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IDAHO PUBLIC
UTILITIES COMMISSION

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January 19, 2022

VIA ELECTRONIC EMAIL

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg 8,
Suite 201-A (83714)
PO Box 83720
Boise, Idaho 83720-0074

Re: Case No. IPC-E-21-43
Idaho Power Company's Letter to IPUC re Boardman to Hemingway
Transmission Line Project

Dear Ms. Noriyuki:

Idaho Power Company (Idaho Power or Company) is pleased to announce that on January 18, 2022, Idaho Power, PacifiCorp d/b/a Pacific Power (PacifiCorp), and the Bonneville Power Administration (BPA) (together, Parties) entered into a non-binding Term Sheet (Term Sheet) that addresses funding construction of the Boardman to Hemingway Transmission Line Project (B2H or Project), ownership roles and operation of the completed Project, as well as associated transmission service considerations and asset exchanges. The Parties entered into this Term Sheet after jointly permitting B2H over the past decade, and after more than two years of discussion related to next steps associated with the Project. The Term Sheet is intended to serve as the framework for future agreements required between and among the Parties, as contemplated by the Term Sheet. Below is a summary of the key Term Sheet provisions, along with a brief discussion of the resulting Idaho Power customer benefits/impacts.¹

Boardman-to-Hemingway Transmission Line Project

Changes to Ownership Arrangements

In past communications with the Commission, Idaho Power explained that the Parties contemplated ownership percentages for B2H as follows: Idaho Power—21 percent; BPA—24 percent; and PacifiCorp—55 percent. However, the Term Sheet reflects BPA's intent to transition out of its role as a joint B2H permitting partner and to rely on the completed Project to take transmission service from Idaho Power to serve its customers in Southeast Idaho, the Term Sheet adjusts the contemplated funding and ownership percentages as follows:

¹ The Term Sheet is included as Attachment A to this letter.

- In addition to its current 21 percent ownership, Idaho Power would assume BPA's 24 percent ownership share in B2H; and Idaho Power would provide transmission service across Southern Idaho to BPA's customers through Network Integration Transmission Service Agreements (NITSA) under Idaho Power's Open Access Transmission Tariff. These NITSA's will remain in effect for a 20-year period.
- In concert with the NITSA's, Idaho Power would acquire BPA's B2H permitting interest and, on a going-forward basis, would fund 45 percent of B2H project development costs for permitting and pre-construction. In the event that Idaho Power is unable to secure B2H Project permits or state Certificates of Public Convenience and Necessity, BPA would compensate Idaho Power for 24 percent (based on BPA's original funding obligations) of the permitting and preconstruction costs incurred after BPA's interest transfers to Idaho Power. Idaho Power would then reimburse BPA for the value of the permitting costs paid by BPA over a 10-year period starting 10 years after B2H is placed in service.

Idaho Power's B2H ownership interest will therefore increase from 21 percent to 45 percent, and its capacity rights will, in turn, increase from an average of 350 MW west-to-east to 750 MW west-to-east. PacifiCorp's ownership interest will remain at 55 percent, with capacity rights of 300 MW west-to-east and 600 MW east-to-west. There remains 400 MW of unallocated east-to-west capacity. *Importantly, BPA's transmission service payments to Idaho Power under the NITSA's would offset Idaho Power's costs associated with BPA's usage of the B2H project over time, and, therefore, Idaho Power's customers will not be harmed by the changes to the arrangement.*

In a related transaction, Idaho Power would secure 500 MW of point-to-point transmission service (PTP) from BPA from the Mid-Columbia market (Mid-C) to Longhorn substation, which will provide Idaho Power a direct connection to the Mid-C market with flexible long-term BPA wheeling rights.

New Midline Series Capacitor for B2H

Idaho Power and PacifiCorp have agreed to construct a B2H midline series capacitor substation at approximately the mid-point of the transmission line. This series capacitor was identified in joint planning studies among Idaho Power, PacifiCorp, and BPA and is necessary to address interactions between B2H and other existing transmission paths and to meet the Parties' needs. While the midline series capacitor was not included in the original Project scope and will require additional permitting, it is not anticipated that the added process will delay B2H's in-service date.

Longhorn Station-Related Terms

The B2H Project would interconnect with the proposed BPA Longhorn substation near Boardman, Oregon, which BPA would own and operate. BPA is in the process of evaluating the construction of the proposed Longhorn substation to satisfy an interconnection request of a BPA customer and anticipates making a decision regarding its construction later in 2022. Under the Term Sheet, BPA would fund Idaho Power's share of the interconnection costs to the proposed main Longhorn substation. Idaho Power and PacifiCorp would fund assets and associated costs, to be reimbursed by BPA, that are

required to directly connect B2H to the Longhorn substation. BPA would satisfy its reimbursement obligations to Idaho Power via transmission service credits associated with Idaho Power's 500 MW of PTP service across BPA from Mid-C to Longhorn substation. In addition, Idaho Power and PacifiCorp would fund and own the B2H series capacitor at the proposed Longhorn substation.

Idaho Power/PacifiCorp Asset Exchange Terms

In addition to the transactions directly related to B2H, Idaho Power and PacifiCorp have agreed to exchange certain assets as follows:

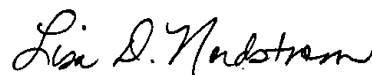
- Idaho Power will acquire PacifiCorp transmission assets and related capacity sufficient to enable Idaho Power to utilize 200 MW of bidirectional transmission capacity between the Idaho Power system (Populus substation) and Four Corners, through Mona.
- PacifiCorp will acquire Idaho Power transmission assets and related capacity sufficient to enable PacifiCorp to utilize 600 MW of east-to-west and 300 MW of west-to-east transmission capacity across Southern Idaho.
- PacifiCorp will terminate its existing 510 MW of east-to-west transmission service from Idaho Power across Southern Idaho and will acquire 300 MW of west-to-east conditional firm service.
- Idaho Power will acquire PacifiCorp assets around the Goshen area necessary to provide transmission service to BPA to serve Southeast Idaho customers.

Conclusion

The execution of the Term Sheet represents a key milestone to Idaho Power's decade-long effort to work with the other Parties to bring significant additional transmission capacity to the region—capacity which is critical to Idaho Power's ability to serve its growing customer load. B2H is a major component of the Company's long-term plan to meet its customers' needs in a least-cost/least-risk manner. The Term Sheet also solidifies and simplifies a path forward for a project that is critical in helping Idaho Power reach its Clean Today. Cleaner Tomorrow. ® goal of providing 100 percent clean energy to customers by 2045.

The aspects of the Term Sheet specific to B2H will be discussed in detail in the IRP's Appendix D, which will be filed by mid-February 2022.

Very truly yours,



Lisa D. Nordstrom

LDN:sg

Enclosures

cc: Dayn Hardie, Deputy Attorney General

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-21-43**

IDAHO POWER COMPANY

ATTACHMENT A

TERM SHEET

THIS TERM SHEET IS INTENDED SOLELY TO FACILITATE DISCUSSIONS AMONG IDAHO POWER COMPANY (“**IDAHO POWER**” or “**IPC**”), PACIFICORP (“**PACIFICORP**” or “**PAC**”), AND THE BONNEVILLE POWER ADMINISTRATION (“**BPA**”) (EACH REFERRED TO HEREIN AS A “**PARTY**” AND COLLECTIVELY REFERRED TO HEREIN AS THE “**PARTIES**”) RELATED TO THE CONSTRUCTION, OWNERSHIP, OPERATION, ASSET EXCHANGES, AND SERVICE AGREEMENTS REGARDING THE BOARDMAN TO HEMINGWAY TRANSMISSION LINE PROJECT (“**B2H PROJECT**” OR “**PROJECT**”) AND OTHER TRANSMISSION FACILITIES. EXCEPT FOR SECTION 5 OF THIS TERM SHEET WHICH SHALL BE LEGALLY BINDING UPON THE PARTIES UPON THE EXECUTION AND DELIVERY OF THIS TERM SHEET BY ALL OF THE PARTIES (THE “**EFFECTIVE DATE**”), (I) THIS TERM SHEET IS NOT INTENDED TO CREATE, NOR SHALL IT BE DEEMED TO CREATE, A LEGALLY BINDING OR ENFORCEABLE AGREEMENT OR OFFER, AND (II) NO PARTY SHALL HAVE ANY LEGAL OBLIGATION WHATSOEVER PURSUANT TO THIS TERM SHEET.

