

February 8, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426

RE: *Southwest Power Pool, Inc.*, Docket No. ER13-____
Submission of Interconnection Agreement

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, Southwest Power Pool, Inc. (“SPP”) encloses for filing an executed interconnection agreement between Tres Amigas LLC (“Tres Amigas”) and Southwestern Public Service Company (“SPS”) with SPP as a signatory (“Agreement”).¹ SPP requests that the Federal Energy Regulatory Commission (“Commission”) accept the proposed Agreement with an effective date of January 25, 2013. In support, SPP states the following:

I. Background

A. The Parties

Tres Amigas is a limited liability company located in Clovis, New Mexico. Tres Amigas is proposing to construct, own and operate a facility that will, when completed, consist of transmission lines that tie together three alternating current to direct current voltage-source converter stations at one location near Clovis, New Mexico. Tres Amigas has deemed the project the “Tres Amigas Superstation.” If constructed as planned, transmission companies and electric utilities would be able to connect to the Tres Amigas project and purchase power from and sell power and ancillary services among each of the three power grids, the Western Electricity Coordinating Council (“WECC”), SPP and the Electric Reliability Council of Texas (“ERCOT”). The first phase of the Tres Amigas project, which is the subject of the Agreement, is planned to be a 750 MW two-node intertie between the Western and Eastern Interconnections through the transmission systems of the Public Service Company of New Mexico (“PNM”) and SPS.²

¹ Tres Amigas and SPS may be referred to individually as “Party” or collectively as “the Parties.” The Agreement is designated as Service Agreement No. 2522.

² The Commission accepted a Transmission Construction and Interconnection Agreement between PNM and Tres Amigas in Docket No. ER12-2424-000 on
(continued . . .)

SPS, a wholly owned utility operating company and subsidiary of Xcel Energy Services Inc., among other things, owns and operates electric transmission facilities in Texas and New Mexico. SPS is a transmission-owning member of SPP.

SPP is a Commission-approved Regional Transmission Organization (“RTO”). SPP is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP has 69 members, including 14 investor-owned utilities, 11 municipal systems, 13 generation and transmission cooperatives, 4 state agencies, 9 independent power producers, 10 power marketers, and 8 independent transmission companies. As an RTO, SPP is a transmission provider administering transmission service over portions of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. SPP is responsible for providing independent transmission services over the transmission facilities its members have placed under the SPP Open Access Transmission Tariff (“Tariff”).

The Agreement submitted herein allows the Parties to interconnect their respective transmission systems at certain Points of Interconnection described in Exhibit A to the Agreement. The Points of Interconnection, as well as the transmission systems of SPS, are under the functional control of SPP. Therefore, consistent with the Commission’s policy that the RTO with the planning authority over transmission facilities under its Tariff (i.e., SPP) should be a signatory to interconnection agreements, SPP is a signatory to the Agreement.³

B. Studies Performed

On May 2, 2011, SPP entered into a Transmission Interconnection Study Agreement with Tres Amigas to study the impacts that the interconnection of the Tres Amigas project would have on the SPP Transmission System. The Tres Amigas Study Agreement requires that Tres Amigas perform or have performed the studies required to satisfy the requirements of SPP Criteria 3.5,⁴ including Appendix 11 of the SPP Criteria,⁵

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September 20, 2012, which allows for the interconnection of the Tres Amigas project with the PNM transmission system. *See Public Service Co. of N.M.*, Letter Order, Docket No. ER12-2424-000 (Sept. 20, 2012).

³ *See Am. Elec. Power Serv. Corp.*, 110 FERC ¶ 61,276, at P 8, *order on reh 'g*, 112 FERC ¶ 61,128, at PP 10-14 (2005).

⁴ *See SPP Criteria*, Section 3.5. (“[SPP] Criteria 3.3.2 and the [SPP Tariff] both require members to contact the SPP and the Transmission Working Group whenever new transmission facilities that impact the interconnected operation are in the conceptual planning stage so that the optimal integration of any new
(continued . . .)

to assess the feasibility of interconnecting the Tres Amigas project to SPP's Transmission System consistent with SPP Criteria and NERC requirements identified herein, and to determine any Affected Systems.

Tres Amigas retained Burns & McDonnell to perform a system impact study for the Tres Amigas interconnection.⁶ For the Burns & McDonnell study, Tres Amigas requested a zero flow interconnection for the transmission-to-transmission interconnection to SPS. The request did not include a request for firm transmission service. The primary purpose of the Burns & McDonnell study was to identify any reliability concerns associated with the interconnection of the Tres Amigas project on a zero flow basis.

SPP and SPS also performed powerflow and stability studies.⁷ For these studies, Tres Amigas requested that the transmission-to-transmission interconnection be approached from the perspective of zero MW of injection. In order for Tres Amigas to interconnect to SPS, modifications are necessary to the Tolk 345/230 kV substation. These Interconnection Facilities are identified in Exhibit B, Section II.A of the Agreement.⁸ The SPP and SPS studies also identified Network Upgrades that would be necessary for a 750 MW injection from Tres Amigas into the SPP Transmission System.⁹ Because Tres Amigas requested that the transmission-to-transmission interconnection be

(. . . continued)

facilities can be identified. Under this criterion an interconnection involves two or more SPP members or an SPP member and a non-member. A project that creates a non-radial, non-generation interconnection at 69 kV or above or that removes an interconnection at 230 kV or above shall be reviewed for impacts in accordance with Appendix 11.”) Studies performed pursuant to SPP Criteria 3.5 do not include the SPP Generator Interconnection queue.

⁵ See SPP Criteria, Appendix 11. Appendix 11 provides the details for the interconnection review process.

⁶ A summary of the Burns & McDonnell study can be found in pages 194-211 of the presentations made to the SPP Transmission Working Group (“TWG”): <http://www.spp.org/publications/TWG%205.9%20&%2010.12%20Minutes%20%20Attachments.pdf>

⁷ A summary of the SPP and SPS studies can be found in pages 213-219 of the presentations made to the SPP TWG: <http://www.spp.org/publications/TWG%205.9%20&%2010.12%20Minutes%20%20Attachments.pdf>

⁸ See Agreement at Exhibit B, Section II.A.

⁹ See *supra* n. 7.

approached from the perspective of a zero MW injection rather than the 750 MW injection, the Network Upgrades were determined to be unnecessary at this time.

C. Studies to be Performed

The Parties and SPP agreed that prior to the Tres Amigas project achieving the Commercial Operation Date identified in Exhibit C of the Agreement, additional design level studies and analysis should be performed. The additional studies and analysis are identified in Exhibit B of the Agreement.¹⁰ Specifically, Tres Amigas shall produce a fully documented model for its facility, the voltage-source converter. In addition, Tres Amigas shall perform additional powerflow studies, stability studies, a subsynchronous resonance study, and harmonic interaction studies.¹¹ The Parties acknowledge and agree that these additional studies may identify additional upgrades or other changes in addition to the Interconnection Facilities identified in Exhibit B, Section II.¹²

II. Description of the Agreement

There is no *pro forma* form for a transmission interconnection agreement in the SPP Tariff; however, many of the provisions in the Agreement are similar in scope and application to other utility-to-utility transmission interconnection agreements previously accepted by the Commission,¹³ as well as the provisions in the *pro forma* Generator

¹⁰ See Agreement at Exhibit B, Section III.

¹¹ See *id.*

¹² See *id.*

¹³ See, e.g., *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER12-1610-000 (May 29, 2012); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER12-1671-000 (May 23, 2012); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER11-4378-000 (Oct. 21, 2011); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER10-3207-000 (Nov. 23, 2010); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER10-2451-000 (Oct. 20, 2010); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER10-1067-000 (June 1, 2010); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER10-215-000 (Dec. 23, 2009); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER09-1081-000 (June 16, 2009); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER08-1546-000 (Nov. 7, 2008); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER08-496-000 (Mar. 19, 2008); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER07-200-000 (Jan. 8, 2007); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER06-1060-000 (July 26, 2006); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER06-766-000 (May 15, 2006); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER06-447-000 (Feb. 16, 2006).

Interconnection Agreement in the SPP Tariff.¹⁴ Below is a brief summary of the Articles of the Agreement.

The Recitals state that Tres Amigas seeks to interconnect the Tres Amigas Superstation to the SPS transmission system, which is under the functional control of SPP.¹⁵ The Parties are entering into the Agreement to establish the point(s) of interconnection described in Exhibit A and that such point(s) of interconnection shall be operated in synchronism and shall be under the functional control of SPP.

Article 1 provides the principles and a list of definitions for terms used throughout the Agreement.¹⁶ Specifically, Article 1.1.2(b) specifies that the Agreement shall not be construed to create any rights between Tres Amigas and SPS or SPP for any purpose other than providing for the interconnection of Tres Amigas to SPS at the point(s) of interconnection set forth in Exhibit A.¹⁷ Specifically, the Agreement does not provide Tres Amigas or any customer of Tres Amigas with any transmission, ancillary or other services under the SPP Tariff and SPP has not performed any transmission service studies related to the Tres Amigas facility.¹⁸ Article 1.1.2(b) provides that Tres Amigas or any customer of Tres Amigas will be solely responsible for obtaining transmission service, obtaining or providing any ancillary service(s) and complying with all applicable requirements of the SPP Tariff needed to move energy across the SPP Transmission System or to participate in any market under the SPP Tariff.¹⁹ Article 1.1.2(b) further provides that Tres Amigas shall ensure that the flow across the Tres Amigas interconnection to SPS is limited to zero until transmission services are in place under the SPP Tariff and all applicable requirements of the SPP Tariff have been satisfied.²⁰

Article 2 provides the provisions related to the Interconnection Facilities.²¹ Article 2.1 specifies that the scope of the Agreement and that SPP is required to file the

¹⁴ See SPP Tariff at Attachment V, Appendix 6 (hereinafter “the *pro forma* GIA”).

¹⁵ See Agreement at Recitals.

¹⁶ See Agreement at Article 1. All capitalized words not defined in this letter shall have the meaning as set forth in Article 1 of the Agreement.

¹⁷ See *id.* at Article 1.1.2(b).

¹⁸ See *id.*

¹⁹ See *id.*

²⁰ See *id.*

²¹ See *id.* at Article 2.

Agreement at FERC within ten business days after it has been executed and to designate the Agreement under the SPP Tariff.²² Article 2.2 describes the facilities served.²³ In the event that Tres Amigas proposes to make any change or modification to the configuration or operations of its facilities, to add a new point of interconnection, or to eliminate a point of interconnection, Tres Amigas must first notify SPS and SPP of such proposal and the Parties and SPP shall negotiate an amendment to the Agreement.²⁴ Article 2.2 further specifies that any connection of generation on the Tres Amigas Eastern Interconnection AC system is subject to the SPP Generator Interconnection Procedures in Attachment V of the SPP Tariff and that any connection of load on the Tres Amigas Eastern Interconnection AC system is subject to the load addition procedures in Attachment AQ of the SPP Tariff.²⁵ Article 2.3 provides the Tres Amigas will obtain certification from WECC as an authorized Balancing Authority no less than 30 days prior to the In-Service Date.²⁶

Article 3 specifies the conditions, terms and provisions applicable to the engineering, procurement and construction of the Interconnection Facilities identified in Exhibit B.²⁷

Article 4 sets forth the provisions for operations and maintenance.²⁸ Article 5 addresses modifications to the facilities of either Party designed, constructed and operated in accordance with the Agreement.²⁹ Article 6 contains provisions relating to reliability standards.³⁰

Article 7 provides the provisions for the furnishing of information and confidentiality.³¹ Article 8 sets forth the process for establishing a Joint Operating

²² See *id.* at Article 2.1.

²³ See *id.* at Article 2.2.

²⁴ See *id.*

²⁵ See *id.*

²⁶ See *id.* at Article 2.3.

²⁷ See *id.* at Article 3.

²⁸ See *id.* at Article 4.

²⁹ See *id.* at Article 5.

³⁰ See *id.* at Article 6.

³¹ See *id.* at Article 7.

Committee.³² Article 9 addresses billing and payments.³³ Articles 10, 11 and 12 contain provisions for force majeure, insurance and breach, cure and default.³⁴

Article 13 specifies that the Agreement shall become effective January 25, 2013, subject to the approval by all bodies having jurisdiction in the premises, and shall continue in effect thereafter for an initial period ending December 31, 2032, and shall continue in effect thereafter until terminated.³⁵ Article 13 also provides the provisions for termination of the Agreement and that no termination of the Agreement shall become effective until the terminating Party (or the Parties jointly) or SPP tenders to FERC any required notification of termination of the Agreement and obtain such acceptance thereof by FERC as may be required.³⁶ Article 13.4 provides that upon termination of the Agreement, a Party shall, in coordination with the other Party, physically disconnect its transmission system from the terminated Party's transmission system.³⁷ Article 13.5 contains provisions for survival of rights.³⁸

Articles 14, 15 and 16 contain provisions for waivers, regulatory approval and rights of installation, access and removal.³⁹

Article 17 contains provisions for liability and indemnification.⁴⁰ Article 17 also includes a provision granting a limitation of liability for SPP, and clarifying that SPP's involvement is limited to the sections of the Agreement that may affect or involve SPP transmission service or SPP's role as a Commission-approved RTO.⁴¹ Article 17.4 further states that the Parties acknowledge that SPP's role as a signatory to the Agreement is limited, and while SPP must be apprised of the matters addressed in the

³² See *id.* at Article 8.

³³ See *id.* at Article 9.

³⁴ See *id.* at Articles 10, 11, and 12.

³⁵ See *id.* at Article 13.1.

³⁶ See *id.* at Articles 13.2 and 13.3.

³⁷ See *id.* at Article 13.4.

³⁸ See *id.* at Article 13.5.

³⁹ See *id.* at Articles 14, 15, and 16.

⁴⁰ See *id.* at Article 17.

⁴¹ See *id.* at Articles 17.3 and 17.4.

