

1 [Extension Agreement - Long Term Energy Sales - Modesto Irrigation District]

2
3 **Resolution approving an Extension Agreement between the City and County of San**
4 **Francisco, acting by and through its Public Utilities Commission, and the Modesto**
5 **Irrigation District, to extend the term of the existing Long Term Energy Sales**
6 **Agreement to the earlier of the approval of a replacement agreement by both parties, or**
7 **June 30, 2016.**

8
9 WHEREAS, Section 9(l), the Raker Act obligates the City and County of San Francisco
10 to sell or supply excess Hetch Hetchy electrical energy, upon request, to the Modesto
11 Irrigation District (MID) for the District's municipal public purposes and irrigation pumping
12 needs; and

13 WHEREAS, In 1987, San Francisco entered into a Long Term Energy Sales
14 Agreement (LTESA) with MID; and

15 WHEREAS, On February 21, 2003, San Francisco and MID amended and restated the
16 Power Sales Agreement whereby the Parties agreed to enter into a new LTESA by December
17 31, 2007, to continue certain provisions of their amended and restated agreement; and

18 WHEREAS, On October 9, 2007, by Resolution No. 07-0179, the SFPUC authorized its
19 General Manager to execute the LTESA between the City And County Of San Francisco and
20 MID; and

21 WHEREAS, On December 17, 2007, by Resolution No. 689-07 this Board approved
22 the LTESA; and

23 WHEREAS, The LTESA became effective on January 1, 2008, and expires on June
24 30, 2015; and

1 WHEREAS, The Parties have agreed that additional time is necessary to reach a final
2 agreement on the terms and conditions of a new energy sales agreement and intend to
3 extend the existing LTESA for a limited period; and

4 WHEREAS, On April 28, 2015, per Resolution No. 15-0099, the SFPUC approved an
5 Extension Agreement with MID and authorized its General Manager to execute the Extension
6 Agreement; now, therefore, be it

7 RESOLVED, That this Board hereby approves the Extension Agreement between the
8 City And County Of San Francisco and MID, and authorizes the General Manager of the
9 SFPUC to execute this Extension Agreement, which will terminate upon the earlier of approval
10 of a replacement agreement by both parties or June 30, 2016, pursuant to Charter, Section
11 9.118; and, be it

12 FURTHER RESOLVED, That within thirty (30) days of the Extension Agreement being
13 fully executed by all parties the SFPUC shall provide the final Extension Agreement to the
14 Clerk of the Board for inclusion into the official file.

Items 13 and 14 Files 15-0484 & 15-0486	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • <u>15-0484</u>: Resolution approving an Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District, to extend the term of the existing Long Term Energy Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2016. • <u>15-0486</u>: Resolution approving an Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Turlock Irrigation District, to extend the term of the existing Long Term Power Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2016. 	
Key Points	
<ul style="list-style-type: none"> • The 1913 Federal Raker Act obligates the City and County of San Francisco to sell or supply excess Hetch Hetchy electrical power, upon request to the Modesto Irrigation District (MID) and the Turlock Irrigation District (TID) for these Districts' municipal public purposes and irrigation pumping needs at a price which reimburses Hetchy for the cost of developing, maintaining and transmitting the surplus electrical energy. • Based on litigation settlement, in 2007 the Board of Supervisors approved a Long Term Energy Sales Agreement with the MID, which extends through June 30, 2015. Similarly, based on litigation settlement, in 2004, the Board of Supervisors approved an Amended Long Term Power Sales Agreement with the TID, which extends through June 30, 2015. • The proposed resolutions would approve extensions of the existing Agreements with MID and TID until the approval of new Agreements or June 30, 2016, whichever is earlier. 	
Fiscal Impact	
<ul style="list-style-type: none"> • During the ten-year period between FY 2004-05 and FY 2013-14 the SFPUC generated and sold \$57,331,000 of power to MID and \$59,945,000 to TID. • Power generation for Hetch Hetchy is dependent on water conditions, such that in dry weather years Hetch Hetchy generates less power and therefore can make less energy sales available to MID and TID. 	
Recommendation	
<ul style="list-style-type: none"> • Approve the proposed resolutions (File 15-0484 and 15-0486). 	

MANDATE STATEMENT

Charter Section 9.118(a) requires all contracts entered into by a department having anticipated revenue to the City of \$1,000,000 or more or the modification of such agreement to be subject to approval by resolution by the Board of Supervisors.

BACKGROUND

Section 9(l) of the 1913 Federal Raker Act obligates the City and County of San Francisco to sell or supply excess Hetch Hetchy electrical power, upon request to the Modesto Irrigation District (MID) and the Turlock Irrigation District (TID) for these Districts' municipal public purposes and irrigation pumping needs at a price which reimburses Hetchy for the cost of developing, maintaining and transmitting the surplus electrical energy. The San Francisco Public Utilities Commission (SFPUC) currently sells electric energy to these two irrigation Districts from Hetch Hetchy generating facilities, delivering the energy over City-owned transmission facilities. In accordance with the Raker Act, both Districts may use Hetch Hetchy power for:

1. District water pumps used for irrigation or drainage purposes;
2. Landowners in the Districts' territories needing to pump water for irrigation or drainage purposes; and
3. Municipal public purposes for the cities within the two irrigation Districts' territories.

In addition, TID has the right to purchase additional Hetch Hetchy energy for non-Raker Act purposes, as specified in their current contract with the City.

In 1987, San Francisco entered into a Long Term Energy Sales Agreement with the MID, which extended for 27 years from April 1, 1988 through June 30, 2015. In 2003, the Board of Supervisors approved a litigation settlement with MID (Ordinance 26-03) for an amended and restated Energy Sales Agreement, and agreed to enter into a new Long Term Energy Sales Agreement with the MID by December 31, 2007. On December 17, 2007, the Board of Supervisors approved a new Long Term Energy Sales Agreement with the MID, which extends for 6.5 years from January 1, 2008 through June 30, 2015 (Resolution No. 689-07).

Similar to MID, the City previously had a Long Term Energy Sales Agreement with TID. In 2004 the Board of Supervisors approved an ordinance (Ordinance 285-04) for the City Attorney to settle litigation with TID and enter into an amended Long Term Energy Sales Agreement. In 2004, the Board of Supervisors subsequently approved an Amended and Restated Long Term Power Sales Agreement with the TID, which extends for approximately 11 years and four months from February 14, 2004 through June 30, 2015.

DETAILS OF PROPOSED LEGISLATION

15-0484: Resolution approving an Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District, to extend the term of the existing Long Term Energy Sales Agreement by a maximum of one year, to the earlier of the approval of a new agreement by both parties, or June 30, 2016.

15-0486: Resolution approving an Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Turlock Irrigation District, to extend the term of the existing Long Term Power Sales Agreement by a maximum of one year, to the earlier of the approval of a new agreement by both parties, or June 30, 2016.

As noted above, the existing Long Term Energy Sales Agreements between the City and the MID and TID expire on June 30, 2015. However, the PUC and the MID and TID all agree that additional time is required to finalize the terms and conditions of a new long term energy sales agreement. Therefore, the proposed resolutions would approve an extension of the existing Agreements with MID and TID until the approval of new Agreements or June 30, 2016, whichever is earlier.

According to Mr. Manuel Ramirez from the SFPUC, the two main issues still being negotiated include:

- (1) revising the rate methodology to explicitly charge MID and TID for the SFPUC's cost of transmission, and
- (2) revising the availability and scheduling of Hetch Hetchy power.

Any subsequent agreements with Modesto and Turlock Irrigation Districts will be subject to Board of Supervisors approval. Mr. Ramirez advises that the SFPUC anticipates bringing back the new agreements to the Board of Supervisors no later than end of April 2016.

FISCAL IMPACT

As shown in the Table below, during the ten-year period between FY 2004-05 and FY 2013-14 the SFPUC generated and sold \$57,331,000 of power to MID and \$59,945,000 to TID.

Annual Energy Sales and Revenues				
	Modesto Irrigation District (MID)		Turlock Irrigation District (TID)	
FYE	Volumes (MWh)	Revenues	Volumes (MWh)	Revenues(\$1000)
2005	518,911	\$16,973,000	299,387	\$8,049,000
2006	592,555	13,651,000	412,301	10,876,000
2007	359,548	8,426,000	188,911	5,838,000
2008	203,597	4,378,000	182,971	6,085,000
2009	74,789	1,322,000	183,479	3,717,000
2010	77,745	2,437,000	209,163	5,093,000
2011	113,843	3,264,000	345,477	7,302,000
2012	77,938	2,718,000	199,900	4,622,000
2013	58,623	2,283,000	168,921	5,100,000
2014	28,412	1,879,000	75,077	3,263,000
Total	2,105,961	\$57,331,000	2,265,587	\$59,945,000

Mr. Ramirez explains the fluctuation in the amount of energy sold and revenues received by the SFPUC varies based on how much power is available after serving Hetch Hetchy's own customers. Power generation for Hetch Hetchy is dependent on water conditions, such that in dry weather years Hetch Hetchy generates less power and therefore can make less energy sales available to MID and TID.