1. **BPA Requirements.** The Parties acknowledge and agree that in order to negotiate the Agreements (as defined below) and before BPA can make a definitive final decision regarding whether to enter into the Agreements, BPA must (1) engage in customer and stakeholder outreach, share information about this Term Sheet during the outreach, and solicit feedback; (2) fulfill all requirements under the National Environmental Policy Act (NEPA), the National Historic Preservation Act (NHPA) and other applicable environmental laws, and (3) make a definitive decision in an Administrator’s final record of decision. Nothing in this Term Sheet shall be construed as indicating that BPA has engaged in customer and stakeholder outreach; completed its NEPA and other environmental review processes or made a decision regarding how to proceed.
2. **Term.** This Term Sheet shall terminate the earlier of (a) energization of the B2H Project, or (b) execution of all agreements identified in the Term Sheet, or (c) mutual written agreement of all Parties. This Term Sheet may be extended by mutual written agreement of all Parties.
3. **Agreements.** Upon execution of this Term Sheet, the Parties intend to negotiate in good faith toward the execution of the definitive, binding agreements and amendments between or among the Parties described below consistent with the terms and conditions described below (“**Agreements**”). Each of the Parties intends to prepare and deliver to the other Parties initial drafts of the Agreements it is designated as responsible for below by no later than the date identified for each agreement. The Parties further intend, subject

to the BPA requirements in Section 1, that they will endeavor to complete negotiation of and execute the Agreements by no later than the date identified for each agreement; provided, however, that the effectiveness of any such Agreement may be subject to one or more conditions precedent, including state or federal regulatory approvals.

a) Asset Exchanges, Transmission Service Agreements, and Amended and Restated Existing and Future Agreements: The table below defines the transactions contingent on completion of the B2H Project including, without limitation, regulatory approval associated with IPC’s acquisition of BPA’s interest in the Amended and Restated Boardman to Hemingway Transmission Project Joint Permit Funding Agreement (“Joint Permitting Agreement”), asset exchanges, transmission service agreements, and amended and restated existing and future agreements. Each of the Parties will prepare an initial draft of the Agreements and Amendments below for which it is designated as the Primary Drafter, consistent with the following terms:

	<i>Parties / Agreement / Action / Primary Drafter</i>	<i>General Terms / Details</i>
1.	<p>PAC, BPA</p> <p><i>Agreement on Principles and Timelines</i></p> <p><i>Prepare First Draft – BPA: Quarter 2 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 3 of Calendar Year 2022</i></p>	<p>PAC and BPA are parties to the Amended and Restated Midpoint-Meridian Agreement, originally executed June 1, 1994 (the “Midpoint-Meridian Agreement”), which provides PAC with 340 MW of bidirectional scheduling rights over the Buckley-Summer Lake 500kV line (the “Buckley-Summer Lake Line”). In connection with the Goshen Area Asset Exchange (as referenced in Section 3(a)(7) of this table) and the B2H Midline Series Capacitor Project (as referenced in Section 3(a)(12) of this table), PAC and BPA are discussing options to allow PAC the ability to schedule 340 MW from the Buckley substation to the 500kV side of the Ponderosa Transformer Bank 500/230 kV #1 (“Ponderosa 500”) and to concurrently schedule 340 MW from the Summer Lake substation to Ponderosa 500 upon energization of the B2H line and the B2H Midline Series Capacitor Project.</p> <p>I. Contingent upon the conditions set forth below, PAC and BPA desire for the concurrent bidirectional scheduling rights over the Buckley-Summer Lake line to be provided as firm point-to-point transmission service (“PTP service”) pursuant to the terms and conditions in BPA’s Tariff and rate schedules upon energization of the B2H line</p>

