrated that APA has not met its responsibility to maintain the transmission line in accordance with Prudent Utility Practices. Such payment reduction shall be limited to a proration for the period of reduced Intertie transfer capacity.

8.4.3 For billing purposes only, the scheduled use of the Intertie in any month shall be the product of the scheduled Intertie transfer at the Intertie Point of Interconnection and the number of hours each schedule was in effect during that calendar month.

8.4.4 For billing purposes only, the Participant's scheduled use of the Intertie for each hour of a day shall be the final schedule for delivery submitted to the Intertie Operator of its group.

8.4.5 Should APA's annual revenues received under Subsection 8.4.1 of this Section exceed actual annual Intertie costs, revenues in excess of the Intertie costs shall be refunded to the contributing Participants in proportion to the amount of dollars billed to Participants to the total dollars billed for use of the Intertie in the fiscal year in which the revenues were accrued.

8.4.6 Should APA's revenues received under Subsection 8.3 of this Section be less than the actual Intertie costs, the revenue deficiency shall be allocated among the Utility Participants in the same proportion as the Utility Participants' MITCR are shared as defined under Article 7 of this Agreement. APA shall bill the Utility Participants their proportionate share of this deficiency.

ARTICLE 9
Operating Committee

Section 9.1 Establishment of the Operating Committee

9.1.1 The Participants hereby establish an operating committee, the "Operating Committee". The Operating Committee shall consist of one representative of each Participant, designated in writing by each Participant, and each Participant may also designate an alternate who may act in the stead of the representative at the option of that
Participant. A Participant may at any time change its representative, or alternate, on the Operating Committee and shall promptly notify in writing the other participants of any change in such designation. The members of the Operating Committee shall designate the Chairman of the Operating Committee annually at the first meeting of each calendar year. Recommendations and decisions of the Operating Committee shall be adopted if approved by 75 percent majority vote of the total membership. Only Utility Participants shall have the right to vote on the Operating Committee on issues covered by Addendum No. 1 and on automatic load shedding issues.

9.1.2 The Operating Committee shall establish operating procedures and standard practices with respect to this Agreement for the guidance of dispatchers and other employees as to matters affecting Intertie operations pursuant to this Agreement and shall recommend arrangements for metering, communications and other services and facilities. The Operating Committee has no authority to modify any of the provisions of this Agreement or to modify or set rates unless expressly provided for herein. The establishment of any procedure or practice or determination by the Operating Committee, within the scope of the Operating Committee's responsibility, shall be effective when signed by the designated representatives of at least 75 percent of the Participants.

Section 9.2 Procedural Responsibilities of the Operating Committee

9.2.1 The Operating Committee shall meet at least quarterly each year and at such times as deemed necessary by the Chairman or any two of the Participants.

9.2.2 Written minutes shall be kept for all meetings of the Operating Committee, and major decisions or agreements made by the Operating Committee shall be reduced to writing.

9.2.3 The Operating Committee shall prepare and submit an expense budget to APA under section 10.3 of this agreement annually to provide for Committee expenses other than the expenses of each Committee member, which shall be borne by the represented Participant.
Section 9.3 Operating Committee Authority, Procedures and Appeal.

9.3.1 The representatives constituting the Operating Committee shall have equal authority, and all decisions made and direction given must be by 75 percent majority vote of the total members of the Committee. A Participant casting a negative vote in an approved decision of the Operating Committee shall have the right to appeal the decision in accordance with 9.3.2 of this Article. An appeal must be delivered in writing to the chairman of the Operating Committee within five working days of casting the negative vote.

9.3.2 If the Operating Committee is unable to agree on a matter within its jurisdiction, such matter shall be resolved by unanimous agreement of the General Managers of the Utility Participants and the Executive Director of the Alaska Power Authority or their designated representatives. Should the General Managers of the Utility Participants and the Executive Director of the Alaska Power Authority or their representatives fail to reach an unanimous agreement within 20 working days, then the matter shall be submitted to binding arbitration in the following manner.

9.3.2.1 Arbitration shall be conducted before a board of three arbitrators selected under the guidelines of the American Arbitration Association and the arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association then in effect. In addition, the arbitrators must have education and experience in the particular matter being arbitrated.

9.3.2.2 The Participant(s) desiring arbitration shall demand arbitration by giving written notice to the other Participants. The notice shall conform to the procedures of the American Arbitration Association and shall include a statement of the facts or circumstances causing the controversy and the resolution, determination or relief sought.
9.3.2.3 Before the matter is presented to the Board of Arbitrators, a conference shall be held by the Participants to attempt to resolve the controversy or, if resolution is not possible, to stipulate to as many facts as possible, to clarify and narrow the issues, and to agree in writing to the issues to be submitted to arbitration.

9.3.2.4 The Board of Arbitrators shall have no authority, power or jurisdiction to alter, amend, change, modify, add to, or delete any of the provisions of this Agreement, nor to consider any issues arising other than from the language in, and authority derived from, this Agreement. The opinion and findings of the Board of Arbitrators shall be reduced to writing and shall be binding on the Participants 15 days after the Board of Arbitrators issues a decision unless all Participants jointly agree on an alternate solution.

9.3.2.5 The costs incurred in connection with the arbitration shall be apportioned by the Board of Arbitrators as it deems appropriate.

Section 9.4 Procurement of Services

The Operating Committee shall have the right to directly procure services the Committee requires so long as sufficient budgeted funds are available.

Section 9.5 Waiver of Payment or Right to Recourse

Except for the provisions of Section 9.3 of this Article, nothing contained in this Agreement shall be construed to constitute a waiver or surrender by any Participant of its right to any action, in law or equity, to enforce all provisions of this Agreement and its rights hereunder. Notwithstanding the foregoing, in the event of a referral of a matter to a Board of Arbitrators pursuant to this Agreement, or a judicial or administrative proceeding on account of any disputed matter, all Participant(s) shall continue to make payments in accordance with this Agreement until the matter has been finally determined, at
which time any necessary adjustments shall be made as provided for in Article 16 of this Agreement.

ARTICLE 10
Operation of the Intertie

Section 10.1 Responsibility for Operation of the Intertie

10.1.1 With the concurrence of the other Participants, APA delegates and AMLP and GVEA assume the responsibility for the operation of the Intertie under the guidelines of this Agreement and the Operating Committee.

10.1.2 AMLP shall operate the southern one-half of the Intertie including, but not limited to, the terminal facilities, communication facilities, and the Intertie transmission line to the Midpoint of the transmission line between the Douglas and Healy Substations (more specifically illustrated and defined in the Intertie facilities diagram in Exhibit B of this Agreement) within AMLP's Control Area, and the midpoint of the Intertie transmission line shall be deemed to be the point of interconnection between GVEA and AMLP.

10.1.2.1 APA will contract with MEA, which is a member of AEGTC, for use of a portion of MEA's transmission facilities to provide, along with other facilities provided by APA, transmission facilities that will be a part of the Intertie between the Douglas and Teeland Substations. This being a part of the Intertie, APA delegates to AMLP, and AMLP assumes, APA's responsibility for operation under the APA - MEA Agreement for these transmission facilities.

10.1.3 GVEA shall operate the northern one-half of the Intertie, including but not limited to, the terminal facilities, communication facilities, and the Intertie transmission line to the Midpoint of the Intertie transmission line between the Douglas and Healy Substations (more specifically illustrated and defined in the Intertie facilities diagram in Exhibit "B" of this Agreement) within GVEA's Control Area, and the Midpoint of the Intertie transmission line shall be deemed to be the point of interconnection between AMLP and GVEA.
10.1.4 AMLP and GVEA acting in concert shall:

10.1.4.1 Closely and continually coordinate all the activities and transactions involving the Intertie operation;

10.1.4.2 Coordinate the Intertie Transactions to insure that at all times, to the extent possible, the Intertie System is operated to provide reliable and economic service;

10.1.4.3 Coordinate the scheduling of all Intertie Transactions by the Participants in the Northern and Southern Groups in accordance with the provisions of this Agreement, and inform all Participants of the scheduled transactions;

10.1.4.4 Develop the procedures for restoration of service on the Intertie for interruptions due to either Scheduled or Forced Outages, and have personnel trained to carry out such operational procedures to insure the Intertie reliability;

10.1.4.5 Maintain communications with each other and the other Participants using adequate methods of data acquisition sufficient for reliable system control of the operation of the Intertie;

10.1.4.6 Maintain complete and accurate hourly records of all operations, Intertie Transactions and activities involving the Intertie, and promptly publish and distribute such records to all Participants at regular intervals as established by the Operating Committee. Any Participants who desire it shall be provided, at their own expense, direct access to all telemetry gathered from the Intertie;

10.1.4.7 Coordinate the responsibilities delegated to them in this Agreement to minimize duplication;

10.1.4.8 Abide by the terms and conditions of other contracts or agreements involving
the operation of the Intertie System, so long as they do not conflict with this Agreement;

10.1.4.9 At all times operate the Intertie in a safe and responsible manner consistent with Prudent Utility Practices and the directives and instructions of the Operating Committee.

Section 10.2 Suspension of Work in Performance of Duties of the Intertie

10.2.1 Suspension for Convenience. The APA may order AMLP and/or GVEA in writing to suspend, delay, or interrupt all or any part of the work involved in operation of the Intertie for such period of time as the Operating Committee determines to be appropriate for the convenience of, and in the best interest of, Intertie operation.