RECOMMENDATION

Approve the proposed resolutions (File 15-0484 and 15-0486).



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
MAY 11 2015 11:29

TO: Angela Calvillo, Clerk of the Board *AK*

FROM: Kristen Wraith, Policy and Government Affairs

DATE: May 11, 2015

SUBJECT: Agreement Extension – Modesto Irrigation District – Long Term Energy Sales Agreement

Attached please find an original and one copy of a proposed resolution approving an Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District, to extend the term of the existing Long Term Energy Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2016.

The following is a list of accompanying documents (2 sets):

1. Board of Supervisors Resolution
2. Raker Act Section 9(l)
3. SFPUC Resolution No. 07-0179
4. SFPUC Resolution No. 15-0099
5. BOS Resolution No. 689-07
6. Long Term Energy Sales Agreement (March 2008)
7. Extension Agreement

Please contact Kristen Wraith at 554-0758 if you need any additional information on these items.

Edwin M. Lee
Mayor

Ann Moller Caen
President

Francesca Vietor
Vice President

Vince Courtney
Commissioner

Anson Moran
Commissioner

Ike Kwon
Commissioner

Harlan L. Kelly, Jr.
General Manager



EXTENSION AGREEMENT
BETWEEN
THE CITY AND COUNTY OF SAN FRANCISCO
AND
THE MODESTO IRRIGATION DISTRICT

1. PARTIES

This Extension Agreement is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a California municipal corporation, hereinafter called "City", acting by and through its PUBLIC UTILITIES COMMISSION, hereinafter called "Commission", and the MODESTO IRRIGATION DISTRICT, a California irrigation district, hereinafter called "Modesto", hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties".

2. RECITALS

Whereas, the Parties entered into the Long Term Energy Sales Agreement ("LTESA") effective January 1, 2008 for the purchase and sale of electric energy from the Hetch Hetchy generating facility pursuant to the Raker Act, and;

Whereas, the LTESA will expire on June 30, 2015, and;

Whereas, the Parties are currently engaged in negotiations for a new energy sales and interconnection agreement to replace the LTESA upon expiration, and;

Whereas, the Parties have agreed that additional time is necessary to reach final agreement on the terms and conditions of the new energy sales and interconnection agreement, and;

Whereas, the Parties hereby enter this Extension Agreement on the terms set forth herein, the consideration of which is acknowledged by both Parties to be sufficient therefor.

3. AGREEMENT

For and in consideration of the mutual covenants and conditions hereinafter set forth, the Parties agree as follows:

3.1 The term of the LTESA is hereby extended to 2400 hours on June 30, 2016 (“Extension Term”).

3.2 The terms and conditions of the LTESA, including the Appendices thereto, will continue in full force and effect throughout the Extension Term.

3.3 The Parties shall continue negotiations on a new energy sales and interconnection agreement to replace the LTESA in a diligent and timely manner.

3.4 This Extension Agreement shall automatically expire upon the earlier of (a) the effective date of a fully executed replacement energy sales and a fully executed interconnection agreement, or a fully executed and combined replacement energy sales and interconnection agreement, between the Parties, or (b) the expiration of the Extension Term.

4. TIME IS OF THE ESSENCE

Time is of the essence with reference to all provisions of this Extension Agreement.

5. EXECUTION IN COUNTERPARTS.

The Parties agree that this Extension Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Extension Agreement to be executed in triplicate by their respective offices thereunto duly authorized this _____ day of _____, 20__.

PUBLIC UTILITIES COMMISSION OF
THE CITY AND COUNTY OF SAN
FRANCISCO

MODESTO IRRIGATION DISTRICT

By: _____
Harlan Kelly
General Manager
City

By: _____
Roger VanHoy
General Manager
Modesto

APPROVED AS TO FORM:

DENNIS HERERRA
City Attorney

By: _____
Deputy City Attorney

LONG TERM ENERGY SALES AGREEMENT
BETWEEN
THE CITY AND COUNTY OF SAN FRANCISCO
AND
THE MODESTO IRRIGATION DISTRICT

1. PARTIES

This LONG TERM ENERGY SALES AGREEMENT is made by and between the CITY AND COUNTY OF SAN FRANCISCO, a California municipal corporation, hereinafter called "City", acting by and through its PUBLIC UTILITIES COMMISSION, hereinafter called "Commission", and the MODESTO IRRIGATION DISTRICT, a California irrigation district, hereinafter called "Modesto", hereinafter sometimes referred to individually as a "Party" and collectively as the "Parties".

2. RECITALS

This Long Term Energy Sales Agreement is made with reference to the following facts, among others:

2.1 The Parties previously entered into an agreement for the sale of power entitled LONG TERM POWER SALES AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND THE MODESTO IRRIGATION DISTRICT, which became effective by its terms on April 1, 1988 with a term through June 30, 2015.

2.2 On February 21, 2003, the Parties amended and restated their Long Term Power Sales Agreement with a term through December 31, 2007, and further agreed to enter into a subsequent long term power sales agreement to continue certain provisions of their amended and restated agreement.

2.3 The Parties engaged in the process contemplated by their prior amended and restated power sales agreement and as a result have negotiated a term sheet for a Long Term Energy Sales Agreement with a term through June 30, 2015, which term sheet has been approved by the Commission and the respective elected bodies of the Parties.

2.4 The Parties hereby enter this Agreement on the terms set forth herein, the consideration of which is acknowledged by both Parties to be sufficient therefor.

3. AGREEMENT

For and in consideration of the mutual covenants and conditions hereinafter set forth, the Parties agree as follows:

4. DEFINITIONS

Whenever used herein, including all appendices and exhibits hereto, the following terms, when initially capitalized, shall for the purpose of this Agreement have the following respective meanings. Initially capitalized terms that are not defined within this section shall have the meanings defined in the CAISO Tariff. The singular of a term shall include the plural and the plural shall include the singular.

4.1 Active Day: The day the delivery of Energy is to occur.

4.2 Active Day Schedule: The schedule for delivery of Energy in each hour of an Active Day.

4.3 Agreement: This LONG TERM ENERGY SALES AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND THE MODESTO IRRIGATION DISTRICT.

4.4 Airport Tenants: The tenants at the San Francisco International Airport whose electric service is purchased from City.

4.5 Allocation Agreement: The agreement between the Districts, dated May 28, 1982, entitled AGREEMENT ON THE ALLOCATION OF HETCH HETCHY POWER BETWEEN MODESTO IRRIGATION DISTRICT AND TURLOCK IRRIGATION DISTRICT, as amended by that certain letter agreement between the Districts dated March 25, 1988, pursuant to which the Districts have agreed on a procedure for allocating between them by percentage the Hetch Hetchy Power sold to them by City, as such agreement may be further amended from time to time in accordance with its terms subject to the provisions of Section 18.5 hereof.

4.6 Annual Class 1 Load: The sum of the Class 1 Load, in kilowatthours, reported by Modesto pursuant to Section 7.3.3 during the months of a Year.

4.7 Balancing Authority: The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

4.8 Balancing Authority Area: The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area. Modesto's Balancing Authority is SMUD.

4.9 CAISO: The California ISO, a not-for-profit public-benefit corporation charged with operating the majority of California's high-voltage wholesale power grid.

4.10 CAISO Tariff: The transmission tariff of the CAISO on file with the Federal Energy Regulatory Commission as it may be amended from time to time, specifically including changes to the CAISO Tariff to implement MRTU as may be approved by FERC in FERC Docket Nos. ER06-615, ER07-1257, and other dockets related to MRTU.

4.11 City: The City and County of San Francisco, a California municipal corporation, and the owner and operator of a certain water supply and hydroelectric power system known as the Hetch Hetchy Project, which is situated in the east central part of California.

4.12 City Municipal Load: The electric Energy required for pumping City's water supply and for City's actual municipal public purposes, including losses to the Hetch Hetchy Bus, for any determination period, expressed in kilowatthours.

4.13 City-PG&E Interconnection: The point at which City's transmission system is interconnected with the CAISO Controlled Grid at the point where PG&E's 230 kV transmission facilities physically connect with the 230 kV transmission facilities of City's Warnerville Substation and the point where City's 115 kV transmission facilities physically connect with PG&E's Newark Substation.

4.14 City's Transmission Facilities: Those rights-of-way, transmission lines, and appurtenant equipment, owned by City, extending from the Hetch Hetchy Bus to the Standiford Interconnection, the Oakdale Interconnection, Norris Industries and to the City-PG&E Interconnection. The City's Transmission Facilities are within the CAISO Balancing Authority Area.

4.15 Class 1 Demand: The amount, expressed in kilowatts, determined pursuant to Section 7.3.2 hereof.

4.16 Class 1 Energy: The Energy in kilowatthours from the Hetch Hetchy Project in excess of City Municipal Load that must be sold to the Districts at cost pursuant to Section 9(1) of the Raker Act.

