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December 6, 2005

**VIA HAND DELIVERY**

Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

FILED  
OFFICE OF THE  
SECRETARY  
2005 DEC -6 P 4:52  
FEDERAL ENERGY COMMISSION

RE: Idaho Power Company  
Docket No. ER06- 293-000

Dear Ms. Salas:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d (2000), and 18 C.F.R. Pt. 35 (2005), Idaho Power Company ("Idaho Power") tenders for filing an original and six copies of a Capacitor Joint Ownership Agreement ("Joint Ownership Agreement") between Idaho Power, NorthWestern Corporation ("NorthWestern") and PacifiCorp (hereinafter referred to individually as "Party" and collectively as "Parties"). Idaho Power is filing the Joint Ownership Agreement on behalf of itself and on behalf of the other Parties to the Agreement.

**I. CONTENTS OF FILING**

This filing contains the following parts:

- This Transmittal Letter;
- Attachment A, the Joint Ownership Agreement, designated as a rate schedule of Idaho Power;
- Attachment B, the Joint Ownership Agreement, designated as a rate schedule of NorthWestern; and

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- Attachment C, the Joint Ownership Agreement, designated as a rate schedule of PacifiCorp.

**II. EFFECTIVE DATE**

Idaho Power, on behalf of the Parties, requests that the Joint Ownership Agreement be made effective December 7, 2005.

**III. COMMUNICATIONS AND SERVICE**

Communications regarding this filing should be sent to the following individuals:

Marsha J. Leese  
Idaho Power Company  
1221 W. Idaho Street  
Boise, ID 83702-5627  
(208) 388-5104  
(208) 388-5504 (fax)

Gary A. Morgans  
Steptoe & Johnson LLP  
1330 Connecticut Ave, N.W.  
Washington, DC 20036  
(202) 429-3000  
(202) 429-3902 (fax)

Michael R. Cashell  
NorthWestern Energy  
40 E. Broadway  
Butte, MT 59701  
(406) 497-4575  
(406) 497-2054 (fax)

David B. Cory  
PacifiCorp  
700 N.E. Multnomah, Suite 550  
Portland, OR  
(503) 813-5738  
(503) 813-5767

This filing is being served on the Parties.

**IV. DESCRIPTION OF FILING**

The enclosed filing consists of a Joint Ownership Agreement between the Parties, which provides for the construction of several shunt Capacitor Banks. The Parties will jointly own and be jointly responsible for operations and maintenance costs of the Capacitor Banks, and the Joint Ownership Agreement will continue for the useful life of the Capacitor Banks (estimated at 35 years).

Pursuant to the Joint Ownership Agreement, Idaho Power will purchase and install a new Capacitor Bank, rated at 230kV, 30 MVAR, at its Peterson Flats Substation on the Mill Creek-Amps 230 kV line. NorthWestern will move a Capacitor

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Substation on the Mill Creek-Amps 230 kV line. NorthWestern will move a Capacitor Bank from an existing substation on its system and install that Capacitor Bank at the Mill Creek 230 kV substation. In addition, NorthWestern will purchase and install a new Capacitor Bank at the Dillon 161 kV substation on the Mill Creek-Goshen 161 kV line. The Capacitor Banks to be provided and installed by NorthWestern will be rated at 230 kV, 38 MVAR at Mill Creek and 161 kV, 12 MVAR at Dillon. Idaho Power and NorthWestern will plan, design, permit and otherwise complete all necessary work required to install the Capacitor Banks and associated equipment.

The Parties will pay the initial construction costs of the Capacitor Banks, and jointly own the installed Capacitor Banks as tenants in common, based on the following percentage shares: Idaho Power (31.6%); NorthWestern (31.6%); and PacifiCorp (36.8%). Each Party installing a Capacitor Bank will operate and maintain that Capacitor Bank and will be solely responsible for its operation, maintenance and routine repairs. Major repairs, modifications or replacement, or other non-routine expenses of any Capacitor Bank will be approved prior to their initiation by an Operating Committee created by the Parties. Once costs are approved by the Operating Committee, the Parties will share those costs proportionate to the Parties' ownership percentage in the Capacitor Banks.

The total cost of the Capacitor Banks is estimated to be \$1,746,296, with the final cost to be determined upon completion of the installations. Pursuant to the Joint Ownership Agreement, the Parties agree to pay annual charges related to the operation and maintenance of the Capacitor Banks in accordance with their individual ownership shares. Annual charges will include actual operation and maintenance expenses, and administrative and general expenses. Administrative and general expenses (A&G) will be fourteen (14) percent of the installing Party's operation and maintenance expenses. This percentage is cost justified because it is considerably lower than Idaho Power's and NorthWestern's<sup>1</sup> recorded A&G expenses expressed as a percentage of each Party's total non-A&G operation and maintenance expenses (as reflected in these Parties' respective FERC Forms 1). For example, in 2004, this percentage was 17.14% for Idaho Power and 19.74% for NorthWestern.<sup>2</sup>

## V. CONCLUSION

On behalf of the Parties, Idaho Power respectfully requests that the Commission accept the Joint Ownership Agreement for filing, without modification or condition, and make it effective December 7, 2005. Pursuant to 18 C.F.R. § 35.11 (2005), Idaho Power requests waiver of the Commission's sixty-day prior notice requirement in order

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<sup>1</sup> PacifiCorp is not installing any facilities under the Joint Ownership Agreement.

<sup>2</sup> See Idaho Power 2004 FERC Form 1, page 323, lines 168-69; and 2004 NorthWestern FERC Form 1, page 323, lines 168-69.

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to permit this effective date. Good cause is present to grant this waiver, as the rate schedule is being filed prior to the requested effective date. See Prior Notice and Filing Requirements under Part II of the Federal Power Act, 64 FERC ¶ 61,139, at 61,984, order on reh'g, 65 FERC ¶ 61,081 (1993). Idaho Power requests that the Commission grant any waivers of the Commission's regulations that are necessary to make the Joint Ownership Agreement effective as requested.