10.2.2 Adjustments of Cost. If the performance of all or any part of the work is, for an unreasonable period of time, suspended, delayed, or interrupted by an act of APA, or by the failure of APA to act within a reasonable time, an adjustment shall be made for any increase in the cost of performance of this Agreement necessarily caused by such unreasonable suspension, delay or interruption. However, no adjustment shall be made under this Section for any suspension, delay or interruption to the extent:

10.2.2.1 That performance would have been so suspended, delayed or interrupted by any other cause, including the fault or negligence of AMLP or GVEA; or

10.2.2.2 That an adjustment is provided for or excluded under any other provision of this Agreement.

10.2.3 Time Restriction on Claim. No claim under this Article shall be allowed:

10.2.3.1 For any costs incurred more than 20 days before AMLP or GVEA shall have notified APA in writing of the act or failure to act involved (but this requirement shall not apply as to a claim resulting from a suspension order); and
10.2.3.2 Unless the claim is asserted in writing as soon as practicable after the termination of such suspension, delay, or interruption, but not later than the date of final payment under this Article.

Section 10.3 Budget for Operation of the Intertie

10.3.1 For purposes of calculation of unit Intertie costs pursuant to Article 8, Section 8.2 of this Agreement, and to provide information required to obtain operations budget appropriations from the legislature, AMLP and GVEA shall develop annually and submit to APA a suggested scope of operations and budget for operation of the Intertie no later than 14 months before the first day of the budget fiscal year. The budget developed by the Intertie operators may include all direct expenses and an allocated portion of such other expenses as interest, depreciation and margin requirements, among others. All costs allocated to the Intertie Operator budget shall be consistent with generally accepted utility accounting principles. APA shall establish a preliminary scope of operations and budget, based on the Operating Committee, AMLP and GVEA submittals, and provide it to the Utility Participants 13 months before the first day of the budget fiscal year for their review and comments.

10.3.2 Utility Participants shall provide written comments on the preliminary scope of operations and budget to APA 12 months before the first day of the budget fiscal year.

10.3.3 Based on the preliminary scope of operations and budget and the comments received, APA shall establish the Intertie operating budget, which is the final scope of operations and budget.

10.3.4 With the written approval of all Participants, the final scope of operations and budget will be deemed to be the fixed cost fee for operation of the Intertie for the ensuing fiscal year. APA will pay AMLP and GVEA under section 10.6 of this Article 10 for operation of the Intertie, one-twelfth of the fixed fee thus established.

10.3.5 If the Participants are unable to agree unanimously that the final scope of operations and budget is the fixed cost fee for operation of the Intertie, then AMLP and GVEA shall each determine,
using records and accounts maintained under Section 10.4 of this Article 10, the cost to its system to provide operation of the Intertie in accordance with this Agreement and shall bill APA monthly for these services. APA will then reimburse AMLP and GVEA under section 10.6 of this Article 10.

10.3.6 APA shall present the final operations budget to the Alaska Legislature in a manner consistent with the Executive Budget Act (AS 37.07 and amendments), and shall take all steps necessary to secure an appropriation, or appropriations, from the legislature in an amount adequate to cover the budget submitted and approved under this Agreement.

Section 10.4 Accounting and Records

In maintaining accounts for operation of the Intertie, AMLP and GVEA will follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission. AMLP and GVEA will furnish the APA such operating and financial statements relating to operation of the Intertie as may be reasonably requested by the APA. If receipt of such operating and financial statements is unduly delayed, the APA may, with its own staff, perform all work necessary to collect such data as reasonably desired. Such work shall be performed at a time and in a manner to prevent unreasonable interference with AMLP and GVEA operations.

Section 10.5 Audits

10.5.1 At the discretion of APA or by request of a majority of the Participants, an audit shall be conducted with respect to the matters provided for in this Agreement by independent auditors according to such programs and procedures as agreed to by the Participants, and all Participants shall be furnished copies of the report. The cost of making such audits shall be shared by the Participants in the same proportion as the MITCR were shared during the period covered by the audit. The Participants, contract agents and any other party involved with the operation of the Intertie shall provide and/or make available the information and records required for the audit. The cost of any audit required by a Participant beyond the scope of the above audit shall be borne by such Participant.
10.5.2 AMLP and GVEA shall allow their books of accounts to be audited with respect to matters provided for in this Agreement by such state officials or agencies as may be authorized and directed by law to make those audits. To the extent permitted by law, Participants shall have the same authority to audit the books of accounts of the APA with respect to the operation of the Intertie.

Section 10.6 Payment of Operators.

If a fixed cost fee for operation of the Intertie is established under section 10.3.4 of this article, then within 30 days of the end of each month APA will pay to AMLP and GVEA one-twelfth of the fixed cost fee for operation of the Intertie. If the Participants have not agreed upon a fixed cost fee for operation of the Intertie under section 10.3.4 of this article, then the APA will reimburse AMLP and GVEA within 30 days of the receipt of their invoices. However, such reimbursement is subject to adjustment upon discovery of an error, dispute of billing, or audit.

ARTICLE 11
Scheduling of Power and Energy on the Intertie

Section 11.1 Scheduling Responsibility

11.1.1 AMLP shall have the responsibility for scheduling the transfers on the Intertie for the Participants of the Southern Group and coordinating them with GVEA under the provisions of this Agreement and the direction of the Operating Committee.

11.1.2 GVEA shall have the responsibility for scheduling the transfers on the Intertie for the Participants of the Northern Group and coordinating them with AMLP under the provisions of this Agreement and the direction of the Operating Committee.

11.1.3 AMLP and GVEA shall each have the responsibility for coordinating schedules within their respective Groups.

Section 11.2 Power and Energy Schedules

11.2.1 The amount of electric Power and Energy to be transferred on the Intertie under this Agreement will be based upon hourly schedules provided by the Participants making the Intertie Transaction.
These schedules shall be provided to, and coordinated with, AMLP and GVEA. AMLP and GVEA will timely inform all Utility Participants of the transfer schedules on the Intertie.

11.2.2 Power and Energy shall be scheduled on an hourly basis and the schedules may be made for the next hour(s), day(s), week(s) or month(s) in advance.

11.2.3 Schedules for all transfers on the Intertie shall be furnished to the respective Intertie Operators before 3:00 P.M. prevailing local time each day for Power and Energy to be delivered across the Intertie for each clock hour of the following 24-hour period. This schedule shall be updated each day and an additional one-day schedule will be furnished to provide a continuing seven-day schedule.

11.2.4 Short-term schedules of transfers on the Intertie may not be made or changed on an hour-by-hour basis unless coordinated in advance with the Intertie Operators.

11.2.5 Provisions of this Section may be modified by action of the Operating Committee as provided for under this Agreement.

Section 11.3 Intertie Schedule Limitations

The maximum schedule of Power and Energy of any Participant on the Intertie shall be limited to the Participant's MITCR unless additional MITCR are allocated from the unscheduled and/or unused Intertie Transfer Capability Rights of other Participants. MITCR not being used by the Participant holding them may be used by other Participants needing them to make additional transfers over and above their allocation of MITCR under Article 7 of this Agreement.

ARTICLE 12
Maintenance of the Intertie Facilities

Section 12.1 Maintenance Responsibility

12.1.1 APA will maintain the Intertie facilities which it owns. APA may provide for the maintenance of the Intertie facilities by contracting with qualified
parties to perform maintenance on its behalf or provide it by qualified staff under the direction of APA. Maintenance shall be scheduled, coordinated and accomplished in accordance with Prudent Utility Practices so as to minimize disturbance on the Intertie that would impair service of the Participants' systems.

12.1.2 The Intertie shall be maintained in good working condition, optimizing the availability of the Intertie within practical and cost constraints. After a failure of the Intertie, it shall be returned to service in the shortest possible time within the constraints of practical maintenance procedures.

Section 12.2 Maintenance Budget and Costs

12.2.1 APA shall develop an Intertie maintenance budget, an annual budget and schedule for the maintenance of the Intertie, each year based on the budgets developed by any contractors providing the Intertie maintenance. This budget will be reviewed with the Participants sufficiently in advance of the commencement of the fiscal year involved so that each Participant will be able to submit its comments for consideration prior to finalization of the budget. Budgets for more than one year will be required for the Participants' long range fiscal requirements. APA will prepare and furnish the Participants a copy of such long range fiscal requirements.

12.2.2 APA will maintain complete and accurate records of costs associated with maintenance of the Intertie. Maintenance of the Intertie will follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission.

ARTICLE 13 Measurement of Electric Power and Energy

Section 13.1 Metering

13.1.1 The electric Power and Energy delivered through interconnection facilities of the Intertie shall be measured by nonreversible watt-hour meters and 15-minute interval demand meters.

13.1.2 APA shall be responsible for installation,
ownership, operation and maintenance of initial facilities necessary, as determined by APA, to interface with AMLP and GVEA equipment presently installed or being installed. The AMLP and GVEA equipment shall be that necessary to provide for the initial Intertie operation only. The initial facilities shall be provided directly by APA or through a separate, reimbursable agreement with the Participant involved. Participants shall permit other Participants to use the available metered data for the purpose of telemetering the data as required for their operations.

13.1.3 The Operating Committee shall agree upon Intertie related metering equipment before its installation. Each Participant hereby grants to all other Participants the right to install and maintain at the other Participants' cost, equipment in the other Participants' substations. Each Participant has the right to install and maintain at its cost, equipment in another Participant's substation if the equipment is necessary to perform Intertie functions under this Agreement. The installation and maintenance shall be coordinated with staff of the Participant owning and operating the facilities on which the meters are to be installed. Ingress and egress shall be granted to the other Participants to install, remove or maintain the equipment. Each Participant shall coordinate such activities through the other Participant's dispatcher.