4.17 Class 1 Energy Rate: The sum of the charges associated with the Provisional Class 1 Rate and the Reconciliation Amount during any determination period, as determined pursuant to Appendix D hereto.

4.18 Class 1 Energy Escalation Factor: The factor that is determined for any Year by dividing (i) the Annual Class 1 Load for the twelve (12) months ending September 30 immediately prior to the Year of determination, by (ii) the Annual Class 1 Load for the second twelve (12) months ending September 30 immediately prior to the Year of determination.

4.19 Class 1 Load: The amount of Energy during a period of determination, as metered by Modesto, that would have qualified for Class 1 Energy service pursuant to Section 9(1) of the Raker Act. Such Energy shall be multiplied by a factor of 1.054 at the point of utilization, to account for losses between the points of utilization and the Point of Delivery and rounded to the nearest 1,000 kilowatthours provided, that if conditions warrant and upon request of either Party, such factor may be modified as agreed by the Parties.

4.20 Demand: The rate of use of electrical Energy, in kilowatts, during any determination period.

4.21 Districts: The Modesto Irrigation District and the Turlock Irrigation District.

4.22 Energy: The electrical energy produced, flowing or supplied by generation, transmission or distribution facilities, being the integral with respect to time of the instantaneous power, measured in units of watt-hours or standard multiples thereof, e.g., 1,000 Wh=1kWh, 1,000 kWh=1MWh, etc.

4.23 Execution Date: The date upon which this Agreement was executed by the Parties.

4.24 Existing Agreements: Those agreements between Modesto and the City incorporated and extended in term as appropriate into this Agreement as Appendices E, F, G, and H.

4.25 Fiscal Year: The period beginning on July 1 of any Year and ending on June 30 of the following Year.

4.26 Governing Boards: City's Public Utilities Commission and Board of Supervisors, as may be applicable, and Modesto's Board of Directors.

4.27 Hetch Hetchy Bus: The generator busses of the hydroelectric generating facilities of the Project, deemed to be a common bus for purposes of this Agreement.

4.28 Hetch Hetchy Project: The hydroelectric generating facilities including associated water storage and conveyance facilities in the Tuolumne River watershed and associated transmission facilities owned by City as now developed or as may be developed in the future.

4.29 Modesto: The Modesto Irrigation District, a California irrigation district and the owner and operator of an electric generation, transmission and distribution system from which it provides, distributes and sells power to consumers within and outside its political boundaries.

4.30 Modesto's Allocation: The percentage applicable to Modesto under the Allocation Agreement which is in effect for purposes of this Agreement pursuant to Section 7.1 hereof during a period of determination.

4.31 Modesto's Estimated Class 1 Energy: The amount of Class 1 Load that Modesto estimates for a month, which estimate shall not exceed the product of (A) the amount of Class 1 Load reported by Modesto pursuant to Section 7.3.3 for the same month of the immediately prior Year, and (B) the Class 1 Energy Escalation Factor.

4.32 Modesto's Estimated Class 1 Demand: The maximum rate at which Modesto may schedule Modesto's Estimated Class 1 Energy for delivery during any month, which may not exceed the product of (i) Modesto's Class 1 Demand as reported by Modesto pursuant to Section 7.3.4 for the same month of the immediately prior Year, and (ii) the Class 1 Energy Escalation Factor.

4.33 MRTU: The CAISO's Market Redesign and Technology Upgrade project, the implementation of which is the subject of FERC Docket Nos. ER06-615, ER07-1257 and related dockets.

4.34 NERC: The North American Electric Reliability Corporation, a not for profit corporation formed under the laws of the State of New Jersey, or its successor.

4.35 Non-Spinning Reserve: Non-Spinning Reserve is off-line generation capacity that can be ramped to capacity and synchronized to the grid within 10 minutes of a dispatch instruction, and that is capable of maintaining that output for two hours.

4.36 Norris Industries: Riverbank Army Ammunition Plant, a retail customer of City located in Riverbank, California, owned by the United States Department of Defense and operated by Norris Industries or its successors.

4.37 Oakdale Interconnection: The interconnection of the TID and CAISO Balancing Authority Areas, which consists of a physical point of interconnection at the points where City's Moccasin-Newark 115 kV Lines #3 and #4 interconnect with the Turlock 115 kV bus at the Oakdale Switchyard as shown in Service Schedule 1 to the CAISO-TID ICAOA.

4.38 On-Peak: The hour ending at 0700 through 2200 Pacific Time hours, excluding hours on Sundays and holidays, as determined from time-to-time by NERC.

4.39 Off-Peak: The hour or portion thereof that is not On-Peak.

4.40 PDC: Project Dependable Capacity.

4.41 PG&E: The Pacific Gas and Electric Company.

4.42 Parties: City and Modesto.

4.43 Party: City or Modesto

4.44 Point of Delivery: The point at which City may deliver Energy to Modesto pursuant to Section 12.

4.45 Project: The Hetch Hetchy Project

4.46 Project Dependable Capacity: 260,000 kilowatts, determined at the Hetch Hetchy Bus pursuant to Section 6.

4.47 Provisional Class 1 Rate: The rate provided for in Section 6 of Appendix D.

4.48 Prudent Utility Practice: Those practices, methods and procedures, as modified from time to time, that are currently and commonly used by electric utilities to design, construct and operate electric power facilities dependably, reliably, safely, efficiently and economically, with due regard to the state of the art in the electric power industry, as applied in the State of California or in the Western Electricity Coordinating Council area, whichever better represents the application of the considerations above. Such practices, methods and procedures are not limited to the optimum, but rather to any within the scope of those currently and commonly used.

4.49 Raker Act: That Act of Congress, 38 Stat. 242 (1913).

4.50 Reconciliation Amount: The amount defined in Section 3.17 of Appendix D hereto.

4.51 SMUD: The Sacramento Municipal Utility District or its successor. SMUD operates its own Balancing Authority Area, and Western operates a sub-Balancing Authority area of the SMUD Balancing Authority Area, pursuant to the agreement between Western and SMUD under which SMUD provides Balancing Authority service and direction to Western.

4.52 Spinning Reserve: The on-line reserve capacity that is synchronized to the grid and ready to meet electric demand within ten minutes of dispatch instruction.

4.53 Standiford Interconnection: The interconnection of the SMUD and CAISO Balancing Authority Areas which consists of a physical point of interconnection at disconnect switches 907C, 903C, 904C and 908C at the Standiford Substation, as shown in Service Schedule 1 to the CAISO-SMUD ICAOA.

4.54 Term: The term of this Agreement as set forth in Section 5 hereof.

4.55 Turlock: The Turlock Irrigation District.

4.56 Turlock's Allocation: The percentage applicable to Turlock under the Allocation Agreement which is in effect for purposes of this Agreement pursuant to Section 7.1 hereof during any period of determination.

4.57 Uncontrollable Forces: Those conditions or circumstances described in Section 21.

4.58 Week: 0000 hours on Sunday through 2400 hours on the following Saturday.

4.59 WAPA: The Western Area Power Administration, or its successor, markets and delivers hydroelectric power and related services within a 15-state region of the central and western U.S. as one of four power marketing administrations within the U.S. Department of Energy.

4.60 Western Electricity Coordinating Council: The Western Electricity Coordinating Council (WECC) coordinates and promotes electric system reliability by supporting efficient competitive power markets, assuring open and non-discriminatory transmission access among

members, and providing an environment for coordinating the operating and planning activities of its members.

4.61 Western System Power Pool ("WSPP") Agreement: The default standardized contract for electric power sales and physical options, which provides parties with the flexibility on the major terms to modify the agreement, by their mutual agreement, effective February 20, 1992, as amended from time to time.

4.62 Work Day: All days except Saturdays, Sundays and NERC designated holidays.

4.63 Year: Calendar year.

5. TERM

This Agreement shall become effective as of 0000 hours on January 1, 2008 and, except as expressly set forth herein, shall continue in effect until 2400 hours on June 30, 2015.

6. HETCH HETCHY PROJECT DEPENDABLE CAPACITY

The Parties acknowledge and agree that PDC of the Project shall be 260,000 kilowatts for the purposes of determining the Class 1 Energy Rate.

7. SALE AND PURCHASE OF ENERGY

Sales and purchases shall be made under the terms and conditions and at the rates and charges provided by this Agreement.

7.1 Modesto's Allocation

7.1.1 As of the effective date of the Term of this Agreement Modesto's Allocation is sixty-five and fifty hundredths (65.50) percent and Turlock's Allocation is thirty-

four and fifty hundredths (34.50) percent. Subject to the provisions of Section 18.5 hereof, Modesto may change such allocated percentage at any time by providing written notice to City, jointly signed by the General Manager of Modesto and the General Manager of Turlock, stating their respective allocation percentages, the sum of which must equal one hundred (100) percent, and the date the revised allocation percentages are to be effective. City shall use the allocation percentages in this Agreement until so changed, and thereafter shall use the allocation percentages in the most recent notice for any allocation it makes pursuant to this Agreement.

