

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of:

The Electronic Application Of Kentucky Power	)	
Company For (1) Authority Under KRS 278.2207(2)	)	
And KRS 278.2219 To The Extent Required To Enable	)	
The Company To Pay The Fees And Costs Imposed	)	Case No. 2018-00287
By The Grid Assurance LLC Subscription Agreement;	)	
And (2) The Grant Of All Other Required Approvals	)	
And Relief	)	

**VERIFIED APPLICATION**

Kentucky Power Company moves the Public Service Commission of Kentucky (“Commission”) pursuant to 807 KAR 5:001, Section 19, KRS 278.2207(2), and KRS 278.2219(2) for an order: (1) declaring that Grid Assurance LLC is not an affiliate of Kentucky Power Company and that the affiliated transaction statutes of Chapter 278 of the Kentucky Revised Statutes are inapplicable to the contemplated transactions between Grid Assurance and Kentucky Power Company under the Subscription Agreement;<sup>1</sup> (2) in the alternative granting the Company authority, including all necessary waivers or deviations, to execute the Subscription Agreement with Grid Assurance LLC, to enter into all transactions contemplated by the Subscription Agreement, and to pay all fees and costs required by the Subscription Agreement; and (3) granting all other required relief or approvals. In support Kentucky Power states:

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<sup>1</sup> The complete definition of Subscription Agreement and other capitalized terms used in this application may be found in the form of Subscription Agreement attached hereto as **EXHIBIT 2**.

### Applicant

1. Kentucky Power is a corporation organized on July 21, 1919 under the laws of the Commonwealth of Kentucky. The Company is in good standing in Kentucky.<sup>2</sup>

2. The post office address of Kentucky Power is 855 Central Avenue, Suite 200, Ashland, Kentucky 41101.<sup>3</sup> The Company's electronic mail address is kentucky\_regulatory\_services@aep.com.

3. Kentucky Power is a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"). AEP is a multi-state public utility holding company that provides electric service to customers in parts of eleven states: Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia.

### Non-Party Entities

4. AEP Transmission Holding Company, LLC ("AEP Transmission Holding") is a limited liability company organized under the laws of the State of Delaware. Its address is 1 Riverside Plaza, Columbus, Ohio 43215. AEP Transmission Holding is a wholly-owned subsidiary of AEP and an affiliate of Kentucky Power as that term is defined at KRS 278.010(18). AEP Transmission Holding does not provide retail electric service in the Commonwealth and is not otherwise a utility as the term is defined at KRS 278.010(3)(a).

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<sup>2</sup> A certified copy of the Company's Articles of Incorporation and all amendments thereto was attached to the Joint Application in *In the Matter Of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149. The Company's August 27, 2018 Certificate of Existence is filed as **EXHIBIT 1** to this Application.

<sup>3</sup> Kentucky Power also currently maintains a Regulatory Services office located at 101A Enterprise Drive, P.O. Box 5190, Frankfort, Kentucky 40602-5190.

5. Grid Assurance LLC is a limited liability company organized under the laws of the State of Delaware. Its address is 1200 Main Street, Kansas City, Missouri 64105. Grid Assurance provides services to subscribing utility members designed to assist subscribing members in promptly restoring the bulk electric system in the wake of catastrophic events such as a natural disaster or a physical or cyber-attack. Grid Assurance maintains a website at <http://www.gridassurance.com/>. Grid Assurance does not provide retail electric service in the Commonwealth and is not otherwise a utility as the term is defined at KRS 278.010(3)(a).