ARTICLE 14
Transmission Losses

Section 14.1 Intertie Transmission and Transmission Service Losses

14.1.1 Losses in the Intertie System created by Intertie transfers shall be determined by the Intertie Operators through engineering studies, calculation and Power flow programs, and procedures as established by the Operating Committee.

14.1.2 The Participant supplying Power and Energy shall also provide Power and Energy losses which occur from the transfer. Such losses shall be provided at the time of the transfer unless otherwise agreed by the affected Participants.
14.1.3 Transfer schedules shall include losses for such transfers. When transfers reduce losses in a Participant's system which is not a part of the Intertie, the losses in that system caused by the transfer shall be considered zero.

Section 14.2 Intertie Transmission Loss Compensation.

14.2.1 The Intertie Facilities located on the AMLP side of the Intertie Point of Interconnection will be operated in AMLP's Control Area; thus the losses that occur on Intertie Facilities on the AMLP side will occur in AMLP's Control Area as part of AMLP's system losses.

14.2.2 The Intertie Facilities located on the GVEA side of the Intertie Point of Interconnection will be operated in GVEA's Control Area; thus the losses that occur on Intertie Facilities on the GVEA side will occur in GVEA's Control Area as part of GVEA's system losses.

ARTICLE 15 Transmission Service

Section 15.1 Transmission Service to Access the Intertie

Each Participant shall have the right to schedule, on the intervening transmission systems of another Participant, transfers of Power and Energy to and from the Alaska Intertie. This right may be exercised when the rated capacity of the intervening Participant's transmission facilities available to transfer Power and Energy is determined by the intervening Participant to have adequate capacity to accommodate the transfer. A determination of adequate capacity shall not be unreasonably withheld by the intervening Participant. If the intervening Participant determines capacity to be inadequate, this determination shall be documented in writing to the requesting Participant with the justification for the limitation of capacity in its transmission system. The intervening Participant reserves the right, within the exercise of Prudent Utility Practice, to interrupt or curtail such service hereunder at any time the transfer capability of the transmission facilities involved, in the opinion of the intervening Participant, is less
than the actual or proposed loading of the facilities. Such interruptions or curtailments, other than for the intervening Participant's own internal transmission requirements for its system load, shall be shared pro rata among all Power and Energy schedules that reduce the transfer capability of the intervening Participant's transmission system at the time of such interruption or curtailment. The rated transfer capacity of any intervening Participant's transmission system shall be determined in advance by the intervening Participant, or by an engineering analysis acceptable to the Participants involved.

Section 15.2 Provision for Adequate Transmission Service Facilities

The Participants shall not limit, through inadequate facilities, Transmission Service access to the Intertie. If a Participant that is providing, or is to provide Transmission Service to other Participants for the transmission of Power and Energy across its system for transfer on the Intertie, determines that its transmission system does not have adequate capacity for the desired level of transfer, a Participant desiring a higher level of transfer may request the intervening Participant to provide or construct additional transmission capability for the requesting Participant's use. This request shall be granted, at least to the level of the requesting Participant's MITCR. The additional facilities may require special compensation by the requesting Participant. The arrangement for and cost sharing of such facilities will be provided for under a separate agreement between the Participants involved, and shall be based on cost of service principles.

Section 15.3 Compensation for Transmission Service

15.3.1 The Participant providing Transmission Service shall be compensated monthly for the use of the Transmission Service Facilities. The Transmission Service billing shall be the appropriate Transmission Service Rate defined in Exhibit C of this Agreement, multiplied by the appropriate quantities metered at the point of interconnection of the Participants. Monthly demand billings shall be the product of the Contract Transmission Service capability rate times the transfer capability contracted for during the billing period.
15.3.2 Losses that occur as a result of the Transmission Service transfers shall be supplied in kind by the responsible Participant under Article 14 of this Agreement.

Section 15.4 Transmission Service Rates

15.4.1 Exhibit C of this Agreement sets out the formula for calculating the Transmission Service Rates. Exhibit C may be amended in writing under Article 15 of this Agreement.

15.4.2 The Participant providing Transmission Service shall make available reasonable expense and operating information necessary to verify actions undertaken under Article 15 of this Agreement.

ARTICLE 16
Billing and Payments

Section 16.1 Billing

A supplying Participant shall bill the receiving Participant monthly, normally not later than 15 days after the end of the calendar month to which the bills apply. Bills shall be due and payable within 15 days from date the bills are postmarked or hand-delivered. Interest on any unpaid amount from the date due until the date payment is received shall accrue at the annual legal rate under Alaska law for post-judgment interest, or pro rata fraction thereof.

Section 16.2 Dispute of Billing

If a purchasing Participant disputes the charges submitted by a supplying Participant under this Agreement, the purchasing Participant shall nevertheless pay the full amount when due and payable and give notification in writing, within 90 days of the date the bill is rendered, to the supplying Participant stating the grounds on which charges are disputed and the amount in dispute. If settlement of the dispute results in a refund, the refund shall include interest at the annual legal rate under Alaska law for post-judgment interest, or pro rata fraction thereof, from the date of overpayment to the date of refund.
ARTICLE 17
Insurance and Liability

Section 17.1 Insurance

During the term of this Agreement, each Participant shall purchase and maintain insurance with a carrier or carriers satisfactory to the Operating Committee and the APA, covering injury to persons or property suffered by any Participant or a third party, as a result of errors, omissions, or operations which arise both out of and during the course of this contract by the Participant or by any of its subcontractors. The coverage shall also provide protection against injuries to all employees of the Utility Participant and the employees of any of its subcontractors engaged in work under this Agreement. If approved by the Operating Committee and the APA, a Participant may self-insure for the Worker's Compensation Insurance and, up to a maximum of $250,000, for the other types of insurance required by this Article. A copy of the insurance policies and undertaking to self-insure, if any, will be furnished to the Operating Committee and the APA before beginning operations under this Agreement.

Section 17.2 Types of Insurance

17.2.1 The following insurance must be purchased by each Participant to cover those operations of the Participant performed under this Agreement:

Worker's Compensation Insurance: Each Participant shall provide and maintain, for all employees of the Participant engaged in work under this Agreement, Workers' Compensation Insurance as required by AS 23.30.045. The Participant is responsible for Workers' Compensation Insurance for any of its subcontractors who directly or indirectly provide services under this Agreement. Each insurance policy must include:

(a) Statutory coverage for states in which employees are engaging in work;

(b) Employer's Liability Protection in the amount of $2,000,000 per occurrence;

(c) Broad Form All States Endorsement;

(d) Coverage as required by all State and Federal
Acts where applicable;

(e) Voluntary Compensation Endorsement.

The Worker's Compensation Insurance policy shall contain a waiver of subrogation in favor of the other Participants. Any Participant who is self-insured hereby waives subrogation in favor of the other Participants.

17.2.2 Comprehensive General Liability Insurance: Each Participant shall purchase and maintain comprehensive general liability insurance subject to the following limits of liability:

(a) Bodily Injury and Property Damage Liability of a minimum of $10,000,000 Combined Single Limits each occurrence and affording insurance for Premises-Operations, Owners and Contractors' Protective, Independent Contractors, Products/Completed Operations, Blanket Contractual Liability, Broad Form Property Damage, Personal Injury Liability, Incidental Errors and Omissions.

(b) Automobile Liability Insurance covering all vehicles. Such insurance shall provide coverage of not less that $10,000,000 Combined Single Limit each occurrence for Bodily Injury and Property Damage Liability.

(c) Owned Aircraft (if applicable) and Non-Owned Aircraft with seating capacity of five seats or less, except for commercial, scheduled flights, with limits of liability not less than: $5,000,000 - Bodily Injury per occurrence; $1,000,000 for Passenger Liability per seat; and $5,000,000 for Property Damage Liability per occurrence. Coverage must include Slung Cargo Exposures. If an aircraft with more than five seat capacity is used, special coverage and limits must be obtained and approved by the Operating Committee.

(d) Owned Watercraft (if applicable) and Non-Owned Watercraft (if applicable) with limits of liability not less that $5,000,000 per occurrence as provided in the "In Rem Endorsement" under "Maritime Coverage B".

The other Participants shall be included as additional insureds in insurance required in this Section 17.2.2 of Article 17 and shall not by their inclusion be responsible to the insurance carrier for payment of premiums therefor. These insurance policies must also
38contain a cross liability or severability of interest endorsement.

Section 17.3 Other Insurance Coverage Requirements

17.3.1 Each Participant will bear the cost of the required insurance. Insurance required to be maintained under this Article 17 may be maintained as part of any other policy or policies of the Participant so long as the coverage of such policy or policies is substantially the same as if such coverage were maintained under a separate policy.

17.3.2 These policies must provide that any cancellation, non-renewal or material change be upon 30 days notice to all named insureds. Each Participant must provide the Operating Committee and the APA with evidence of insurance. Insurance companies, or self-insurers, shown on the certificate of insurance must have financial ratings acceptable to the APA. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this Agreement.

ARTICLE 18
Indemnity

Section 18.1 Indemnity

18.1.1 Each Participant shall, as to all actions taken pursuant to or under color of this Agreement, defend and indemnify the other Participants, their agents, servants, employees and officers, from all costs including without limitation attorney fees, court costs, any amounts arising or recovered under the Workman's Compensation Act or other law or decree, and any other amounts which the other Participants, their agents, servants, employees and officers become obligated to pay on account of any demands, claims, liabilities or losses arising or allegedly arising out of, or in any way connected with, the acts or omissions of the indemnifying Participant, its agents, servants, employees or officers.