Respectfully submitted,

  
\_\_\_\_\_  
Gary A. Morgans  
Attorney for Idaho Power Company

Attachments (3)

## **ATTACHMENT A**

### **Joint Ownership Agreement, designated as a Rate Schedule of Idaho Power**

Idaho Power Company  
Rate Schedule No. 148

Original Sheet No. 1

**CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT**

between  
**IDAHO POWER COMPANY,  
NORTHWESTERN CORPORATION  
and PACIFICORP**

This CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT (the "Agreement"), is entered into this 16 day of ~~NOVEMBER~~, 2005, among IDAHO POWER COMPANY, an Idaho corporation ("Idaho Power"), NORTHWESTERN CORPORATION, a Delaware corporation ("NorthWestern"), and PACIFICORP, an Oregon corporation (each hereinafter sometimes individually referred to as a "Party" and collectively as the "Parties").

**RECITALS**

WHEREAS, the electric systems of the Parties are interconnected and share electricity transmission capacity rights over certain transmission facilities, including electricity transmission lines from Hot Springs to Anaconda, Anaconda to Monida, Monida to Scoville, and Scoville to Brady; and

WHEREAS, the Parties are now considering the installation of capacitor banks at the Peterson Flats, Mill Creek and Dillon substations (the "Capacitor Banks") to enhance the reliability of the respective transmission systems; and

WHEREAS, the Parties believe the installation of the Capacitor Banks would be mutually beneficial; and

WHEREAS, the Parties desire to share ownership and expenses for the Capacitor Banks, including their installation, operation and maintenance.

NOW, THEREFORE, the Parties agree as follows:

**1.0 PURPOSE**

The purpose of this Agreement and the scope of this Project involves the construction of several shunt Capacitor Banks. The Parties shall jointly own the Capacitor Banks and be jointly responsible for their operations and maintenance costs.

**2.0 TERM**

This Agreement shall become effective as of 11/16, 2005, and continue for the useful life of the Capacitor Banks (estimated at 35 years).

**3.0 FACILITIES**

3.1 Idaho Power owns, operates, and maintains at Peterson Flats, a 230 kV substation and the 230 kV line termination facilities and associated facilities

3.2 NorthWestern owns, operates, and maintains at Mill Creek, a 230 kV substation and the 230 kV line termination facilities and associated facilities.

Issued by: Marsha J. Leese, General Manager,  
Grid Operations and Planning  
Issued on: December 6, 2005

Effective Date: December 7, 2005

- 3.3 NorthWestern owns, operates, and maintains at Dillon, a 161 kV substation and the 161 kV line termination facilities and associated facilities. ,
- 3.4 Idaho Power shall purchase and install a new Capacitor Bank, and any other necessary equipment, at its Peterson Flats Substation on the Mill Creek-Amps 230 kV line. The Capacitor Bank to be provided and installed by Idaho Power under this Agreement will be rated at 230 kV, 30 MVAR..
- 3.5 NorthWestern shall move a Capacitor Bank from an existing substation on NorthWestern's system and install that Capacitor Bank at the Mill Creek 230 kV substation, along with any other necessary equipment. NorthWestern shall purchase and install a new Capacitor Bank at the Dillon 161 kV substation on the Mill Creek-Goahen 161 kV line. The Capacitor Banks to be provided and installed by NorthWestern under this Agreement will be rated at 230 kV, 38 MVAR at Mill Creek and 161 kV, 12 MVAR at Dillon.
- 3.6 Idaho Power and NorthWestern shall plan, design, permit and otherwise complete all necessary work required to install the Capacitor Banks and associated equipment. The installation process shall be coordinated among the Parties so as to minimize impacts on existing transmission facilities and transmission capacity rights.
- 3.7 Idaho Power and NorthWestern shall submit to the Operating Committee an itemized statement of the costs associated with the purchase and installation of each Capacitor Bank and any other necessary equipment. In the case of the Capacitor Bank installed by NorthWestern at its Mill Creek 230 kV substation, the costs shall include the original cost of the moved and installed Capacitor Bank, less accumulated depreciation of the moved and installed Capacitor Banks. The accounting shall include any overheads. The statements shall be prepared in accordance with generally accepted principles of utility accounting. Once the costs are approved by the Operating Committee, the Parties shall share those costs proportionate to the Parties ownership percentage in the Capacitor Banks. The Operating Committee will invoice each Party individually for amounts owed and state the Party or Parties to be reimbursed. Each owing Party shall tender payment to the other indicated Party or Parties within 15 days of receipt of the installation cost invoice.
- 3.8 The cost of the Capacitor Banks is estimated to be \$1,746,296, final cost to be determined upon completion of the installations.

4.0 OWNERSHIP

The Parties shall have joint ownership of the installed Capacitor Banks as tenants in common based on the following percentage shares:

Idaho Power	-	31.6 Percent
NorthWestern	-	31.6 Percent
PacifiCorp	-	36.8 Percent

**5.0 OPERATION AND MAINTENANCE**

Each Party installing a Capacitor Bank will operate and maintain that Capacitor Bank to provide reliability electric transmission service along, and support nominal voltage of, the Path 18 transmission lines. Except as otherwise agreed among the Parties, each Party installing a Capacitor Bank will be solely responsible for the operation and maintenance of that Capacitor Bank in accordance with prudent utility practice. All necessary repairs and replacements shall be made promptly by the Party operating and maintaining the respective Capacitor Bank(s). Each Party responsible for the operation and maintenance of a Capacitor Bank shall at regular intervals, specified by the Operating Committee, inspect the Capacitor Bank(s) and provide yearly estimates to the other Parties of any routine operating and maintenance expenses. Major repairs, modifications or replacement, or other non-routine expenses, of any Capacitor Bank must be approved by the Operating Committee prior to the initiation of any repair, modification or replacement or incurring of the non-routine expense. All costs associated with the operations and maintenance of the Capacitor Banks shall be reasonable and supported with adequate documentation.