7.1.2 If Modesto and Turlock change their respective allocation percentages pursuant to Section 7.1.1, such changes shall become effective at the beginning of the month following delivery of the written notice described in Section 7.1.1 and, commitments previously established between the Parties shall be modified to be consistent with such changes; provided, the collective commitment of the Districts shall be maintained.

7.1.3 City is not a party to the Allocation Agreement. City had no involvement in the negotiation of the Allocation Agreement and is not in any way an arbitrator or enforcer of the Allocation Agreement. If any schedule submitted by Modesto pursuant to Appendix B exceeds Modesto's Allocation for services under this Agreement under Section 7.1.1 or Section 7.1.2, City shall promptly notify Modesto. If Modesto has not adjusted its schedule by the date and time required for completion of City's applicable schedule pursuant to Appendix B, City shall adjust Modesto's schedule to equal Modesto's Allocation and so notify Modesto.

7.1.4 Modesto shall resolve with Turlock all issues related to Modesto's Allocation, subject only to the City's rights under Section 18.5 of this Agreement.

7.2 Class 1 Energy

7.2.1 City shall sell and deliver at the Point of Delivery as scheduled by Modesto pursuant to Appendix B and Modesto shall purchase, at the Point of Delivery, such Class 1 Energy as Modesto commits to purchase, subject to the provisions of this Section 7.2.

7.2.2 Modesto's Class 1 Energy shall be provided in hourly increments in an amount not less than forty (40) percent of Modesto's Estimated Class 1 Demand and not more than Modesto's Estimated Class 1 Demand.

7.2.3 In the event that there is insufficient Class 1 Energy from the Hetch Hetchy Project to meet both Modesto's and Turlock's Class 1 Energy schedules, the City shall schedule Class 1 Energy to Modesto in the amount requested by Modesto pursuant to Section 2.2.1 of Appendix B or in proportion to Modesto's Allocation, whichever amount is less.

7.2.5 In no event will City be required to supply Energy to Modesto during any period in which Energy is not available, or anticipated to not be available, from the Hetch Hetchy Project, including due to real-time constraints such as Uncontrollable Force, emergencies, water quality issues, or water supply constraints.

7.3 Determination of Modesto's Estimated Class 1 Energy and Modesto's Estimated Class 1 Demand

7.3.1 Class 1 Load: Modesto shall notify City, in writing, of the metered quantity of Class 1 Load for each month on or before October 31 for the previous twelve (12) months ending September 30. Modesto's notification shall include copies of work papers and other supporting documentation utilized in calculation of such Class 1 Load.

7.3.2 Class 1 Demand: The quantity of Class 1 Demand for Modesto shall be determined each month by dividing Modesto's Class 1 Load for the month as determined pursuant to Section 7.3.1 by the product of the monthly system load factor for Modesto's total system load for such month and the number of hours in such month.

7.3.3 Modesto shall notify City, in writing, of Modesto's monthly system load factor each month on or before October 31 for the previous twelve (12) months

ending September 30. Modesto's notification shall include copies of work papers and other supporting documentation utilized in calculation of such value.

7.3.4 Modesto shall use the information from 7.3.1, 7.3.2 and 7.3.3 to calculate Modesto's Estimated Class 1 Energy and Modesto's Estimated Class 1 Demand for each month for the succeeding calendar year and shall notify City, in writing, on or before October 31. Modesto's notification shall include copies of work papers and other supporting documentation utilized in calculation of such amounts.

7.3.5 Parties will annually compare Modesto's Estimated Class 1 Energy to the metered Class 1 Load to determine if an adjustment is required to the subsequent development of Modesto's Estimated Class 1 Energy.

8. PROVISION OF OTHER ENERGY SERVICES

8.1 The Parties may want to provide Energy services other than Class 1 Energy on terms to be negotiated at the time of each transaction, including but not limited to: (1) Energy from the Project that is surplus to the City's Municipal Load, the Districts' Class 1 loads, Turlock's purchases of Excess Energy, and City retail loads; (2) Energy from sources or contracts available to either Party; (3) Spinning Reserve; or (4) Non-Spinning Reserve.

8.2 Energy services other than Class 1 Energy that are provided under this Agreement shall be subject to the terms and conditions appropriate to utilities engaged in such transactions and shall be executed pursuant to the WSPP Agreement or other mutually accepted agreements.

9. MODESTO'S RIGHTS TO USE CITY'S TRANSMISSION FACILITIES

9.1 Modesto shall have a right to use Modesto's Allocation of excess capacity of City's Transmission Facilities. This right is limited to the uses that do not adversely affect

delivery of Energy to satisfy City's obligations to City Municipal Load, Districts, Airport Tenants, Norris Industries, and delivery of Hetch Hetchy Project Energy to other City customers.

9.2 City shall be the sole judge of the availability of excess capacity in City Transmission Facilities, consistent with Prudent Utility Practice; provided, Modesto's use of such excess capacity in City's Transmission Facilities shall not be unreasonably denied.

9.3 Modesto shall provide City with advance written notice requesting use of such excess capacity in City's Transmission Facilities. City shall deliver any Energy scheduled by Modesto utilizing such excess capacity and such deliveries shall be adjusted for transmission losses pursuant to Section 13.2.

9.4 If City plans to upgrade, rebuild, or add to City's Transmission Facilities, City shall consult with Modesto about its possible participation in such project. All terms and conditions of use and costs associated with Modesto's participation shall be negotiated by the Parties in a separate agreement.

9.5 City shall allow Modesto to establish additional interconnections with City's Transmission Facilities as the Parties may agree. Such agreement will not be unreasonably withheld. City shall not be required to bear any cost associated with such additional interconnections.

9.6 If City believes that adverse impacts may result to the transmission systems of third parties from Modesto's interconnection with and/or additional use of excess capacity in City's Transmission Facilities, Modesto shall make all required arrangements with such third parties, consistent with Prudent Utility Practice, and bear all costs associated with such interconnection or use.

9.7 City shall allow Modesto to construct new transmission lines on the existing right of way for City's transmission system; provided, that City agrees that such use by Modesto is not inconsistent with (i) City's rights and present or future use of such right of way

and (ii) applicable federal and state laws, including, specifically, the Raker Act. All terms and conditions of use and costs associated with Modesto's use of such right of way shall be negotiated by the Parties in a separate agreement.

9.8 City shall preserve the existing 115 kV, 300 MVA transmission interconnection with Modesto as described in Appendix C.

10. EXISTING AGREEMENTS

The Existing Agreements between Modesto and the City are incorporated into this Agreement as Appendices E, F, G, and H, as amended by terms and conditions of this Section 10. Appendices E, F, G, and H may be further amended, supplemented or modified pursuant to Section 37.2 of this Agreement.

10.1 Letter Agreement for the CCSF Positive Deviation Energy Exchange

The letter agreement for the CCSF Positive Deviation Energy Exchange incorporated into this Agreement in Appendix E shall continue on its terms, except that the termination date of such letter agreement shall be extended until June 30, 2015, and the termination notice period shall be extended to six (6) months.

10.2 Albers Road Interconnection Agreement

The Albers Road interconnection agreement incorporated into this Agreement in Appendix F shall continue on its terms, except that the termination date of such letter agreement shall be extended until June 30, 2015, and references to the Long Term Power Sales Agreement with Modesto shall be interpreted to mean references to this Agreement.

10.3 Letter Agreement for "MID Control Area Change" Associated with CAISO Pass-Through Charges

The letter agreement for "MID Control Area Change" associated with CAISO Pass-Through Charges incorporated in Appendix G shall continue on its terms, except that

references to the Amended and Restated Long Term Power Sales Agreement with Modesto shall be interpreted to mean references to this Agreement.

10.4 Agreement on Warnerville Spare Transformer

The agreement on Warnerville Spare Transformer incorporated into this Agreement in Appendix H shall continue on its terms.

11. SCHEDULING

11.1 Modesto shall schedule and City shall deliver Class 1 Energy provided hereunder at the Point of Delivery in accordance with the provisions of Appendix B. In the event the Project cannot deliver both Modesto and Turlock's combined Class 1 Energy schedules, Modesto schedules at the Point of Delivery shall not exceed Modesto's Allocation of Class 1 Energy.

11.2 City and Modesto shall each designate an appropriate contact person to receive and be empowered to effect requested changes in schedules. These contact persons or their designees or successors will be available during all hours of the day, each day of the year, to effect such changes.

11.3 Changes in the schedules will be confirmed by the Parties prior to implementation. Agreement to changes may be given and communicated orally, or by other means as agreed to by the Parties, utilizing such equipment as, but not limited to, telephones, telefaxes, and computers.

11.4 City and Modesto specifically agree that City shall be deemed to have delivered Energy at rates of delivery as agreed upon in the Active Day Schedule pursuant to Section 3 of Appendix B, as the same may thereafter be adjusted pursuant to Section 4 of Appendix B.