6. AEP Appalachian Transmission Co., Inc.; AEP Indiana Michigan Transmission Co., Inc.; AEP Kentucky Transmission Co., Inc.; AEP Ohio Transmission Co., Inc.; AEP Oklahoma Transmission Co., Inc.; AEP Texas Inc.; AEP West Virginia Transmission Co., Inc.; Appalachian Power Company; Electric Transmission Texas, LLC; Indiana Michigan Power Company; Kingsport Power Company; Ohio Power Company; Public Service Company of Oklahoma; Southwestern Power Company; and Wheeling Power Company (collectively the “AEP Subscribers”) have executed or are anticipated to execute the Subscription Agreement. The AEP Subscribers, with the exception of Electric Transmission Texas, LLC,<sup>4</sup> are wholly-owned subsidiaries of AEP and are affiliates of Kentucky Power as that term is defined at KRS 278.010(18). None of the AEP Subscribers is a Kentucky utility as the term is defined at KRS 278.010(3)(a).

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<sup>4</sup> Electric Transmission Texas, LLC, is an equity interest joint venture between AEP Transmission Holding Company, LLC and Berkshire Hathaway Energy Company formed to own and operate electric transmission facilities in Electric Reliability Council of Texas.

## The Proposed Transaction

### A. *Overview of Grid Assurance*

7. The initial equity investors in Grid Assurance are six major utility companies or their affiliates — Berkshire Hathaway Energy U.S. Transmission, LLC; AEP Transmission Holding on behalf of AEP; Duke Energy; Edison Transmission, LLC; Eversource Energy; and Great Plains Energy, Inc. AEP Transmission Holding and the other five initial equity investors each hold a 16.67 percent equity interest in Grid Assurance.

8. Other transmission-owning electric utilities that execute Subscription Agreements (“Subscribers”) may, and in the case of First Energy Corp. and National Grid have the opportunity and are expected to, become investors in Grid Assurance. Final equity ownership levels will not be decided until final subscription levels and participants are determined, including some that may subscribe between now and Transition Date.<sup>5</sup> New subscribers after the Transition Date may also have an opportunity to become equity owners.

9. Kentucky Power does not anticipate that it or any affiliate of Kentucky Power other than AEP Transmission Holding will hold an equity interest in Grid Assurance.

### B. *Overview of Grid Assurance Services*

10. Grid Assurance was launched in May 2016 to address an increasingly critical and foreseeable need for grid resilience facing transmission-owning electric utilities. Grid Assurance

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<sup>5</sup> Transition Date is the date on which the Company issues General Interests in the Company. The Transition Date is currently projected to be in fourth quarter 2018.

supports the restoration of electric service after catastrophic events through multiple services including:

- Procuring and maintaining an inventory of critical spare transformers, circuit breakers, and related transmission equipment optimized for the collective resilience needs of its Subscribers;
- Providing secure domestic warehousing of the inventory of spares in secure and strategic locations; and
- Releasing inventory of spares to Subscribers as needed in response to specified types of emergencies (known as “Qualifying Events”) and assisting with delivery logistics.

These services collectively are referred to as Sparing Service.

11. The Sparing Service to be provided by Grid Assurance is intended to supplement the inventory management practices of Subscribers. The Sparing Service thus is different from mutual assistance mechanisms such as are available through programs such as the Edison Electric Institute Spare Transformer Equipment Program (“EEI-STEP”) or the Regional Equipment Sharing for Transmission Outage Restoration (“RESTORE”) initiative. Rather Grid Assurance is a third-party entity that will provide Sparing Service to Subscribers. The critical spare transformers, circuit breakers, and related transmission equipment made available to Subscribers are owned and maintained by Grid Assurance and not the Subscribers. The secure domestic warehousing available through Grid Assurance will be maintained by Grid Assurance and not the Subscribers; the logistical services available through Grid Assurance likewise will be provided by Grid Assurance and not the Subscribers. Unlike mutual assistance mechanisms, Grid Assurance will increase the inventory of critical transmission equipment available to respond to catastrophic events.