**6.0 PAYMENT OF ANNUAL CHARGES**

- 6.1 The Parties agree to pay annual charges related to the operations and maintenance of the Capacitor Banks. Annual charges shall include actual operation and maintenance expenses, and administrative and general expenses. Administrative and general expenses shall be fourteen (14) percent of the installing Party's operation and maintenance expenses.
- 6.2 Annual charges shall be shared by the Parties in accordance with their individual ownership shares in the Capacitor Banks.
- 6.3 On or before February 15<sup>th</sup> of each year subsequent to the execution of this Agreement, each Party shall submit to the Operating Committee the data required under Article 6.1, and the Operating Committee shall prepare within 15 days a Statement of Annual Charges showing:
  - (a) The annual costs to be credited to the respective Parties responsible for the operations and maintenance of the Capacitor Bank(s);
  - (b) The amount of such annual costs to be charged to each Party based on each Party's ownership share of the capacitor banks; and
  - (c) The net amount to be paid by or received by each of the Parties.
- 6.4 Based on the statement required in Article 6.3, the Operating Committee shall render a bill to each party owing a net amount, which shall specify the Party or Parties to whom payment shall be made. Bills shall be paid by the owing Party within 15 days after receipt.

**7.0 OPERATING COMMITTEE**

- 7.1 As a means of securing effective cooperation and interchange of information and of providing consultation on a prompt and orderly basis between the Parties in connection with various administrative and technical matters, which may arise from time to time in connection with the terms and conditions of this Agreement, the

Parties shall establish a Operating Committee. The Operating Committee shall be composed of one member designated by each of the Parties by written notice to the other Parties. Each Party may also designate an alternate to act in the absence of the member representing such Party. Each Party may change its member on the Operating Committee, or alternate, from time to time by providing written notice to the other Parties.

- 7.2 The Operating Committee shall annually elect one of its members to serve as Chair and shall hold meetings at such times and places as may be necessary to carry out its duties hereunder. Meetings may be called by the Chair or by any member of the Operating Committee. Written notice shall be given to all members of the Operating Committee at least seven (7) days before any meeting, except that in case of emergency a meeting may be called by any notice given by best available means twenty-four (24) hours in advance of such meeting. Notice of any meeting may be waived by written assent of all of the members of the Operating Committee.
- 7.3 All questions regarding the interpretation or implementation of this Agreement shall be referred to the Operating Committee for determination. If the Operating Committee cannot agree, the question shall be submitted in writing to the Presidents of the Parties for a decision and in the event the Presidents fail to reach a decision on any matter within forty-five (45) days, any dissatisfied party may request that the matter in question be submitted to arbitration.

#### 8.0 TAXES

- 8.1 The Parties shall use their best efforts to cause any taxing or other authority levying any property or ad valorem taxes or assessments on the Capacitor Banks, or any interest or rights therein, to assess and levy such taxes or assessments directly against the beneficial interest of each party.
- 8.2 If any property taxes or ad valorem taxes are assessed in a manner other than as specified in Article 9.1 above, it shall be the responsibility of the Operating Committee to establish equitable practices and procedures for the apportionment between the Parties of such taxes and assessments so that each Party pays all taxes and assessments associated with its ownership share in the Capacitor Banks.

#### 9.0 NO PARTNERSHIP, AGENCY OR LEASE

It is understood and agreed that in the ownership and operation of the Capacitor Banks, each of the Parties will be and remain a separate entity. Nothing herein shall be construed to create any partnership, agency or lease between any two or more of the Parties. This Agreement is binding on the successors and assigns of the Parties.

#### 10.0 LIABILITY

Except for any judgment for damages resulting from a willful action, each Party will be responsible for any liability proportionate to its ownership share. However, the installing, operating and maintaining Party will indemnify and hold harmless the other Parties against all liability, claims, suits, costs and expenses arising out of any injury to or death of any person or person or damage to property occurring in relation to the installation, operation and maintenance of the Capacitor Banks.

**11.0 ARBITRATION**

- 11.1 If any dispute arises under this Agreement, the Parties shall arbitrate the matter before an arbitrator who is an attorney or engineer familiar with contracts governing the operation of electrical systems. Any arbitration shall be commenced within a year of when a dispute arises by any Party or Parties submitting to the other Parties a Notice of Arbitration. The Parties shall have 30 days following the submittal of a Notice of Arbitration by either Party to attempt to mutually agree upon an arbitrator. If the Parties are unable to agree on an arbitrator within that time, the Parties shall each designate an arbitrator for an Arbitration Panel. The Arbitration Panel will then select, by consensus, one additional independent arbitrator to chair the Arbitration Panel.
- 11.2 The arbitrator(s) shall not address or decide any matter, questions, issues or controversies between the Parties other than the matter, issue, question or controversy set forth in the written demand for arbitration by the party or Parties demanding the arbitration. The findings and decision of the arbitrator(s) shall be final and binding upon the Parties as to the controversy or dispute. The fee and expenses of the arbitrator(s) shall be divided equally among all Parties involved in the arbitration. Each Party shall bear its own expense of participation in the arbitration. Provided that the arbitrator(s) may include an award of all or a portion of the prevailing Party's arbitration expenses, including reasonable attorneys fees.

**12.0 NOTICES**

Any notice to be given in accordance with the terms of this Agreement, or required by the procedures of the Operating Committee, shall be sent by overnight express mail, postage prepaid, addressed to:

**IDAHO POWER:**

Marsha J. Leese  
Manager, Grid Operations  
Idaho Power Company  
1221 W. Idaho Street  
Boise, Idaho 83702-5627  
Phone: (208) 388-5104  
Cell: (208) 866-2400  
Fax: (208) 388-5504  
email: mleese@idahopower.com

**NORTHWESTERN:**

Michael R. Cashell  
Director, Transmission Contracts and Marketing  
NorthWestern Energy  
40 E. Broadway  
Butte, Montana 59701  
Phone: (406) 497-4575  
Cell: (406) 490-4011  
Fax: (406) 497-2054  
email: michael.cashell@northwestern.com

**PACIFICORP:** David B. Cory  
 Director, Transmission Planning  
 PacifiCorp  
 700 N.E. Multnomah, Suite 550  
 Portland, Oregon 97232  
 Phone: (503) 813-5738  
 Cell: (503) 807-8975  
 Fax: (503) 813-5767  
 Email: dave.cory@pacificorp.com

### 13.0 FORCE MAJEURE

No Party shall be considered to be in breach of this agreement when a failure of performance is due to an uncontrollable force. The term "uncontrollable force" shall be any cause beyond the control of the Party affected, including but not restricted to failure of or threat of failure of facilities, flood, earthquake, tornado, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, and restraint by court order or public authority. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the unaffected Party or Parties and shall exercise due diligence to remove such inability with all reasonable dispatch.