		<p>and the B2H Midline Series Capacitor Project. As of the Effective Date, the PAC and BPA understand that such PTP service remains subject to further BPA evaluation.</p> <ol style="list-style-type: none"> a. BPA’s offer of PTP service may include conditions if such conditions are identified during BPA’s evaluation. Conditions for PTP service are at BPA’s sole discretion and, if required, will be developed consistent with the principles set forth in Section 3(a)(1)(II)(b) so that flows associated with the PTP service over the Buckley-Summer Lake line do not exceed 340 MW in the north-to-south direction and concurrently does not exceed 340 MW in the south-to-north direction during all lines in service. b. As part of the PTP service evaluation, PAC and BPA will also explore options to combine an offer of PTP service with the modification to points of receipt and points of delivery in PAC’s existing PTP service tables (“redirect”) within the Long Term Firm Point-to-Point Service Agreement (No. 04TX-11722) between PAC and BPA, subject to BPA’s Tariff and related business practices including available transfer capability (“ATC”), with a goal to optimize PAC’s transmission service over the Federal transmission system to serve its central Oregon loads (e.g., using a single wheel from a network point of receipt to PAC’s load at Ponderosa 230 or Pilot Butte 230). BPA will apply its long-standing practice to evaluate the ATC impacts of the new PTP service against the ATC impacts of existing service, to include the bidirectional scheduling rights and redirected service. c. BPA may request additional information from PAC. PAC will make good faith efforts to provide such information within 30 days of BPA’s request. d. PAC will submit applicable transmission service request(s) (“TSR”) within 30 days
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		<p>of BPA’s notice to PAC that such requests should be submitted.</p> <p>e. If BPA determines, in its sole discretion, that BPA can convert the bidirectional scheduling rights to PTP service, BPA agrees to offer PTP service pursuant to BPA’s Tariff and rate schedules.</p> <p>i. The PTP service will be contingent upon and will not be effective before (A) the energization of the B2H line and the installation of the B2H Midline Series Capacitor Project; (B) approval by the Federal Energy Regulatory Commission (“FERC”) of the proposed amendments to the Midpoint-Meridian Agreement discussed in this Section 3(a)(1), per subpart (iii) below; and (C) the Goshen Area Asset Exchange set forth in Section 3(a)(7) of this table is completed and all associated agreements are in effect.</p> <p>ii. PAC and BPA will adhere to the applicable requirements set forth in BPA’s Tariff and related business practices, including timelines for execution or amendment of a service agreement.</p> <p>iii. Concurrent with the execution of the PTP service agreements contemplated in this Section 3(a)(1)(I), PAC and BPA will amend Section 4(a) of the Midpoint-Meridian Agreement to remove and otherwise terminate PAC’s bidirectional scheduling rights over the Buckley-Summer Lake Line.</p> <p>f. If BPA offers PTP service that satisfies PAC’s objectives as expressed in this Term Sheet, PAC intends to accept such service subject to the condition regarding FERC approval described below. If following FERC acceptance without material conditions of the arrangements negotiated between BPA and PAC in this Section 3(a)(1)(I), PAC nonetheless fails to submit applicable TSRs or otherwise</p>
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		<p>declines to accept the PTP service or execute a PTP service agreement, then BPA will have no further obligations to provide PAC with the PTP service described in this Section 3(a)(1)(I) or the scheduling rights described in Section 3(a)(1)(II) below.</p> <p>g. PAC and BPA will negotiate in good faith to complete and enter into agreements needed to complete the other conditions set forth in Sections 3(a)(2) through (14) and 3(c) of this Term Sheet, as such conditions are applicable to either Party.</p> <p>h. PAC will seek FERC guidance as necessary and file the proposed amendment to the Midpoint-Meridian Agreement with FERC for acceptance. BPA will reasonably coordinate with PAC to prepare for FERC meetings and submissions. FERC's unconditioned acceptance shall be a condition to PAC's obligations as contemplated under this Term Sheet.</p> <p>II. Following either (1) BPA's determination that it is unable to provide the PTP service to PAC consistent with Section 3(a)(1)(I) above, or (2) FERC's failure to accept without material conditions the arrangements negotiated between PAC and BPA under Section 3(a)(1)(I) above, BPA will, effective upon energization of the B2H line and the B2H Midline Series Capacitor Project provided that all conditions described below are met, provide PAC with bidirectional scheduling rights over the Buckley-Summer Lake line which give PAC the ability to (A) schedule 340 MW from the Buckley substation to Ponderosa 500 ("North to South schedules") and (B) concurrently schedule 340 MW from the Summer Lake substation to Ponderosa 500 ("South to North schedules") (collectively referred to as "scheduling limits"). The concurrent, bidirectional scheduling rights described in the immediately preceding sentence will be</p>
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		<p>provided pursuant to an amendment to the Midpoint-Meridian Agreement and one or more separately negotiated agreements, that will be effective upon acceptance by FERC and after all conditions set forth in this Section 3(a)(1)(II) are met and will remain in effect until BPA offers PTP service as set forth in Section 3(a)(1)(I). PAC and BPA will work in good faith to satisfy all such conditions consistent with the principles articulated in Section 3(a)(1)(II)(b) below by energization of the B2H line.</p> <p>a. <u>Transmission service to move from the Ponderosa 500 substation.</u> The utilization of the concurrent bidirectional scheduling rights at the Ponderosa substation described in this Section 3(a)(1)(II) is limited to Ponderosa 500. PAC must reserve PTP service from BPA pursuant to BPA’s Open Access Transmission Tariff (“OATT”), business practices, and rate schedules in effect at the time of such reservation to move from Ponderosa 500 to the 230 kV side of Ponderosa transformer bank #1 for delivery to PAC load in central Oregon.</p> <p>b. <u>Principles to guide satisfaction of conditions.</u></p> <p>i. North to South schedules, South to North schedules, and the associated directional power flows may not exceed the scheduling limits (<i>e.g.</i>, 340 MW North to South and, concurrently, 340 MW South to North, under all lines in service). A Power Transfer Distribution Factor (“PTDF”) based methodology (“PTDF algorithm”) and calculator will be used to determine directional power flow. The PTDF algorithm will sum positive flows in the North to South and South to North directions (<i>i.e.</i>, schedules and flows are not netted).</p> <p>ii. If, at any time, North to South schedules, South to North schedules, or the associated directional power</p>
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		<p>flows exceed the scheduling limits, PAC shall reduce the schedules so that the schedules and directional power flows are within the scheduling limits. BPA can, at BPA's sole discretion, curtail the schedules in whole or in part to maintain the scheduling limits and to mitigate congestion, such as during outages.</p> <ul style="list-style-type: none"> iii. Schedules (E-Tags) must contain a single granular source and sink. Sources and sinks (1) cannot be consolidated on a single E-Tag; and (2) must be granular enough to determine the PTDF impact. Sources and sinks that are scheduling points, hubs, or nodes are not sufficiently granular to determine the PTDF impact. iv. PAC may not schedule from sources and sinks for which the PTDF impact has not been determined. PAC will provide BPA with advance notice of sources and sinks with sufficient time for BPA to determine the PTDF impact and, if necessary, to accommodate modifications to tools, systems, and contracts. v. The terms, tools, and protocols associated with the concurrent bidirectional scheduling rights will be structured to minimize to the maximum extent possible any impacts exceeding the scheduling limits (<i>e.g.</i>, 340 MW North to South and, concurrently, 340 MW South to North, under all lines in service) that the physical flows associated with the concurrent bidirectional scheduling rights have on the Pacific Northwest AC Intertie (as such transmission facilities are defined in the various PNW AC Intertie-related agreements among PAC, BPA and the other PNW AC Intertie owners, the "NW AC Intertie") or the Federal transmission
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		<p>system, as reasonably determined by BPA.</p> <p>c. <u>Conditions to Effectiveness of 3(a)(1)(II) Scheduling Rights</u></p> <p>i. <u>PTDF calculator</u>. BPA will develop a PTDF algorithm to calculate the directional power flow associated with each source and sink that PAC intends to schedule. PAC and BPA will coordinate to develop, at PAC's expense, a PTDF calculator that uses the PTDF algorithm and related communication equipment.</p> <p>ii. <u>Agreement on operational terms</u>. After the PTDF calculator is developed, PAC and BPA will work in good faith to develop operational terms, to include the protocols and requirements for monitoring, dispatch, curtailment, reduction of scheduling limits due to outages, and future modifications to stay current with reliability standards, automation, and technological abilities. The operational terms will remain in effect for the duration of the concurrent bidirectional scheduling rights described in this Section 3(a)(1)(II) and will be incorporated into the proposed amendments to the Midpoint-Meridian Agreement or such other agreement as mutually agreed by PAC and BPA.</p> <p>iii. Energization of the B2H Project, including the B2H Midline Series Capacitor Project.</p> <p>iv. The agreements set forth in Section 3(a)(1)(III) below are, to the extent required, accepted for filing at FERC without material conditions.</p> <p>v. The Goshen Area Asset Exchange set forth in Section 3(a)(7) of this table is completed and all associated agreements are in effect.</p> <p>III. Agreements.</p>
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		<p>a. <u>Agreement on Principles and Timelines.</u> Following execution of the Term Sheet, PAC and BPA will negotiate and execute an agreement to reflect the objectives, commitments, principles, conditions, and timelines, including negotiation of applicable follow-on agreements for the PTP service described in Section 3(a)(1)(I), and the concurrent, bidirectional scheduling rights described in Section 3(a)(1)(II). With regard to the concurrent, bidirectional scheduling rights described in Section 3(a)(1)(II), the Agreement on Principles and Timelines would include the principles and conditions set forth in Section 3(a)(1)(II) above, and the timelines for development of the PTDF calculator and negotiation of operational terms and protocols.</p> <p>b. <u>Follow-on Agreements.</u> Before energization of B2H and subject to the conditions described above in this Section 3(a)(1) being met, PAC and BPA will negotiate and execute (1) the agreements and amendments referenced in Section 3(a)(1)(I) above, or (2) if BPA is not yet providing PTP service upon B2H energization consistent with Section 3(a)(1)(I) above, then an amendment to the Midpoint-Meridian Agreement to reflect the addition of the concurrent bidirectional scheduling rights, including term, scheduling and directional power flow requirements, usage of the PTDF calculator, and operational terms, all as consistent with Section 3(a)(1)(II) above. PAC and BPA understand that PAC may be required to file amendments to the Midpoint-Meridian Agreement with FERC for acceptance and that the effective date for the agreements referenced above will be upon FERC acceptance without material conditions.</p> <p>IV. Consistent with the “Phase II Joint Study Report (2020-2021), Boardman to</p>
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		<p>Hemingway (B2H) and Incremental Central Oregon Load” completed on March 23, 2021, upon notice from BPA, PAC will upgrade the existing Meridian Series Capacitor on the 500 kilovolt bus or install an electrically equivalent series capacitor on the PAC section of the Dixonville-Meridian-Klamath Falls-Captain Jack lines in southern Oregon within a reasonable time after receiving the notice. PAC shall be responsible for all costs associated with the upgrade.</p> <p>V. PAC and BPA agree that the proposed modifications to the Midpoint-Meridian Agreement described above are limited in scope to PAC’s bidirectional scheduling rights over the Buckley-Summer Lake line under Section 4 of the Midpoint-Meridian Agreement and do not include BPA’s bidirectional scheduling rights over the Summer-Lake Malin line under Section 4 of the Midpoint-Meridian Agreement. PAC and BPA do not intend to modify, change, alter, or terminate BPA’s bidirectional scheduling rights over the Summer Lake-Malin line set forth in Section 4 of the Midpoint-Meridian Agreement or the General Transfer Agreement between PAC and BPA, originally executed May 4, 1982, as amended.</p>
2.	<p><i>IPC & PAC & BPA</i></p> <p><i>New operational agreement between IPC, PAC & BPA</i></p> <p><i>Prepare First Draft – BPA: Quarter 3 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 4 of Calendar Year 2022</i></p>	<p>IPC, PAC and BPA agree to negotiate in good faith and draft a tri-party operational agreement that will:</p> <ol style="list-style-type: none"> a. Consider Midpoint-Meridian Agreement Section 5(f); and b. Define the curtailment procedures between NW AC Intertie, Western Electricity Coordinating Council (WECC) Path 14 (Idaho to Northwest), and WECC Path 75 (Hemingway – Summer Lake); and c. Identify conditions for revising the tri-party operational agreement including, but not limited to: <ol style="list-style-type: none"> i. Engagement with NW AC Intertie partners;