11.5 City may interrupt and shall be excused from any obligation to supply or deliver Class 1 Energy that has been scheduled for delivery at any time to the extent that its failure to supply deliver such Class 1 Energy shall be due to:

(a) either the Project or the City's Transmission Facilities not being available because of a Forced Outage for which sufficient notice could not have been given to allow the outage be factored into the prescheduling process; or

(b) a determination by City, made in its sole judgment and discretion, that supplying or delivering such Energy or continuing delivery of such Energy would adversely impact City's ability either to provide water supply or to meet applicable standards of water quality followed established by City; or

(c) Uncontrollable Forces.

11.6 City may not interrupt the supply and delivery of any Energy scheduled for delivery hereunder in order to sell such Energy at a higher price.

11.7 City shall notify Modesto as far in advance as is practicable of an impending interruption and if not practicable then promptly after the occurrence of any interruption, and shall provide Modesto with (a) a description of the specific cause of the interruption, if known, and (b) the time the interruption started, and (c) the expected duration of the interruption.

12. POINT OF DELIVERY

The Point of Delivery for Energy provided under this Agreement by City to Modesto shall be the Standiford Interconnection 115 kilovolt bus or such other points as the Parties agree to establish. If delivery of Class 1 Energy cannot be made by City to, or received by MID at, the Standiford Interconnection 115 kV bus, then MID may request that such Energy be delivered at an alternative Point of Delivery, and MID shall arrange for and pay all costs associated with City making delivery to the alternative Point of Delivery.

13. LOSSES

13.1 Losses associated with the determination of Modesto's Class 1 Energy, Modesto's Class 1 Demand, Modesto's Estimated Class 1 Energy or Modesto's Estimated Class 1 Demand between the Point of Delivery and points of utilization shall be pursuant to the definition of Class 1 Load.

13.2 Losses, and charges associated with losses, associated with Modesto's use of excess capacity in City's Transmission Facilities shall be calculated on an incremental basis.

13.3 Losses, and charges associated with losses, on City's Transmission Facilities, shall be accounted for pursuant to Section 16.2.

14. CHARACTERISTICS OF ELECTRIC SERVICE AND METERING

14.1 Energy to be delivered and received pursuant to this Agreement shall be three phase, alternating current, at a nominal frequency of sixty (60) hertz. Nominal voltage at the Standiford Interconnection Point of Delivery shall be 115 kilovolts.

14.2 Modesto and City shall each use best efforts to provide reactive power and operate their respective systems so that at all times the total delivery of Energy by City to Modesto as measured at the Point of Delivery shall be between ninety-eight (98) percent lagging and ninety-eight (98) percent leading power factor.

14.3 Metering equipment at the Standiford Interconnection shall be furnished, serviced, tested and maintained by Modesto and shall include "in" and "out" metering equipment for the measurement of the amounts of both real and reactive power, and such backup metering facilities as may be mutually agreed upon by the Parties. Such metering equipment shall be designed to prevent reverse registration and to measure and record continuously deliveries of kilowatts and kilovars, kilowatthours and kilovar-hours. The purpose of the metering equipment at the Standiford Interconnection is to provide information for the Parties' operators and their respective Balancing Authorities to track actual flows between their systems. Invoicing under this Agreement shall be based on the amount of Energy determined pursuant to Section 11.

14.4 Modesto shall own all metering equipment at the Point of Delivery, including the primary instrument transformers with associated wiring.

14.5 The Parties shall each be responsible to provide equipment at the Point of Delivery capable of telemetering the metered data to their respective Energy control centers if the Party desires such data.

15. ACCOUNTING AND BILLING

The total quantity of Class 1 Energy to be billed shall be determined pursuant to this Section 15. City shall bill Modesto at rates and charges pursuant to Section 16.

15.1 Class 1 Energy

Each month Class 1 Energy shall be billed as the Energy included in the final Active Day Schedule during the preceding month as such final Active Day Schedule may have been adjusted pursuant to Section 11.

15.2 Billing and Payment

15.2.1 City shall render monthly bills to Modesto for Energy sold and other services supplied to Modesto under this Agreement. The bill for any particular month shall be rendered on or before the fifteenth (15th) day of the succeeding month or as soon thereafter as possible. City shall submit with each bill all supporting information and documentation that establishes the basis for the charges included in such bill. If amounts of Energy and other services sold under this Agreement cannot be determined accurately for preparing a bill, City shall use its best estimates in preparing the bill, and when final and complete billing information becomes available, City shall promptly prepare and submit an adjusted bill to Modesto.

15.2.2 Modesto shall pay to City all undisputed amounts within thirty (30) days after receipt of each bill. Modesto shall have the option to either pay disputed amounts or

withhold payment of such disputed amounts, provided however, Modesto shall at a minimum pay City such amounts required for payment of Modesto's Class 1 Energy. Modesto's payment for such quantities shall not constitute Modesto's acceptance of such quantities as being correct or appropriate. Billing disputes will be resolved in accordance with Section 17. Bills or payments are deemed to be received three (3) days after a Party deposits the same, postage paid, in the United States Mail.

16. RATES

16.1 Class 1 Energy Rate

For the period from January 1, 2008 and throughout the remaining Term of this Agreement, the Class 1 Energy Rate shall be calculated in accordance with the procedures set forth in Appendix D. On or before May 1, 2008 and May 1 of each Year thereafter during the Term of this Agreement, City shall notify Modesto, in writing, of Class 1 Energy Rate to be effective for the twelve (12) month period beginning July 1 of that Year. City's notification shall include copies of work papers and other supporting documentation utilized in the calculation of such Rate.

16.2 Class 1 Charges

Modesto shall reimburse City for all third-party costs associated with City providing or delivering Class 1 Energy to Modesto that are not recovered through the Class 1 Energy Rate. Prior to implementation of MRTU, transmission loss charges will be accounted for by multiplying the Class 1 Energy Rate by the factor 1.02. Class 1 Charges that may be charged to Modesto include, but are not limited to, CAISO Ancillary Services charges, Transmission Losses Charges, Congestion Charges, Transmission Access Charges or Imbalance Energy charges.

17. BILLING DISPUTES

17.1 Any refund or amount due under this Agreement which is not timely paid pursuant to Section 15.2.2 shall accrue interest at an annual rate compounded monthly from the date payment is due until the date payment is made. The interest rate applicable to any refund or amount due during a given period shall be the lesser of (i) four (4) percent plus the Chase Manhattan Bank Floating Prime Rate, or its successor, which is in effect during such period, or (ii) the maximum interest rate permitted by law, such interest computed monthly for each month or fractional period thereof. Interest which is accrued but unpaid as of the first day of a calendar month shall be added to the total amount due as of that day and thereafter bear interest in the same manner as the principal due under the bills.

17.2 If Modesto disputes the amount due under any bill rendered by City pursuant to Section 15.2.2, Modesto shall pay the undisputed amount of such bill and shall have the option to either pay the disputed amount or withhold payment of such disputed amount pursuant to the provisions of Section 15.2.2, and shall provide to City, in writing, notice of the amount in dispute and the specific basis for the dispute. City and Modesto shall meet, or otherwise discuss as mutually agreed, within fifteen (15) days after City's receipt of Modesto's notice, or by mutual agreement on the earliest possible date thereafter, to attempt to agree on any adjustments that may be appropriate. If the Parties do not agree within this fifteen (15) day period, as it may be extended by mutual agreement, the Parties shall resolve such disputes pursuant to Section 23 of this Agreement. Upon resolution of the dispute, refunds due Modesto or payments due City will be made with interest calculated from the date the payment or refund was due to the date the refund or payment of the disputed amount occurs at the interest rate specified in Section 17.1.

17.3 If either Party is not notified of any error in a bill within three (3) years from the payment due date of the bill, such bill shall be deemed to be correct, without recourse by either Party.

18. COVENANTS OF MODESTO

18.1 Modesto agrees that no Energy sold to it under this Agreement shall be resold to any private person or corporation for purposes contrary to the provisions of the Raker Act. Modesto shall have the right and option to sell Energy for resale if Modesto's total monthly load exceeds its amount of Hetch Hetchy Energy taken in such month.

18.2 Modesto warrants that the monthly quantity of Class 1 Load shall be determined in compliance with the applicable provisions of the Raker Act both as to purposes of use and location of consumer's point of utilization and, when requested by City, Modesto shall demonstrate such compliance to City.

18.3 Modesto warrants that it shall not request that City schedule or deliver to Modesto any Energy in excess of Modesto's Allocation to Class 1 Energy.

18.4 Modesto warrants that City shall not be liable for any disputes arising between Modesto and Turlock regarding the Allocation Agreement.

18.5 Modesto covenants that it shall not agree to any amendment of the Allocation Agreement the purpose of which is to alter the method for determining the allocation percentage thereunder without first having obtained the written consent and approval of City, which consent and approval City may withhold in its sole discretion. Modesto further agrees to provide City with copies of all correspondence relating to the Allocation Agreement, and such further information relating thereto as City may request from time-to-time.

18.6 Modesto agrees to grant City such permits for installation, operation and maintenance of structures and equipment on Modesto's real property and such rights of access as may be required for purposes of this Agreement.