Agreement, SPP's role as a signatory to the Agreement does not imply that: (1) SPP is taking responsibility for the actions of any Party; (2) SPP has any affirmative duties under the Agreement; or (3) SPP is liable in any way under the Agreement except, as provided in the SPP Tariff.⁴²

Articles 18, 19 and 20 contain provisions for assignment, subcontractors and dispute resolution.⁴³ Article 21 addresses notices and communications.⁴⁴ Article 22 includes general contract provisions including provisions for governing law, relationships of the Parties, amendments, and severability.⁴⁵

Exhibit A provides the descriptions of the Agreement's interconnections, including a one line diagram.⁴⁶

Exhibit B addresses the Interconnection Facilities and cost allocation.⁴⁷ Exhibit B states that it is the intent of the Parties and SPP that until the additional studies identified in Exhibit B, Section III are completed and the facilities and upgrades identified therein, if any, are placed into service, SPS and SPP are not guaranteeing the availability of any level of interconnection capacity under the Agreement.⁴⁸ When the facilities and upgrades, if any, identified in Exhibit B, Section III are placed into service, Tres Amigas shall be entitled to 750 MW of interconnection capacity under the Agreement.⁴⁹ Exhibit B further specifies that the Agreement does not provide for any transmission service or ancillary services, or right of withdrawal or injection of energy under the SPP Tariff.⁵⁰ Section II.B of Exhibit B specifies that no Network Upgrades were identified as of the date of the Agreement.⁵¹ Also, as discussed above, Section III of Exhibit B provides the

⁴² See *id.* at Article 17.4.

⁴³ See *id.* at Articles 18, 19 and 20.

⁴⁴ See *id.* at Article 21.

⁴⁵ See *id.* at Article 22.

⁴⁶ See *id.* at Exhibit A.

⁴⁷ See *id.* at Exhibit B.

⁴⁸ See *id.* at Exhibit B, Section II.

⁴⁹ See *id.* at Exhibit B, Section II.

⁵⁰ See *id.* at Exhibit B, Section II.

⁵¹ See *id.* at Exhibit B, Section II.B.

additional studies that shall be completed prior to the Tres Amigas facility achieving Commercial Operation under the Agreement.⁵²

Exhibit C contains construction milestones.⁵³ Exhibit D specifies the metering requirements.⁵⁴ Exhibit E specifies the communications facilities for the interconnection.⁵⁵ Exhibit F is reserved for future point of interconnection milestones.⁵⁶

⁵² *See id.* at Exhibit B, Section III.

⁵³ *See id.* at Exhibit C.

⁵⁴ *See id.* at Exhibit D.

⁵⁵ *See id.* at Exhibit E.

⁵⁶ *See id.* at Exhibit F.

III. Effective Date

At the request of the Parties, SPP respectfully requests that the Commission accept the Agreement with an effective date of January 25, 2013. SPP requests waiver of the Commission's 60-days notice requirement set forth at 18 C.F.R. § 35.3 to permit such an effective date. Waiver is appropriate because the Agreement is being filed within 30 days of its requested effective date.⁵⁷ The Commission has previously granted waiver of the 60-day notice requirement for service agreements for which there is no *pro forma* form in the filing entities' Tariff when the agreements were filed within 30 days of the requested effective date,⁵⁸ and the Commission should do so here.

IV. Service, Notice, and Communication

SPP is serving a copy of this filing on the representatives for Tres Amigas and SPS listed in the Agreement.

SPP requests that all correspondence and communications with respect to this filing should be sent to, and that the Secretary include on the official service list, the following:

Tessie Kentner
Attorney
Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223
Telephone: (501) 688-1782
tkentner@spp.org

Nicole Wagner
Manager - Regulatory Policy
Southwest Power Pool, Inc.
201 Worthen Drive
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V. Additional Information

⁵⁷ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,983-84, *order on reh'g*, 65 FERC ¶ 61,081 (1993) (the Commission will grant waiver of the 60-day prior notice requirement "if service agreements are filed within 30 days after service commences.").

⁵⁸ See *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER13-295-000 (Nov. 30, 2012); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER12-1610-000 (May 29, 2012); *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER09-1081-000 (June 16, 2009); *Sw. Power Pool, Inc.*, 128 FERC ¶ 61,191 (2009).

A. Information Required by Section 35.13 of the Commission's Regulations, 18 C.F.R. § 35.13:⁵⁹

(1) Documents submitted with this filing:

In addition to this transmittal letter, SPP submits a clean version of the Agreement.

(2) Effective Date:

As noted above, SPP requests that the Commission accept the Agreement with an effective date of January 25, 2013.

(3) Requisite Agreements:

SPP and the Parties have all executed the Agreement. No other agreements are necessary.

(4) Specifically Assignable Facilities Installed or Modified:

There are none.

VI. Conclusion

For the foregoing stated reasons, SPP requests that the Commission accept the Agreement with an effective date of January 25, 2013.

Respectfully submitted,

/s/ Tessie Kentner

Tessie Kentner

**Attorney for Southwest Power
Pool, Inc.**

⁵⁹ Because the Agreement does not involve any change in rates, the use of the abbreviated filing procedures as set forth in 18 C.F.R. § 35.13(a)(2)(iii) is appropriate.

**Southwest Power Pool, Inc.
Original Service Agreement No. 2522**

**INTERCONNECTION AGREEMENT
BETWEEN
TRES AMIGAS, LLC
AND
SOUTHWESTERN PUBLIC SERVICE COMPANY
AND
SOUTHWEST POWER POOL, INC**

This Interconnection Agreement (hereinafter the "Agreement") made and entered into this 25th day of January, 2013, by and between TRES AMIGAS LLC, a limited liability corporation organized and existing under the laws of the State of Delaware (hereinafter referred to as "Tres Amigas"), and SOUTHWESTERN PUBLIC SERVICE COMPANY, a New Mexico corporation (hereinafter referred to as "SPS"), (Tres Amigas and SPS are each individually referred to as a "Party" and collectively referred to as the "Parties" herein), and SOUTHWEST POWER POOL, INC., an Arkansas not-for-profit corporation (hereinafter referred to as "SPP").

RECITALS

WHEREAS, Tres Amigas is proposing to construct, own and operate the Tres Amigas Superstation, a facility that will, when completed, consist of transmission lines that tie together three alternating current to direct current voltage-source converter stations at one location near Clovis, New Mexico, in order to permit the scheduled transfer of power between the three asynchronous interconnections operating in the United States: the Eastern Interconnection, the Western Interconnection, and the Electric Reliability Council of Texas; and

WHEREAS, SPS is a public utility in the business of generating, transmitting, and/or selling electric energy in the States of Texas, New Mexico, Oklahoma, and Kansas; and

WHEREAS, Tres Amigas seeks to interconnect the Tres Amigas Superstation ("TAS") to the SPS transmission system; and

WHEREAS, SPP is a Regional Transmission Organization ("RTO") pursuant to the orders of the Federal Energy Regulatory Commission ("FERC") and, as such, is responsible for, among other items, functional control over appropriate transmission facilities within its footprint; and

WHEREAS, SPS is a Transmission Owning Member of SPP and has transferred functional control of its transmission system to SPP; and

WHEREAS, the Parties are willing to enter this Agreement and desire to establish the point(s) of interconnection described in Exhibit A to this Agreement; and

WHEREAS, such point(s) of interconnection shall be operated in synchronism and shall be under the functional control of SPP.

NOW THEREFORE, the Parties covenant and agree as follows:

ARTICLE 1 **PRINCIPLES AND DEFINITIONS**

1.1 **Rule of Construction.** The capitalized terms listed in this Article shall have the meanings set forth herein, whether in the singular or the plural or in the present or past tense. Other terms not listed in this Article shall have meanings as commonly used in the SPP Tariff, the English language and, where applicable, in Good Utility Practice. Words not otherwise defined herein that have well known and generally accepted technical or trade meanings are used herein in accordance with such recognized meanings. In addition, the rules of interpretation, as set forth in this Section 1.1, shall apply.

1.1.1 **Good Faith and Fair Dealing.** The Parties shall act reasonably and in accordance with the principles of good faith and fair dealing in the performance of this Agreement in light of the SPP Tariff. Unless expressly provided otherwise in this Agreement or in the SPP Tariff, (a) where the consent, approval, or similar action is required by any Party, such consent or approval shall not be unreasonably withheld, conditioned or delayed; and (b) wherever any Party has the right to determine, require, specify or take similar action with respect to a matter, such determination, requirement, specification or similar action shall be reasonable.

1.1.2 **Other Agreements.** The Parties recognize and agree that this Agreement is entered into pursuant to and in accordance with SPS's obligations as a Transmission Owner under the SPP Tariff and that SPS is acting in such capacity in entering into this Agreement.

1.1.2(a) In the event and to the extent any provision of this Agreement is found to be inconsistent with the SPP Tariff, the SPP Tariff shall control. SPP and SPS are not aware of any inconsistency between this Agreement and the SPP Tariff that exists as of the date of execution of this Agreement.

1.1.2 (b) This Agreement shall not be construed to create any rights between Tres Amigas and SPS or SPP for any purpose other than providing for the interconnection of Tres Amigas to SPS at the Point(s) of Interconnection set forth in Exhibit A. Specifically, the Agreement does not provide Tres Amigas or any customer of Tres Amigas with any transmission, ancillary or other services under the SPP Tariff and SPP has not performed transmission service studies under the SPP Tariff related to the

Tres Amigas facility. For the avoidance of doubt, Tres Amigas or any customer of Tres Amigas will be solely responsible for obtaining transmission service, obtaining or providing any ancillary service(s) and complying with all applicable requirements of the SPP Tariff needed to move energy across the SPP Transmission System or to participate in any market under the SPP Tariff. This includes establishing any customer arrangements with SPP and undergoing any required Affected Systems studies, Generator Interconnection, Procedures, any transmission service arrangements, or market registration that are required by the SPP Tariff. Tres Amigas shall ensure that the flow across the Tres Amigas interconnection to SPS is limited to zero until transmission services are in place pursuant to the SPP Tariff and all applicable requirements of the SPP Tariff have been satisfied.

1.2 Definitions. Each of the following terms shall have the meanings set forth below.

“Access Party” shall have the meaning set forth in Section 16.1 of this Agreement.

“Affiliate” shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

“Applicable Laws and Regulations” shall mean all duly promulgated applicable federal state and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized action of any federal, state, local or other governmental regulatory, administrative agency, court, commission, department, board or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, except any such governmental authority shall not include Tres Amigas, SPS or SPP.

“Breaching Party” shall have the meaning set forth in Section 12.1 of this Agreement.

"Confidential Information" shall have the meaning set forth in Section 7.2 of this Agreement.

"Critical Energy Infrastructure Information" shall mean information which is classified as critical energy infrastructure information under Part 388 of FERC's rules and regulations.

“Curtailement” shall have the meaning set forth in Article I, Section 1 of the SPP Tariff.

“Disputing Party” shall have the meaning set forth in Section 20.1 of the Agreement.

“Eastern Interconnection” shall mean the synchronized electric system in the eastern two thirds of the United States in which the SPP system operates.

“Emergency” shall mean a condition or situation (i) that in the reasonable judgment of the Party making the claim is imminently likely to endanger, or is contributing to the endangerment of, life or property, or public health and safety; or (ii) that, in the case of a Party, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Tres Amigas transmission system, the SPS transmission system, or the electric systems of others to which the Parties are directly connected.

“ERCOT” shall mean the Electric Reliability Council of Texas or its successor.

“ERO” shall mean an Electric Reliability Organization as determined by the FERC.

“Extended Cure Period” shall have the meaning set forth in Section 13.2 of this Agreement.

“FERC” shall mean the Federal Energy Regulatory Commission or its successor.

"Forced Outage" means any condition that requires immediate removal of the Interconnection Facilities, or some part thereof, from service, another outage state, or a reserve shutdown state in order to preserve the safe and reliable operation of SPS's or other affected bulk power electric system.

"Force Majeure" shall have the meaning set forth in Article V, Attachment V, Section 1 of the SPP Tariff.

"Good Utility Practice" shall have the meaning as set forth in Article I, Section 1 of the SPP Tariff.

“Governmental Authority” shall mean any federal, state, local or other governmental regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include SPS, SPP, Tres Amigas or any Affiliate thereof. As of the execution of the Agreement, Governmental Authority includes the FERC, state regulatory commissions with jurisdiction over SPS, and the IRS.

“Granting Party” shall have the meaning set forth in Section 16.1 of the Agreement.

“Initial Cure Period” shall have the meaning set forth in Section 13.2 of this Agreement.

“Initial Term” shall have the meaning set forth in Section 13.1 of the Agreement.

“Interconnection Facilities” shall mean the SPS Interconnection Facilities and the Tres Amigas Interconnection Facilities.

“Indemnified Party” shall have the meaning set forth in Section 17.1 of this Agreement.

“Indemnifying Party” shall have the meaning set forth in Section 17.1 of this Agreement.

“IRS” shall mean the Internal Revenue Service or its successor.

“Loss” shall have the meaning set forth in Section 17.1 of this Agreement.

“Modification” shall mean any material, new construction, additions, design changes or modifications made to, or the abandonment, retirement, relocation or rearrangement of, the Tres Amigas transmission system or the SPS transmission system.

“NERC” shall mean the North American Electric Reliability Corporation or its successor.

“Network Upgrade” shall mean the additions, modifications, and upgrades to the SPS transmission system at or beyond the Point of Interconnection.

“Non-Breaching Party” shall have the meaning set forth in Section 12.3 of this Agreement.

“Notice of Dispute” shall have the meaning set forth in Section 20.1 of this Agreement.

“Person” shall mean any individual, corporation, partnership, trustee, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity.

“Planned Outage” shall have the meaning set forth in Section 4.5 of this Agreement.

“Point of Interconnection” shall mean the location(s) where the facilities of SPS and the facilities of Tres Amigas are interconnected as identified in Exhibit A herein.