18.1.2 Each Participant shall defend and indemnify the other Participants from and against any claim or liability, including any related loss or cost, caused by or resulting from the design, construction, installation, operation or maintenance of any of the electric facilities owned, operated or maintained by the indemnifying Participant, or by reason of the acts or omissions of its agents, servants or employees in connection therewith.
Section 18.2  Comparative Negligence

Each Participant agrees that any liability, including costs of defense and attorney fees, for claims arising from the concurrent negligence of two or more Participants will be apportioned according to the respective percentage of fault attributable to each Participant as determined by agreement or by the trier of fact.

ARTICLE 19
Warranty Denial and Exclusivity of Contract

Section 19.1  APA Denial of Warranty

APA does not warrant the Intertie facilities it owns as fit for their intended use or the reliability or availability of the Intertie for intended operations covered by this Agreement.

Section 19.2  Exclusivity of Contract

The terms of this Agreement and any provisions adopted by reference or otherwise incorporated into this Agreement set forth the full intent of the Participants regarding the matters covered by this Agreement. However, this Agreement does not supersede related Intertie written agreements, such as the maintenance agreements between the APA and Intertie Participants, but is to be interpreted consistently with them.

ARTICLE 20
Uncontrollable Forces

Section 20.1

20.1.1 A Participant will not be in default in performance of any obligation hereunder, other than the obligation to make payments as provided in this Agreement, if failure of performance is due to uncontrollable forces and without the fault or negligence of that Participant. Strikes, lockouts and other labor disturbances are considered uncontrollable forces and nothing in this Agreement will require a Participant to settle a labor dispute against its better judgment.

20.1.2 If a Participant, by reason of an uncontrollable force, is rendered unable, wholly or in part, to
perform its obligations under this Agreement (other than its obligations to pay money), then upon that Participant giving notice and particulars of the uncontrollable force, its obligation to perform will be suspended during the continuance of any inability so caused, but for no longer period, and the effects of such cause shall, so far as possible, be remedied with all reasonable dispatch; provided, however, that the settlement of labor disputes shall be considered wholly within the discretion of the Participant involved. The affected Participant will not be responsible for its delay in performance under this Agreement during delays caused by an uncontrollable force, nor will such uncontrollable force give rise to claim for damages or constitute default.

ARTICLE 21
Waivers

Any waiver at any time by a Participant of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any other default or matter. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not be deemed a waiver of such right.

ARTICLE 22
Successors and Assigns; No Third Party Beneficiaries

Section 22.1 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives or assigns of the respective Participants. However, no Participant shall assign this Agreement nor any part hereof without the express written consent of the other Participants, which consent shall not be unreasonably withheld. Nor shall a Participant be relieved of its obligations hereunder by an assignment of less than all of the benefits and burdens hereunder or impose additional obligations or burdens on the other Participants by an assignment of this Agreement or any part hereof.
Section 22.2  No Third-Party Beneficiaries

The provisions of this Agreement shall not create any rights in favor of any person, corporation, or association not a Participant in this Agreement, and the obligations herein assumed are solely for the use and benefit of the Participants to this Agreement.

ARTICLE 23  
Governing Law

This Agreement is made subject to, and shall be governed by and construed in accordance with, the laws of the State of Alaska and the authority granted to the individual Participants thereunder.

ARTICLE 24  
Captions

Captions of the various articles herein are intended for convenience of reference only and shall not define or limit any terms or provisions.

ARTICLE 25  
Notices

Section 25.1

25.1.1 Any notice or demand under this Agreement is properly given if sent by registered or certified mail and addressed to the General Manager, Municipality of Anchorage, Alaska, Municipal Light and Power, 1200 East First Avenue, Anchorage, Alaska 99501; Executive Director, Alaska Power Authority, 334 W. Fifth Avenue, Anchorage, Alaska 99501; General Manager, Chugach Electric Association, Inc., Pouch 6300, Anchorage, Alaska 99503 or 5601 Minnesota Avenue, Anchorage, Alaska 99502; General Manager, City of Fairbanks, Municipal Utilities System, P.O. Box 2215, 645 Fifth Avenue, Fairbanks, Alaska 99707; General Manager, Golden Valley Electric Association, Inc., P.O. Box 1249, Fairbanks, Alaska 99707 or 758 Illinois Street, Fairbanks, Alaska 99701; and Interim General Manager, Alaska Electric Generation and Transmission Cooperative, Inc., P.O. Box 1148, Palmer, Alaska 99645. The
foregoing designations of the name or address to which notices or demands are to be directed may be changed at any time by written notice given by any Participant to all others.

25.1.2 Any notice or request of a routine character in connection with the delivery of Power and Energy, or in connection with the operation of facilities, shall be given in the manner the Operating Committee, or the authorized representatives of the Participants, from time to time arranges.

ARTICLE 26
Amendments

Neither this Agreement nor any part hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by all the Participants.

ARTICLE 27
Agreement Approval and Transmittal

This agreement shall not be effective until the Administrator of the Rural Electrification Administration grants any required approval. The APA will transmit this agreement with the Alaska Public Utilities Commission. By signing this agreement, a Participant does not subject itself to rate regulation by the Alaska Public Utilities Commission.

ARTICLE 28
Construction of Agreement

Each Participant has participated fully in the drafting and negotiation of this Agreement. Accordingly, the Agreement will not be construed against any particular Participant, or Participants, as the drafter.

IN WITNESS WHEREOF, the Participants have caused this Agreement to be executed in quintuplet by their duly authorized officers or representatives as of the day and year first above written.
Approved as to form:

Office of the Attorney General

SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985 last written.

HARVEY H. B. HEBERLE
Notary Public, State of Alaska
My Commission Expires: 8/17/86

MUNICIPALITY OF ANCHORAGE,
ALASKA dba MUNICIPAL LIGHT & POWER

By:

Municipal Manager

SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985 last written.

BARBARA WILK
Notary Public, State of Alaska
My Commission Expires: 4/14/89

CHUGACH ELECTRIC ASSOCIATION,
INC.

By:

General Manager

SUBSCRIBED AND SWORN TO before me this 19th day of December, 1985 last written.

SUSAN CHRISTIANSON
Notary Public, State of Alaska
My Commission Expires: 11-5-88
CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

Vice-President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

CITY OF FAIRBANKS, ALASKA
MUNICIPAL UTILITIES SYSTEM

By: [Signature]

CITY MANAGER
(Title)

SUBSCRIBED AND SWORN TO before me this 19th day of December, 1985 last written.

Judith C. Upson
Notary Public, State of Alaska
My Commission Expires: 10-17-87
GOLDEN VALLEY ELECTRIC
ASSOCIATION, INC.

By: [Signature]

[Title]

SUBSCRIBED AND SWORN TO before me this 16th day of
December, 1985 last written.

Kirsti J. Smith
Notary Public, State of Alaska
My Commission Expires: January 17, 1987

ALASKA ELECTRIC GENERATION and
TRANSMISSION COOPERATIVE, INC.

By: [Signature]

[Title]

SUBSCRIBED AND SWORN TO before me this 17th day of
December, 1985 last written.

J. Mapes
Notary Public, State of Alaska
My Commission Expires: 9/1/85
ADDENDUM NO. 1
TO THE
ALASKA INTERTIE AGREEMENT
RESERVE CAPACITY AND OPERATING RESERVE RESPONSIBILITY

This Addendum No. 1 is made this 23rd day of December, 1985, by the Utility Participants, THE MUNICIPALITY OF ANCHORAGE, ALASKA, d.b.a. MUNICIPAL LIGHT & POWER; CHUGACH ELECTRIC ASSOCIATION, INC.; THE CITY OF FAIRBANKS, ALASKA, MUNICIPAL UTILITIES SYSTEM; GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.; and ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC., signatories to the Alaska Intertie Agreement, dated December 23, 1985, hereinafter referred to as "Agreement". The signatory parties are hereinafter referred to as "Utility Participants".

WITNESSETH

WHEREAS THE MUNICIPALITY OF ANCHORAGE, ALASKA, d.b.a. MUNICIPAL LIGHT & POWER; CHUGACH ELECTRIC ASSOCIATION, INC.; THE CITY OF FAIRBANKS, ALASKA, MUNICIPAL UTILITIES SYSTEM; GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.; and ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC. are all Utility Participants and signatories to the Alaska Intertie Agreement; and

WHEREAS the ALASKA POWER AUTHORITY is a Participant and signatory to the Alaska Intertie Agreement; and

WHEREAS the signatories to the Alaska Intertie Agreement desire to have a separate agreement involving only Utility Participants with reserve requirement responsibility on the interconnected system;

NOW THEREFORE, the Utility Participants agree as follows:

ARTICLE A
Reserve Capacity

Section A-1.1

A-1.1.1 Each Utility Participant expects and is expected to maintain utility responsibility for its own load and, as a part of such responsibility, shall maintain or otherwise provide for annually, Accredited Capability in an amount equal to or greater than its maximum System Demand for such year plus such Utility Participant's Reserve Capacity Obligation, as set forth in Subsection A-1.1.2 of this Section.

A-1.1.2 The Reserve Capacity Obligation of a Utility Participant, for any year, shall initially be
equal to thirty (30) percent of the projected Annual System Demand of that Utility Participant. The Reserve Capacity Obligation of the Participants may be adjusted from time to time by the Operating Committee.

A-1.1.3 The Operating Committee may determine the annual Accredited Capability for each Utility Participant.