12. Grid Assurance will procure and maintain an inventory of new spare transformers, circuit breakers, and other critical transmission equipment (“Inventoried Spares”); it also will provide ready access to Inventoried Spares to Subscribers following catastrophic events. The Inventoried Spares will be purchased by Grid Assurance based upon the responses received by Grid Assurance to a Request for Proposals sent to ten vendors. Initially, Grid Assurance will maintain and provide access to an inventory of extra-high-voltage, large power transformers and circuit breakers. This equipment will be adjusted based upon the needs of subscribing transmission owners, as indicated by the quantities nominated by them in their subscription agreements (“Nominated Quantity”), which will be grouped into multiple “equipment classes” with common specifications (“Equipment Class”).

13. Each Equipment Class will have a target inventory optimized and managed to meet the collective needs of transmission owners that subscribe to equipment in that class. Grid Assurance will warehouse its inventory in secure domestic locations away from affected substations. Grid Assurance currently intends to maintain two warehouse locations. One warehouse will be located in the east and one warehouse will be located in the Midwest. The specific locations of the warehouses cannot be disclosed for security reasons. The warehouses will be located in areas that meet criteria for long haul transportation facilities, security, topology, weather, and environment.

14. Grid Assurance also will assist with delivery logistics. Grid Assurance will perform ongoing logistics planning and maintain expertise in large asset transportation, including intermodal transportation for inbound and outbound inventory.

15. The Grid Assurance Subscription Agreement enables a Subscriber to purchase Inventoried Spares from Grid Assurance upon the occurrence of a Qualifying Event. The term Qualifying Event embodies a broad range of events that are the most probable to cause catastrophic damage to the transmission grid, including physical terrorism attacks, cyber-attacks, intentional electromagnetic interference, or certain catastrophic weather events.

B. *The Grid Assurance Subscription Agreement*

16. The Grid Assurance Subscription Agreement provides Subscribers the contractual right to receive Sparing Service in accordance with the agreement's terms and conditions. Any transmission-owning entity that enters into the Subscription Agreement and pays the required annual Sparing Service Fee may become a Subscriber and receive Sparing Service.

17. The form of the Grid Assurance Subscription Agreement is attached to this application as **EXHIBIT 2**. The form of the Grid Assurance Subscription Agreement consists of the following: Cover Pages; Defined Terms (Part 1); General Terms and Conditions (Part 2); and a number of Schedules.

1. Sparing Service Fee.

18. The Sparing Service Fee is an annual cost and is designed to reflect Grid Assurance's costs, including its cost to purchase, store, and maintain an inventory of spare parts; general and administrative expenses; and financing costs. The Sparing Service Fee will be separately calculated for each equipment class and will reflect the Subscriber's share of:

- (a) Maintenance costs specifically attributed to the inventoried spares in that equipment class; plus

- (b) A portion of operating, maintenance and other costs and expenses (including labor and personnel costs, general and administrative expenses, insurance, depreciation, taxes other than income taxes, start-up costs, and interest expense) allocated to that equipment class based on one or more allocation factors designed to fairly allocate such costs; plus
- (c) The cost of equity, which is determined by multiplying (a) Grid Assurance's common equity on its balance sheet by (b) the proportional share of the original cost of inventoried spares in that equipment class as a percentage of the original cost of all inventoried spares in all equipment classes by (c) an income tax-adjusted return on equity (ROE), as described below; plus
- (d) The amount of any revenue shortfall incurred by Grid Assurance as a result of the sale of an inventoried spare from that equipment class at a price less than its original cost or an inability to sell an inventoried spare; minus
- (e) The sum of various credits allocated to that equipment class, including the proceeds of discretionary sales of inventoried spares at prices above the original cost of those spares and portions of termination liabilities and reduction liabilities.

The ROE will be equal to the simple average of the then-current ROE in the transmission formula rates on file at FERC for all affiliates of the then-current owners of Grid Assurance that have transmission formula rates on file at FERC. The ROE will be calculated and updated on an annual basis.