“Regional Reliability Coordinator” shall mean the Southwest Power Pool Reliability Coordinator or any successor entity.

“Reliability Requirements” shall mean mandatory reliability standards adopted by NERC, SPP Regional Entity or any other regional entity with such jurisdiction and authority and approved by FERC, as amended from time to time, applicable to the facilities owned, and/or operated or functionally controlled by Tres Amigas, SPS, and SPP respectively.

“SCADA” shall have the meaning set forth in Section 12.2 of this Agreement.

“SPP” shall mean Southwest Power Pool, Inc.

“SPP BA” shall mean that SPP is the responsible entity for integrating resource plans affecting the SPP footprint ahead of time and maintaining load-generation balance within the SPP Balancing Authority Area.

“SPP Balancing Authority Area” shall mean the collection of generation, transmission, and loads within the metered boundaries of the electric system that is under the functional control of SPP and in which SPP will be responsible for maintaining the load-resource balance.

“SPP Tariff” shall mean the Open Access Transmission Tariff for service offered by Southwest Power Pool, Inc., as filed with FERC, as such may be amended or superseded from time to time.

“SPS Balancing Authority Area” shall mean the collection of generation, transmission, and loads within the metered boundaries of the electric system that is under the functional control of SPP and in which SPS is presently responsible for maintaining the load-resource balance.

“SPS Dispatching Office” shall mean the location designated by SPS to receive and send out operational and metering information.

“SPS Interconnection Facilities” shall mean those facilities owned by SPS necessary to establish a physical interconnection between SPS’s existing electric system and the Tres Amigas Interconnection Facilities at the Point(s) of Interconnection, including but not limited to switches, circuits, circuit breakers, bus work, land easements, relays, communications circuits, and associated equipment, and any replacement or additional equipment that SPS may install due to equipment failure or to meet changed industry standards. The SPS Interconnection Facilities are identified and described in Exhibit B. The SPS Interconnection Facilities do not include Network Upgrades.

“TAS” shall mean the Tres Amigas Superstation located in Clovis, New Mexico.

“Tres Amigas Eastern Interconnection AC System” shall mean those facilities owned by Tres Amigas between the AC bus (including the AC bus) at the TAS and the Point of Interconnection that are electrically within the Eastern Interconnection.

“Tres Amigas Dispatching Office” shall mean the location designated by Tres Amigas to receive and send out operational and metering information.

“Tres Amigas Interconnection Facilities” shall mean the equipment owned by Tres Amigas for purposes of interconnecting to the SPS transmission system, including but not limited to the substation, circuits, circuit breakers, bus work, land easements, relays, communications circuits, and associated equipment and any replacement or additional equipment that Tres Amigas may install due to equipment failure or to meet changed industry standards and all related instrument transformers, substation and physical structures, all transmission facilities required to access the Point(s) of Interconnection. The Tres Amigas’s Interconnection Facilities are identified and described in Exhibit B.

“WECC” shall mean the Western Electricity Coordinating Council or its successor.

“Work” shall mean physical inspections, construction, site surveying, clearing of land, excavation, modifications or replacements or any other action that would affect the physical environment in, around, under and over the Tolk Substation or the real property at which the TAS will be located, or preparations to perform the aforementioned as may be related to the Interconnection Facilities, as the case may be.

ARTICLE 2

INTERCONNECTION OF FACILITIES

2.1 Scope of Agreement.

2.1.1 **General.** Tres Amigas desires to interconnect to SPS at the Point of Interconnection identified in Exhibit A, and illustrated in the corresponding one-line diagram(s), attached hereto and made a part hereof, as provided herein. Exhibits A and B, Section II also provides a complete description of the SPS Interconnection Facilities, including identification of the components which make up the SPS Interconnection Facilities and a one-line diagram of such facilities, the Point of Interconnection, and metering devices.

2.1.2 **Limited Scope of Agreement.** This Agreement provides only for the terms and conditions of the interconnection between Tres Amigas and SPS. This Agreement does not provide Tres Amigas or any customer of Tres Amigas with any transmission, ancillary or other services under the SPP Tariff and SPP has not performed any

transmission service studies under the SPP Tariff related to the Tres Amigas facility. Tres Amigas or any customer of Tres Amigas will be solely responsible for obtaining transmission service and obtaining or providing any ancillary service(s) needed to move energy across the SPP Transmission System or to participate in any market under the SPP Tariff. This includes establishing any customer arrangements with SPP and undergoing any required Affected Systems studies, Generator Interconnection Procedures, any transmission service arrangements, or market registration required by the SPP Tariff. Tres Amigas shall ensure that the flow across the Tres Amigas interconnection to SPS is limited to zero until such transmission services are provided by SPP and all other applicable requirements of the SPP Tariff have been satisfied.

SPP is required to file this Agreement with FERC within ten (10) business days after it has been executed and to designate the Agreement under the SPP Tariff. Each Party shall have the right to intervene and submit comments to FERC when this Agreement is filed.

2.2 Facilities Served. The scope of the interconnection provided hereunder is based on Tres Amigas' description of its facilities (including the Tres Amigas's Interconnection Facilities), as set forth in Exhibits A and B. In the event Tres Amigas proposes (i) to make any change or modification to the configuration or operation of its facilities or the Tres Amigas Interconnection Facilities, (ii) to add a new Point of Interconnection, or (iii) to eliminate a Point of Interconnection, Tres Amigas shall first notify SPS and SPP of such proposal and the Parties, including SPP, shall negotiate in good faith in an effort to amend this Agreement to accommodate such proposed change. Any connection of generation on the Tres Amigas Eastern Interconnection AC system is subject to the Generator Interconnection Procedures (Attachment V) under the SPP Tariff. Any connection of load on the Tres Amigas Eastern Interconnection AC system is subject to load addition procedures (Attachment AQ) under the SPP Tariff.

2.2.1 Unilateral Filing. Notwithstanding any provision in this Agreement to the contrary, any Party or SPP may unilaterally make application to FERC under Section 205 or 206, as applicable, of the Federal Power Act and pursuant to FERC's rule and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement over which FERC has jurisdiction.

2.2.2 Future Point of Interconnection and Disagreements. Should Tres Amigas request to designate any new point of interconnection in the future under this Agreement which is separate and distinct from the Point of Interconnection in Exhibit A, Tres Amigas shall reimburse SPS for costs associated with the design, construction, operation, maintenance, and ownership of any new facilities, equipment or upgrades needed to interconnect at the new points of interconnection. Exhibit F to this Agreement shall be used by the Parties, including SPP, to document and agree to the milestone payments and schedule for designing, engineering, procuring and constructing the facilities, equipment and upgrades associated with the new point of interconnection. Nothing in this Section 2.2.2 shall be deemed to prohibit Tres Amigas from challenging its cost responsibility for

new facilities associated with this Agreement for Phase One or any amendment hereto relating to future points of interconnection pursuant to the dispute resolution procedures of this Agreement or by filing with the FERC.

2.3 Balancing Area Certification. No less than thirty (30) days prior to the In-Service Date, Tres Amigas shall have obtained certification from WECC as an authorized Balancing Authority. The boundary of the SPS Balancing Authority Area will be at the Point(s) of Interconnection, and the Parties agree the Tres Amigas Interconnection Facilities in the Eastern Interconnection will not be included in the SPS Balancing Authority Area.

ARTICLE 3
FACILITIES TO BE PROVIDED

3.1 General. The Parties recognize that the Interconnection Facilities identified Exhibit B will need to be designed, procured and constructed after the Effective Date in order for Tres Amigas to interconnect to SPS under this Agreement. This Article 3 provides the conditions, terms and provisions applicable to the engineering, procurement and construction of the Interconnection Facilities identified in Exhibit B.

3.2 Construction Milestones. The schedule for designing, engineering, procuring and constructing, and submitting payment or security for designing, engineering, procuring and constructing the Interconnection Facilities, including the In-Service Date, Initial Synchronization Date and Commercial Operation Date shall be included in Exhibit C. As needed and upon reasonable notice, the Parties shall work in good faith to modify, update or amend the milestones provided in Exhibit C.

3.3 SPS Interconnection Facilities. SPS shall design, procure, and construct the SPS Interconnection Facilities at Tres Amigas's cost as set forth in Exhibit B, using efforts which are consistent with Good Utility Practice to complete such facilities and upgrades by the dates set forth in Exhibit C. SPS shall not be required to undertake any action which is inconsistent with its standard safety practice, its material and equipment specifications, its design criteria and construction procedures, its labor agreements, and Applicable Laws and Regulations. In the event SPS expects that it will not be able to complete the SPS Interconnection Facilities by the specified dates in Exhibit C, SPS shall promptly provide written notice to Tres Amigas and shall undertake efforts consistent with Good Utility Practice to meet the earliest dates thereafter. If, at any time, Tres Amigas determines that the completion of the SPS Interconnection Facilities will not be required until after the specified Commercial Operation Date, Tres Amigas will provide written notice to SPS of such later date upon which the completion of the SPS Interconnection Facilities will be required.

3.3.1 Construction Standard. The SPS Interconnection Facilities shall be designed and constructed in accordance with the SPP Tariff, and Good Utility Practice, including any applicable Reliability Requirements.

3.3.2 O&M Costs. Tres Amigas shall be responsible for any costs incurred by SPS to own, operate and maintain the SPS Interconnection Facilities after such facilities have been placed into service.

3.4 Tres Amigas Interconnection Facilities. Tres Amigas shall, at its expense, design, procure, construct, own and install the Tres Amigas Interconnection Facilities, as set forth in Exhibit B. The Tres Amigas Interconnection Facilities shall be designed and constructed in accordance with the SPP Tariff and Good Utility Practice, including any applicable Reliability Requirements.

3.5 Coordination of Work. The Parties will keep each other advised periodically as to the progress of their respective design, procurement and construction efforts. Either Party may, at any time, request a progress report from the other Party and sufficient information to monitor and review the work of the other Party on the Interconnection Facilities. Tres Amigas shall have the right to challenge the costs incurred to design and construct the Interconnection Facilities pursuant to the dispute resolution procedures set forth in Article 20 of this Agreement.

3.6 Permits. Tres Amigas, SPP and SPS shall cooperate with each other in good faith in obtaining all permits, licenses and authorizations that are necessary to accomplish the construction of the Interconnection Facilities.

3.7 Taxes.

3.7.1 Indemnification for the Cost Consequences of Current Tax Liability Imposed Upon SPS. Tres Amigas shall protect, indemnify and hold harmless SPS from the cost consequences of any current tax liability imposed against SPS as the result of payments or property transfers made by Tres Amigas to SPS under this Agreement for Interconnection Facilities, as well as any interest and penalties, other than interest and penalties attributable to any delay caused by SPS.

SPS shall not include a gross-up for the cost consequences of any current tax liability imposed against SPS as the result of payments or property transfers made by Tres Amigas to SPS under this Agreement for Interconnection Facilities in the amounts it charges Tres Amigas under this Agreement unless (i) SPS has determined, in good faith, that such payments or property transfers made by Tres Amigas to SPS should be reported as income subject to taxation or (ii) any Governmental Authority directs SPS to report such payments or property transfers as income subject to taxation; provided, however, that SPS may require Tres Amigas to provide security for the cost consequences of any current tax liability imposed against SPS as the result of such payments or property transfers, in a form reasonably acceptable to SPS in an amount equal to such cost consequences.

The indemnification obligation shall terminate at the earlier of (1) the expiration of the applicable statute of limitations, as it may be extended by SPS upon request of the IRS, to keep the years open for audit or adjustment, or (2) the occurrence of a subsequent taxable event and the payment of any related indemnification obligations as contemplated by this Section 3.7.

3.7.2 Tax Gross-Up Amount. Tres Amigas's liability for the cost consequences of any current tax liability under this Section 3.7 shall be calculated on a fully grossed-up basis. The Parties agree that "fully grossed-up basis" means that Tres Amigas will pay SPS, in addition to the amount paid for the Interconnection Facilities, an amount equal to (1) the current taxes imposed on SPS or determined to be reported by SPS pursuant to Section 3.7.1 ("Current Taxes") on the excess of (a) the gross income realized by SPS as a result of payments or property transfers made by Tres Amigas to

SPS under this Agreement for the SPS Interconnection Facilities (without regard to any payments under this Section 3.7) (the "Gross Income Amount") over (b) the present value of future tax deductions for depreciation that will be available as a result of such payments or property transfers (the "Present Value Depreciation Amount"), plus (2) an additional amount sufficient to permit SPS to receive and retain, after the payment of all Current Taxes, an amount equal to the net amount described in clause (1). For this purpose, (i) Current Taxes shall be computed based on SPS's composite federal and state tax rates at the time the payments or property transfers are received and SPS will be treated as being subject to tax at the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting SPS's anticipated tax depreciation deductions as a result of such payments or property transfers by SPS's current weighted average cost of capital. Thus, the formula for calculating Tres Amigas's liability to SPS pursuant to this Section 3.7.2 can be expressed as follows: $(\text{Current Tax Rate} \times (\text{Gross Income Amount} - \text{Present Value of Tax Depreciation})) / (1 - \text{Current Tax Rate})$.

In the event taxes are imposed or SPS makes a determination pursuant to Section 3.7.1, the tax gross-up payments to be provided by Tres Amigas to SPS for the SPS Interconnection Facilities is set forth in Exhibit B and Tres Amigas shall make such payments according to the milestone schedule set forth in Exhibit C. If the actual costs of the SPS Interconnection Facilities are greater than the estimated costs set forth in Exhibit B, SPS shall calculate the tax gross-up payment for the difference between the actual and estimated facilities costs in the event taxes are imposed and present Tres Amigas with a bill for the tax gross-up amount pursuant to the procedures set forth in Section 9.1, and Tres Amigas shall pay such amount pursuant to the procedures set forth in Section 9.1. If the actual costs of the SPS Interconnection Facilities are less than the estimated costs set forth in Exhibit B, SPS shall refund the tax gross-up payment difference between the actual and estimated facilities costs consistent with Section 3.7.5.