ARTICLE B
Responsibility for Operating Reserve

Section B-2.1 Operating Reserve

B-2.1.1 Each Utility Participant shall provide Spinning Reserve and Non-Spinning Reserve as required by Section B-2.2 of this Article equal to or greater than the Operating Reserve Obligation of the Participant. As soon as practicable, but not to exceed four hours, after the occurrence of an incident which uses Operating Reserves, each Utility Participant shall restore its Operating Reserve Obligation by the procedures determined by the Operating Committee.

B-2.1.2 The Operating Reserves, Operating Reserve Obligation and Utility Participant's Allocation may be modified or adjusted from time to time by the Operating Committee.

Section B-2.2 Total Operating Reserve Obligation

B-2.2.1 The Total Operating Reserve Obligation at any time shall initially be an amount equal to 150 percent of the capability of the largest generating unit contingency in operation on the interconnected systems of the Utility Participants.

B-2.2.1.1 The Spinning Reserve portion of the total Intertie System shall not be less than an amount equivalent to 100 percent of the Declared Capability of the largest generating unit contingency in operation on the interconnected systems of the Utility Participants. The Declared Capability will be as determined by the Utility Participant.

B-2.2.1.2 The balance of the Total Operating Reserve Obligation shall be maintained with Non-Spinning Reserve.
B-2.2.2 Generating unit capability for Operating Reserves shall be determined by the following criteria:

a. It shall not be less than the load on the machine at any particular time nor greater than (b) below.

b. It shall not exceed that maximum amount of load (MW) that the unit is capable of continuously supplying for a two-hour period, or immediately supplying through action of automatic governor controls.

B-2.2.3 The criteria specified in this section may be modified or changed by the Operating Committee.

Section B-2.3 Utility Participant's Allocation of Operating Reserves

B-2.3.1 The Operating Reserve Obligation of a Utility Participant shall be that percentage of the Total Operating Reserve Obligation determined by the Operating Committee in accordance with the following formula based on the capability of largest generating unit contingency in operation at each Utility Participant.

B-2.3.1.1 Individual Utility Participant Reserve Allocation Formula

\[ \text{TOR} = \text{TOR} \times \frac{U_s}{U_t} \]

\[ \text{IOR} = \text{Individual Utility Participant Operating Reserve Requirement} \]

\[ \text{TOR} = \text{Total Operating Reserve Requirement} \]

\[ U_s = \text{A Utility Participant largest on-line generation unit capability} \]

\[ U_t = \text{Sum of each Utility Participant's Us} \]

Section B-2.4 Operating Reserve Calculation

B-2.4.1 System Spinning Reserve shall be calculated at any given instant as the difference between the sum of the net capability of all generating units on line in the respective system and the integrated Systems Demand of the system involved.
B-2.4.2 A Utility Participant's Spinning Reserve may be satisfied by an automatically controlled load shedding program. The load shedding program shall assure that controlled load can be dropped to meet the requirements of Spinning Reserve and in such a manner as to maintain system stability and not cause objectionable system conditions or cascading effects in other Utility Participants' systems. The Operating Committee shall review and approve the Utility Participant's load shedding program that will be used to satisfy its Spinning Reserve requirements.

B-2.4.3 The Operating Committee may establish procedures to assure that the Operating Reserve is available on the systems of the Participants at all times. Whenever a Participant is unable to meet its Operating Reserve Obligation, that Utility Participant will immediately, within two hours, advise all other Utility Participants and make arrangements to restore its Operating Reserve Obligation.

B-2.4.4 Prudent Utility Practices shall be followed in distributing Operating Reserve, taking into account effective utilization of capacity in an emergency, time required to be effective, transmission limitations and local area requirements.

B-2.4.5 A Participant may arrange for one or more other Utility Participants to supply part or all of its Operating Reserve requirement.

B-2.4.6 In an emergency, any Utility Participant, upon request by another Utility Participant, shall supply to such requesting Utility Participant part or all of its Operating Reserve up to the full amount of its Available Accredited Capability. A Utility Participant experiencing an emergency is not required to maintain its Operating Reserve Obligation. There shall be no obligation of a Utility Participant to supply Operating Reserve if the requesting Utility Participant is not making full use of its Available Accredited Capability.

B-2.4.7 Except as otherwise agreed, a Utility Participant supplying a portion or all of another Utility Participant's Operating Reserve during any month shall be paid by the purchasing Utility Participant an amount equal to whichever is greater of the following:

Addendum No. 1 - 4 of 8
B-2.4.7.1 110 percent of the Incremental Cost of supplying such service; or

B-2.4.7.2 The Incremental Cost of supplying such service plus one-half of the overall savings involved in such transaction, which overall savings shall be equal to the difference between the Incremental Cost of the selling Utility Participant and the Decremental Cost of the purchasing Utility Participant.

B-2.4.8 If a Utility Participant fails to provide adequate Operating Reserve, other than because of a forced outage, during any such period the deficient Participant shall pay to the other Utility Participants an amount equivalent to two times the cost avoided by the deficient Utility Participant for not starting and/or operating any generating unit or units which would ordinarily be used to provide adequate Operating Reserve. Should the Utility Participant not have adequate Accredited Capability to provide the Operating Reserves, it shall pay the other Utility Participants two times the cost for starting and operating the highest cost generating unit on the deficient Utility Participant's system. This payment shall be shared by the other Utility Participants in the same proportion that their individual Annual System Demand is to the non-deficient Utility Participants' total Annual System Demand. Payments under this section B-2.4.8 of this Article B shall be waived for the first year of operation of the Intertie.

IN WITNESS WHEREOF, the Utility Participants have executed this Addendum No. 1 to the Alaska Intertie Agreement in quintuplet by their authorized officers or representatives as of the day and year first above written.

MUNICIPALITY OF ANCHORAGE,
ALASKA dba MUNICIPAL LIGHT & POWER

By: [Signature]

[Title]

SUBSCRIBED AND SWORN TO before me on the 23rd day of December, 1985.
CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

Subscribed and sworn to before me on the 17th day of December, 1985.

Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-85

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

President of the Board

Subscribed and sworn to before me on the 17th day of December, 1985.

Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-85

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

Vice-President of the Board
SUBSCRIBED AND SWORN TO before me on the 17th day of December, 1985.

Susan Christianson  
Notary Public, State of Alaska  
My Commission Expires: 11-8-88

CITY OF FAIRBANKS, ALASKA  
MUNICIPAL UTILITIES SYSTEM

By:  
CITY MANAGER  
>Title

SUBSCRIBED AND SWORN TO before me on the 19th day of December, 1985.

Judith C. Upson  
Notary Public, State of Alaska  
My Commission Expires: 10-17-87

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By:  
Gen. Mgr.  
>Title

SUBSCRIBED AND SWORN TO before me on the 16th day of December, 1985.

Kristi J. Smith  
Notary Public, State of Alaska  
My Commission Expires: January 31, 1997

Addendum No. 1 - 7 of 8
ALASKA ELECTRIC GENERATION and
TRANSMISSION COOPERATIVE, INC.

By: [Signature]

>Title

SUBSCRIBED AND SWORN TO before me on the 17th day

[Signature]

Notary Public, State of Alaska
My Commission Expires: 03/21/08

Addendum No. 1 - 8 of 8
EXHIBIT A
ALASKA INTERTIE AGREEMENT

ABBREVIATIONS AND DEFINITIONS

ABBREVIATIONS

1. AMLP - Municipality of Anchorage, Alaska d.b.a., Municipal Light and Power
2. APAdm - Alaska Power Administration
3. APA - Alaska Power Authority
4. CEA - Chugach Electric Association
5. FMUS - Fairbanks Municipal Utilities System
6. GVEA - Golden Valley Electric Association
7. AEGTC - Alaska Electric Generation and Transmission Cooperative, Inc., of which Homer Electric Association, Inc. and Matanuska Electric Association, Inc. are members.

Definitions

1. Accredited Capability of a Participant - The (a) net generating capability of a Participant, plus (b) the value in kilowatts assigned to that Participant's purchases and/or firm commitments for Power from electric suppliers under contracts now existing or hereafter created, and minus (c) the value in kilowatts assigned to any commitment of that Participant to deliver power to any electric supplier or suppliers pursuant to any valid order or under separate contract or contracts now existing or hereafter created. The Accredited Capability of a Participant may be determined and assigned by the Operating Committee in accordance with the provisions of this Agreement.

2. Annual System Demand - The highest System Demand occurring during the 12-month period ending with the current month.

3. Available Accredited Capability of a Participant - Accredited Capability adjusted for generating capacity out of service for maintenance or repair.
4. Commercial Operation - That date and time Intertie construction, testing, and energization is complete and AMLP and GVEA are initially interconnected in synchronous operation and supporting relaying, metering and control systems are adequate to allow reliable transmission of power and energy across the Intertie.

5. Contract Power - Power and Energy to be available at all times during the period covered by the commitment, except that such Power and Energy may be interrupted in the event conditions arise during the period covered by the commitment which in the judgment of the supplier would require curtailment of electric service to the supplier's own system.

6. Contract Transmission Service - A service providing for transmission of electric Power and Energy in bulk from one utility through the utility's transmission system providing the transmission service to another utility. This service is intended to be available at all times during the period covered by the commitment; provided however, if the transmission system involved has experienced a reduction in transmission capability requiring a reduction in transfers, the utility supplying the transmission service has the right to notify and require the receiving utility to reduce its transfer in the same percentage as the reduction in transmission system transfer capability.