		<p>ii. In the event the B2H Project and the B2H Midline Series Capacitor Project are not complete and energized by 2027.</p> <p>The Parties will make best efforts to negotiate and target execution of the tri-party operational agreement within one year of the Effective Date of this Term Sheet, with an effective date for the tri-party operational agreement a reasonable time thereafter.</p>
3.	<p>PAC & BPA</p> <p>Termination of Existing NITSAs:</p> <p>PAC Trans – BPA Merchant NITSAs (SA Nos. 746, 747)</p> <p>Incorporate into Agreement on Principles and Timelines under 3(a)(1)</p>	<p>BPA Network Integration Transmission Service Agreements (“NITSAs”) (PacifiCorp Service Agreement No. 746 and No. 747): BPA and PAC agree to terminate the aforementioned NITSAs upon (1) the completion of the asset purchase and sale between IPC and PAC as detailed in Section 3(a)(5) through Section 3(a)(7) of this table – the Goshen Area Asset Exchange, and (2) the commencement of network service as described in Section 3(b)(1).</p>
4.	<p>IPC & BPA & PAC</p> <p>New Agreement:</p> <p>Longhorn Substation Agreements</p> <p>Prepare First Draft – BPA: Quarter 2 of Calendar Year 2022</p> <p>Target Execution Date: Quarter 3 of Calendar Year 2022</p>	<p>IPC and PAC will fund a portion of the proposed Longhorn substation near Boardman, Oregon, if B2H interconnects at Longhorn. This funding will occur as specified in one or more negotiated Longhorn Substation Agreements between the Parties that is consistent with BPA’s Line and Load Interconnection Business practices and allows for recovery of the network portion of these funds through incremental transmission wheeling revenue. The agreement will:</p> <ul style="list-style-type: none"> a. include provisions for IPC and PAC to pay a use of facilities charge or other charge pursuant to BPA’s OATT and applicable rate schedules to transact across the Longhorn bus in the future; b. include provisions for IPC and PAC to potentially own, operate and maintain B2H equipment, which shall include: the

		<p>B2H series capacitor at Longhorn, the B2H shunt line reactors at Longhorn, any ancillary equipment required to support those devices, such as switches, bypass breakers (series cap), and insertion breakers (shunt reactor); and</p> <p>c. be contingent upon BPA completing its obligations and responsibilities under NEPA, NHPA, and other requisite environmental compliance laws and making a decision regarding how to proceed (including provisions for IPC and PAC funding upfront at a prorated amount based on cost allocation of Longhorn, BPA's NEPA, NHPA, and environmental compliance costs).</p> <p>Non-binding cost estimates identified for the potential Longhorn aspects of the B2H Project as of the Effective Date of this Term Sheet are as follows, which all Parties acknowledge and agree are preliminary and may be modified and revised prior to and upon B2H energization:</p> <p><i>These are estimated costs, charges to be trued up with actual costs.</i></p> <p>a. Longhorn (base substation) network costs ~\$59M. Costs subject to transmission credit.</p> <p>i. IPC 21% ~ \$12M (BPA to cover up to \$14M of IPC cost)</p> <p>ii. PAC 55% ~ \$33M</p> <p>iii. BPA 24% ~ \$14M (plus IPC ~ \$12M, for total ~ \$26M)</p> <p>b. B2H connection to Longhorn Network Bay~\$11M. Constructed/Owned/Maintained by BPA. Develop bay 3 with (2) 500kV circuit breakers & (5) 500kV disconnects. Costs subject to transmission credits.</p> <p>i. IPC & PAC 100%</p> <p>c. Customer built (not subject to transmission credits). Including civil work with the reactor and cap costs.</p>
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<p>5.</p>	<p>IPC & PAC</p> <p><i>New Agreement:</i></p> <p><i>Purchase and Sale Agreement for Asset Exchange -potentially utilize the previously developed Joint Purchase and Sale Agreement</i></p> <p><i>Prepare First Draft – IPC: Quarter 2 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 4 of Calendar Year 2022</i></p>	<p>PAC and IPC would purchase and sell to each other various assets to achieve the objectives identified in Section 3(a)(6) and Section 3(a)(7) of this table. PAC and IPC will seek to first balance the purchase and sale of the transferred assets through the depreciated net book value of such assets and allocation of upgrade costs and, finally, if necessary, will be balanced between IPC and PAC through cash considerations.</p> <p><u>Details related to Populus – Four Corners assets:</u></p> <p>These assets will provide IPC ownership on the existing PAC transmission system from Four Corners substation in New Mexico to Populus substation in Idaho. This will include 345 kV transmission lines between the following substations and assets to create a path through each substation:</p> <p>Four Corners, Pinto, Huntington, Camp Williams, Mona, Terminal, 90th South, Ben Lomond and Populus.</p> <p>Consistent with federal processes, IPC and PAC will complete required studies to determine if recent system upgrades result in a possible increase in existing transmission capacity between Borah and Populus to facilitate IPC’s incremental transfer needs associated with this exchange. If determined necessary, IPC and PAC will identify revisions to the JOOA (as defined in Section 3(a)(6) of this table), upgrades, modifications, or other options to meet each party’s commercial needs between Borah and Populus.</p> <p><u>Details related to Borah/Kinport to Hemingway and Midpoint to Borah/Kinport assets:</u></p> <p>These assets will provide PAC ownership on the existing IPC transmission system from Borah/Kinport to Hemingway and from Midpoint 500 to Borah/Kinport. This will include 500 kV and 345 kV transmission lines between the following substations and assets to create a path through each substation:</p> <p>Borah, Kinport, Adelaide, Midpoint and Hemingway.</p> <p>Upgrades are required across the Borah West and Midpoint West paths to facilitate this portion of the</p>
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		<p>proposed asset exchange transaction. The cost of these upgrades will be determined in the course of negotiating the proposed asset exchange transaction described in this Section 3(a)(5).</p> <p><u>Details related to Goshen Area assets:</u></p> <p>As described in more detail in Section 3(a)(7) of this table, PAC will transfer to IPC certain to-be-determined Goshen areas transmission assets that would allow IPC to provide transmission service to all BPA customers in southeast Idaho currently served by PAC. These assets are being transferred to IPC, from PAC, as part of the negotiations between PAC and BPA as described in Section 3(a)(1) of this table, with the consideration for these assets being the transmission service provided by BPA to PAC as detailed in Section 3(a)(1) of this table. IPC and PAC intend for these Goshen assets to be incorporated into the broader purchase and sale agreement described in this Section 3(a)(5) with a goal of minimizing changes to each company’s transmission rate base. This goal is intended to be facilitated through the allocation of the costs associated with the Borah West and Midpoint West upgrades.</p>
6.	<p><i>IPC & PAC Amendment to Existing Agreement: IPC – PAC Joint Ownership and Operating Agreement ("JOOA")</i></p> <p><i>Prepare First Draft – IPC: Quarter 2 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 4 of Calendar Year 2022</i></p>	<p>As part of a transaction transferring assets described in Section 3(a)(5) of this table, IPC and PAC may expand their existing Joint Ownership and Operating Agreement, as amended and restated August 22, 2019 ("JOOA"), to include the following:</p> <ul style="list-style-type: none"> I. PAC owning 300 MW of west-to-east transmission assets between Midpoint 500 and Borah (transferred from IPC); and II. PAC owning an additional 600 MW of east-to-west transmission assets between Borah and Hemingway (transferred from IPC) - total increases from the current 1,090 MW to 1,690 MW; and III. IPC owning 200 MW of bi-directional transmission assets between Populus, Mona and Four Corners (transferred from PAC); and IV. Other revisions as necessary to facilitate other asset exchanges (e.g., for Goshen area, as