3.7.3 Private Letter Ruling or Change or Clarification of Law. At Tres Amigas's request and expense, SPS shall file with the IRS a request for a private letter ruling as to whether any property transferred or sums paid, or to be paid, by Tres Amigas to SPS under this Agreement are subject to federal income taxation. Tres Amigas will prepare the initial draft of the request for a private letter ruling, and will certify under penalties of perjury that all facts represented in such request are true and accurate to the best of Tres Amigas's knowledge. SPS and Tres Amigas shall cooperate in good faith with respect to the submission of such request.

SPS shall keep Tres Amigas fully informed of the status of such request for a private letter ruling and shall execute either a privacy act waiver or a limited power of attorney, in a form acceptable to the IRS, that authorizes Tres Amigas to participate in all discussions with the IRS regarding such request for a private letter ruling. SPS shall allow Tres Amigas to attend all meetings with IRS officials about the request and shall permit Tres Amigas to prepare the initial drafts of any follow-up letters in connection with the request. Tres Amigas shall pay to SPS on a periodic basis, as invoiced by SPS, SPS's documented costs and expenses of pursuing such private letter ruling.

3.7.4 Contests. In the event any Governmental Authority determines that SPS's receipt of payments or property constitutes income that is subject to taxation, SPS shall notify Tres Amigas, in writing, within ten (10) calendar days of receiving notification of such determination by a Governmental Authority. Upon the timely written request by Tres Amigas and at Tres Amigas's sole expense, SPS may appeal, protest, seek abatement of, or otherwise oppose such determination. Upon Tres Amigas's written request and sole expense, SPS may file a claim for refund with respect to any taxes paid with respect to the receipt of such payments or property under this Section 3.7, whether or not it has received such a determination. SPS reserves the right to make all decisions with regard to the prosecution of such appeal, protest, abatement or other contest, including the selection of counsel and compromise or settlement of the claim, but SPS shall keep Tres Amigas informed, shall consider in good faith suggestions from Tres Amigas about the conduct of the contest, and shall reasonably permit Tres Amigas or a representative of Tres Amigas to attend contest proceedings.

Tres Amigas shall pay to SPS on a periodic basis, as invoiced by SPS, SPS's documented costs and expenses of prosecuting such appeal, protest, abatement or other contest. At any time during the contest, SPS may agree to a settlement either with Tres Amigas's consent or after obtaining written advice from nationally-recognized tax counsel, selected by SPS, but reasonably acceptable to Tres Amigas, that the proposed settlement represents a reasonable settlement given the hazards of litigation. Tres Amigas's obligation shall be based on the amount of the settlement agreed to by Tres Amigas, or if a higher amount, so much of the settlement that is supported by the written advice from nationally-recognized tax counsel selected under the terms of the preceding sentence. The settlement amount shall be calculated on a fully grossed-up basis to cover any related cost consequences of the current tax liability. Any settlement without Tres Amigas's consent or such written advice will relieve Tres Amigas from any obligation to indemnify SPS for the tax at issue in the contest.

3.7.5 Refunds. In the event that (a) a private letter ruling is issued to SPS which holds that any amount paid or the value of any property transferred by Tres Amigas to SPS under the terms of this Agreement is not subject to federal income taxation, (b) any legislative change or administrative announcement, notice, ruling or other determination makes it reasonably clear to SPS in good faith that any amount paid or the value of any property transferred by Tres Amigas to SPS under the terms of this Agreement is not taxable to SPS, (c) any abatement, appeal, protest, or other contest results in a determination that any payments or transfers made by Tres Amigas to SPS are not subject to income tax, or (d) if SPS receives a refund from any Governmental Authority for any overpayment of tax attributable to any payment or property transfer made by Tres Amigas to SPS pursuant to this Agreement, SPS shall promptly refund to Tres Amigas the following:

- (i) any payment made by Tres Amigas under this Section 3.7 for taxes that is attributable to the amount determined to be nontaxable, together with interest thereon;

(ii) interest on any amounts paid by Tres Amigas to SPS for such taxes which SPS did not submit to the relevant Governmental Authority, calculated in accordance with the methodology set forth in FERC's regulations at 18 CFR §35.19a(a)(2)(iii) from the date payment was made by Tres Amigas to the date SPS refunds such payment to Tres Amigas; and

(iii) with respect to any such taxes paid by SPS, any refund or credit SPS receives or to which it may be entitled from any Governmental Authority, interest (or that portion thereof attributable to the payment described in clause (i), above) owed to SPS for such overpayment of taxes (including any reduction in interest otherwise payable by SPS to any Governmental Authority resulting from an offset or credit); provided, however, that SPS will remit such amount promptly to Tres Amigas only after and to the extent that SPS has received a tax refund, credit or offset from any Governmental Authority for any applicable overpayment of income tax related to SPS's Interconnection Facilities.

The intent of this provision is to leave the Parties, to the extent practicable, in the event that no taxes are due with respect to any payment hereunder, in the same position they would have been in had no such tax payment been made.

3.7.6 Taxes Other Than Income Taxes. Upon the timely request by Tres Amigas, and at Tres Amigas's sole expense, SPS may appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against SPS for which Tres Amigas may be required to reimburse SPS under the terms of this Agreement. Tres Amigas shall pay to SPS on a periodic basis, as invoiced by SPS, SPS's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Tres Amigas and SPS shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Tres Amigas to SPS for such taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that such a tax payment is withheld and ultimately due and payable after appeal, Tres Amigas will be responsible for all such taxes, interest and penalties, other than penalties attributable to any delay caused by SPS.

3.8 Pre-Operation Testing and Modifications. Prior to the Commercial Operation Date, SPS shall test the SPS Interconnection Facilities and Tres Amigas shall test the Tres Amigas Interconnection Facilities to ensure their safe and reliable operation. Each Party shall make any modifications to its facilities that are necessary as a result of such testing. Tres Amigas shall bear the cost of all such testing and modifications.

ARTICLE 4
OPERATIONS AND MAINTENANCE

4.1 Parties' Obligations. Each Party shall operate and maintain its respective electric system and the SPS Interconnection Facilities or the Tres Amigas Interconnection Facilities, respectively, in accordance with the SPP Tariff (as applicable), Reliability Requirements and Good Utility Practice. Furthermore, Tres Amigas shall operate its facilities in a manner that protects SPS's electric system from transients, faults and other operating contingencies occurring at or caused by Tres Amigas; and SPS shall operate its facilities in a manner that protects Tres Amigas's electric system from transients, faults and other operating contingencies occurring at or caused by SPS.

4.2 Protection of the Parties' Electric Systems. All of Tres Amigas' facilities, including the Tres Amigas Interconnection Facilities, shall be operated and maintained consistent with the SPP Tariff, Reliability Requirements, Good Utility Practice and this Article 4 to protect SPS's electrical system. All of SPS's facilities, including the SPS Interconnection Facilities, shall be operated and maintained consistent with the SPP Tariff, Reliability Requirements, Good Utility Practice and this Article 4 to protect Tres Amigas's facilities.

4.2.1 Tres Amigas agrees that the SPS and/or SPP shall have the right, exercisable at the sole determination of the SPS and/or SPP in accordance with Good Utility Practice with any jurisdictional Regional Reliability Organization approval, as applicable, to disconnect Tres Amigas from SPS's electric system:

4.2.1.1 During an Emergency;

4.2.1.2 If such disconnection is necessary to prevent damage to the SPS's equipment or the equipment of Tres Amigas;

4.2.1.3 If such disconnection is required to permit (a) repairs to SPS's electric system, (b) new construction, or (c) the connection of other lines, Tres Amigas, or generators;

4.2.1.4 If such disconnection is required for equipment maintenance or to facilitate restoration of line outages;

4.2.1.5 If such disconnection is necessary for the safe and reliable operation of SPS's electric system consistent with Good Utility Practice, provided a disconnection shall not be effected due to a Curtailment;

4.2.1.6 In the event Tres Amigas tampers with the SPS Interconnection Facilities; or

4.2.1.7 In the event that Tres Amigas substantially changes or modifies the configuration or operation of its electric delivery system in such a manner as

to adversely affect the safe and reliable operation of the SPS Interconnection Facilities without SPS's and SPP's consent; or

4.2.1.8 In the event that Tres Amigas fails to provide SPS with access to the Tres Amigas Interconnection Facilities adequate for SPS to perform all inspections, maintenance, service, and operational reviews as may be appropriate and necessary to facilitate the performance of this Agreement.

In the event SPS or SPP disconnects Tres Amigas from SPS's electric system, SPS or SPP shall restore the interconnection as soon as practicable following cure of the condition that gave rise to the disconnection.

4.2.2 SPS agrees that Tres Amigas and/or SPP shall have the right, exercisable at the sole determination of the Tres Amigas and/or SPP in accordance with Good Utility Practice with any jurisdictional Regional Reliability Organization approval, as applicable, to disconnect SPS from the Tres Amigas's electric system:

4.2.2.1 During an Emergency;

4.2.2.2 If such disconnection is necessary to prevent damage to the SPS's equipment or the equipment of Tres Amigas;

4.2.2.3 If such disconnection is required to permit (a) repairs to the Tres Amigas's electric system, (b) new construction, or (c) the connection of other lines, SPS, or generators;

4.2.2.4 If such disconnection is required for equipment maintenance or to facilitate restoration of line outages;

4.2.2.5 If such disconnection is necessary for the safe and reliable operation of the Tres Amigas's electric system consistent with Good Utility Practice, provided a disconnection shall not be effected due to a Curtailment;

4.2.2.6 In the event SPS tampers with the Tres Amigas's Interconnection Facilities;

4.2.2.7 In the event that SPS substantially changes or modifies the configuration or operation of its electric delivery system in such a manner as to adversely affect the safe and reliable operation of the Tres Amigas Interconnection Facilities without Tres Amigas's and SPP's consent.

In the event, Tres Amigas or SPP disconnects SPS from the Tres Amigas electric system, Tres Amigas or SPP shall restore the interconnection as soon as practicable following cure of the condition that gave rise to the disconnection.

4.3 Emergency. The Parties agree to adopt, implement and maintain procedures for an Emergency which comply with Good Utility Practice, the SPP Tariff and any applicable Reliability Requirements.

4.3.1 Notice. In compliance with, and pursuant to, Article 21 herein, any Party shall provide the other Party with verbal, telephonic or electronic notification, that is prompt under the circumstances, of an Emergency, that may reasonably be expected to affect the other Party's operation of its respective transmission systems, to the extent the notifying Party is aware of the Emergency. Such notification shall describe, as known, the Emergency, the extent of any damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken. The initial notice shall be followed as soon as practicable with written notice.

4.3.2 Immediate Action. In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Good Utility Practice and using its reasonable judgment, take such action with respect to its own facilities as is reasonable and necessary to prevent, avoid, or mitigate injury, danger and/or loss of life or property. The Parties shall, consistent with Good Utility Practice, take whatever actions or inactions the Parties deem necessary during an Emergency, including, without limitation, to request and comply with directives of SPP, in order to: (i) preserve public health and safety; (ii) preserve the reliability of the Parties' transmission systems; (iii) limit or prevent damage; and (iv) expedite restoration of service.

4.3.3 Restoration of Operations. Each Party shall exercise commercially reasonable efforts to restore normal interconnected operations under this Agreement upon resolution of the Emergency.

4.4 Planned Outages. In accordance with Good Utility Practice, the Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance of, and Modifications to, their respective electrical system, including the SPS Interconnection Facilities or the Tres Amigas Interconnection Facilities, that might reasonably be expected to affect the operation of the other Party's transmission system ("Planned Outage"). Absent an Emergency or a contrary directive from Regional Reliability Coordinator, the Parties shall coordinate their respective schedules for any such activities and will, to the extent practicable and appropriate under the circumstances, give reasonable consideration to, among other things, the impact of the schedule on the other Party's operations; provided, however, that no Party shall be obligated to schedule such activities to coincide with another Party's Planned Outage, except to the extent required by the Regional Reliability Coordinator.

4.4.1 In the event of a Planned Outage of either Party's transmission system that may adversely affect the other Party with respect to its transmission system, the Party that is subject to the Planned Outage will use efforts consistent with Good Utility Practice and Reliability Requirements to restore the transmission system to service in accordance with its schedule for the work that necessitated the Planned Outage.

4.5 Forced Outages. A Party impacted by a Forced Outage shall notify the other Party of the existence, nature, and expected duration of the Forced Outage as soon as practicable.

In the event of a Forced Outage of a system element of Tres Amigas's electric system adversely affecting SPS's facilities or electric system, Tres Amigas will use Good Utility Practice to promptly restore that system element to service. In the event of a Forced Outage of a system element of SPS's electric system adversely affecting Tres Amigas's facilities or electric system, SPS will use Good Utility Practice to promptly restore that system element to service.

4.6 Inspections and Testing.

4.6.1 Inspections. The Parties shall perform routine inspection and testing of their respective equipment, facilities and upgrades, including the SPS Interconnection Facilities and the Tres Amigas Interconnection Facilities, whichever may be applicable, in accordance with Good Utility Practice and Reliability Requirements.

4.6.2 Right to Observe Testing. Each Party shall have the right to observe the other Party's testing of its interconnection facilities when such facilities may reasonably be expected to affect the reliability of the observing Party's transmission system. The testing Party shall notify the other Party in advance of such testing unless, in the testing Party's reasonable judgment, the testing must be performed immediately, in which case the testing Party shall provide notice as soon as practicable. The observing Party may have a representative attend and be present during any such testing.

4.6.3 Observation of Deficiencies. If any Party observes any condition it believes may be inconsistent with this Agreement, Good Utility Practice, or Reliability Requirements with respect to the other Party's interconnection facilities that might reasonably be expected to adversely affect the observing Party's transmission system, the observing Party shall notify the other Party of such deficiency within a reasonable amount of time.