7. Control Area - An interconnected system of one or more utilities which manually or automatically controls all generation to meet the total load, plus or minus the power it is delivering or receiving from neighboring systems.

8. Control Area Service - Exercising operating control of the resources necessary to meet the loads within a control area on an instantaneous and continuous basis. The Participant exercising operating control for Control Area Service shall;

a. Regulate generating facilities and other power resources to effect instantaneous and continuous supply of the power requirements of the loads within the Control Area.

b. Regulate generating facilities to assist in the control of frequency and time correction.

c. Monitor continuously the power flows between its Control Area and the Control Area(s) with which it is interconnected.
9. Declared Capability - The current capability of a generating unit which is not greater than the published capability of the unit.

10. Decremental Cost - The cost of fuel, operating labor and maintenance which would have been incurred to provide the Operating Reserves at any time and which are avoided by the other Participant, including the cost of avoiding the starting and operating of a generating unit or units and a proportional amount of the annual debt service on the capital investment of the highest cost (per kw) generating unit on the receiving Participant's system. The decremental cost of Operating Reserves shall be the total of such avoided costs to the receiving Participant. In situations where a Participant would have incurred replacement fuel costs which are higher than the cost of existing fuel supply, replacement costs shall be utilized.

11. Decremental Energy Cost - The cost of fuel, operating labor and maintenance which would have been incurred to generate the next unit of Energy required at any time and which is avoided by the purchase of Energy from the other Participant, including the cost of avoiding the starting and operating of a generating unit or units. The decremental cost per kilowatt hour for any particular transaction shall be the total of such costs divided by the kilowatt hours scheduled for delivery to the receiving Participant. In situations where a Participant would have incurred replacement fuel costs which are higher than the cost of existing fuel supply, replacement costs shall be used.

12. Economy Energy - Energy that is delivered from a utility with a lower incremental production cost to a utility to displace generation at a higher incremental cost. This Energy schedule may usually be interrupted with little or no notice.

13. Emergency Energy - Energy that is delivered to a utility which does not, as a result of a Forced Outage, have sufficient generating capacity, either on its own system or arranged for from other utilities, to carry its customer load responsibility.

14. Emergency Outage (Forced Outage) - Any unanticipated, unscheduled outage of generating or transmission facilities for other reasons than planned maintenance. Such outage classification shall not exceed a period of four hours.

Exhibit A - 3 of 10
15. Energy (Electric) - As commonly used in the electric utility industry, electric energy means kilowatt hours (kwh).

16. Incremental Cost - The cost of fuel, operating labor, maintenance and a proportional amount of the annual debt service on the capital investment of the next generating unit that would be used to provide the required capability and Energy. It shall include the cost of starting and operating any generating unit required to provide such Energy. The incremental cost of supplying Operating Reserve shall be the total of such costs for the period of time involved. In situations where a Participant will incur replacement fuel costs which are higher than the cost of the existing fuel supply, replacement costs shall be used.

17. Incremental Energy Cost - The cost of fuel, operating labor and maintenance to generate the next unit of Energy required at any time, including the cost of starting and operating any generating unit which must be started as a result of supplying such Energy. The incremental cost per kilowatt hour for any particular transaction shall be the total of such costs divided by the kilowatt hours scheduled for delivery to the receiving Participant. In situations where a Participant will incur replacement fuel costs which are higher than the cost of existing fuel supply, replacement costs shall be used.

18. Interruptible Transmission Service - A service providing for transmission of electric Energy in bulk from one utility system through the utility's transmission system providing the transmission service to another utility. This service is made available with the understanding that it can be curtailed or interrupted at any time with little or no notice at the discretion of the supplier.

19. Intertie - The transmission facilities owned by or under contract to the Alaska Power Authority interconnecting the Northern Group with the Southern Group.

20. Intertie Point of Interconnection - The Midpoint of the Intertie transmission line between the Healy Substation and Douglas Substation, which is also the point of interconnection between AMLP's and GVEA's Control Areas.

21. Intertie Operators - The operators at the control centers of AMLP and GVEA, which are the utilities that have operational responsibility for the Intertie.
22. Intertie System - The Participants of the Alaska Intertie Agreement functioning as an interconnected electrical system.

23. Intertie Transaction - Transfer of electric energy or a commitment to provide reserve capacity between the utilities signatory to the Alaska Intertie Agreement in the Northern Group and the Southern Group using the Intertie.

24. Midpoint of the Intertie - The midpoint of the Intertie is at structure No. 382. The structure is Type E, a 45ºL, three-guyed deadend structure. It is located approximately 84.6 miles from the initiation point at the Douglas Substation.


26. Net Generating Capability - That amount of kilowatts, less station use, that all the generating facilities of a system could normally supply simultaneously under criteria established by the Operating Committee. The capability of the generating units which are temporarily out of service for maintenance or repair shall be included in the Net Generating Capability.

27. Non-Spinning Reserve - All unloaded generating capability not meeting the Spinning Reserve criteria that can be made fully effective in 45 minutes.

28. Northern Group - FMUS, GVEA.

29. Operating Committee - The committee established by Article 9 of this agreement.

30. Operating Reserve - The sum of Spinning and Non-Spinning Reserves.

31. Operating Reserve Obligation - That amount of Spinning Reserve and Non-Spinning Reserve which a Participant is obligated under the terms of this Agreement to provide for the purpose of maintaining continuity of service.

32. Planned Maintenance - Any anticipated and scheduled outage of generating or transmission facilities that is planned in advance of the equipment being removed from service.

33. Participant - Any entity which is a Participant to this Agreement.
34. Power (Electric) - The time rate of generating, transferring or using electric Energy, usually expressed in kilowatts.

35. Prudent Utility Practices - Prudent Utility Practices at a particular time means any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto. In applying the standard of Prudent Utility Practices to any matter under the Agreement, equitable consideration should be given to the circumstances, requirements and obligations of each of the Participants, and the fact that the Participants are cooperatives, public corporations, or political subdivisions of the State of Alaska with prescribed statutory powers, duties and responsibilities. It is recognized that Prudent Utility Practice are not intended to be limited to the optimum practices, methods or acts to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practices include due regard for manufacturers' warranties and the requirements of governmental authorities having jurisdiction.

36. Reserve Capacity - The excess in kilowatts of a system's Net Generating Capability over its maximum System Demand for any period.

37. Reserve Capacity Obligation - The capacity which a Participant is obligated to reserve and use for the purpose of maintaining continuity of service.

38. Scheduled Outage - Any outage of generating or transmission facilities which is scheduled in advance to be out of service.


40. Spinning Reserve - The amount of unloaded generating capability of a Participant connected to and synchronized with the interconnected system of the Participants and ready to take load. Spinning Reserve allocation to any generator shall not exceed the amount
of generation increase that can be realized immediately from normal governor control.

41. System Demand - That number of kilowatts which is equal to the kilowatt-hours required in any clock hour, attributable to Energy required during such hour for supply of Energy to a system's consumers, including system losses, and also including any wheeling losses occurring on other systems and supplied for transmission of such Energy, but excluding generating station uses and excluding wheeling losses supplied by another system.

42. Total Operating Reserve Obligation - That amount of Spinning Reserve and Non-Spinning Reserve of the Participants collectively required to maintain continuity of service.

43. Transmission Service - Service provided by the use of the transmission system of a Participant directly connected to the Intertie for wheeling of power and energy through its system for another Participant.

44. Transmission Service Facilities - The integrated transmission facilities of the transmitting utility, excluding power plant step-up transformation and radial lines to loads or generators.

45. Utility Participant - Any Participant other than APA until APA becomes a Utility Participant under Article 4 of the Agreement.

Approved as to form:

[Signature]
Office of the Attorney General

By: [Signature]
Executive Director

SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985 last written.

[Signature]
Notary Public, State of Alaska
My Commission Expires: 13 82

Exhibit A - 7 of 10
MUNICIPALITY OF ANCHORAGE, ALASKA dba MUNICIPAL LIGHT & POWER

By: ________________  
Municipal Manager  
>Title

SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985 last written.

____________________  
Notary Public, State of Alaska  
My Commission Expires: 4/14/89

CHUGACH ELECTRIC ASSOCIATION, INC.

By: ________________  
General Manager

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

____________________  
Notary Public, State of Alaska  
My Commission Expires: 11/8/88

CHUGACH ELECTRIC ASSOCIATION, INC.

By: ________________  
President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.
CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]

Vice-President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

CITY OF FAIRBANKS, ALASKA
MUNICIPAL UTILITIES SYSTEM

By: [Signature]

CITY MANAGER

Exhibit A - 9 of 10
SUBSCRIBED AND SWORN TO before me this 19th day
of December, 1985 last written.

Judith C. Davis
Notary Public, State of Alaska
My Commission Expires: 10-17-87

GOLDEN VALLEY ELECTRIC
ASSOCIATION, INC.

By:  [Signature]
(Title)

SUBSCRIBED AND SWORN TO before me this 16th day
of December, 1985 last written.

Kristi J. Smith
Notary Public, State of Alaska
My Commission Expires: January 17, 1987

ALASKA ELECTRIC GENERATION
and TRANSMISSION COOPERATIVE, INC.

By:  [Signature]
(Title)

SUBSCRIBED AND SWORN TO before me this 17th day
of December, 1985 last written.

[Signature]
Notary Public, State of Alaska
My Commission Expires: 8-31-88

Exhibit A - 10 of 10
EXHIBIT C

ALASKA INTERTIE AGREEMENT
TRANSMISSION SERVICE RATES

1.0 The Transmission Service Rates shall be developed in accordance with the rate formulas provided in Section 2 of this Exhibit C. Such Transmission Service Rates shall be developed using the most recent test period approved for rate making purposes. The formulas as provided in this exhibit shall remain in effect until changed by the Participants to the Intertie Agreement.