### 14.0 REGULATORY APPROVALS

This Agreement shall be subject to its acceptance for filing by the Federal Energy Regulatory Commission (FERC). The rates, terms and conditions of this agreement shall not be subject to change through application to the FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act absent a material change in operation or benefit to any of the Parties. Idaho Power shall tender this Agreement for filing within thirty (30) days of its execution by the Parties.

### 15.0 ASSIGNMENT

A Party shall not assign its interest in this Agreement without the other Parties' consent, which consent will not be unreasonable withheld; provided, that (1) nothing in this Agreement will limit a Party's right to assign its interest in this Agreement to an entity in connection with the sale of all or substantially all of the assignor's property to such entity, and (2) nothing in this Agreement will limit a Party's right to assign, transfer, mortgage or pledge its interest in this Agreement as security for any obligation secured by any indenture, mortgage, or similar lien on its system assets.

IN WITNESSS WHEREOF, the Parties have executed this Agreement through their authorized


Issued by: Marsha J. Leese, General Manager,  
 Grid Operations and Planning  
 Issued on: December 6, 2005


Effective Date: December 7, 2005

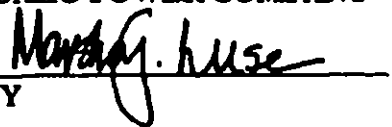
Idaho Power Company  
Rate Schedule No. 148

Original Sheet No. 7

representatives on the day and year written above.

**PACIFICORP**  
  
BY  
VP T&DEAM  
ITS

**NORTHWESTERN CORPORATION**  
  
BY  
Vice President  
Wholesale Operations  
ITS

**IDAHO POWER COMPANY**  
  
BY  
MANAGER, GRID OPERATIONS  
ITS

Issued by: Marsha J. Leese, General Manager,  
Grid Operations and Planning  
Issued on: December 6, 2005

Effective Date: December 7, 2005

## **ATTACHMENT B**

### **Joint Ownership Agreement, designated as a Rate Schedule of NorthWestern**

North Western Corporation  
Rate Schedule No. 246

Original Sheet No. 1

**CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT**  
between  
**IDAHO POWER COMPANY,**  
**NORTHWESTERN CORPORATION**  
and **PACIFICORP**

This CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT (the "Agreement"), is entered into this 16 day of ~~NOVEMBER~~, 2005, among IDAHO POWER COMPANY, an Idaho corporation ("Idaho Power"), NORTHWESTERN CORPORATION, a Delaware corporation ("NorthWestern"), and PACIFICORP, an Oregon corporation (each hereinafter sometimes individually referred to as a "Party" and collectively as the "Parties").

**RECITALS**

WHEREAS, the electric systems of the Parties are interconnected and share electricity transmission capacity rights over certain transmission facilities, including electricity transmission lines from Hot Springs to Anaconda, Anaconda to Monida, Monida to Scoville, and Scoville to Brady; and

WHEREAS, the Parties are now considering the installation of capacitor banks at the Peterson Flats, Mill Creek and Dillon substations (the "Capacitor Banks") to enhance the reliability of the respective transmission systems; and

WHEREAS, the Parties believe the installation of the Capacitor Banks would be mutually beneficial; and

WHEREAS, the Parties desire to share ownership and expenses for the Capacitor Banks, including their installation, operation and maintenance.

NOW, THEREFORE, the Parties agree as follows:

**1.0 PURPOSE**

The purpose of this Agreement and the scope of this Project involves the construction of several shunt Capacitor Banks. The Parties shall jointly own the Capacitor Banks and be jointly responsible for their operations and maintenance costs.

**2.0 TERM**

This Agreement shall become effective as of 11/16, 2005, and continue for the useful life of the Capacitor Banks (estimated at 35 years).

**3.0 FACILITIES**

- 3.1 Idaho Power owns, operates, and maintains at Peterson Flats, a 230 kV substation and the 230 kV line termination facilities and associated facilities
- 3.2 NorthWestern owns, operates, and maintains at Mill Creek, a 230 kV substation and the 230 kV line termination facilities and associated facilities.

Issued by: David G. Gates, Vice President,  
Wholesale Operations  
Issued on: December 6, 2005

Effective Date: December 7, 2005

- 3.3 NorthWestern owns, operates, and maintains at Dillon, a 161 kV substation and the 161 kV line termination facilities and associated facilities. ,
- 3.4 Idaho Power shall purchase and install a new Capacitor Bank, and any other necessary equipment, at its Peterson Flats Substation on the Mill Creek-Amps 230 kV line. The Capacitor Bank to be provided and installed by Idaho Power under this Agreement will be rated at 230 kV, 30 MVAR..
- 3.5 NorthWestern shall move a Capacitor Bank from an existing substation on NorthWestern's system and install that Capacitor Bank at the Mill Creek 230 kV substation, along with any other necessary equipment. NorthWestern shall purchase and install a new Capacitor Bank at the Dillon 161 kV substation on the Mill Creek-Goaben 161 kV line. The Capacitor Banks to be provided and installed by NorthWestern under this Agreement will be rated at 230 kV, 38 MVAR at Mill Creek and 161 kV, 12 MVAR at Dillon.
- 3.6 Idaho Power and NorthWestern shall plan, design, permit and otherwise complete all necessary work required to install the Capacitor Banks and associated equipment. The installation process shall be coordinated among the Parties so as to minimize impacts on existing transmission facilities and transmission capacity rights. .
- 3.7 Idaho Power and NorthWestern shall submit to the Operating Committee an itemized statement of the costs associated with the purchase and installation of each Capacitor Bank and any other necessary equipment. In the case of the Capacitor Bank installed by NorthWestern at its Mill Creek 230 kV substation, the costs shall include the original cost of the moved and installed Capacitor Bank, less accumulated depreciation of the moved and installed Capacitor Banks. The accounting shall include any overheads. The statements shall be prepared in accordance with generally accepted principles of utility accounting. Once the costs are approved by the Operating Committee, the Parties shall share those costs proportionate to the Parties ownership percentage in the Capacitor Banks. The Operating Committee will invoice each Party individually for amounts owed and state the Party or Parties to be reimbursed. Each owing Party shall tender payment to the other indicated Party or Parties within 15 days of receipt of the installation cost invoice.
- 3.8 The cost of the Capacitor Banks is estimated to be \$1,746,296, final cost to be determined upon completion of the installations.