		described in Section 3(a)(5) and Section 3(a)(7) of this table).
7.	<p>IPC & PAC</p> <p>Goshen Area Asset Exchange</p> <p>Part of 3(a)(5)</p>	<p>As referenced in Section 3(a)(5) and Section 3(a)(6) of this table, IPC and PAC would negotiate an asset exchange to be effective no later than (i) energization of the B2H line and (ii) commencement of the NITSA between BPA and IPC, as referenced in Section 3(b)(1), that enables BPA to serve its loads currently in PAC’s East transmission system (Lower Valley Elec., Idaho Falls, Fall River Rural Elec., Lost River Electric, Salmon River Electric, Soda Springs,) (“Southeast Idaho Load Service (SILS) Customers”) with one leg of firm IPC network transmission service.</p> <p>As referenced in Section 3(a)(6) of this table, the Goshen area asset exchange may be wrapped into the existing JOOA framework.</p> <p>IPC, PAC, and BPA agree to make best efforts to plan for service to Idaho Falls that requires only one leg of network transmission from the BPA transmission system, provided such best efforts among the Parties must (1) respect and retain the existing services arranged for Idaho Falls load service between BPA and Utah Associated Municipal Power Systems (UAMPS); and (2) be in line with FERC orders in similar circumstances and accepted by FERC.</p>
8.	<p>IPC & BPA</p> <p>New Agreement:</p> <p>Point to Point TSA</p> <p>Prepare First Draft – BPA: Quarter 2 of Calendar Year 2022</p> <p>Target Execution Date: Quarter 3 of Calendar Year 2022</p>	<p>IPC will acquire up to 500 MW of PTP transmission service from Mid-C to Longhorn subject to the terms of BPA’s OATT, business practices and applicable rate schedules. The duration of the new service must be for an initial service duration of at least 5 years, and sufficient to compensate BPA for BPA’s revenue requirement associated with BPA capital investments to facilitate the transmission service, with the right to rollover service in accordance with the BPA’s OATT and business practices in effect at the conclusion of the initial term.</p>

9.	IPC & PAC	<p>Upon energization of the B2H Project, PAC would not renew its current 510 MW of east-to-west rights on the IPC system (which rights are found in IPC 1st Revised Service Agreement (SA) Nos. SAs 344-346 and 383-384).</p> <p>Consistent with and pursuant to IPC’s OATT, PAC and IPC will coordinate to extend any remaining IPC SAs, enter into new SAs, or take other action as necessary to bridge any SA expiration dates until such time as the B2H project is in-service.</p>
10.	<p>IPC & PAC</p> <p><i>B2H Construction Funding Agreement-related Commitments</i></p>	<p>The B2H Construction Funding Agreement, between IPC and PAC as referenced in Section 3(d) below, and any additional agreements as the Parties determine necessary, will include terms necessary to implement the Agreement to Reimburse BPA’s Removal and Replacement Related Transaction Costs, among IPC, PAC and BPA, dated March 18, 2020 (BPA Contract No. 20TX-16835).</p> <p>IPC, on behalf of the B2H Project, will assure that it coordinates construction of the B2H Project with BPA in a manner consistent with the terms of BPA’s Use Agreement, as amended by Amendment Two (2) to NF(R)-9617, including Exhibits A, B and C, between the United States of America, Dept. of the Navy and the United States of America, Bonneville Power Administration Ptn Secs 13, 23 and 24-T2N-R25E, W.M.</p> <p>IPC and PAC acknowledge that the Removal and Replacement Related Transactions described in Contract No. 20TX-16835 are contingent upon (1) BPA obtaining acceptable service from Umatilla Electric so that BPA may continue to serve Columbia Basin Electric’s load; (2) BPA completing its obligations and responsibilities under NEPA, NHPA, or other requisite environmental compliance laws and making a decision regarding how to proceed; and (3) IPC and PAC moving forward with construction of the B2H Project.</p>
11.	IPC & PAC & BPA	<p>In conjunction with the termination of the NITSAs identified in Section 3(a)(3) of this table (<i>i.e.</i>, PAC</p>

	<p><i>BPA Redirect and Assignment of existing PTP transmission service</i></p> <p><i>Incorporate into Agreement on Principles and Timelines under 3(a)(1)</i></p>	<p>SAs 746 & 747), following the energization of B2H, BPA will redirect its two 100 MW PTP transmission service agreements (91629850 and 91629500, or any applicable AREFs that supersede or replace them) that it takes from IPC (<i>i.e.</i>, IPC 1st Revised SAs 324 & 342) such that the new POR of each SA will be Walla Walla and the new POD for each SA will be Borah. Consistent with and pursuant to IPC OATT, following approval of such redirects by IPC as described above, BPA will assign those redirected reservations to PAC. This redirect and assignment will be delayed by BPA if B2H energization is delayed past 07/01/2026. PAC shall be responsible to pay for all costs associated with 91629850 and 91629500, or any applicable AREFs that supersede or replace them, upon approval of such redirect by IPC and assignment by BPA.</p>
<p>12.</p>	<p><i>IPC & PAC & BPA, with respect to B2H Plus Facilities Expectations</i></p> <p><i>IPC & PAC, with respect to B2H Construction Funding Agreement</i></p>	<p>The B2H Project will include the installation of the B2H Midline Series Capacitor Project and development of a remedial action scheme ("RAS"). When considering BPA's study methodology, the B2H midline series capacitor reduces simultaneous interactions between the NW AC Intertie, central and southern Oregon load service, and WECC Path 14 (Idaho to Northwest). The Parties agree to funding of the B2H Midline Series Capacitor Project as follows:</p> <ul style="list-style-type: none"> a. IPC: funding 45% of the cost. b. PAC: funding 55% of the cost c. BPA: funding 0% of the cost <p>The Parties will work in good faith to have the B2H Midline Series Capacitor Project in-service when the B2H Project is energized and to document expectations of operation, maintenance, and future reinforcements and upgrades.</p>
<p>13.</p>	<p><i>IPC & PAC</i></p> <p><i>B2H Grant or Additional Funding</i></p>	<p>Under IPC and PAC's existing OATT rate procedures, IPC and PAC will include any United States Department of Energy ("DOE") grant or additional funding received for the B2H project in the appropriate FERC account provided such account is allocated 100% to Transmission. Nothing in this Term Sheet limits or waives any party's right to participate, review, comment, or challenge the other</p>

		party's rate case or formula rate inputs through their respective update processes.
14.	IPC & PAC & BPA Permit Funding Agreement Amendment	Upon transfer of BPA's Permitting Interest to IPC identified in 3(b)(3) below, the Permit Funding Agreement will be amended to recognize the re-allocation of the Parties' Permitting Interests and related funding obligations.