19. COVENANTS OF CITY

19.1 City agrees that this Agreement does not, nor is it intended to lessen, affect or impair in any manner Modesto's rights, benefits or privileges acquired or existing through or by means of the Raker Act.

19.2 City agrees to grant to Modesto such permits for installation, operation and maintenance of structures and equipment on City's real property and such rights of access as may be required for the purposes of this Agreement.

19.3 City agrees to maintain and operate City's transmission and generation facilities consistent with Prudent Utility Practice.

19.4 City shall use its best efforts to install, operate and maintain such equipment as is necessary to provide to Modesto a continuous exchange of information regarding the City's generation and transmission facilities.

19.5 The Parties shall keep each other informed of any discussions or negotiations between either Party, PG&E, Turlock, or the Party's Balancing Authority which would adversely affect Modesto's rights to Energy and other services or the cost of services under this Agreement and of any applications submitted by PG&E, Turlock, or Parties' Balancing Authority before the Public Utilities Commission of the State of California, the Federal Energy Regulatory Commission (FERC), or such other regulatory agency as may be involved, which may affect the terms and conditions of this Agreement, and shall furnish each other with copies of any orders or notifications pertaining thereto.

19.6 City shall provide Modesto copies of all rate tariffs and agreements between City and third parties that may affect the rates and terms and conditions of this Agreement.

20. RESPONSIBILITY

Each Party shall at its own risk and expense, in accordance with Prudent Utility Practice, maintain and keep in good and safe condition and carefully operate its own property and facilities used in delivering, metering or receiving Energy hereunder.

21. UNCONTROLLABLE FORCES

21.1 Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement when a failure of performance shall be due to Uncontrollable Forces. The term Uncontrollable Forces shall mean any cause beyond the control of the Party affected, including but not restricted to failure or threat of failure of facilities, flood, earthquake, tornado, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or order of a governmental agency or authority, and action or non-action by, or inability to obtain the necessary authorizations or approvals from, any governmental agency or authority other than the Parties or their Governing Boards, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

21.2 Nothing contained herein shall be construed so as to require a Party (i) to settle any strike or labor dispute in which it may be involved or (ii) to agree to any terms or conditions of financing or obtaining authorizations or approvals that that Party deems unreasonable or burdensome.

21.3 If either Party is unable to fulfill any of its obligations under this Agreement by reason of Uncontrollable Forces, such Party shall give written notice as expeditiously as possible of such fact to the other Party and shall exercise due diligence to remove such inability with all reasonable dispatch. In such event, the Parties shall diligently and expeditiously determine how they may equitably proceed to carry out the objectives of this Agreement.

22. INSURANCE AND LIABILITY

22.1 During the term of this Agreement, each Party shall submit certification of self insurance or evidence of coverage obtained from commercial carriers, in a form acceptable to the other Party, describing the levels of coverage for Workers' Compensation, comprehensive general liability insurance, comprehensive automobile liability insurance and aircraft liability insurance. Such certification or evidence of coverage shall be supplied annually.

22.2 Responsibilities of the Parties

22.2.1 Each Party shall take full responsibility for performance of its obligations under this Agreement and shall bear all losses and damages directly resulting from such performance. Each Party shall indemnify, hold harmless and assume the defense of the other Party, its governing board, the members of its governing board and its officers, agents and employees from all claims, loss, damage, injury, and liability of any and every kind resulting from injuries to or death of persons, including employees of either Party, arising out of or resulting from performance or nonperformance of this Agreement or any action undertaken in furtherance of this Agreement by the indemnifying Party or its agents, employees or contractors, except to the extent that any such claim, loss, damage, injury or liability is proximately caused by the willful misconduct of the indemnified Party, its governing board, the members of its governing board and its officers, agents, employees or contractors.

22.2.2 The indemnification provided above shall not apply in any instances of sole willful misconduct of a Party, its Governing Board and its members, officers, representatives, agents or employees.

22.2.3 A Party's obligations under this Section to indemnify and hold harmless the other Party shall not be limited to the amount of insurance proceeds, if any, received by the Party being indemnified.

22.2.4 Each Party shall be responsible for protecting its facilities from possible damage by reason of electrical disturbances or faults caused by the operation, faulty

operation, or nonoperation of the other Party's facilities, and such other Party shall not be liable for any such damages so caused.

23. RESOLUTION OF DISPUTES AND ARBITRATION

23.1 It is the intent of the Parties that best efforts will be used to settle all disputes arising under this Agreement as a matter of normal business. Failing such resolution the procedures set forth under this Section 23 shall be utilized, subject to the provisions of Section 17, if appropriate.

23.2 The Party initiating a dispute shall submit its written notice to the other stating completely the nature of the dispute and the specific grounds therefore.

23.2.1 Upon receipt of the written notice of dispute specified in Section 23.2, the Parties shall meet within 15 days to attempt, in good faith, to resolve such dispute.

23.2.2 If the Parties are unable, within five days of the initial meeting, to resolve such dispute, each Party shall prepare a written statement setting forth its understanding of the nature of the dispute and the reasons for the position taken. Copies of the written statements shall be submitted to a management team consisting of the General Manager of City's Public Utilities Commission and Modesto's General Manager within 15 days of the initial meeting.

23.2.3 If the disputing Party fails to deliver its written statement within the time specified in Section 23.2.2, such Party shall be deemed to have waived all present and future claims with respect of such dispute.

23.3 The management team and their advisors shall meet within five days of receipt of each Party's written statement to attempt to resolve the dispute.

23.3.1 The management team shall use best efforts to attempt to resolve the dispute to the satisfaction of the Parties within 30 days of receipt of the written statements. The Parties may agree to extend the time periods set forth in Section 23.3 and 23.3.1.

23.3.2 If the management team fails to resolve any dispute within the period provided in Section 23.3.1, either Party may commence arbitration under Section 23.4.

23.3.3 If the disputing Party fails to commence arbitration within fifteen days after the end of the 30-day period stated in Section 23.3.1, the disputing Party shall be deemed to have waived all present and future claims with respect to such dispute.

23.4 The Parties agree that all disputes arising under this Agreement that have not been resolved after conclusion of the procedures set forth in Sections 23.2 and 23.3 shall be settled through binding arbitration as provided in this Section 23.4 providing such arbitration is commenced in accordance with Section 23.3.2.

23.4.1 Except as otherwise provided in this Section 23.4, the arbitration shall be governed by the Commercial Arbitration Rules of the American Arbitration Association (AAA) from time to time in force. Notwithstanding such rules (1) discovery shall be permitted and the provisions of California Code of Civil Procedures Section 1283.05, are incorporated by reference herein except that the Parties shall not use interrogatories as a means of discovery and (2) if such rules and provisions as herein modified shall conflict with the laws of the State of California then in force, that law shall govern.

23.4.2 Either Party may commence arbitration by serving written notice on its intent to commence arbitration upon the other Party within 15 days after the end of the 30-day period provided in Section 23.3.1. Such Party shall be termed the "Initiating Party." Should either Party fail to commence arbitration within this time period, the Parties shall be deemed to have waived all present and future claims with respect to such dispute.

23.4.3 The written notice shall express the Party's intent to institute arbitration under this Agreement and shall in adequate detail set forth the nature of the dispute, the issue to be arbitrated, the Party's position thereon and the remedy sought by such arbitration.

23.4.4 Within 21 days of the receipt of the notice commencing arbitration and statement of the dispute and proposed remedy required under Section 23.4.3, the other Party shall serve a written response upon the Initiating Party stating its understanding of the issues in dispute, its position thereon, the reasons supporting its position and its proposed remedy. The statements required under Section 23.4.3 and 23.4.4 shall constitute the submittal statement.

23.4.5 Within 30 days after delivery of the Initiating Party's written notice to commence arbitration, the Parties shall meet for the purpose of selecting three impartial arbitrators. In the event the Parties are unable to agree on the selection of three arbitrators at such meeting, they shall, within 15 calendar days of such meeting, request the American Arbitration Association (or a similar organization if the American Arbitration Association should not at that time exist) to provide a list of five impartial arbitrators from which to select the necessary remaining arbitrators. Within 30 days after the date of receipt of such list, the Parties shall take turns striking names from said list until three arbitrators have been selected. The arbitrators selected shall be available to serve and shall be skilled and experienced in the field of the dispute and no person shall be eligible for appointment as an arbitrator who is a director, officer or employee of either of the Parties or is otherwise interested in the matter to be arbitrated. Within ten days after such selection, the Parties shall submit to the arbitrators the written notice and submittal statements prepared pursuant to Sections 23.4.3 and 23.4.4.

23.4.6 Within 10 calendar days after the selection of the arbitrators, the Parties shall meet with the arbitrators to establish a schedule for discovery, initial hearing, the time for the arbitrators to issue a decision after the close of hearing and the rules for consideration and presentation of the arbitrators' decision.

23.4.7 The parties may settle at any time before the issuance of the

arbitrators' decision.