4.0 OWNERSHIP

The Parties shall have joint ownership of the installed Capacitor Banks as tenants in common based on the following percentage shares:

Idaho Power	-	31.6 Percent
NorthWestern	-	31.6 Percent
PacifiCorp	-	36.8 Percent

## 5.0 OPERATION AND MAINTENANCE

Each Party installing a Capacitor Bank will operate and maintain that Capacitor Bank to provide reliability electric transmission service along, and support nominal voltage of, the Path 18 transmission lines. Except as otherwise agreed among the Parties, each Party installing a Capacitor Bank will be solely responsible for the operation and maintenance of that Capacitor Bank in accordance with prudent utility practice. All necessary repairs and replacements shall be made promptly by the Party operating and maintaining the respective Capacitor Bank(s). Each Party responsible for the operation and maintenance of a Capacitor Bank shall at regular intervals, specified by the Operating Committee, inspect the Capacitor Bank(s) and provide yearly estimates to the other Parties of any routine operating and maintenance expenses. Major repairs, modifications or replacement, or other non-routine expenses, of any Capacitor Bank must be approved by the Operating Committee prior to the initiation of any repair, modification or replacement or incurring of the non-routine expense. All costs associated with the operations and maintenance of the Capacitor Banks shall be reasonable and supported with adequate documentation.

## 6.0 PAYMENT OF ANNUAL CHARGES

- 6.1 The Parties agree to pay annual charges related to the operations and maintenance of the Capacitor Banks. Annual charges shall include actual operation and maintenance expenses, and administrative and general expenses. Administrative and general expenses shall be fourteen (14) percent of the installing Party's operation and maintenance expenses.
- 6.2 Annual charges shall be shared by the Parties in accordance with their individual ownership shares in the Capacitor Banks.
- 6.3 On or before February 15<sup>th</sup> of each year subsequent to the execution of this Agreement, each Party shall submit to the Operating Committee the data required under Article 6.1, and the Operating Committee shall prepare within 15 days a Statement of Annual Charges showing:
  - (a) The annual costs to be credited to the respective Parties responsible for the operations and maintenance of the Capacitor Bank(s);
  - (b) The amount of such annual costs to be charged to each Party based on each Party's ownership share of the capacitor banks; and
  - (c) The net amount to be paid by or received by each of the Parties.
- 6.4 Based on the statement required in Article 6.3, the Operating Committee shall render a bill to each party owing a net amount, which shall specify the Party or Parties to whom payment shall be made. Bills shall be paid by the owing Party within 15 days after receipt.

## 7.0 OPERATING COMMITTEE

- 7.1 As a means of securing effective cooperation and interchange of information and of providing consultation on a prompt and orderly basis between the Parties in connection with various administrative and technical matters, which may arise from time to time in connection with the terms and conditions of this Agreement, the

Parties shall establish a Operating Committee. The Operating Committee shall be composed of one member designated by each of the Parties by written notice to the other Parties. Each Party may also designate an alternate to act in the absence of the member representing such Party. Each Party may change its member on the Operating Committee, or alternate, from time to time by providing written notice to the other Parties.

- 7.2 The Operating Committee shall annually elect one of its members to serve as Chair and shall hold meetings at such times and places as may be necessary to carry out its duties hereunder. Meetings may be called by the Chair or by any member of the Operating Committee. Written notice shall be given to all members of the Operating Committee at least seven (7) days before any meeting, except that in case of emergency a meeting may be called by any notice given by best available means twenty-four (24) hours in advance of such meeting. Notice of any meeting may be waived by written assent of all of the members of the Operating Committee.
- 7.3 All questions regarding the interpretation or implementation of this Agreement shall be referred to the Operating Committee for determination. If the Operating Committee cannot agree, the question shall be submitted in writing to the Presidents of the Parties for a decision and in the event the Presidents fail to reach a decision on any matter within forty-five (45) days, any dissatisfied party may request that the matter in question be submitted to arbitration.

#### 8.0 TAXES

- 8.1 The Parties shall use their best efforts to cause any taxing or other authority levying any property or ad valorem taxes or assessments on the Capacitor Banks, or any interest or rights therein, to assess and levy such taxes or assessments directly against the beneficial interest of each party.
- 8.2 If any property taxes or ad valorem taxes are assessed in a manner other than as specified in Article 9.1 above, it shall be the responsibility of the Operating Committee to establish equitable practices and procedures for the apportionment between the Parties of such taxes and assessments so that each Party pays all taxes and assessments associated with its ownership share in the Capacitor Banks.

#### 9.0 NO PARTNERSHIP, AGENCY OR LEASE

It is understood and agreed that in the ownership and operation of the Capacitor Banks, each of the Parties will be and remain a separate entity. Nothing herein shall be construed to create any partnership, agency or lease between any two or more of the Parties. This Agreement is binding on the successors and assigns of the Parties.

#### 10.0 LIABILITY

Except for any judgment for damages resulting from a willful action, each Party will be responsible for any liability proportionate to its ownership share. However, the installing, operating and maintaining Party will indemnify and hold harmless the other Parties against all liability, claims, suits, costs and expenses arising out of any injury to or death of any person or person or damage to property occurring in relation to the installation, operation and maintenance of the Capacitor Banks.