b) NITSA Terms and Conditions, NITSA Security Agreement, NITSA Backstop

1.	<p>IPC & BPA</p> <p>New Agreements:</p> <p>Network Integration Transmission Service Agreement to serve BPA customers at Goshen</p> <p>Network Integration Transmission Service Agreement to service BPA's customer at Burley</p> <p>Amendment to currently effective Network Integration Transmission Service Agreements</p> <p>Prepare First Draft – IPC: Quarter 2 of Calendar Year 2022</p>	<p>IPC and BPA will enter into two NITSAs for IPC to provide firm network transmission service to BPA.</p> <p>One NITSA will serve BPA customers at Goshen (replacing what is, as of the Effective Date of this Term Sheet, provided under PAC Service Agreement 746) and one NITSA will serve Idaho Falls (replacing what is, as of the Effective Date of this Term Sheet, provided under PAC Service Agreement 747) (“New NITSAs”). The New NITSAs will be in addition to the existing NITSAs BPA currently holds with IPC for service to BPA's customers located on IPC's system (“Existing NITSAs”).</p> <p>The term of BPA's New NITSAs will be 20-years from energization of the B2H Project, with a renewal or rollover option at BPA's discretion as required and permitted by FERC</p> <ol style="list-style-type: none"> a. The NITSA Security Agreement (as referenced in Section 3(b)(2) of this table), and any related other agreements necessary, between BPA and IPC will be updated once the energization of B2H has occurred to document the term and the repayment periods with the actual energization date. b. The New NITSAs, NITSA Security Agreement, and any related other agreements necessary, are conditioned on the Goshen Area Asset Exchange set forth in Section 3(a)(7) being completed and all associated agreements being in effect by the energization of the B2H line.
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<p><i>Target Execution Date: Quarter 3 of Calendar Year 2022</i></p>	<p>The New NITSAs and the Existing NITSAs will be updated to include three Points of Receipt (PORs) over which BPA can deliver energy to its customers located on IPC's system. The three PORs are as follows: AMPS POR, LaGrande POR, and Longhorn POR.</p> <p>The New NITSAs shall reflect the following provisions:</p> <ol style="list-style-type: none"> a. Under the New NITSAs, IPC will plan for and reserve transmission capacity for the continued network service to BPA's SILS Customers' loads and ensure that it can reliably serve the load for the term of the contract prior to BPA assigning the PTP service agreements to PAC pursuant to Section 3(a)(11) above. b. The New NITSAs between BPA and IPC will permit BPA to assign service to specific Points of Delivery (PODs) to BPA's wholesale customers who take service at those PODs. Such assigned PODs will be served by a separate NITSA agreement between BPA's wholesale customer and IPC. The New NITSA between BPA and IPC will state that the customer requesting a separate NITSA for its POD must meet credit rating standards consistent with IPC's OATT. Notwithstanding assignment of the NITS service, BPA would remain entitled to all outstanding credits associated with the Funded Amounts (as defined in Section 3(b)(2) below) as long as BPA continues to be a NITS customer. c. IPC will maintain the current practice of letting BPA choose through the annual delivery allocation process the PODs where BPA will deliver power to serve its loads. The current PODs include LaGrande and AMPS. Once B2H is in service, the PODs will include LaGrande, Longhorn, and AMPS. d. BPA would pay the NT rate as established by IPC's OATT transmission formula rate. There shall be no adders or segmentation
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		<p>like actions which result in a rate above the NT rate and the amount BPA pays to IPC under the NT service agreement will be reduced as discussed in the NITSA Security Agreement.</p> <p>e. IPC will not charge BPA IPC’s system losses for energy from BPA’s Palisades resource used to serve load behind Goshen.</p>
<p>2.</p>	<p><i>IPC & BPA New Agreement: NITSA Security and Risk Backstop Agreement</i></p> <p><i>Prepare First Draft – IPC: Quarter 2 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 3 of Calendar Year 2022</i></p>	<p>IPC and BPA will enter into an NITSA security and risk backstop agreement (“NITSA Security Agreement”), concurrently with the New NITSA and the purchase and sale agreement referenced in Section 3(b)(3) of this table.</p> <p><u>Reimbursement If IPC Receives all Permits and Certificates of Public Convenience and Necessity (CPCN) for Construction of B2H</u></p> <p>IPC will reimburse BPA for the transfer of BPA’s Permitting Interest under the Joint Permitting Agreement in an amount consisting of BPA’s investment in B2H prior to the transfer date (~\$25m). BPA will also pay to IPC an additional \$10 million upon execution of the New NITSAs and the NITSA Security Agreement with the intent of offsetting overall B2H project costs in IPC’s rate base. The additional \$10 million plus BPA’s investment in B2H will be collectively referred to as the “Funded Amount.”</p> <p>IPC will retain the Funded Amount as follows:</p> <p>If and when IPC obtains all necessary CPCNs and permits for the B2H Project (and all appeals, if any, have been resolved), IPC shall have until January 1, 2026 (“Commencement Date”) to commence construction of B2H or to inform BPA of its intent to not pursue construction of B2H.</p> <p>(1) If IPC commences construction of B2H by or before the Commencement Date, then:</p> <p>a. Interest on the Funded Amount (~\$35m) payable by IPC to BPA will accrue from the date of energization of B2H at the rate</p>

		<p>established in the applicable IPC tariff for customer funded projects;</p> <p>b. The Funded Amount and all accrued interest will be repaid to BPA starting year 11 following the energization date (the “Refund Commencement Date”), with repayment amortized over the remaining 10 years of the New NITSAs.</p> <ul style="list-style-type: none"> i. IPC and BPA will incorporate the interest schedule and payment amortization as an exhibit to the NITSA Security Agreement; ii. If during the term of the New NITSAs BPA defaults on its payment obligations under the New NITSAs, IPC will be entitled to retain for its own account an amount equal to the defaulted payment obligation not to exceed the amount not reimbursed to BPA as of the default date; iii. BPA will not be considered in default for any amount not paid subject to a billing dispute; and iv. IPC may prepay the Funded Amount and interest thereon at any time without penalty. <p>(2) If IPC does not commence construction of B2H by or before the Commencement Date or if IPC informs BPA before the Commencement Date of its intent to not proceed with B2H, then:</p> <ul style="list-style-type: none"> a. IPC shall have 180 days from the Commencement Date (or notice to BPA of its intent to not proceed, whichever is earlier) to sell its Permitting Interests in the B2H Project; b. No later than the close of the above mentioned 180 days, IPC shall <ul style="list-style-type: none"> i. pay to BPA BPA’s proportional share of any proceeds received from the sale of its Permitting Interest in the B2H Project (if any), and
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- ii. Pay to BPA the \$10 million BPA provided to IPC upon execution of the New NITSAs.