2.0 Transmission Service Rate Formulas

2.1 Calculation of the Interruptible Transmission Service Rate shall be in accordance with the following rate formula and the definitions in Section 2.3 of this Exhibit C.

2.1.1 Interruptible Transmission Service Rate (c/kwh) formula = \( \frac{d + e}{f} \)

2.2 The Contract Transmission Service Rate will be a two part rate: (1) an energy rate and (2) a demand rate and be calculated in accordance with the following rate formulas and the definitions in Section 2.3 of this Exhibit C.

The demand rate formula is developed as an annual rate. For periods less than a year, the rate shall be proportionally reduced.

2.2.1 Contract Transmission Service Rate formulas:

2.2.1.1 Energy Rate (c/kwh) = \( \frac{a + b + c}{f} \)

2.2.1.2 Annual Demand Rate = \( \frac{d + e}{g} \)

\((\$/kw)\)

2.2.1.3 Monthly Demand Rate = \( \frac{d + e}{12g} \)

\((\$/kw)\)

2.3 Transmission Service Rate Definitions

\(a = \) "Operating and Maintenance Expenses" (O & M Expenses) shall be those expenses defined in the

Exhibit C - 1 of 6
Federal Energy Regulatory Commission (FERC) Uniform System of Accounts that are associated with the transmission facilities used in providing the involved Transmission Service. The accounts to be used in the appropriate proportions to determine the Transmission Service Rate are as follows:

- System control and load dispatching
- Operation supervision and engineering
- Load dispatching
- Station expenses
- Overhead line expense
- Underground line expense
- Miscellaneous transmission expense
- Rents
- Maintenance supervision and engineering
- Maintenance structures
- Maintenance of station equipment
- Maintenance of overhead lines
- Maintenance of underground lines
- Maintenance of miscellaneous transmission plant

\[ b = \text{"Administrative and General Expenses" (A & G Expenses) shall be those expenses defined in the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts that are associated with the transmission facilities used in providing the involved Transmission Service. The accounts to be used in the appropriate proportions to determine the Transmission Service Rate are as follows:} \]

- Administration and general salaries
- Office supplies and expenses
- Outside services employed
- Property insurance
- Insurance and damages
- Employee pension and benefits
- Miscellaneous general expense
- Maintenance of general plant

\[ c = \text{"Tax Expenses" shall be those tax expenses defined in the Federal Energy Regulatory Commission Account 408.1 directly associated with the transmission facilities used in providing the Transmission Service other than income taxes.} \]

\[ d = \text{"Depreciation Expense" shall be the annual} \]

Exhibit C - 2 of 6
depreciation expenses defined in Federal Energy Regulatory Commission Account 403 and 407 that are associated with the transmission facilities used in providing the Transmission Service.

e = "Capital Costs" shall be the annual interest expenses defined in Federal Energy Regulatory Account 427 on the transmission plant of all capitalized costs associated with the transmission facilities used in providing the Transmission Service.

f = "Kilowatt hours" shall be the total annual kilowatt hours at transmission system input to be transferred by the transmission facilities used in providing the Transmission Service for the test period referred to in section 1.0 of this Exhibit C.

g = "Kilowatts of transfer capacity" shall be the peak load in kw on the transmission facilities providing the Transmission Service for the test period referred to in section 1.0 of this Exhibit C.

MUNICIPALITY OF ANCHORAGE, ALASKA
dba MUNICIPAL LIGHT AND POWER

By:  

(Title)

SUBSCRIBED AND SWORN TO before me this 25th day of December, 1985 last written.

Notary Public, State of Alaska
My Commission Expires: 4-14-89

ALASKA POWER AUTHORITY

By:  

(Title)

Exhibit C - 3 of 6
SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985 last written.

[Signature]
Notary Public, State of Alaska
My Commission Expires: 8/31/86

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]
General Manager

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

[Signature]
Notary Public, State of Alaska
My Commission Expires: 11-8-85

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]
President of the Board

SUBSCRIBED AND SWORN TO before me this 19th day of December, 1985 last written.

[Signature]
Notary Public, State of Alaska
My Commission Expires: 11-8-85

CHUGACH ELECTRIC ASSOCIATION, INC.

By: [Signature]
Vice-President of the Board

Exhibit C - 4 of 6
SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

CITY OF FAIRBANKS, ALASKA
MUNICIPAL UTILITIES SYSTEM

By: [Signature]
CITY MANAGER

SUBSCRIBED AND SWORN TO before me this 19th day of December, 1985 last written.

Judith C. Warner
Notary Public, State of Alaska
My Commission Expires: 16-17-87

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By: [Signature]
Clerk, Mgr.

SUBSCRIBED AND SWORN TO before me this 16th day of December, 1985 last written.

Kristi G. Smith
Notary Public, State of Alaska
My Commission Expires: [Signature]
SUBSCRIBED AND SWORN TO before me this 17th day of December, 1985 last written.

[Signature]

Notary Public, State of Alaska
My Commission Expires: 8/14/86
EXHIBIT D

Minimum Intertie Transfer Capability Rights Determination

Minimum Intertie Transfer Capability Rights (MITCR) for the Utility Participants for the years 1985-86, 1986-87, and 1987-88 will be as set out below.

Annual System Demand (mw)  
(June 1st - May 31st)

<table>
<thead>
<tr>
<th></th>
<th>1981-82</th>
<th>1982-83</th>
<th>1983-84</th>
<th>Three Year Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMLP</td>
<td>114</td>
<td>121</td>
<td>127</td>
<td>120.67 121 MW</td>
</tr>
<tr>
<td>CEA</td>
<td>214.6</td>
<td>223</td>
<td>224.4</td>
<td>220.37 220 MW</td>
</tr>
<tr>
<td>AEGTC</td>
<td>134.6</td>
<td>149.3</td>
<td>156.6</td>
<td>146.8  147 MW</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>488 MW</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Southern Group Utility Participants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FMUS</td>
<td>26.5</td>
<td>28.2</td>
<td>28.2</td>
<td>27.6    28 MW</td>
</tr>
<tr>
<td>GVEA</td>
<td>67.9</td>
<td>72.2</td>
<td>74.6</td>
<td>71.56   72 MW</td>
</tr>
<tr>
<td></td>
<td><strong>Northern Group Utility Participants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table lists the percentages by which Intertie use will be allocated if there is a conflict.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AMLP</td>
<td>121</td>
<td>.248</td>
<td>.25</td>
</tr>
<tr>
<td></td>
<td>488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEA</td>
<td>220</td>
<td>.450</td>
<td>.45</td>
</tr>
<tr>
<td></td>
<td>488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FMUS</td>
<td>28</td>
<td>.28</td>
<td>.28</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GVEA</td>
<td>72</td>
<td>.72</td>
<td>.72</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>AEGTC</td>
<td>147</td>
<td>.301</td>
<td>.30</td>
</tr>
<tr>
<td></td>
<td>488</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EXHIBIT D - 1 of 4
Minimum Intertie Transfer Capability Rights (MITCR) of each Utility Participant for the years 1985-86, 1986-87 and 1987-88 is set out below based on the Intertie Transfer Capability of 70 mw.

<table>
<thead>
<tr>
<th>Utility Participant</th>
<th>Minimum Intertie Transfer Capability Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMLP</td>
<td>.25 X 70 mw = 17.5 mw</td>
</tr>
<tr>
<td>CEA</td>
<td>.45 X 70 mw = 31.5 mw</td>
</tr>
<tr>
<td>FMUS</td>
<td>.28 X 70 mw = 19.6 mw</td>
</tr>
<tr>
<td>GVEA</td>
<td>.72 X 70 mw = 50.4 mw</td>
</tr>
<tr>
<td>AEECTC</td>
<td>.30 X 70 mw = 21.0 mw</td>
</tr>
<tr>
<td></td>
<td>140.0 mw</td>
</tr>
</tbody>
</table>

ALASKA POWER AUTHORITY

BY  

Executive Director

(Title)


SUBSCRIBED AND SWORN TO before me this 23rd day of December, 1985.

Notary Public, State of Alaska
My Commission Expires: 8/3/86

CITY OF FAIRBANKS, ALASKA
MUNICIPAL UTILITIES SYSTEM

BY  

CITY MANAGER

(Title)

SUBSCRIBED AND SWORN TO before me this 19th day of December, 1985.

Notary Public, State of Alaska
My Commission Expires: 10-17-77
MUNICIPALITY OF ANCHORAGE, ALASKA dba MUNICIPAL LIGHT & POWER

BY

Bob Smith

Municipal Manager

SUBSCRIBED AND SWORN TO before me this 33rd day of December, 1985.

Notary Public, State of Alaska
My Commission Expires: 1-1-89

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

BY

Mike Kelly

Crew Mgr

(Signature)

SUBSCRIBED AND SWORN TO before me this 16th day of December, 1985.

Notary Public, State of Alaska
My Commission Expires: __________

CHUGACH ELECTRIC ASSOCIATION, INC.

BY

Richard Nellis

General Manager

SUBSCRIBED AND SWORN TO before me this 11th day of December, 1985.

Notary Public, State of Alaska
My Commission Expires: 1-6-88.
CHUGACH ELECTRIC ASSOCIATION, INC.

BY

[Signature]

President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of


Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

CHUGACH ELECTRIC ASSOCIATION, INC.