4.7 Switching, Tagging, and Blocking Rules. The Parties shall abide by their respective switching, tagging and blocking rules, and shall coordinate with each other, for obtaining clearances for work or for switching operations at the Interconnection Facilities.

4.8 Power Factor. In accordance with Good Utility Practice, Tres Amigas shall correct its reactive power deficiencies with the application of reactive compensating devices located on Tres Amigas's side of the Point of Interconnection, in order to maintain a reactive power flow between 0.95 lag to 0.95 lead in connection with SPS's electric system to minimize static and dynamic reactive power demand on SPS's electric system. The power factor will be determined based on the sum for the MW and MVAR

flows for the Point of Interconnection as set forth in Exhibit A. Tres Amigas will adjust its power factor, based on guidance from SPP and/or SPS, within the reactive power flow limits stated above. Tres Amigas shall design their reactive compensation scheme to minimize the size of reactive switching steps, if any, to be approximately +/- 60MVAR steps.

4.9 Normally Operated Closed. The electrical systems of the Parties shall be normally operated with the interconnections closed between the systems. Nothing contained herein shall restrict or limit either Party in effecting other interconnections or interconnection agreements with other systems.

4.9.1 Notice to Open Switch. Each Party will advise the other Party promptly of any necessity for opening a switch or switches to relieve a situation of overload, undue burden, or service impairment as specified in this Agreement.

4.10 Notice of Adverse Conditions. In addition to taking any other action required under this Agreement, each Party will advise the other Party of any conditions on its system which appear to be approaching overload or undue burden on its electric system, facilities or equipment. Each Party agrees to assist in studies of methods to correct such conditions.

4.11 Metering. Unless otherwise agreed by the Parties, SPS shall install metering facilities, at Tres Amigas's cost, at the Point of Interconnection in accordance with the schedule provided in Exhibit D, as applicable, and shall own, operate, test and maintain such Metering Equipment. SPS shall provide Tres Amigas with real-time data, including hourly MWH data or such other interval (i.e. 15 minutes) consistent with local or regional practices, from such Metering Equipment, for Tres Amigas' scheduling and settlement purposes, and to allow Tres Amigas to fulfill its balancing authority responsibilities.

4.11.1 Tres Amigas Meters. Tres Amigas shall have the right to install, at its own cost and expense, suitable metering equipment at the Point of Interconnection for the purpose of backing up and/or checking the meters installed by the SPS.

4.11.2 Meter Operation and Maintenance. Metering equipment at the Point of Interconnection shall be operated, maintained and tested in accordance with Good Utility Practice.

4.11.3 Additional Requirements. Specific provisions concerning metering and metering facilities for a specific interconnection may be set forth in Exhibit D. In the event of a conflict between this Article 4 and Exhibit D, the provisions in such Exhibit shall control.

4.12 Communication Facilities. Communication facilities for voice, telemetry, SCADA, monitoring, relay/fault records, metering, protection or supervisory control necessary for the effective operation of this Agreement shall be installed, maintained, and

operated by the Parties, and the capital costs and operating and maintenance costs of such facilities shall be shared as mutually agreed upon by the Parties.

4.12.1 Additional Requirements. Specific provisions concerning communication facilities for a specific interconnection may be set forth in Exhibit E, as applicable. In the event of a conflict between this Article 4 and Exhibit E, the provisions of such Exhibit shall control.

4.13 Power Quality. No Party's facilities shall cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as defined by ANSI Standard C84.1-1989, in accordance with IEEE Standard 519, or any applicable superseding electric industry standard. In the event of a conflict between ANSI Standard C84.1-1989, or any applicable superseding electric industry standard, ANSI Standard C84.1-1989, or the applicable superseding electric industry standard, shall control.

4.14 Powerflow and Dynamic Modeling. Tres Amigas shall also provide any and all power flow and dynamic modeling data of the TAS, including any generation interconnected between the Point of Interconnection and the TAS, and any generation interconnected between the TAS and WECC and ERCOT points of interconnection, model of the DC converter(s), model of any generation interconnected to the WECC, SPP, or ERCOT terminals of the TAS, in a format for inclusion in SPS's and SPP's powerflow and dynamic models. The modeling data provided by Tres Amigas will be for the life of TAS and in a software version acceptable to SPP and SPS, which is Siemens PTI PSSE Version 32.2x as of the date of this Agreement. Should SPP and/or SPS determine that there is an error with the models provided by Tres Amigas, SPP and/or SPS shall promptly notify Tres Amigas of the error, including a description of the error, and Tres Amigas will work diligently to correct the error and provide accurate models for inclusion in the SPP and SPS powerflow and dynamic models.

ARTICLE 5 **MODIFICATIONS**

5.1 Generally. Any Modification to the facilities of either Party shall be designed, constructed and operated in accordance with this Agreement, Good Utility Practice and the SPP Tariff.

5.2 Modifications Subject to SPP Tariff. This Section 5.2 shall apply if Tres Amigas chooses to transfer operating control over its transmission facilities in the Eastern Interconnection to SPP. In the event a Party plans to undertake Modifications to its electric system that reasonably may be expected to impact the other Party's electric system and if the Modifications are subject to the SPP Tariff, as determined by SPP in its sole discretion but subject to dispute resolution hereunder, the initiating Party shall follow the relevant planning, notification, cost allocation and approval process provided in the SPP Tariff.

5.3 Modifications Not Subject to SPP Tariff. This Section 5.3 shall apply if Tres Amigas does not choose to transfer operating control over its transmission facilities in the Eastern Interconnection to SPP. If a Party plans to undertake a Modification, which is not subject to the SPP Tariff but is reasonably expected to affect the Point of Interconnection, the interconnection provided under this Agreement, or the other Party's electrical system, including the other Party's Interconnection Facilities, the Party planning to undertake the Modification shall provide to the other Party sufficient information regarding such Modification so that the other Party may evaluate the potential impact of such Modification prior to commencement of the work. Such information shall be deemed to be confidential hereunder and shall include information concerning the timing of such Modifications and whether such Modifications are expected to interrupt the flow of electricity to the Point of Interconnection. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least one-hundred and twenty (120) calendar days in advance of the commencement of the work or such shorter period upon which the Parties may agree.

5.3.1 If Tres Amigas is the Party intending to undertake a Modification under this Section 5.3, (a) SPS shall study the impacts of the Modification on the SPS transmission system, including the SPS Interconnection Facilities, and provide a good faith estimate of any changes, modifications or replacements to the SPS transmission system, including the SPS Interconnection Facilities; (b) Tres Amigas shall be responsible for any costs identified by SPS through its study efforts under subsection (a); (c) Tres Amigas shall be responsible for the costs of any replacements, modifications or additions that may be necessary to maintain or upgrade the Tres Amigas Interconnection Facilities consistent with applicable laws, rules and regulations, the SPP Tariff and Good Utility Practice.

5.3.2 Tres Amigas shall be responsible for the costs of any Modifications needed for the Tres Amigas Interconnection Facilities or the Tres Amigas electric system to facilitate the interconnection of a third party to the Tres Amigas Interconnection Facilities or the Tres Amigas electric system, or to provide transmission service to a third party on or across the Tres Amigas electric system.

5.3.3 Tres Amigas shall not be assigned the costs of any additions, modifications, or replacements that SPS makes to the SPS Interconnection Facilities or the SPS transmission system to facilitate the interconnection of a third party to the SPS Interconnection Facilities or SPS's electrical system, or to provide transmission service to a third party under the SPP Tariff.

5.3.4 Prior to any work commencing under Section 5.3, the Parties, including SPP, shall negotiate in good faith an amendment to this Agreement which addresses the Modification proposed pursuant to Section 5.3, including any impacts to the other Party's electrical system and allocation of costs pursuant to Section 5, as applicable. If the Parties, including SPP, are unable to mutually agree to an amendment within one hundred and eighty (180) calendar days, SPP shall use Reasonable Efforts to file the amendment

unexecuted with FERC within fifteen (15) business days, and the Parties and SPP agree to be bound by any order or directive provided by FERC regarding the same.

5.3.5 Nothing in this Section 5.3 shall be construed to deny Tres Amigas the right to contest any finding of cost responsibility for new facilities by SPS or SPP in accordance with the dispute resolution procedures set forth in this Agreement or by submitting such dispute for resolution by FERC.

5.4 Other Modifications. Notwithstanding anything to the contrary in Section 5.3, either Party may undertake Modifications to its facilities, so long as the Party making such Modification provides thirty (30) calendar days advance notification to the other Party, including SPP, and such Modifications do not (i) adversely impact the operation of the TAS or the Tres Amigas's Interconnection Facilities, (ii) permanently limit or reduce the interconnection provided under this Agreement, or (iii) adversely impact the operation of SPS's transmission system, or SPS's Interconnection Facilities.

5.4.1 The thirty (30) calendar day advance notification shall include any information relevant to the potential impact of the Modification on the other Party's system, including but not limited to changes due to equipment replacement, repair, or adjustment and the timing of the Modification. Such information shall be deemed to be confidential hereunder.

5.4.2 The Party proposing a Modification under this Section 5.4 shall bear the costs associated with and related to the Modification.

5.4.3 Before the thirty (30) calendar day notification period expires, the Party not undertaking the Modification may notify the other Party that it has concluded, in good faith, that the proposed Modification does not meet criteria (i), (ii) or (iii) in the aforementioned sentence, in which case the Party not proposing the Modification shall notify the other Party of the disagreement and no work shall commence until the Parties resolve the disagreement with use of the dispute resolution procedures provided in Article 20, if needed.

ARTICLE 6 **RELIABILITY STANDARDS**

6.1 Reliability Standards. SPS and Tres Amigas are or will be each registered with the NERC.

6.1.1 Tres Amigas shall be responsible for compliance with all NERC, Regional Entity mandatory Reliability Standards and SPP Regional Entity mandatory Reliability Standards applicable to the TAS and the Tres Amigas Interconnection Facilities. SPS shall be responsible for compliance with all NERC and SPP Regional Entity mandatory

Reliability Standards applicable to the SPS Interconnection Facilities. SPP shall be responsible for compliance with all NERC Reliability Standards applicable to SPP.

6.1.2 Each Party shall be responsible for the costs of compliance with such Reliability Standards for the respective facilities they own, including (i) costs associated with modifying their respective facilities or systems to comply with changes in such Reliability Standards, and (ii) any financial penalties for non-compliance. The Parties agree to share data or documentation as may be required to demonstrate compliance with Reliability Standards where an individual Party has possession of data or documentation necessary for the other Party to demonstrate compliance.

6.1.3 To the extent that Tres Amigas contributes in whole or in part to actions which result in monetary penalties being assessed to SPS for non-compliance with Reliability Standards, Tres Amigas shall reimburse SPS for its proportional share of such monetary penalties. To the extent that SPS contributes in whole or in part to actions which result in monetary penalties being assessed to Tres Amigas for non-compliance with Reliability Standards, SPS shall reimburse Tres Amigas for its proportional share of such monetary penalties. In the event of a dispute between the Parties regarding either Party's share of such monetary penalties, the dispute shall be subject to the provisions of Article 20 herein.

6.2 Reserved Rights. Except as provided by any Reliability Requirements, nothing herein shall affect the right of either Party or SPP, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which such Party may otherwise be entitled to take under this Agreement, Good Utility Practice or the SPP Tariff.

ARTICLE 7 **FURNISHING OF INFORMATION; CONFIDENTIALITY**

7.1 Furnishing of Information. It is recognized by the Parties that the successful operation of this Agreement depends upon the cooperation by the Parties in the operation of their systems. As a part of such cooperation, subject to the limitations regarding disclosing confidential information provided in this Agreement, each Party agrees that it will furnish to the other Party such data concerning its system as may be necessary to support the other Party's system reliability.

7.2 Confidential Information

7.2.1 "Confidential Information" means (a) any confidential, proprietary or trade secret information of a plan, specification, pattern, procedure, design, device, drawing, list, concept, Tres Amigas information, policy or compilation relating to the present or planned business of a Party, which is designated as Confidential Information by the Party supplying the information, whether conveyed orally, electronically, in writing, through inspection, or otherwise; or (b) any Critical Energy Infrastructure

Information. Confidential Information which includes, without limitation, all information relating to a Party's technology, research and development, business affairs, and pricing, and any information supplied by a Party to another Party on a confidential basis prior to the execution of this Agreement.

7.2.2 Confidential Information shall not include information that the receiving Party can demonstrate: (i) is generally available to the public other than as a result of a disclosure by the receiving Party; (ii) was in the lawful possession of the receiving Party on a non-confidential basis before receiving it from the disclosing Party; (iii) was supplied to the receiving Party without restriction by a third party, who, to the knowledge of the receiving Party, was under no obligation to the other Party to keep such information confidential; (iv) was independently developed by the receiving Party without reference to Confidential Information of the disclosing Party; or (v) is, or becomes, publicly known, through no wrongful act or omission of the receiving Party or breach of this Agreement.

Information designated as Confidential Information will no longer be deemed confidential if the Party that designated the information as Confidential Information notifies the other Parties that such information no longer is confidential.

7.2.3 Information is Confidential Information only if it is clearly designated or marked in writing as confidential on the face of the document; or, if the information is conveyed orally or by inspection, the Party providing the information orally informs the receiving Party that the information is confidential. The limitation set forth in this Section 7.2.3. shall not apply to information that is governed by FERC's Critical Energy Infrastructure Information or Standards of Conduct rules and regulations.

7.3 Protection of Confidential Information.

7.3.1 Nondisclosure. No Party shall disclose any Confidential Information of the other Party obtained pursuant to or in connection with the performance of this Agreement to any third party without the express written consent of the providing Party; provided, however, that any Party may produce Confidential Information in response to a subpoena, discovery request or other compulsory process issued by a judicial body or Governmental Authority upon reasonable notice to the providing Party that a) a protective order from such jurisdictional judicial body or court has been issued relating to the Confidential Information and b) a binding nondisclosure agreement is in effect with a proposed recipient of any Critical Energy Infrastructure Information.