**11.0 ARBITRATION**

- 11.1 If any dispute arises under this Agreement, the Parties shall arbitrate the matter before an arbitrator who is an attorney or engineer familiar with contracts governing the operation of electrical systems. Any arbitration shall be commenced within a year of when a dispute arises by any Party or Parties submitting to the other Parties a Notice of Arbitration. The Parties shall have 30 days following the submittal of a Notice of Arbitration by either Party to attempt to mutually agree upon an arbitrator. If the Parties are unable to agree on an arbitrator within that time, the Parties shall each designate an arbitrator for an Arbitration Panel. The Arbitration Panel will then select, by consensus, one additional independent arbitrator to chair the Arbitration Panel.
- 11.2 The arbitrator(s) shall not address or decide any matter, questions, issues or controversies between the Parties other than the matter, issue, question or controversy set forth in the written demand for arbitration by the party or Parties demanding the arbitration. The findings and decision of the arbitrator(s) shall be final and binding upon the Parties as to the controversy or dispute. The fee and expenses of the arbitrator(s) shall be divided equally among all Parties involved in the arbitration. Each Party shall bear its own expense of participation in the arbitration. Provided that the arbitrator(s) may include an award of all or a portion of the prevailing Party's arbitration expenses, including reasonable attorneys fees.

**12.0 NOTICES**

Any notice to be given in accordance with the terms of this Agreement, or required by the procedures of the Operating Committee, shall be sent by overnight express mail, postage prepaid, addressed to:

**IDAHO POWER:**

Marsha J. Leese  
Manager, Grid Operations  
Idaho Power Company  
1221 W. Idaho Street  
Boise, Idaho 83702-5627  
Phone: (208) 388-5104  
Cell: (208) 866-2400  
Fax: (208) 388-5504  
email: mleese@idahopower.com

**NORTHWESTERN:**

Michael R. Cashell  
Director, Transmission Contracts and Marketing  
NorthWestern Energy  
40 E. Broadway  
Butte, Montana 59701  
Phone: (406) 497-4575  
Cell: (406) 490-4011  
Fax: (406) 497-2054  
email: michael.cashell@northwestern.com

NorthWestern Corporation  
Rate Schedule No. 246

Original Sheet No. 6

**PACIFICORP:** David B. Cory  
Director, Transmission Planning  
PacifiCorp  
700 N.E. Multnomah, Suite 550  
Portland, Oregon 97232  
Phone: (503) 813-5738  
Cell: (503) 807-8975  
Fax: (503) 813-5767  
Email: dave.cory@pacificorp.com

### 13.0 FORCE MAJEURE

No Party shall be considered to be in breach of this agreement when a failure of performance is due to an uncontrollable force. The term "uncontrollable force" shall be any cause beyond the control of the Party affected, including but not restricted to failure of or threat of failure of facilities, flood, earthquake, tornado, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, and restraint by court order or public authority. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any of its obligations under this Agreement by reason of an uncontrollable force shall give prompt written notice of such fact to the unaffected Party or Parties and shall exercise due diligence to remove such inability with all reasonable dispatch.

### 14.0 REGULATORY APPROVALS

This Agreement shall be subject to its acceptance for filing by the Federal Energy Regulatory Commission (FERC). The rates, terms and conditions of this agreement shall not be subject to change through application to the FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act absent a material change in operation or benefit to any of the Parties. Idaho Power shall tender this Agreement for filing within thirty (30) days of its execution by the Parties.

### 15.0 ASSIGNMENT

A Party shall not assign its interest in this Agreement without the other Parties' consent, which consent will not be unreasonable withheld; provided, that (1) nothing in this Agreement will limit a Party's right to assign its interest in this Agreement to an entity in connection with the sale of all or substantially all of the assignor's property to such entity, and (2) nothing in this Agreement will limit a Party's right to assign, transfer, mortgage or pledge its interest in this Agreement as security for any obligation secured by any indenture, mortgage, or similar lien on its system assets.

IN WITNESSS WHEREOF, the Parties have executed this Agreement through their authorized

Issued by: David G. Gates, Vice President,  
Wholesale Operations  
Issued on: December 6, 2005

Effective Date: December 7, 2005

NorthWestern Corporation  
Rate Schedule No. 246

Original Sheet No. 7

representatives on the day and year written above.

PACIFICORP



BY

VP T&E/AM

ITS

NORTHWESTERN CORPORATION

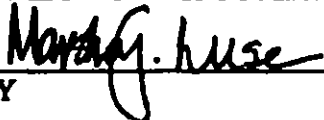


BY

Vice President  
Wholesale Operations

ITS

IDAHO POWER COMPANY



BY

MANAGER GRID OPERATIONS

ITS

Issued by: David G. Gates, Vice President,  
Wholesale Operations  
Issued on: December 6, 2005

Effective Date: December 7, 2005

## **ATTACHMENT C**

**Joint Ownership Agreement, designated as a  
Rate Schedule of PacifiCorp**

**CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT**  
between  
**IDAHO POWER COMPANY,**  
**NORTHWESTERN CORPORATION**  
and **PACIFICORP**

This CAPACITOR BANK UPGRADE JOINT OWNERSHIP AGREEMENT (the "Agreement"), is entered into this 16 day of NOVEMBER, 2005, among IDAHO POWER COMPANY, an Idaho corporation ("Idaho Power"), NORTHWESTERN CORPORATION, a Delaware corporation ("NorthWestern"), and PACIFICORP, an Oregon corporation (each hereinafter sometimes individually referred to as a "Party" and collectively as the "Parties").

**RECITALS**

WHEREAS, the electric systems of the Parties are interconnected and share electricity transmission capacity rights over certain transmission facilities, including electricity transmission lines from Hot Springs to Anaconda, Anaconda to Monida, Monida to Scoville, and Scoville to Brady; and

WHEREAS, the Parties are now considering the installation of capacitor banks at the Peterson Flata, Mill Creek and Dillon substations (the "Capacitor Banks") to enhance the reliability of the respective transmission systems; and

WHEREAS, the Parties believe the installation of the Capacitor Banks would be mutually beneficial; and

WHEREAS, the Parties desire to share ownership and expenses for the Capacitor Banks, including their installation, operation and maintenance.