23.4.8 The decision of the arbitrators shall accept one Party's proposal and shall include findings with respect to the issues involved in the dispute. The arbitrators shall make their decision in accordance with Prudent Utility Practice and applicable standards of law. An agreement of any two of the arbitrators to accept a Party's position shall constitute the decision of the arbitrators. The arbitrators may not grant any remedy or relief which is inconsistent with this Agreement. The arbitrators shall specify the time within which the Parties shall comply with the decision. In no event shall the arbitrators' decision contain findings on issues not contained in or grant a remedy beyond that sought in the submittal statement.

23.4.9 The decision of the arbitrators may be enforced by any court or agency having jurisdiction over the Party against whom the decision is rendered.

23.4.10 Should a Party fail to respond to the schedule established under Section 23.4.4 in a timely manner, that Party shall be deemed to have waived all present and future claims with respect to such dispute. Such schedule may be modified by agreement of the Parties.

23.4.11 The arbitrators shall have no authority, power or jurisdiction to alter, amend, change, modify, add to, or subtract from 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.

23.4.12 The Parties agree that the decision of the arbitrators shall be binding upon both Parties and that the Parties shall take whatever action is required to comply with the accepted proposal.

23.4.13 Any and all expenses, excluding attorney's fees, associated with the arbitration shall be borne by the nonprevailing Party except that if a resolution of the dispute is reached before the arbitrators issue an award, such expenses shall be borne by the Party which commenced the arbitration. Each Party shall bear its own attorney's fees.

23.4.14 Should any Party fail to abide by the decision of the arbitrators, the other Party may immediately seek relief in law or equity as may be appropriate. In such event, the prevailing Party shall be entitled to any damages, if any, caused by the non-prevailing Party's failure to abide by the arbitrators' decision, and expenses caused by the enforcement of the arbitrators' decision, including, but not limited to, attorney's fees.

24. TERMINATION FOR BREACH

This Agreement shall terminate as of June 30, 2015, unless it is terminated earlier by the agreement of the Parties or by either Party pursuant to this Section 24 or Section 25. Termination shall be a remedy of last resort for material breach of this Agreement, to be exercised only after the Parties have exhausted all other remedies provided for in this Agreement. After termination pursuant to Sections 24 or 25, all rights provided under this Agreement, except for Modesto's right to Class 1 Energy pursuant to the Raker Act, shall terminate, and neither Party shall claim or assert any continuing right to receive performance of the other Party's obligation under this Agreement. Notwithstanding the foregoing, any such termination of this Agreement shall not release either Party from any liability under this Agreement, whether of indemnity or otherwise, which had accrued or which arises out of any claim, other than for Energy or services provided under this Agreement, that had accrued at the time of termination. Any right to the payment of money for transactions occurring prior to the termination, including but not limited to those rights set forth in Appendix D, shall continue, and the provisions of Section 17 shall continue to apply to such right to the payments of money.

25. PROTECTION CLAUSE

25.1 Neither Party to this Agreement shall initiate, cause, support or engage in any attempts to frustrate the terms and conditions or purposes of this Agreement or the Raker Act to the extent the attempt would affect the terms and conditions of this Agreement or the Raker Act.

25.2 The Parties shall jointly defend this Agreement and the Raker Act against any acts, attempts, orders or decisions - judicial, legislative, regulatory or administrative - that would adversely affect the basic terms and conditions of this Agreement.

25.3 If any subsequent judicial, regulatory, legislative or administrative act, decision or order precludes either Party from substantially realizing the benefits of this Agreement, the Parties shall use their best efforts to amend this Agreement to the end that the mutual benefits of this Agreement will be realized by both Parties throughout the term of this Agreement. If, after diligent and good faith effort by both Parties, this Agreement cannot be so amended to prevent the substantial deprivation of the benefits of this Agreement to either Party, then at any time after one (1) year after the occurrence of the action which causes such substantial deprivation, provided such action is still in effect at that time, either Party shall have the right to terminate this Agreement upon advance written two and one-half (2-1/2) years notice.

25.4 In the event of a dispute as to how best to amend this Agreement pursuant to Section 25.3, either Party may, at any time, refer the matter to the management team for resolution pursuant to the terms of Section 23.2 and 23.3. If the management team fails to reach agreement the matter shall be referred to arbitration pursuant to Section 23.4, provided, however, (a) that such arbitration shall be nonbinding, (b) the arbitrators shall have the authority to issue a decision reached in accordance with the standards of Section 23.4.8 but not necessarily based entirely on either Party's proposal and (c) Sections 23.4.9 through 23.4.14 shall not apply. If the decision of the arbitrators is not acceptable to both Parties and they do not otherwise agree how to amend this Agreement, either Party may seek relief in a court of competent jurisdiction.

26. SEVERABILITY

Except as provided pursuant to Section 25, in the event that any of the terms, covenants or conditions of this Agreement or the application of any such term, covenant or condition shall be held invalid as to any person or circumstance by any court having, or by the Secretary of the Department of Interior to the extent that the Secretary has jurisdiction in these

matters, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless a court holds that the provisions are not separable from all other provisions of this Agreement.

27. WAIVER OF RIGHTS

Any waiver at any time by a Party of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent default or matter.

28. THIRD PARTY RIGHTS

This Agreement is for the sole benefit of the Parties and shall not be construed as granting rights to any person other than the Parties other than such provisions affecting the Districts as provided herein or imposing obligations on any party or granting rights to any person other than a Party.

29. GOOD FAITH

Each Party shall use its best efforts and work diligently and in good faith to carry out the obligations imposed by this Agreement.

30. DILIGENCE

Whenever any act is required to be performed under the terms of this Agreement and the manner in which such act is to be performed is not otherwise specifically detailed, then such act shall be performed in a diligent and timely manner in accordance with Prudent Utility Practice.

31. TIME IS OF THE ESSENCE

Time is of the essence with reference to all provisions of this Agreement.

32. APPLICABLE LAWS

Except as otherwise required by law, this Agreement is made under and shall be deemed to be governed by the laws of the State of California or the laws of the United States, as applicable.

33. EXAMINATION OF RECORDS

Authorized representatives of each Party will be permitted upon reasonable notice and at reasonable times to visit the offices of the other Party and to examine and copy all records and papers pertaining to this Agreement, provided that any records and papers which are exempt from disclosure shall be properly safeguarded by each Party so as to ensure their continued exempt status.

34. DELIVERY OF DOCUMENTS AND DATA

Each Party agrees, upon request by the other Party, to make, execute and deliver any and all documents and data reasonably required to implement this Agreement.

35. RELATIONSHIP OF THE PARTIES

The covenants, obligations, and liabilities of each Party are intended to be several and not joint or collective and nothing herein contained shall be construed to create an association, joint venture, trust, or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to either Party. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement. Neither Party shall be under the control of or shall be deemed to control the other Party. Neither Party shall be the agent of or have the right or power to bind the other Party without its express written consent, except as expressly provided in this Agreement.

36. ASSIGNMENT

36.1 All covenants and agreements contained in this Agreement shall inure to the benefit of City and Modesto and their respective successors and assigns; provided, that neither Party may transfer or assign its interest or rights under this Agreement without the written permission of the other Party, which such written permission shall not be unreasonably refused. No such permission shall be required in the case of the transfer or assignment of a Party's interests or rights or the assignment of the security interest therein to the following:

(i) any trustee or secured party, as security for bonds or other indebtedness, present or future, and such trustee or secured party may, if so empowered, sell or otherwise realize upon such security in foreclosure or other suitable proceedings, possess or take control thereof or cause a receiver to be appointed with respect thereto and otherwise succeed to all interests and rights of the Party making the assignment;

(ii) any entity acquiring all or substantially all the property of the Party making the transfer; or

(iii) any entity into which or with which the Party making the transfer may be merged, consolidated or affiliated.

36.2 Notwithstanding the provisions of Section 36.1, neither Party may transfer or assign its rights or obligations for the purchase or sale of Energy unless such transfer or assignment does not violate the terms and conditions of the Raker Act.

37. AMENDMENT

37.1 Except as provided for expressly herein, neither this Agreement nor any terms hereof may be amended, supplemented, waived or modified except by an instrument in

writing executed by the City's General Manager of Public Utilities and Modesto's General Manager.

37.2 Any amendment, supplement or modifications to any appendix to this Agreement shall not constitute an amendment of this Agreement. Such amendments, supplements or modifications shall become effective upon approval by the City's General Manager of Public Utilities and Modesto's General Manager.

38. EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between City and Modesto and supersedes all prior negotiations, representations or agreements, either written or oral, unless specifically incorporated into this Agreement by writing contained herein.

39. CONSTRUCTION

Ambiguities in the wording of this Agreement shall not be construed for or against either Party arbitrarily but shall be construed in the manner which most accurately reflects the intent of the Parties at the time of execution of this Agreement and is otherwise consistent with the nature of the obligations of the Parties with respect to the matter being construed.

40. CAPTIONS

All indexes, titles, subject headings, section titles and similar items are provided for the purpose of reference and convenience and are not intended to affect the meaning of the contents or scope of this Agreement.