Risk Backstop if IPC does not Receive all Permits or CPCNs Necessary for constructing B2H.

If IPC does not obtain all necessary CPCNs and permits for the B2H Project, or any such CPCNs or permits are overturned on appeal, then (a) IPC will return to BPA the \$10 million BPA provided to IPC upon execution of the New NITSAs; and (b) BPA will reimburse IPC for funding the additional 24.24% share of all B2H Permitting and Preconstruction Costs incurred after BPA transfers its 24.24% Permitting Interest to IPC.

The reimbursement obligation will not include any costs related to Right of Way option acquisition or exercising Right of Way Options.

The risk backstop commitment will remain in place until IPC obtains all necessary CPCNs and permits for the Project (and all appeals, if any, have been resolved). The intent of the backstop is only to assist IPC in mitigating the risk associated with receiving the approvals for the B2H Project; not to assist in mitigating business risk.

The risk backstop commitment will be as follows:

- a. IPC will not compensate or reimburse BPA for costs expended by BPA on B2H prior to the transfer of the Permitting Interest to IPC (*i.e.*, ~\$25m BPA has expended to date);
- b. BPA will reimburse 24.24% of actual B2H Project Permitting Costs incurred after IPC takes over funding 45% of the project. (Current estimates for 2021-2024 – Total B2H Project estimated at \$9,125,466 with 24.24% of these costs estimated at \$2,212,234); and
- c. BPA will reimburse 24.24% of actual B2H Project Pre-Construction Costs incurred after IPC assumes funding 45% of the project. (Current estimates for

		<p>2021-2024 – Total B2H Project estimated at \$9,403,564 with 24.24% of these costs estimated at \$2,279,652).</p> <p>Collectively, these amounts set forth in a. through c. above will be the “Risk Backstop Amount.”</p> <p>The Risk Backstop Amount will be adjusted, as necessary, to the extent that IPC receives grants or forms of other financial assistance from sources other than BPA or PAC. For example, if IPC received a government grant that defrayed the pre-construction costs of B2H, BPA’s 24.24 % share of the pre-construction costs would be reduced accordingly.</p>
<p>3.</p>	<p><i>Transfer of Interest in Joint Permitting Agreement:</i></p> <p><i>Prepare First Draft – IPC: Quarter 2 of Calendar Year 2022</i></p> <p><i>Target Execution Date: Quarter 3 of Calendar Year 2022</i></p>	<p>IPC and BPA will execute a purchase and sale agreement, assignment, and other applicable transfer documents, concurrently with the New NITSAs, NITSA Security Agreement, and any related other agreements necessary, to transfer all of BPA’s Permitting Interest under the Joint Permitting Agreement (and all of BPA’s interest in the assets associated therewith) to IPC in exchange for IPC’s agreement for repayment to BPA of BPA’s investment in B2H through the Joint Permitting Agreement through the effective date of the definitive purchase and sale agreement contemplated in this Section 3(b) (or other date specified therein). The proposed purchase and sale agreement contemplated in this Section 3(b)(3) will contain representations, warranties, and covenants typical of a transaction of the nature contemplated by these proposed terms. The definitive agreements transferring BPA’s Permitting Interest under the Joint Permitting Agreement and related assets will be executed prior to any activities BPA has indicated could impact federal environmental regulatory requirements under NEPA, so as to prevent additional delay in the development of B2H.</p> <p>Following the transfer of BPA’s Permitting Interest (and associated assets) under the Joint Permitting Agreement to IPC, IPC will be solely responsible for funding an additional 24.24% share of all B2H Project Costs thereafter under Joint Permitting Agreement</p>

	(which includes permitting and preconstruction costs), and IPC will be entitled to all rights, title, and interests and assets that BPA would otherwise obtain under the Joint Permitting Agreement if it were a remaining funding party thereto.
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c) Ownership, Operation, and Maintenance Agreement: Defines IPC’s and PAC’s capacity and property ownership, and their roles and responsibilities for operating and maintaining the B2H Project (“**Ownership and Operation Agreement**”). IPC will prepare an initial draft of the Ownership and Operation Agreement based on the ownership interests below and otherwise consistent with the terms of the JOOA between IPC and PAC. Alternatively, in lieu of a new agreement, IPC and PAC may decide to amend the existing JOOA to cover the B2H Project assets.

Idaho Power	PacifiCorp	BPA
Project ownership: 45.45%	Project ownership: 54.55%	Project ownership: 0%

d) Construction Funding Agreement: Defines IPC’s and PAC’s roles and responsibilities in construction of the B2H Project (“**Construction Funding Agreement**”). IPC will prepare an initial draft of the Construction Funding Agreement consistent with the following terms:

1. Project In-Service Date	June 1, 2026
2. Scope	The Construction Funding Agreement covers all work necessary to construct the B2H Project by the Project In-Service Date, including any associated residual work after the Project In-Service Date, but excluding any work already covered by the Joint Permitting Agreement.
3. Project Delivery System	A competitive process is being completed to hire a Construction Manager / Constructability Consultant (“CM”) for the B2H Project in 2022 to: (1) provide constructability feedback to the design engineer; and (2) collaborate with PAC and IPC to complete the BLM Construction Plan of Development and the Oregon Energy Facility Siting Council’s Site Certificate amendments. The hiring process of the CM will be structured such that the CM may be retained to construct the B2H Project.

	<p>IPC and PAC may mutually agree to modify the CM's role through the Construction Funding Committee (as defined in Section 10 below <i>-Project Funding and Committee</i>) without amending the Construction Funding Agreement.</p>
<p>4. Project Manager</p>	<p>IPC is the overall Project Manager for all B2H Project permitting, design, procurement, construction, except that BPA will be responsible for designing, procuring, and constructing the Longhorn substation as described in Section 3(a)(4) and relocating and replacing the BPA 69 kV line off Navy property as described in Section 3(a)(10).</p> <p>Although IPC is the Project Manager, PAC is not precluded from taking project management responsibilities for all or selected tasks associated with the B2H Project; provided that these delegations must be made by the Construction Funding Committee.</p>
<p>5. Construction Project Manager</p>	<p>IPC's role as Construction Project Manager will be generally consistent with the roles and responsibilities of the Permitting Project Manager set forth in Article IV of the Joint Permitting Agreement, provided that the permitting responsibilities not relevant to construction will be removed.</p> <p>IPC, as the Construction Project Manager, will provide monthly project updates, including updates on project activities, financials, forecasts, and invoices detailing costs incurred with breakdowns demonstrating all Parties' cost responsibilities based on their percentage shares.</p> <p>To provide the necessary flexibility to avoid delay/additional costs, the Construction Project Manager will administer and oversee all work necessary to construct the B2H Project within the approved budget, schedule and scope, and also have authority to approve any non-material changes to the B2H Project resulting in a price difference of less than \$500k, so long as the overall B2H Project costs remain within the approved budget with the price change. All changes to the B2H Project resulting in a change in the approved budget, will require approval of the Construction Funding Committee.</p>