NOW, THEREFORE, the Parties agree as follows:

1.0 **PURPOSE**

The purpose of this Agreement and the scope of this Project involves the construction of several shunt Capacitor Banks. The Parties shall jointly own the Capacitor Banks and be jointly responsible for their operations and maintenance costs.

2.0 **TERM**

This Agreement shall become effective as of 11/16, 2005, and continue for the useful life of the Capacitor Banks (estimated at 35 years).

3.0 **FACILITIES**

- 3.1 Idaho Power owns, operates, and maintains at Peterson Flata, a 230 kV substation and the 230 kV line termination facilities and associated facilities
- 3.2 NorthWestern owns, operates, and maintains at Mill Creek, a 230 kV substation and the 230 kV line termination facilities and associated facilities.

- 3.3 NorthWestern owns, operates, and maintains at Dillon, a 161 kV substation and the 161 kV line termination facilities and associated facilities. ,
- 3.4 Idaho Power shall purchase and install a new Capacitor Bank, and any other necessary equipment, at its Peterson Flats Substation on the Mill Creek-Amps 230 kV line. The Capacitor Bank to be provided and installed by Idaho Power under this Agreement will be rated at 230 kV, 30 MVAR..
- 3.5 NorthWestern shall move a Capacitor Bank from an existing substation on NorthWestern's system and install that Capacitor Bank at the Mill Creek 230 kV substation, along with any other necessary equipment. NorthWestern shall purchase and install a new Capacitor Bank at the Dillon 161 kV substation on the Mill Creek-Goshen 161 kV line. The Capacitor Banks to be provided and installed by NorthWestern under this Agreement will be rated at 230 kV, 38 MVAR at Mill Creek and 161 kV, 12 MVAR at Dillon.
- 3.6 Idaho Power and NorthWestern shall plan, design, permit and otherwise complete all necessary work required to install the Capacitor Banks and associated equipment. The installation process shall be coordinated among the Parties so as to minimize impacts on existing transmission facilities and transmission capacity rights.
- 3.7 Idaho Power and NorthWestern shall submit to the Operating Committee an itemized statement of the costs associated with the purchase and installation of each Capacitor Bank and any other necessary equipment. In the case of the Capacitor Bank installed by NorthWestern at its Mill Creek 230 kV substation, the costs shall include the original cost of the moved and installed Capacitor Bank, less accumulated depreciation of the moved and installed Capacitor Banks. The accounting shall include any overheads. The statements shall be prepared in accordance with generally accepted principles of utility accounting. Once the costs are approved by the Operating Committee, the Parties shall share those costs proportionate to the Parties ownership percentage in the Capacitor Banks. The Operating Committee will invoice each Party individually for amounts owed and state the Party or Parties to be reimbursed. Each owing Party shall tender payment to the other indicated Party or Parties within 15 days of receipt of the installation cost invoice.
- 3.8 The cost of the Capacitor Banks is estimated to be \$1,746,296, final cost to be determined upon completion of the installations.

**4.0 OWNERSHIP**

The Parties shall have joint ownership of the installed Capacitor Banks as tenants in common based on the following percentage shares:

Idaho Power	-	31.6 Percent
NorthWestern	-	31.6 Percent
PacifiCorp	-	36.8 Percent

**5.0 OPERATION AND MAINTENANCE**

Each Party installing a Capacitor Bank will operate and maintain that Capacitor Bank to provide reliability electric transmission service along, and support nominal voltage of, the Path 18 transmission lines. Except as otherwise agreed among the Parties, each Party installing a Capacitor Bank will be solely responsible for the operation and maintenance of that Capacitor Bank in accordance with prudent utility practice. All necessary repairs and replacements shall be made promptly by the Party operating and maintaining the respective Capacitor Bank(s). Each Party responsible for the operation and maintenance of a Capacitor Bank shall at regular intervals, specified by the Operating Committee, inspect the Capacitor Bank(s) and provide yearly estimates to the other Parties of any routine operating and maintenance expenses. Major repairs, modifications or replacement, or other non-routine expenses, of any Capacitor Bank must be approved by the Operating Committee prior to the initiation of any repair, modification or replacement or incurring of the non-routine expense. All costs associated with the operations and maintenance of the Capacitor Banks shall be reasonable and supported with adequate documentation.

**6.0 PAYMENT OF ANNUAL CHARGES**

- 6.1 The Parties agree to pay annual charges related to the operations and maintenance of the Capacitor Banks. Annual charges shall include actual operation and maintenance expenses, and administrative and general expenses. Administrative and general expenses shall be fourteen (14) percent of the installing Party's operation and maintenance expenses.
- 6.2 Annual charges shall be shared by the Parties in accordance with their individual ownership shares in the Capacitor Banks.
- 6.3 On or before February 15<sup>th</sup> of each year subsequent to the execution of this Agreement, each Party shall submit to the Operating Committee the data required under Article 6.1, and the Operating Committee shall prepare within 15 days a Statement of Annual Charges showing:
- (a) The annual costs to be credited to the respective Parties responsible for the operations and maintenance of the Capacitor Bank(s);
  - (b) The amount of such annual costs to be charged to each Party based on each Party's ownership share of the capacitor banks; and
  - (c) The net amount to be paid by or received by each of the Parties.
- 6.4 Based on the statement required in Article 6.3, the Operating Committee shall render a bill to each party owing a net amount, which shall specify the Party or Parties to whom payment shall be made. Bills shall be paid by the owing Party within 15 days after receipt.