7.3.2 Standard of Care. The Parties shall use at least the same standard of care to protect Confidential Information it receives as it uses to protect its own Confidential Information from unauthorized disclosure, publication or dissemination.

7.3.3 Use of Confidential Information. Any Party or SPP may use Confidential Information solely: (i) to fulfill its obligations to the other Party, including SPP, under this Agreement; (ii) to fulfill its regulatory requirements except to the extent that such

information constitutes or has been designated Critical Energy Infrastructure Information; or (iii) in any proceeding or in any administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject either to a written confidentiality agreement with all Parties (including, if applicable, an arbitrator(s)) or to a protective order. As it pertains to (iii), notwithstanding the absence of a protective order or waiver, a Party may disclose such Confidential Information which, in the opinion of its counsel, the Party is legally compelled to disclose. In the event that the receiving Party is legally requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process, or in the opinion of its counsel, by federal or state securities or other statutes, regulations or laws) to disclose any Confidential Information, the receiving Party shall promptly notify the disclosing Party of such request or requirement prior to disclosure, so that the disclosing Party may seek an appropriate protective order and/or waive compliance with the terms of this Agreement and shall request confidential treatment of any such disclosure.

7.3.4 Damages. The Parties agree that monetary damages by themselves may be inadequate to compensate a Party for the other Party's breach of its obligations under this Article. Each Party accordingly agrees that the other Parties are entitled to equitable relief, by way of injunction or otherwise, if it breaches or threatens to breach its obligations under this Article.

7.3.5 Survival. The confidentiality obligations of this Article shall survive termination of this Agreement for a period of two (2) years.

7.3.6 Applicable to SPP. For purposes of this Article 7, all references to the rights and responsibilities of a Party or the Parties with respect to information sharing and confidentiality shall be deemed to include SPP to the same extent as the other Parties.

ARTICLE 8 **OPERATING AGREEMENT**

8.1 Operating Agreement. The Parties, including SPP, shall use reasonable efforts to enter into an operating agreement, if necessary, for the purposes of, among other things, addressing any operational considerations stemming from SPP's implementation of the Integrated Marketplace, establishing an operating committee, coordinating the operation of its respective electrical systems and coordinating Scheduled Outages.

8.1.1 In the event an operating agreement is necessary and the Parties are unable to reach agreement on the terms and conditions for the operating agreement, either Party, including SPP, shall be entitled to unilaterally file an unexecuted version of the operating agreement with FERC, and all Parties, including SPP, agree to be bound by any order or directive provided by FERC regarding the same.

8.2 Joint Operating Committee. No less than sixty (60) days before the commencement of operation of the Tres Amigas facility, the Parties shall establish a Joint Operating Committee to coordinate operating and technical considerations of the interconnection provided for in this Agreement. Each Party shall appoint a representative to such Committee and notify the other Party of such Appointee. SPP shall participate in such Committee and shall appoint a representative thereto. Such appointments may be changed at any time by similar notice. The Joint Operating Committee shall hold a meeting at the request of either Party or SPP, at a time and place agreed upon by the representatives. The Joint Operating Committee shall perform all of its duties consistent with the provisions of this Agreement. Each Party shall cooperate in providing to the Joint Operating Committee all information required in the performance of the Joint Operating Committee's duties. All decisions and agreements, if any, made by the Joint Operating Committee, shall be evidenced in writing. The duties of the Joint Operating Committee shall include the following:

- 8.2.1 Establish data requirements and operating record requirements.
- 8.2.2 Review the requirements, standards, and procedures for data acquisition equipment, protective equipment, and any other equipment or software.
- 8.2.3 Annually review the one (1) year forecast of maintenance and planned outage schedules of the Interconnection Facilities with such forecasts posted on the applicable OASIS.
- 8.2.4 Coordinate the scheduling of maintenance and planned outages on the Interconnection Facilities, and other facilities that impact the normal operation of the interconnection, with such scheduled maintenance and planned outages posted on the applicable OASIS.
- 8.2.5 Ensure that information is being provided by each Party regarding equipment availability with such equipment availability posted on each Party's OASIS.
- 8.2.6 Perform such other duties as may be conferred upon it by mutual agreement of the Parties.

ARTICLE 9 **BILLING AND PAYMENT**

9.1 Procedure. All bills for amounts owed by one Party to the other hereunder, not otherwise billed by SPP, shall be due on the 15th day after the close of the billing period to which such bills are applicable or on the 10th day following receipt of bill, whichever

shall be the later. The standard period for the purpose of settlements hereunder shall be a calendar month.

9.2 Interest on Unpaid Balances. Interest on any unpaid amounts that are past due (including amounts placed in escrow) shall be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. Section 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated and compounded quarterly as required under such FERC regulation from the due date of the bill to the date of receipt of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by the SPS or Tres Amigas.

ARTICLE 10 **FORCE MAJEURE**

10.1 Exclusions from Force Majeure. A Force Majeure event does not include (i) acts of negligence or intentional wrongdoing by the Party claiming Force Majeure; or (ii) a Curtailment.

10.2 No Liability. No Party will be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure. However, a Party whose performance under this Agreement is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Agreement and to cure such Force Majeure as promptly as practicable consistent with Good Utility Practice.

ARTICLE 11 **INSURANCE**

11.1 Generally. Tres Amigas and SPS shall at their own expense, maintain in force throughout the period of this Agreement, the following minimum insurance coverages, with insurers authorized to do business in the state where the Point of Interconnection is located:

11.1.1 Employers' Liability and Workers' Compensation Insurance providing statutory benefits in accordance with the laws and regulations of the state in which the Point of Interconnection is located. The minimum limits for the Employers' Liability insurance shall be One Million Dollars (\$1,000,000) each accident bodily injury by accident, One Million Dollars (\$1,000,000) each employee bodily injury by disease, and One Million Dollars (\$1,000,000) policy limit bodily injury by disease.

11.1.2 Commercial General Liability Insurance including premises and operations, personal injury, broad form property damage, broad form blanket contractual liability coverage (including coverage for the contractual indemnification) products and completed operations coverage, coverage for explosion, collapse and underground hazards (if applicable), independent contractors coverage, coverage for pollution (if

exposure is present) and punitive or exemplary damages, with minimum limits of One Million Dollars (\$1,000,000) each occurrence/Two Million Dollars (\$2,000,000) general aggregate and Two Million Dollars (\$2,000,000) products and completed operations aggregate combined single limit for personal injury, bodily injury, including death and property damage.

11.1.3 Comprehensive Automobile Liability Insurance for coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars (\$1,000,000) per occurrence for bodily injury, including death, and property damage.

11.1.4 Excess Liability Insurance over and above the Employers' Liability Commercial General Liability and Comprehensive Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars (\$20,000,000) each occurrence/Twenty Million Dollars (\$20,000,000) general aggregate.

11.1.5 The Commercial General Liability Insurance, Comprehensive Automobile Insurance and Excess Public Liability Insurance policies shall name the other Party, its parent, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") as additional insured. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this Agreement against the Other Party Group and provide thirty (30) days advance written notice to the Other Party Group prior to anniversary date of cancellation or any material change in coverage or condition.

11.1.6 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the policies are primary and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered. Each Party shall be responsible for its respective deductibles or retentions.

11.1.7 The Commercial General Liability Insurance, Comprehensive Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this Agreement, which coverage may be in the form of tail coverage or extended reporting period coverage if agreed to by all Parties.

11.2 Additional Coverage. The requirements contained herein as to the types and limits of all insurance to be maintained by the Tres Amigas and SPS are not intended to and shall not in any manner, limit or qualify the liabilities and obligations assumed by the Parties under this Agreement.

11.3 Coverage Certifications. Prior to the commencement of any Work, as specified by the date set forth in Exhibit C, and as soon as practicable after the renewal of the insurance policies, Tres Amigas and SPS shall provide certification of all insurance required in this Agreement, executed by each insurer or by an authorized representative of each insurer to the Other Party Group.

11.4 Reporting. The Parties agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage arising out of this Agreement.

ARTICLE 12 **BREACH, CURE AND DEFAULT**

12.1 Events of Breach. The occurrence of any one of the following shall constitute an Event of Breach by a Party (the “Breaching Party”):

- (a) The failure to comply with any material term or condition of this Agreement, including but not limited to any material breach of a representation, warranty or covenant made in this Agreement;
- (b) If a Party: (i) by decree of a court of competent jurisdiction, is adjudicated bankrupt or insolvent; (ii) files a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; (iii) makes a general assignment for the benefit of its creditors; or (iv) consents to the appointment of a receiver, trustee or liquidator;
- (c) Assignment of this Agreement in a manner inconsistent with the terms of this Agreement;
- (d) Failure of any Party to provide such access rights, or a Party’s attempt to revoke or terminate such access rights, as provided under this Agreement;
- (e) Failure of any Party to provide information or data to another Party as required under this Agreement, provided the Party entitled to the information or data under this Agreement requires such information or data to satisfy its obligations under this Agreement;
- (f) Failure of any Party to act in accordance with the terms and requirements resulting from dispute resolution; or
- (g) Failure of any Party to remain legally authorized to own and operate electric transmission facilities in the States of New Mexico or Texas.

12.2 Continued Operation. In the event of an Event of Breach by any Party, the Parties shall continue to operate and maintain, as applicable, such DC power systems, protection and metering equipment, telemetering equipment, Supervisory Control and Data Acquisition (“SCADA”) equipment, transformers, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Parties to operate and maintain their respective transmission systems in a safe and reliable manner.

12.3 Cure and Default.

- (a) A Breaching Party automatically will be deemed to be in “Default” of this Agreement upon the occurrence of any one of the Events of Breach described in Section 12.1(b) (ii)-(iv) of the Agreement.
- (b) Upon the occurrence of any Event of Breach other than those described in Section 12.1(b) (ii)-(iv), any Party not in breach (hereinafter a “Non-Breaching Party”), when it becomes aware of any such Event of Breach, shall give written notice of the Event of Breach to the Breaching Party. Such notice shall set forth, in reasonable detail, the nature of the breach, and, where known and applicable, the steps necessary to cure such breach. Upon receiving written notice of the breach hereunder, the Breaching Party shall have thirty (30) days to cure such breach (“Initial Cure Period”). If the breach is such that it cannot be cured within the Initial Cure Period, the Breaching Party will (i) inform the Non-Breaching Party of the amount of time needed to cure the Event of Default, which in no event (other than by mutual assent of the Parties) shall be longer than one hundred and eighty (180) days (“Extended Cure Period”), and (ii) commence in good faith all steps as are reasonable and appropriate to cure the breach and thereafter diligently pursue such action to completion. In the event the Breaching Party fails to cure the breach within the Initial Cure Period and/or the Extended Cure Period, the Breaching Party will be in “Default” of the Agreement.
- (c) Upon the occurrence of a Default, any Non-Breaching Party may terminate this Agreement as to the Breaching Party by providing written notice of termination to the Breaching Party (and to any other Parties), except that where a Default has been disputed by the Breaching Party. Termination by any Party is conditioned upon acceptance by FERC.

ARTICLE 13
TERM AND TERMINATION OF INTERCONNECTION

13.1 Term. This Agreement shall become effective January 25, 2013, subject to approval by all regulatory bodies having jurisdiction in the premises, (the “Effective Date”) and shall continue in effect thereafter for an initial period ending December 31, 2032 (“Initial Term”), and shall continue in effect thereafter until terminated.

13.2 Termination.

13.2.1 By Mutual Consent. This Agreement may be terminated at any time by mutual agreement of the Parties and following the expiration of a one-year (1-year) written notice to SPP.

13.2.2 By Any Party. In addition to the termination rights set forth in Section 12.3(c), any Party may terminate this Agreement as follows:

- (a) Upon the removal of said Party’s transmission system from service following the expiration of a one-year (1-year) written notice to the other Party and SPP; or
- (b) On or after December 31, 2032, by either Party following the expiration of a one-year (1-year) written notice of termination to the other Party and SPP.

13.2.3 Early Termination Costs. Should Tres Amigas terminate this Agreement before December 31, 2032 for any reason other than a breach by SPS, or SPS terminates this Agreement for the reasons set forth in Section 12.3(c), Tres Amigas shall be obligated to pay SPS a termination fee equal to the undepreciated amount SPS has expended for equipment and facilities directly and solely serving Tres Amigas at the time of termination that Tres Amigas has not already paid for. The early termination fee that Tres Amigas is obligated to pay shall be reduced as appropriate, (i) if SPS may reasonably charge or recover from a third party the costs formerly charged or recovered from Tres Amigas under this Agreement, (ii) if SPS utilizes the Interconnection Facilities in connection with its own business, (iii) if SPS may recover salvage value determined in accordance with its salvage value procedures from the Interconnection Facilities that are no longer useful, or (iv) if Tres Amigas has compensated SPS for all financial interconnection obligations.

13.3 FERC Approval. No termination hereunder shall become effective until the terminating Party (or the Parties jointly) or SPP tender(s) to FERC any required notification of termination of this Agreement (if any) and obtain(s) such acceptance thereof by FERC as may be required (if at all).

13.4 Disconnection. Upon termination of this Agreement in accordance with this Article, a Party shall, in coordination with the other Party, physically disconnect its transmission system from the terminated Party's transmission system.

13.5 Survival of Rights. Termination of this Agreement shall not relieve any Party of any of its liabilities and obligations arising hereunder prior to the date termination becomes effective, and each Party may take whatever judicial or administrative actions as appear necessary or desirable to enforce its rights hereunder. Applicable provisions of this Agreement will continue in effect after expiration, cancellation or termination of this Agreement to the extent necessary to provide for final billings, billing adjustments, and the determination and enforcement of liability and indemnification obligations arising from events or acts that occurred while this Agreement was in effect.

ARTICLE 14 **WAIVERS**

14.1 **Waiver.** Except as otherwise provided in this Agreement, a Party's compliance with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure of any obligation, covenant, agreement, or condition herein.