<p>6. Component Specifications</p>	<p>All B2H Project construction specifications shall meet or exceed all applicable state and federal design requirements and standards; provided that, such specifications may be modified by the Construction Funding Committee so long as the project complies with all applicable state and federal design requirements and standards.</p>
<p>7. Real Property Ownership</p>	<p><u>B2H real property, except Longhorn substation:</u> IPC will acquire rights of way, grants, easements, or other interests in real property necessary to construct, operate and maintain the B2H transmission line and grant to PAC perpetual and sufficient rights of access, to be set forth in the Ownership and Operation Agreement.</p> <p><u>Longhorn Substation:</u> Upon completion of BPA's obligations and responsibilities under NEPA, NHPA, and other requisite environmental compliance laws and if BPA decides to proceed with construction of Longhorn substation, BPA will continue to own all real property associated with the Longhorn substation, and in relation to the B2H Project equipment BPA shall grant to IPC and PAC perpetual and sufficient rights of access, to be set forth in one or more Longhorn Substation Agreements as described in Section 3(a)(4).</p>
<p>8. Equipment and Facilities Ownership</p>	<p>Equipment and facilities ownership will be consistent with the Ownership and Operation Agreement.</p> <p><u>B2H equipment/facilities, except Longhorn substation:</u> IPC and PAC will jointly own as tenants in common the transmission line and all associated facilities and equipment, including all associated facilities located in Hemingway Substation as well as supporting communication facilities and B2H Project substation equipment.</p> <p><u>Longhorn Substation:</u> Upon completion of BPA's obligations and responsibilities under NEPA, NHPA, and other requisite environmental compliance laws and if BPA decides to proceed with construction of Longhorn substation, BPA will own all equipment and facilities in the Longhorn substation, except the B2H specific equipment and facilities which will be jointly owned by IPC and PAC as tenants in common. BPA will grant IPC and PAC access rights to the equipment</p>

	<p>and facilities in Longhorn substation that are constructed as part of and necessary to the operation of the B2H transmission line facilities, to be set forth in one or more Longhorn Substation Agreements as described in Section 3(a)(4).</p>
<p>9. Material Procurement</p>	<p>All material specifications shall be in accordance with IPC’s procurement policies and standards, unless otherwise agreed by the Construction Funding Committee to exceed the same.</p>
<p>10. Project Funding and Committee</p>	<p><u>Funding</u>: IPC and PAC will fund the B2H Project consistent with their respective ownership shares.</p> <p><u>Construction Funding Committee</u>: The Construction Funding Agreement shall create a Construction Funding Committee consistent with IPC and PAC’s ownership interests in the B2H Project, and generally consistent with the Permit Funding Committee created by the Joint Permitting Agreement (Article III).</p> <p>The Project Manager’s reporting requirements set forth in the above Section 5 (Construction Project Manager) will be delivered to all members of the Construction Funding Committee prior to, and discussed during, each of the Committee’s regularly-scheduled monthly meetings.</p> <p>Obligations, disputed amounts, and audit rights will be generally consistent with Article III of the Joint Permitting Agreement.</p> <p>The Project Manager will have flexibility to make day-to-day decisions associated with construction of the Project but will be required to seek resolution/approval from the Construction Funding Committee on larger dollar/impact decisions, consistent with that set forth in the above Section 5 (Construction Project Manager).</p> <p>BPA will be responsible for designing, procuring, and constructing the Longhorn substation as described in Section 3(a)(4) and relocating and replacing the BPA 69 kV line off Navy property, as described in Section 3(a)(10).</p>
<p>11. Payment Schedule</p>	<p><u>Costs Accrued Prior to Agreement Execution</u>: Prior to executing the Construction Funding Agreement, IPC</p>

	<p>and PAC will have the opportunity to audit all accrued construction-related expenses included therein that have not otherwise been funded under the Joint Permitting Agreement. IPC and PAC will align on ownership shares prior to execution of the Construction Funding Agreement and pay their respective portions of accrued expenses within 30 days of the effective date of the Construction Funding Agreement. Until which time BPA fully divests its ownership interest in the B2H Project, the Parties acknowledge that the B2H Project is bound to compliance with NEPA, NHPA, and other environmental laws associated with federal agency action.</p> <p><u>Costs Incurred After Execution:</u> Following execution of the Construction Funding Agreement, the Project Manager will invoice the Construction Funding Agreement participants monthly, requiring payment within 30 days of the invoice date.</p>
<p>12. Transfer/Assignment of Rights/Interests <i>(Some or all of these terms may be instead placed in the Ownership Agreement)</i></p>	<p>IPC and PAC may sell some or all of their respective ownership interests in the B2H Project, together with associated capacity, subject to the Construction Funding Committee’s agreement and approval of the terms of any such transaction; provided that, such approval will not be unreasonably withheld.</p> <p>IPC will not transfer or assign rights or interests in the B2H Project that would materially impact the BPA load service commitments set forth in Section 3(b) of this Term Sheet.</p>
<p>13. Term Early Termination Withdrawal</p>	<p><u>Term:</u> The term of the Construction Funding Agreement will extend through completion of B2H Project construction, as well as final billing and any reconciliation or mitigation associated with the final expenses, unless otherwise agreed by the Construction Funding Committee.</p> <p><u>Early Termination/Withdrawal:</u> Absent approval of the Construction Funding Committee, no Party shall have a right to withdraw from the Construction Funding Agreement following the earlier of (1) awarding the B2H Project construction contract, or (2) commencing procurement of long-lead items and equipment.</p>

	Assignments of IPC's or PAC's rights and obligations under the Construction Funding Agreement shall be managed pursuant to the above Section 12 (<i>Transfer/Assignment of Rights/Interests</i>).
14. Event of Default	Generally consistent with Article VIII of the Joint Permitting Agreement.
15. Force Majeure	Generally consistent with Article IX of the Joint Permitting Agreement.
16. Reps and Warranties	Generally consistent with Article X of the Joint Permitting Agreement.
17. Common Defense & Limitation of Liability	Generally consistent with Article XI of the Joint Permitting Agreement, except that the Article will be expanded to address construction claims.
18. Proprietary Information/Confidentiality	Generally consistent with Article XII of the Joint Permitting Agreement, except that the Article will provide IPC the ability to share information as necessary to work with potential and selected engineers and contractors.
19. Dispute Resolution	Generally consistent with Article XIII of the Joint Permitting Agreement.
20. Miscellaneous	Generally consistent with Article XIV of the Joint Permitting Agreement and including any standard terms that are necessary for PAC agreements (e.g. assignment and jury trial waiver provisions).

4. Additional Agreements. The Parties agree that they may consolidate any or all of the above-described Agreements and are not precluded from pursuing additional agreements, or amending existing agreements as needed, related to the B2H Project besides those discussed herein.

5. Expenses. Each Party will bear its own expenses (including attorneys' fees) incurred in connection with preparation, negotiation, and execution of this Term Sheet, including preparation, negotiation and execution of the Agreements described herein.

ACKNOWLEDGED AND AGREED TO BY THE PARTIES:

IDAHO POWER COMPANY

Signature: 

Printed Name: RYAN N ADELMAN

Title: VP. Power Supply

Date: 1/18/22

PACIFICORP

Signature: **Rick Link** Digitally signed by Rick Link
Date: 2022.01.18 11:11:21
-08'00'

Printed Name: Rick Link

Title: Senior Vice President, Resource Planning, Procurement and Optimization

Date: 01/18/2022

Signature: **Rick Vail** Digitally signed by Rick Vail
Date: 2022.01.18 11:59:50
-08'00'

Printed Name: Rick Vail

Title: Vice President, Transmission

Date: 01/18/2022


BONNEVILLE POWER ADMINISTRATION

Signature: TINA KO Digitally signed by TINA KO
Date: 2022.01.18 04:25:04
-08'00'

Printed Name: Tina Ko

Title: Vice President, Transmission Marketing

Date: 1/18/2022

Signature:  Digitally signed by KIM
THOMPSON
Date: 2022.01.18 07:32:28 -08'00'

Printed Name: Kim Thompson

Title: Vice President, Requirements Man

Date: 1/18/2022