**7.0 OPERATING COMMITTEE**

- 7.1 As a means of securing effective cooperation and interchange of information and of providing consultation on a prompt and orderly basis between the Parties in connection with various administrative and technical matters, which may arise from time to time in connection with the terms and conditions of this Agreement, the

- Parties shall establish a Operating Committee. The Operating Committee shall be composed of one member designated by each of the Parties by written notice to the other Parties. Each Party may also designate an alternate to act in the absence of the member representing such Party. Each Party may change its member on the Operating Committee, or alternate, from time to time by providing written notice to the other Parties.
- 7.2 The Operating Committee shall annually elect one of its members to serve as Chair and shall hold meetings at such times and places as may be necessary to carry out its duties hereunder. Meetings may be called by the Chair or by any member of the Operating Committee. Written notice shall be given to all members of the Operating Committee at least seven (7) days before any meeting, except that in case of emergency a meeting may be called by any notice given by best available means twenty-four (24) hours in advance of such meeting. Notice of any meeting may be waived by written assent of all of the members of the Operating Committee.
- 7.3 All questions regarding the interpretation or implementation of this Agreement shall be referred to the Operating Committee for determination. If the Operating Committee cannot agree, the question shall be submitted in writing to the Presidents of the Parties for a decision and in the event the Presidents fail to reach a decision on any matter within forty-five (45) days, any dissatisfied party may request that the matter in question be submitted to arbitration.

## 8.0 TAXES

- 8.1 The Parties shall use their best efforts to cause any taxing or other authority levying any property or ad valorem taxes or assessments on the Capacitor Banks, or any interest or rights therein, to assess and levy such taxes or assessments directly against the beneficial interest of each party.
- 8.2 If any property taxes or ad valorem taxes are assessed in a manner other than as specified in Article 9.1 above, it shall be the responsibility of the Operating Committee to establish equitable practices and procedures for the apportionment between the Parties of such taxes and assessments so that each Party pays all taxes and assessments associated with its ownership share in the Capacitor Banks.

## 9.0 NO PARTNERSHIP, AGENCY OR LEASE

It is understood and agreed that in the ownership and operation of the Capacitor Banks, each of the Parties will be and remain a separate entity. Nothing herein shall be construed to create any partnership, agency or lease between any two or more of the Parties. This Agreement is binding on the successors and assigns of the Parties.

## 10.0 LIABILITY

Except for any judgment for damages resulting from a willful action, each Party will be responsible for any liability proportionate to its ownership share. However, the installing, operating and maintaining Party will indemnify and hold harmless the other Parties against all liability, claims, suits, costs and expenses arising out of any injury to or death of any person or person or damage to property occurring in relation to the installation, operation and maintenance of the Capacitor Banks.

PacifiCorp, Inc.  
Rate Schedule No. 594

Original Sheet No. 5

## 11.0 ARBITRATION

- 11.1 If any dispute arises under this Agreement, the Parties shall arbitrate the matter before an arbitrator who is an attorney or engineer familiar with contracts governing the operation of electrical systems. Any arbitration shall be commenced within a year of when a dispute arises by any Party or Parties submitting to the other Parties a Notice of Arbitration. The Parties shall have 30 days following the submittal of a Notice of Arbitration by either Party to attempt to mutually agree upon an arbitrator. If the Parties are unable to agree on an arbitrator within that time, the Parties shall each designate an arbitrator for an Arbitration Panel. The Arbitration Panel will then select, by consensus, one additional independent arbitrator to chair the Arbitration Panel.
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## 12.0 NOTICES

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### IDAHO POWER:

Marsha J. Leese  
Manager, Grid Operations  
Idaho Power Company  
1221 W. Idaho Street  
Boise, Idaho 83702-5627  
Phone: (208) 388-5104  
Cell: (208) 866-2400  
Fax: (208) 388-5504  
email: mleese@idahopower.com

### NORTHWESTERN:

Michael R. Cashell  
Director, Transmission Contracts and Marketing  
NorthWestern Energy  
40 E. Broadway  
Butte, Montana 59701  
Phone: (406) 497-4575  
Cell: (406) 490-4011  
Fax: (406) 497-2054  
email: michael.cashell@northwestern.com

Issued by: Jack E. Stamper, Regulatory  
Manager  
Issued on: December 6, 2005

Effective Date: December 7, 2005

PacifiCorp, Inc.  
Rate Schedule No. 594

**PACIFICORP:** David B. Cory  
Director, Transmission Planning  
PacifiCorp  
700 N.E. Multnomah, Suite 550  
Portland, Oregon 97232  
Phone: (503) 813-5738  
Cell: (503) 807-8975  
Fax: (503) 813-5767  
Email: dave.cory@pacificorp.com

### 13.0 FORCE MAJEURE

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### 14.0 REGULATORY APPROVALS

This Agreement shall be subject to its acceptance for filing by the Federal Energy Regulatory Commission (FERC). The rates, terms and conditions of this agreement shall not be subject to change through application to the FERC pursuant to the provisions of Sections 205 or 206 of the Federal Power Act absent a material change in operation or benefit to any of the Parties. Idaho Power shall tender this Agreement for filing within thirty (30) days of its execution by the Parties.

### 15.0 ASSIGNMENT

A Party shall not assign its interest in this Agreement without the other Parties' consent, which consent will not be unreasonable withheld; provided, that (1) nothing in this Agreement will limit a Party's right to assign its interest in this Agreement to an entity in connection with the sale of all or substantially all of the assignor's property to such entity, and (2) nothing in this Agreement will limit a Party's right to assign, transfer, mortgage or pledge its interest in this Agreement as security for any obligation secured by any indenture, mortgage, or similar lien on its system assets.

IN WITNESSS WHEREOF, the Parties have executed this Agreement through their authorized


Issued by: Jack E. Stamper, Regulatory  
Manager  
Issued on: December 6, 2005


Effective Date: December 7, 2005

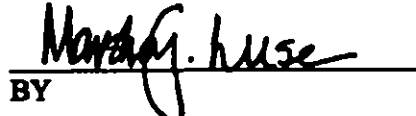
PacifiCorp, Inc.  
Rate Schedule No. 594

Original Sheet No. 7

representatives on the day and year written above.

**PACIFICORP**  
  
BY  
VP T&E/TEAM  
ITS

**NORTHWESTERN CORPORATION**  
  
BY  
**Vice President  
Wholesale Operations**  
ITS

**IDAHO POWER COMPANY**  
  
BY  
MANAGER GRID OPERATIONS  
ITS

Issued by: Jack E. Stamper, Regulatory  
Manager  
Issued on: December 6, 2005

Effective Date: December 7, 2005