14.2 **Failure to Enforce.** Failure of any Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement, or to give notice or declare this Agreement or the right(s) hereunder terminated, shall not constitute a waiver or relinquishment of any rights set out herein, but the same shall be and remain at all times in full force and effect as to future acts and omissions, unless and only to the extent expressly set forth in a writing signed by the Party granting such waiver or relinquishing any such right(s). Any waiver granted, or relinquishment of any right, by a Party shall not operate as a relinquishment of any other rights or a waiver or of any other failure of the Party granted the waiver to comply with any obligation, covenant, agreement, or condition herein.

ARTICLE 15 **REGULATORY APPROVAL**

15.1 **Regulatory Approval.** This Agreement and all obligations hereunder are expressly conditioned upon the granting of such approval and authorization by any regulatory body whose approval or authorization may be required by law. Each Party shall aid and assist the other in obtaining any such necessary approval and authorization.

ARTICLE 16 **RIGHTS OF INSTALLATION, ACCESS AND REMOVAL**

16.1 **Access Rights.** Upon reasonable notice and supervision by a Party, and subject to any required or necessary regulatory approvals, a Party ("Granting Party") shall furnish at no cost to the other Party ("Access Party") any rights of use, licenses, rights of way and easements with respect to lands owned or controlled by the Granting Party, its agents, or any Affiliates, that are necessary to enable the Access Party to obtain ingress and egress to construct the Interconnection Facilities. In exercising such licenses, rights of way and easements, the Access Party shall not unreasonably disrupt or interfere with normal operation of the Granting Party's business and shall adhere to the safety rules and procedures established in advance, as may be changed from time to time, by the Granting Party and provided to Access Party. Further Access Party shall be acting at their sole risk of injury and damage.

ARTICLE 17
LIABILITY AND INDEMNIFICATION

17.1 Indemnity. A Party (“Indemnifying Party”) shall at all times indemnify, defend, and hold the other Party, including all Persons and Affiliates liable through such Party, (“Indemnified Party”) harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties (“Loss”), arising out of or resulting from the other Party’s action or inactions of its obligations under this Agreement on behalf of the Indemnifying Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party.

17.1.1 Indemnified Party. If an Indemnified Party is entitled to indemnification under this Article 17 as a result of a claim by a third party, and the Indemnifying Party fails, after notice and reasonable opportunity to proceed under Section 17.1 to assume the defense of such claim, such Indemnified Party may at the expense of the Indemnifying Party contest, settle or consent to the entry of any judgment with respect to, or pay in full, such claim.

17.1.2 Indemnifying Party. If an Indemnifying Party is obligated to indemnify and hold any indemnified person harmless under this Article 17, the amount owing to the Indemnified Party shall be the amount of such Indemnified Party's actual Loss, net of any insurance or other recovery.

17.1.3 Indemnity Procedures. Promptly after receipt by an Indemnified Party of any claim or notice of the commencement of any action or administrative or legal proceeding or investigation as to which the indemnity provided for in Article 17.1 may apply, the Indemnified Party shall notify the Indemnifying Party of such fact. Any failure of or delay in such notification shall not affect a Party's indemnification obligation unless such failure or delay is materially prejudicial to the indemnifying Party.

The Indemnifying Party shall have the right to assume the defense thereof with counsel designated by such Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the defendants in any such action include one or more Indemnified Parties and the Indemnifying Party, and if the Indemnified Party reasonably concludes that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on its own behalf. In such instances, the Indemnifying Party shall only be required to pay the fees and expenses of one additional attorney to represent an Indemnified Party or Indemnified Parties having such differing or additional legal defenses.

The Indemnified Party shall be entitled, at its expense, to participate in any such action, suit or proceeding, the defense of which has been assumed by the Indemnifying Party.

Notwithstanding the foregoing, the Indemnifying Party (i) shall not be entitled to assume and control the defense of any such action, suit or proceedings if and to the extent that, in the opinion of the Indemnified Party and its counsel, such action, suit or proceeding involves the potential imposition of criminal liability on the Indemnified Party, or there exists a conflict or adversity of interest between the indemnified person and the Indemnifying Party, in such event the Indemnifying Party shall pay the reasonable expenses of the Indemnified Party, and (ii) shall not settle or consent to the entry of any judgment in any action, suit or proceeding without the consent of the Indemnified Party, which shall not be reasonably withheld, conditioned or delayed.

17.1.4 Indemnity Limitations. To the extent, if at all, that Section 56-7-1 NMSA 1978, et seq. (2005), as amended, is applicable to any indemnity provision in the Agreement, any agreement to indemnify, hold harmless, insure (including a requirement to name the indemnified party as an additional insured) or defend another party, including the other party's employees or agents, contained in this Agreement will not extend to liability, claims, damages losses or expenses, including attorney's fees, arising out of bodily injury to persons or damage to property resulting from, in whole or in part, the negligence, act or omission of any indemnitee, its officers, employees or agents.

17.2 Limitation of Liability. Neither Party shall be liable for money damages or other compensation to the other Party for actions or omissions in performing its obligations under this Agreement, except to the extent such act or omission is found to result from its gross negligence or intentional wrongdoing; provided that nothing in the preceding sentence is intended (i) to limit the right of a party to seek to enforce performance of the agreement by another Party, or (ii) limit the right of the FERC to exercise its authority over the agreement pursuant to the Federal Power Act. No Party may seek to enforce any claims against the directors, members, shareholders, officers, employees or agents of either Party or its Affiliates by reason of their status as directors, members, shareholders, officers, employees or agents of a Party or its Affiliates. Neither Party shall be liable for damages arising out of its actions or omissions in performing its obligations under this Agreement, including but not limited to any act or omission that results in an interruption, deficiency or imperfection of service, occurring as a result of Force Majeure, or resulting from electric system design or practices which are in accordance with Good Utility Practice. Neither Party shall be liable for acts or omissions done in compliance or good faith attempts to comply with directives of SPP. In no event shall a Party be liable for any incidental, consequential, punitive, special, exemplary or indirect damages, loss of revenues or profits, arising out of, or connected in any way with its performance or non-performance under this Agreement.

17.3 SPP Limitation of Liability. Nothing in this Agreement shall be construed to create or give rise to any liability on the part of SPP and the Parties expressly waive any claims that may arise against SPP under this Agreement. By executing this Agreement, SPP does not agree to the provisions that do not affect or involve SPP transmission service (including ancillary services) or SPP's role as a FERC-approved RTO. SPP's only purpose and involvement in executing this Agreement is with regard to any sections

which may affect or involve SPP transmission service or SPP's role as a FERC-approved RTO.

17.4 Effect of SPP Signature. The Parties acknowledge and understand that the signature of the authorized officer of SPP on this Agreement is for the limited purpose of acknowledging that an officer of SPP has read the terms of this Agreement. The Parties and SPP further state that they understand that FERC desires that the Parties keep SPP fully apprised of the matters addressed herein as well as any reliability and planning issues that may arise under this Agreement, and that the signature of the SPP officer shall not in any way be deemed to imply that SPP is taking responsibility for the actions of any Party, that SPP has any affirmative duties under this Agreement, or that SPP is liable in any way under this Agreement except as specifically provided in the SPP Tariff.

17.5 Survival. The limitations of liability provided for and the indemnification obligations of each Party under this Article shall continue in full force and effect regardless of whether this Agreement has expired or been terminated or canceled with respect to matters that arise during the effectiveness of the Agreement.

ARTICLE 18 **ASSIGNMENT**

18.1 Successors and Assigns. This Agreement, and the rights and obligations created thereby, shall bind and inure to the benefit of the successors and permitted assigns of the Parties hereto.

18.2 Assignment. Notwithstanding anything to the contrary herein, either Party, without the consent of the other Party or SPP but with reasonable prior written notice of sixty (60) days, may (i) assign this Agreement to any entity or entities in connection with a merger, consolidation, reorganization or other change in the organizational structure of the assigning Party, provided that the surviving entity(ies) agree(s), in writing, to assume the assigning Party's obligations and duties under, and be bound by, the terms of this Agreement; or (ii) transfer, sell, pledge, encumber or assign this Agreement and the accounts, revenues or proceeds hereof in connection with any financing of or for such Party or other financial arrangements involving such Party (including to any trustee or other agent on behalf of one or more entities providing financing to or for, or involving, such Party). Either Party may assign the Agreement without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under the Agreement.

ARTICLE 19
SUBCONTRACTOR

19.1 Generally. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that all Parties shall require their subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services.

19.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

19.3 No Third-Party Beneficiary. No subcontractor is intended to be, nor will it be deemed to be, a third-party beneficiary of this Agreement.

19.4 No Limitation by Insurance. The obligations under this Article will not be limited in any way by any limitation on subcontractor's insurance.

ARTICLE 20
DISPUTE RESOLUTION

20.1 Dispute Resolution. In the event any Party has a dispute, or asserts a claim, that arises out of or in connection with this Agreement or its performance, such Party (the "Disputing Party") shall provide the other Party with written notice of the dispute or claim ("Notice of Dispute"). Such dispute or claim shall be referred to a designated senior representative of each Party for resolution on an informal basis as promptly as practicable after receipt of the Notice of Dispute by the non-disputing Parties. In the event the designated representatives are unable to resolve the claim or dispute through unassisted or assisted negotiations within thirty (30) days of the non-disputing Parties' receipt of the Notice of Dispute, such claim or dispute shall be submitted for resolution in accordance with the dispute resolution procedures in Article 12 of the SPP Tariff (as if the disputing Parties are the Transmission Provider and Transmission Customer as stated therein), which are hereby adopted mutatis mutandis. Nothing in this Section 20.1 shall be construed to limit the right of either Party to bring any dispute hereunder to the FERC in lieu of utilizing the procedures set forth in this Section.

ARTICLE 21
NOTICES AND COMMUNICATIONS

21.1 Generally. Unless otherwise specified herein, all notices, requests, claims, demands and other communications required or permitted to be given under this Agreement must be in writing, and must be given (and will be deemed to have been duly given if so given) by recognized national courier, or by depositing the same with the United States Postal Service with postage prepaid, for delivery by certified or registered mail, addressed to the Party or SPP, or personally delivered to the respective Parties or SPP as follows:

To: SPS

For contractual issues contact:

Manager, Transmission Business Relations
Xcel Energy Services Inc.
414 Nicollet Mall
Minneapolis, MN 55401
612-330-6773 or 800-328-8226 ext 0

With a copy to:

Regional Vice President, Rates & Regulatory Affairs
Southwestern Public Service Company
PO Box 1261
Amarillo, TX 79105

For operational issues contact:

SPS System Operations-Reliability Desk
6086 West 48th Street
Amarillo, TX 79109
806-640-6967

To: Tres Amigas

Vice President, Operations
Tres Amigas LLC
119 East Marcy Street
Suite 104
Santa Fe, NM 87501

To: SPP

Tessie Kentner

Attorney

Southwest Power Pool, Inc.

201 Worthen Drive
Little Rock, AR 72223
Phone: (501) 688-1782

Any such notice or communication will be deemed to have been given as of the date received.

21.2 Any Party or SPP may change its address or designated representative for notices by notice to the other Party and SPP in the manner provided above.

21.3 Notwithstanding Section 21.1, any notice hereunder concerning an Emergency or other occurrence requiring prompt attention, or as necessary during day-to-day operations, may be made electronically, by telephone or in person provided that such notice is confirmed in writing promptly thereafter. Notice in an Emergency, or as necessary during day-to-day operations, shall be provided: (i) if by Tres Amigas, to the operator on duty at SPS's Dispatching Office, (ii) if by SPS, to the shift supervisor at Tres Amigas's Dispatching Office, and (iii) if by SPP, pursuant to SPP's established procedures. The Operating Committee shall distribute to the Parties and to SPP the contact information for the respective control centers and shall ensure that such information is kept up to date.

ARTICLE 22 **MISCELLANEOUS PROVISIONS**

22.1 Governing Law.

- (a) When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of the State of New Mexico without giving effect to the conflict of law principles thereof.
- (b) Except for those matters covered in this Agreement and which are either jurisdictional to FERC or submitted to dispute resolution pursuant to Article 20, any action arising out of or concerning this Agreement must be brought in the State of New Mexico District Court in County Curry or the United States District Court for the State of New Mexico. Both Parties hereby consent to the jurisdiction by these Courts for the purpose of hearing and determining any action not pre-empted by FERC.

22.2 Relationship of the Parties. Nothing in this Agreement is intended to create a partnership, joint venture, or other joint legal entity making any Party jointly or severally liable for the acts of the other Party. Unless otherwise agreed to in a writing signed by the Parties, no Party shall have any authority to create or assume in another Party's name or on its behalf any obligation, express or implied or to act or purport to act as any other Party's agent or legally-empowered representative for any purpose whatsoever. Each

Party shall be solely liable for the payment of all wages, taxes, and other costs related to the employment of persons by that Party to perform under this Agreement, including all federal, state, and local income, social security, payroll and employment taxes and statutorily-mandated workers' compensation coverage. None of the persons employed by any Party shall be considered employees of the other Party for any purpose; nor shall any Party represent to any person that such persons are or shall become employees of the other Party. Except as expressly provided for herein, no Party shall be liable to any third party in any way for any engagement, obligation, commitment, contract, representation, or for any negligent act or omission to act of the other Party.

22.3 No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties hereto, any benefits, interests, rights, or remedies under or by reason of the Agreement.

22.4 Amendment Modification. Except as otherwise provided, (a) this Agreement may only be modified in writing and signed by the Parties, including SPP, and (b) no amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless the same shall be in writing and signed by the Parties, including SPP. Notwithstanding the above and any other provision in this Agreement to the contrary, either Party may unilaterally make application to FERC under Sections 205 or 206, as applicable, of the Federal Power Act and pursuant to FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement over which FERC has jurisdiction.