BY

[Signature]

Vice-President of the Board

SUBSCRIBED AND SWORN TO before me this 17th day of


Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

ALASKA ELECTRIC GENERATION and
TRANSMISSION COOPERATIVE, INC.

BY

[Signature]

[Title]

SUBSCRIBED AND SWORN TO before me this 17th day of


Susan Christianson
Notary Public, State of Alaska
My Commission Expires: 11-8-88

EXHIBIT D - 4 of 4
AMENDMENT NO. 1
TO THE
ALASKA INTERTIE AGREEMENT
ARTICLE 17 - INSURANCE AND LIABILITY

This Amendment No. 1 is made this 28th day of March, 1991, by the Participants, ALASKA POWER AUTHORITY, now the Alaska Energy Authority, a public corporation of the State of Alaska ("AEA"); the MUNICIPALITY OF ANCHORAGE, ALASKA d/b/a MUNICIPAL LIGHT & POWER ("ML&P"); CHUGACH ELECTRIC ASSOCIATION, INC. ("Chugach"); THE CITY OF FAIRBANKS, ALASKA, MUNICIPAL UTILITIES SYSTEM ("CMUS"); GOLDEN VALLEY ELECTRIC ASSOCIATION, INC. ("GVEA"); and ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC. ("AEGT"), signatories to the Alaska Intertie Agreement, dated December 23, 1985, hereinafter referred to as "Agreement." The signatory parties are hereinafter referred to as "Participants."

WITNESSETH

WHEREAS THE MUNICIPALITY OF ANCHORAGE, ALASKA, d/b/a MUNICIPAL LIGHT & POWER; CHUGACH ELECTRIC ASSOCIATION, INC.; THE CITY OF FAIRBANKS, ALASKA, MUNICIPAL UTILITIES SYSTEM; GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.; and ALASKA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC., are all Utility Participants and signatories to the Alaska Intertie Agreement; and

WHEREAS the AEA is a Participant and signatory to the Alaska Intertie Agreement; and

WHEREAS the signatories to the Alaska Intertie Agreement desire to have Article 17 amended;

NOW THEREFORE, the Participants agree as follows:

ARTICLE 17
Insurance and Liability

Section 17.1 Insurance

During the term of this Agreement, each Participant shall purchase and maintain insurance with a carrier or carriers satisfactory to the Operating Committee and the AEA covering injury to persons or property suffered by any Participant or a third party, as a result of errors, omissions, or operations which arise both out of and during the course of this contract by the Participant or by any of its subcontractors. The coverage shall also provide protection against injuries to all employees of the Utility Participant and the
employees of any of its subcontractors engaged in work under this Agreement.

If approved by the Operating Committee and the AEA, AML&P, FMUS and the AEA may qualify for certain levels of self-insurance. Any such undertaking to self-insure will be furnished to the Operating Committee and the AEA before beginning operations under this Agreement.¹

As an additional alternative, group policies shall be acceptable under Section 17.2 of this Agreement if such policies meet the expressed coverage requirements individually and collectively for the signatories of this Agreement. Any other alternative allowed under Sections 17.2 must provide identical or better limits of coverages required for each of the exposures, as specified in that Section 17.2.

Section 17.2 Types of Insurance

17.2.1 The following insurance must be provided by each Participant to cover those operations of the Participants performed under this Agreement:

Worker's Compensation Insurance: Each Participant shall provide and maintain, for all employees of the Participant engaged in work under this Agreement, Worker's Compensation Insurance as required by AS 23.30.045. Statutory worker's compensation coverage may be provided through purchase of insurance, self-insurance (in the case of AML&P, FMUS and the AEA only) or a combination of both. A self-insurance program must provide a high level of statutory excess over the self-insured level.

Each Participant shall require Worker's Compensation Insurance for any of its subcontractors who directly or indirectly provide services under this Agreement. Each insurance policy must include:

(a) Statutory coverage for states in which employees are engaging in work;

(b) Employer's Liability Protection of not less than $500,000 per occurrence;

¹ Where in this Article 17 the AEA is entitled to self-insurance and there are requirements for approval by the Operating Committee and AEA for such self-insurance, the AEA shall not participate in such approval.
(c) Broad Form All States Endorsement;

(d) Coverage as required by all State and Federal Acts where applicable;

The Worker's Compensation Insurance policy shall contain a waiver of subrogation in favor of the other Participants. Any Participant who is self-insured hereby waives subrogation in favor of the other Participants.

AML&P, FMUS and the AEA may self-insure for Worker's Compensation Insurance up to the maximum filed and approved with the State Department of Labor.

A copy of the insurance policies and/or descriptions of self-insurance program will be furnished to the Operating Committee and the AEA on February 1 of each year.

17.2.2 Comprehensive General Liability Insurance: Each Participant shall purchase and maintain comprehensive general liability insurance subject to the following limits of liability:

(a) Bodily Injury and Property Damage Liability of a minimum of $5,000,000 Combined Single Limits each occurrence and affording insurance for Premises-Operations, Owners' and Contractors' Protective, Independent Contractors, Products/Completed Operations, Blanket Contractual Liability, Broad Form Property Damage, and Personal Injury Liability.

(b) Automobile Liability Insurance covering all vehicles. Such insurance shall provide coverage of not less than $5,000,000 Combined Single Limit each occurrence for Bodily Injury and Property Damage Liability.

(c) Owned Aircraft (if applicable) and Non-Owned Aircraft with seating capacity of five seats or less, except commercial, scheduled flights, with limits of liability not less than: $5,000,000 - Bodily Injury per occurrence; $1,000,000 for Passenger Liability per seat; and $5,000,000 for Property Damage Liability per occurrence. Coverage must include Slung Cargo exposures. If an aircraft with more than five-seat capacity is used, special coverage and limits must be obtained and approved by the Operating Committee.
(d) Owned Watercraft (if applicable) and Non-Owned Watercraft (if applicable) with limits of liability not less than $5,000,000 per single occurrence as provided in the "In Rem Endorsement" under "Maritime Coverage B."

If approved by Operating Committee and the AEA, AML&P, FMUS and the AEA may self-insure any or all of the required coverages in (a), (b), (c), and (d) above. Participants intending to pursue this alternative coverage must provide proof of solvency to be approved annually by the Operating Committee and the AEA. The Operating Committee and the AEA shall establish the guidelines to insure such solvency. Members who have in place approved alternative coverage shall notify the Operating Committee and the AEA on semi-annual basis of any fluctuation(s) that may reduce or limit their solvency as originally approved by the Operating Committee and the AEA.

The other Participants shall be included as additional insured as respects insurance required in this Section 17.2.2 of Article 17 and shall not by their inclusion be responsible to the Insurance carrier for payment of premium therefor. These insurance policies must also contain a cross liability or severability of interest endorsement.

Section 17.3 Other Insurance Coverage Requirements

17.3.1 Each Participant will bear the cost of the required insurance. Insurance required to be maintained under this Article 17 may be maintained as part of any other policy or policies of the Participant so long as the coverage of such policy or policies is substantially the same as if such coverage were maintained under a separate policy.

17.3.2 These policies must provide that any cancellation, non-renewal or material change be upon 30 days' notice to all named insured. Each Participant must provide the Operating Committee and the AEA with evidence of insurance. Insurance companies, or self-insurers, shown on the certificate of insurance must have financial ratings acceptable to the AEA. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach of this Agreement.

IN WITNESS WHEREOF, the Participants have executed this Amendment No. 1 to the Alaska Intertie Agreement in several counterparts by
their authorized officers or representatives as of the day and year first above written.

Approved as to form:

Office of the Attorney General

SUBSCRIBED AND SWORN TO before me this 25th day of February 1996.

Notary Public, State of Alaska
My Commission Expires: Oct 12, 1993

MUNICIPALITY OF ANCHORAGE, ALASKA
d/b/a MUNICIPAL LIGHT & POWER

SUBSCRIBED AND SWORN TO before me this 13th day of January 1996.

Notary Public, State of Alaska
My Commission Expires: 2-29-92

CHUGACH ELECTRIC ASSOCIATION, INC.

SUBSCRIBED AND SWORN TO before me this 16th day of January 1996.

Notary Public, State of Alaska
My Commission Expires: 5-13-92
CHUGACH ELECTRIC ASSOCIATION, INC.

By: ______________
President of the Board

SUBSCRIBED AND SWORN TO before me this __________ day of __________, 1999.

__________________
Notary Public, State of Alaska
My Commission Expires: __________

CHUGACH ELECTRIC ASSOCIATION, INC.

By: ______________
Vice President of the Board

SUBSCRIBED AND SWORN TO before me this __________ day of __________, 1999.

__________________
Notary Public, State of Alaska
My Commission Expires: __________

CITY OF FAIRBANKS, ALASKA
MUNICIPAL UTILITIES SYSTEM

By: ______________
Title

SUBSCRIBED AND SWORN TO before me this __________ day of __________, 1999.

__________________
Notary Public, State of Alaska
My Commission Expires: __________
GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By: [Signature]  
Michael P. Kelly  
General Manager

Title

SUBSCRIBED AND SWORN TO before me this 17th day of December, 1990.

[Signature]  
Notary Public, State of Alaska  
My Commission Expires: 12-27-92

ALASKA ELECTRIC GENERATION and TRANSMISSION COOPERATIVE, INC.

By: [Signature]  
[Name]  
[Title]

SUBSCRIBED AND SWORN TO before me this 28th day of March, 1991.

[Signature]  
Notary Public, State of Alaska  
My Commission Expires: 12-27-92