41. PUBLICITY

In all media releases and reports that are issued or prepared for this project, City and Modesto shall use reasonable efforts to mention both Parties.

42. NOTICES

Any notice, demand or request provided for in this Agreement shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by first class United States mail, postage prepaid, to:

To City: General Manager
San Francisco Public Utilities Commission
City and County of San Francisco
1155 Market Street
San Francisco, California 94103

and

General Manager
Hetch Hetchy Water and Power
Post Office Box 160
Moccasin, California 95347

To Modesto: General Manager
Modesto Irrigation District
1231 Eleventh Street
P.O. Box 4060
Modesto, California 96352

The names and addresses of the above recipients may be changed by appropriate notice from one Party to the other.

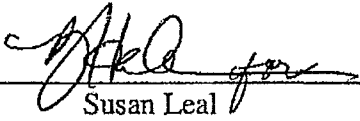
43. EXECUTION IN COUNTERPARTS

The Parties agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

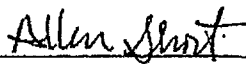
[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in triplicate by their respective officers thereunto duly authorized this 26th day of March 2008.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO


By: 
Susan Leal
General Manager
SFPUC

MODESTO IRRIGATION
DISTRICT

By: 
Allen Short
General Manager
MID

APPROVED AS TO FORM:

DENNIS HERERRA
City Attorney

By: 
Donn Furman
Deputy City Attorney

APPENDICES

APPENDIX

- A [INTENTIONALLY LEFT BLANK]
- B SCHEDULING
- C DESCRIPTION OF FACILITIES
- D CLASS 1 RATE METHODOLOGY
- E LETTER AGREEMENT FOR CCSF POSITIVE DEVIATION ENERGY EXCHANGE
- F ALBERS ROAD INTERCONNECTION AGREEMENT
- G LETTER AGREEMENT FOR "MID CONTROL AREA CHANGE" ASSOCIATED WITH CAISO PASS-THROUGH CHARGES
- H AGREEMENT ON WARNERVILLE SPARE TRANSFORMER

HETCH HETCHY RESERVOIR SITE

**HEARING BEFORE THE COMMITTEE ON PUBLIC LANDS
UNITED STATES SENATE SIXTY-THIRD CONGRESS
FIRST SESSION ON H. R. 7207**

**AN ACT GRANTING TO THE CITY AND COUNTY OF SAN FRANCISCO
CERTAIN RIGHTS OF WAY IN, OVER, AND THROUGH CERTAIN
PUBLIC LANDS, THE YOSEMITE NATIONAL PARK, AND
STANISLAUS NATIONAL FOREST, AND CERTAIN LANDS
IN THE YOSEMITE NATIONAL PARK, THE STANISLAUS
NATIONAL FOREST, AND THE PUBLIC
LANDS IN THE STATE OF CALIFORNIA,
AND FOR OTHER PURPOSES
WASHINGTON
GOVERNMENT PRINTING OFFICE**

1913

.S25A5

1913d

Section 9 (l): That the said grantee shall, upon request, sell or supply to said irrigation districts, and also to the municipalities within either or both said irrigation districts, for the use of any land owner or owners therein for pumping subsurface water for drainage or irrigation, or for the actual municipal public purposes of said municipalities (which purposes shall not include sale to private persons or corporations) any excess of electrical energy which may be generated, and which may be so beneficially used by said irrigation districts or municipalities, when any such excess of electric energy may not be required for pumping the water supply for said grantee and for the actual municipal public purposes of the said grantee (which purposes shall not include sale to private persons or corporations) at such price as will actually reimburse the said grantee for developing and maintaining and transmitting the surplus electrical energy thus sold; and no power plant shall be interposed on the line of the conduit except by the said grantee, or the lessee, as hereinafter provided, and for the purposes and within the limitations in the conditions set forth therein:

Provided, That said grantee shall satisfy the needs of the landowners in said irrigation districts for pumping subsurface water for drainage or irrigation, and the needs of the municipalities within such irrigation districts for actual municipal public purposes, after which it may dispose of any excess electrical energy for commercial purposes.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 15-0099

WHEREAS, Section 9(l), the Raker Act obligates the City and County of San Francisco to sell or supply, upon request, to the Modesto Irrigation District excess Hetch Hetchy electrical energy for the District's municipal public purposes and irrigation pumping needs; and

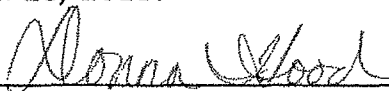
WHEREAS, On October 9, 2007, Resolution No. 07-0179, this Commission authorized the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute the Long Term Energy Sales Agreement (LTESA) between the City And County Of San Francisco and the Modesto Irrigation District; and

WHEREAS, The LTESA became effective on January 1, 2008 and expires on June 30, 2015; and

WHEREAS, The Parties have agreed that additional time is necessary to reach final agreement on the terms and conditions of a new energy sales agreement and intend to extend the existing LTESA for a limited period; now, therefore, be it

RESOLVED, That this Commission hereby approves the Extension Agreement between the City And County Of San Francisco and the Modest Irrigation District, and authorizes the General Manager of the SFPUC to execute this Extension Agreement which will terminate upon the earlier of, approval of a replacement agreement by both parties or June 30, 2016; subject to approval of the Board of Supervisors pursuant to Charter Section 9.118.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of April 28, 2015.



Secretary, Public Utilities Commission

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. **07-0179**

WHEREAS, The San Francisco Public Utilities Commission is responsible for the water, clean water and power utilities of San Francisco, including the Hetch Hetchy Water and Power Project; and

WHEREAS, In 1988 San Francisco entered into a Long Term Power Sales Agreement with the Modesto Irrigation District; and

WHEREAS, In 2003 San Francisco and Modesto irrigation District entered into a Amended and Restated Long Term Power Sales Agreement with a term through December 31, 2007 that required certain provisions be carried forward into a new Long Term Power Sales Agreement; and

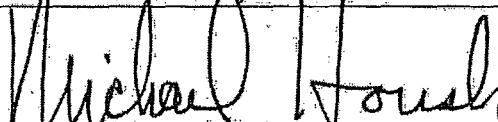
WHEREAS, The SFPUC and Modesto Irrigation District agree that it is the Parties' interest to define their rights and obligation as to that energy required by the Raker Act to be delivered and sold to Modesto at cost from the Hetch Hetchy Project when available for qualified purposes; and

WHEREAS, The Parties have negotiated an Agreement to Implement and Term Sheet that will, if approved by the Commission and the Board of Supervisors, authorize the General Manager of the SFPUC to execute a LTPSA that is consistent with the Term Sheet; now therefore be it

RESOLVED, That the SFPUC hereby approves the Agreement to Implement and Term Sheet, and recommends said Agreement to Implement and Term Sheet to the Board of Supervisors for approval.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of

October 9, 2007



Secretary, Public Utilities Commission

1 [Resolution approving Agreement to Implement and Term Sheet between the San Francisco
2 Public Utilities Commission and Modesto Irrigation District for a Long Term Power Sales
3 Agreement pursuant to Charter Section 9.118(a) with a term through June 30, 2015.]

4 **Resolution approving Agreement to Implement the Term Sheet between the City and**
5 **County of San Francisco, acting by and through its Public Utilities Commission, and**
6 **the Modesto Irrigation District and authorizing the General Manager to implement the**
7 **Term Sheet by incorporating the terms thereof into a new Long Term Power Sales**
8 **Agreement and executing the same.**

9
10 WHEREAS, the San Francisco Public Utilities Commission is responsible for the water,
11 clean water and power utilities of San Francisco, including the Hetch Hetchy Water and Power
12 Project; and

13 WHEREAS, in 1987 San Francisco entered into a Long Term Power Sales Agreement
14 with the Modesto Irrigation District; and

15 WHEREAS, on February 21, 2003, San Francisco and Modesto Irrigation District
16 amended and restated the Power Sales Agreement whereby the Parties agreed to enter into a
17 new Long Term Power Sales Agreement by December 31, 2007 to continue certain provisions
18 of their amended and restated agreement; and

19 WHEREAS, the SFPUC and Modesto have negotiated a term sheet for the new Long
20 Term Power Sales Agreement; and

21 WHEREAS, the new agreement implements San Francisco's Raker Act obligation to
22 provide Modesto with energy at cost from the Hetch Hetchy Project for qualified loads when
23 not needed for the City's own municipal public purpose loads; now, therefore, be it

24 **RESOLVED THAT;** the Board of Supervisors approves the Agreement to Implement
25 and Term Sheet.



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails
Resolution

File Number: 071551

Date Passed:

Resolution approving Agreement to Implement the Term Sheet between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District and authorizing the General Manager to implement the Term Sheet by incorporating the terms thereof into a new Long Term Power Sales Agreement and executing the same.

December 11, 2007 Board of Supervisors — ADOPTED

Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

File No. 071551

I hereby certify that the foregoing Resolution was ADOPTED on December 11, 2007 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

12-17-07

Date Approved

Mayor Gavin Newsom