22.5 Severability. If any term, condition, covenant, restriction or other provision of this Agreement is held by a court or regulatory agency of competent jurisdiction or by legislative enactment to be invalid, void or otherwise unenforceable, the remainder of the terms, conditions, covenants restrictions and other provisions of this Agreement shall remain in full force and effect unless such an interpretation would materially alter the rights and privileges of any Party. If any term, condition, covenant, restriction or other provision of this Agreement is held invalid, void or otherwise unenforceable, the Parties shall attempt to negotiate an appropriate and equitable replacement, revision or adjustment to the provision of this Agreement to restore the benefits and obligations conferred under the original Agreement.

22.6 Headings and Captions. Article headings, section headings, and/or other captions are included in this Agreement for reference purposes only and shall not constitute a part of this Agreement or in any way affect the meaning or interpretation of this Agreement. Whenever used herein the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall include all genders.

22.7 Further Assurances. Each Party shall do such other and further acts and things, and shall execute and deliver such instruments and documents, as any other Party reasonably requests from time to time in furtherance of the purposes of this Agreement,

provided that any such acts, things, instruments and documents are commercially reasonable.

22.8 Entire Agreement. This Agreement, including all exhibits, schedules, appendices and other attachments hereto and hereby made a part hereof, sets forth the entire understanding and agreement of the Parties as to the subject matter of this Agreement and merges and supersedes all prior written and oral understandings, offers, agreements, commitments, representations, writings, discussions or other communications of every kind between the Parties, pertaining to the subject matter hereof.

22.9 Rights Cumulative. The rights and remedies set forth in this Agreement are cumulative and non-exclusive.

22.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers, as of the day and year first hereinbefore written.

SOUTHWEST POWER POOL, INC.

By: /s/ Carl Monroe

Title: EVP & COO

Date: 01/25/2013

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: /s/ Riley Hill

Title: Pres & CEO

Date: 1/25/13

TRES AMIGAS LLC

By: /s/ Phillip G. Harris

Title: CEO, Chair & President

Date: 1-25-2013

EXHIBIT B

INTERCONNECTION FACILITIES, CONTINGENT FACILITIES AND UPGRADES, RELIABILITY UPGRADES, AND COST ALLOCATION

I. Introduction

The first phase of the TAS is planned to be a 750 MW two-node intertie between WECC and SPP.

II. Interconnection Facilities and Cost Allocation for Phase 1

SPS has completed the facilities study to determine the Interconnection Facilities needed under this Agreement. Several critical assumptions were made in the study including, but not limited to:

- Tres Amigas will be a balancing authority in WECC.
- The boundary of the SPS balancing authority is at the Point of Interconnection.
- Tres Amigas has not requested transmission service in SPP.
- Tres Amigas intends to have transmission customers who will inject power and energy into and utilize transmission service (including ancillary services) in SPP.
- Compliance with all applicable Reliability Requirements.

For the avoidance of doubt, it is the intent of the Parties and SPP that: (i) until the additional studies identified in Section III of this Exhibit B are completed and the facilities and upgrades identified therein, if any, are placed into service, SPS and SPP are not guaranteeing the availability of any level of interconnection capacity under this Agreement; (ii) when the facilities and upgrades, if any, identified in the additional studies performed under Section III are placed into service, Tres Amigas shall be entitled to 750MW of interconnection capacity under this Agreement; (iii) this Agreement does not provide for any transmission or ancillary services, or right of injection or withdrawal of energy, under the SPP OATT and such services or rights, as the case may be, will be made available on a non-discriminatory basis pursuant to the SPP Tariff; and (iv) Tres Amigas shall not have to demonstrate the availability of firm transmission service under the SPP OATT or pay for transmission upgrades on the SPP-controlled transmission system that are required for such firm service in order to obtain an interconnection under this Agreement.

A. SPS Interconnection Facilities

Below are the Interconnection Facilities that must be placed into service in order for Tres Amigas to interconnect to SPS for purposes of TAS Phase 1.

The following equipment, facilities, and upgrades will be designed, engineered, constructed, owned and operated by SPS at Tres Amigas's sole cost:

Estimate

Interconnection Facilities (at the Interconnection Customer's expense)		
1	Re-terminate 345 kV transmission line from Eddy County.	\$ 1,534,359
2	Build new 345 kV 4-Breaker Ring Bus at Tolk Plant expandable to breaker and one half;	\$ 5,817,474
3	Add a 230 kV breaker and install 2 nd 345/230 kV 560 MVA autotransformer.	\$8,054,168
4	Install a 25 MVAR line reactor*	\$ 2,290,458
5	Communications**	-
6	Revenue metering	\$ 280,000
7	345 kV Line arrestors	\$ 27,375
8	Tolk-Eddy Co. 345 kV line relaying upgrade	\$204,695
Total Cost:		\$ 18,208,529

* Final reactor size, assuming one is needed, is dependent on completion of prior EMTP study for SPP GEN 2008-022 and completion of EMTP study for Tres Amigas interconnection line in conjunction with previously determined result.

** It is Tres Amigas's responsibility to provide both the data circuit and both dial-up telephone circuits, see Section 1.13 of Tres Amigas Facilities Study.

All costs in the above estimate are estimated within plus/minus 20% of actual costs and are represented in 2012 dollars. Tres Amigas shall have the right to challenge the costs incurred to design and construct the Interconnection Facilities pursuant to the dispute resolution procedures of this Agreement.

B. Network Upgrades

No Network Upgrades were identified, as of the date of this Agreement.

C. Tres Amigas Interconnection Facilities

The following equipment, facilities and upgrades will be designed, engineered, constructed, owned and operated by Tres Amigas, at its sole cost:

1. Install dead-end transmission structure adjacent to Tolk Station switchyard
2. Install metering and communication panel in Tolk switchyard
3. Install 73 miles of single circuit transmission line from Tolk Station Switchyard to Tres Amigas Switchyard
4. Install fiber optic communication line (OPGW) on transmission line

5. Install 345 kV switchyard at Tres Amigas consisting of:
 - a. 345 kV breaker
 - b. Metering
 - c. Relaying
 - d. Communications
 - e. Line termination

D. As of the date of this Agreement, SPS estimates the-income tax liability, on a fully grossed up basis, that will be owed by Tres Amigas to SPS under Section 3.7 if it is determined that such tax liability exists, is approximately four million seven hundred thousand dollars (\$4.7 million). If such a tax liability exists, SPS shall provide to Tres Amigas its actual income tax liability, calculated on a fully grossed up basis pursuant to the formula set forth in Section 3.7.2, for: (1) the \$7,500,000 milestone payment provided for in Exhibit C no later than March 15, 2013; and (2) the \$10,693,529 milestone payment provided for in Exhibit C no later than December 15, 2013.

III. Additional Studies

Prior to the TAS achieving the Commercial Operation Date as set forth in Exhibit C (which is the date on which Tres Amigas shall be entitled to interconnection capacity as set forth in this Exhibit B, Section II(i)) under this Agreement, the following studies and analysis shall be completed and information produced:

- Tres Amigas shall:
 - Produce, in conjunction with their HVDC vendor, a fully documented model for voltage sourced converter, with particular attention to commutation failure, voltage thresholds and limits, and frequency response limits. This should be a vendor specific model of a voltage sourced converter, with parameters set respecting final or near-final control system design. Any PSCAD or EMTP work on Tres Amigas design should be complete enough to fully specify the dynamics model. Any other data to fully document the total Tres Amigas facility must also be included.
 - Perform powerflow studies per the following: :
 - Use the Scenario 5 models, breaking them into an East to West and West to East Scenarios. SPP may be required to perform this model building operation.
 - N-1 studies will be done with the two scenario models, monitoring SPS and all first tier areas. Include all affected party systems
 - Results tabulated will allow parties to review and determine upgrades for their area.
 - Perform stability studies per the following:
 - With new HVDC model, above information, re-run stability studies and capture generator information in all first tier systems. plus Nebraska Public Power District and Westar Energy, Inc. Plot files should be able to plot machine behaviors and interface

voltages at points of interconnections. Reclosing should be used on lines that have existing reclosing schemes.

- No additional (not pre-existing) non-convergent solutions should be noted in the SPP region and should be mitigated if outside the SPP region.
- Run stability studies on multiple HVDC interactions, which may include Lamar, Blackwater, Eddy County, Oklaunion, and CleanLine Plains & Eastern.
- Plots will be done for 20 seconds. Plot data will be available for export in to MS Excel for assessing damping by affected parties.
- System disturbances should include, but not be limited to the following: DC side faults, energization of DC facility, DC facility step response, blocking and de-blocking of DC facility, AC side faults, and tripping of generation or switching of large loads in the proximity of DC terminal, switching of HVDC facilities AC filters and bus voltage control devices, and switching of nearby transformers, reactors, capacitor banks, etc.
- Perform other studies per the following:
 - Subsynchronous resonance study.
 - Harmonic interaction studies (per IEEE Std. 519)– part of final converter design study. Harmonic interaction studies shall be run for both summer peak conditions and light loading conditions.
 - Harmonic interaction studies for light loading conditions shall be based on an Available Fault Current at the Point of Interconnection of no more than 2700MVA.
 - EMTP or reactor sizing study for 56 mile 345 kV interconnection line, considering the completed EMTP study for SPP GEN 2008-022.
- SPP and SPS shall:
 - Provide guidance on modeling of faults (3 phase fault impedance).
 - Provide guidance on clearing time requirements.
 - Define the combination HVDC interactions cases for Tres Amigas to study in the updated stability studies.
- SPS shall:
 - In conjunction with PNM, provide guidance on HVDC restart after a block/shutdown for simulation timing.
 - In conjunction with Golden Spread Electric Cooperative, provide stability data for the PSS additions in SPS.
 - Provide available fault current amounts to be studied at the Point of Interconnection for the Harmonics Interaction Studies.
 - Prepare an interconnection facilities study, including the fault current studies and breaker ratings analysis.

The Parties acknowledge and agree that the additional analysis performed pursuant to this Section III may identify additional upgrades or other changes in addition to the Interconnection Facilities. The Commercial Operation Date, as set forth in Exhibit C, under this Agreement shall not occur until the Parties and SPP agree upon the required upgrades and changes, including cost responsibility thereof, if any, and the requirement for such upgrades and changes, if any, are incorporated into this Agreement. This Section III shall be subject to the Dispute Resolution provisions of this Agreement.

EXHIBIT C

CONSTRUCTION MILESTONES

Action	Responsible Party	Completion Date
Complete Facilities Study	SPS/SPP	9/2012
Provide authorization to proceed with design, procurement, and construction of SPS Interconnection Facilities listed in Exhibit B, II, A	Tres Amigas	6/15/13
Provide payment in the amount of \$15,000 for design of SPS Interconnection Facilities listed in Exhibit B, II, A.	Tres Amigas	6/22/13
Provide calculation of SPS's income tax liability for \$7,500,000 milestone payment to Tres Amigas pursuant to Section 3.7.	SPS	9/15/13
Provide certification of all insurance required in this Agreement to other Party.*	Tres Amigas/SPS	10/15/13
Provide authorization to proceed and payment in the amount of: (a) \$7,500,000 for procurement and construction of SPS Interconnection Facilities listed in Exhibit B, II, A; and (b) SPS's calculated income tax liability for such payment as provided to Tres Amigas no later than September 15, 2013.	Tres Amigas	10/15/13
Provide calculation of SPS's income tax liability for \$10,693,529 milestone payment to Tres Amigas.	SPS	12/15/13
Provide authorization to proceed and payment in the amount of \$10,693,529 for procurement and construction of SPS Interconnection Facilities listed in Exhibit B, II, A; and (b) SPS's calculated income tax liability for such payment as provided to Tres Amigas no later than December 15, 2013.	Tres Amigas	1/15/14
Complete SPS's Interconnection Facilities	SPS	1/31/15
Energization of Tres Amigas's Interconnection Facilities	Tres Amigas	3/31/15
Initial Synchronization Date	Tres Amigas	4/15/15
Begin trial operation & testing**	Tres Amigas and SPS	4/15/15

Commercial Operation Date***	Tres Amigas	8/1/15
Final accounting of costs incurred SPS for SPS's Interconnection Facilities constructed by SPS. Tres Amigas responsible for actual costs.	SPS	Within six month period after completion of the construction of Interconnection Facilities
Payment of any balance due, based on final accounting of costs.	Tres Amigas or SPS, as applicable	Within 30 days after notification of final accounting

*Tres Amigas and SPS acknowledge and agree that no Work shall commence until certifications of insurance, as required under Article 11, have been provided to the other Party.

**Consistent with Good Utility Practice, Tres Amigas shall coordinate all pre-COD testing of the TAS with SPS prior to conducting such testing.

*** Achievement of this milestone by August 1, 2015, is dependent upon and subject to the outcome of the Additional Studies and amending this Agreement, if needed, as described in Section III of Exhibit B.

EXHIBIT D

METERING REQUIREMENTS

Prior to the Commercial Operation Date of the Interconnection Facilities, the Parties shall agree upon the metering requirements associated with this Agreement. If the Parties are unable to agree upon such metering requirements by no later than 180 days before the estimated date of commercial operation of the Interconnection Facilities, the disagreement between the Parties shall be resolved pursuant to the dispute resolution provisions in Article 20 of this Agreement.

EXHIBIT E

COMMUNICATION FACILITIES

As part of the Tres Amigas Interconnection Facilities, Tres Amigas shall install, at its own cost, a communication link which shall be able to provide the SPP Reliability Coordinator, the host Balancing Authority, and SPS with all of the necessary data as specified in SPP Criteria Appendix 7, as applicable to the TAS. Further, Tres Amigas shall be responsible for providing fiber optic communication circuit installed in their overhead transmission line static wire for protective relaying from the Tres Amigas substation to the Tolk Substation. The Parties acknowledge and agree these communication requirements may be added to and or modified as the design and engineering of the TAS progresses.

EXHIBIT F

FUTURE POINT OF INTERCONNECTION MILESTONES

[RESERVED]