19. Kentucky Power proposes to participate in Grid Assurance as a Subscriber and thereby become eligible to receive Sparing Service upon receipt of all required Commission approvals. Kentucky Power proposes to participate as a Subscriber in conjunction with up to fifteen other AEP transmission-owning affiliates, including the five current AEP transmission-owning Subscribers.<sup>6</sup>

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<sup>6</sup> Appalachian Power Company currently has petitions pending before the Virginia State Corporation Commission and the Public Service Commission of West Virginia seeking authority to enter into the Subscription Agreement and related relief.



20. American Electric Power Service Corporation (“AEPSC”), acting solely in its capacity as agent for Kentucky Power and any other AEP Subscribers authorized to participate as Subscribers, will execute a Multi-Subscriber Addendum on behalf Kentucky Power and any other authorized AEP Subscribers.<sup>7</sup> AEPSC, in consultation with the AEP subscribers, will identify the Equipment Classes in which the AEP Subscribers as a group will collectively participate and will determine the Nominated Quantities of each Equipment Class at which the AEP Subscribers as a group will participate. The Multi-Subscriber Addendum is attached to this application as part of EXHIBIT 2.

21. Kentucky Power’s portion of the annual Sparing Service Fee to be paid by Kentucky Power will be the Company’s allocated share (“Contract Allocated Share”) of the total annual Sparing Service Fee due under the Subscription Agreement from the AEP Subscribers. Grid Assurance will directly bill Kentucky Power, and Kentucky Power will directly pay to Grid Assurance, the Company’s Contract Allocated Share of the annual Sparing Service Fee.

22. Kentucky Power’s Contract Allocated Share will be calculated based on the asset make-up of the AEP affiliates participating in Grid Assurance. For example, the allocation of costs to Kentucky Power will be based on its transformer and circuit breaker assets, compared to total AEP transformer and circuit breaker assets.

23. Based upon participation by each AEP Subscriber listed in paragraph 6, and based on Grid Assurance’s February 9, 2018 projection of AEP’s annual Sparing Service Fee for the period June 1, 2019 through May 31, 2020, as shown on Updated Fee Estimate attached as

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<sup>7</sup> AEPSC executed the Multi-Subscriber Addendum on behalf of Public Service Company of Oklahoma, Ohio Power Company, AEP Texas Inc., AEP Ohio Transmission Company, Inc., and AEP Oklahoma Transmission Company, Inc. None of these five AEP Subscribers required prior regulatory approval to participate and thus each is now a subscriber.

**EXHIBIT 3**, the Company's Contract Allocated Share for that annual period is projected to be the de minimis amount indicated in **EXHIBIT 3**.

24. Through payment of this de minimis annual amount, Kentucky Power gains access to the multiple benefits available to the Company through Grid Assurance, including an enhanced ability to avoid the potentially devastating impacts of prolonged transmission outages by providing Kentucky Power with ready access to a pre-positioned and optimized inventory of critical transmission grid equipment. The payment of the de minimis amount comprising Kentucky Power's Contract Allocated Share also allows the Company to avoid or limit the potentially higher costs and less certainty likely with other alternatives.

2. Purchase And Sale Of Inventoried Spares.

(a) *Sales Upon Qualifying Events.*

25. In the event of a Qualifying Event, Kentucky Power may purchase an Inventoried Spare from any Equipment Class in which Kentucky Power is participating at the time of the Qualifying Event. A Qualifying Event is defined as "[a]ny damage, destruction, or material impairment of any equipment comprising ... [Kentucky Power's] electric transmission system ... in which [the] damage, destruction, or impairment is caused by or the result of..." the four classes of events described in the Subscription Agreement.

26. The Subscription Agreement governs all pricing and services, including the Sparing Service Fees and the cost of Inventoried Spares, on an equitable basis for all Subscribers, regardless of whether or not the entities are affiliates of Kentucky Power. Kentucky Power may purchase the Inventoried Spare at a price equal to the Original Cost of the Inventoried Spare. Original Cost is defined as "the total cost incurred by Grid Assurance to purchase or acquire that

Inventoried Spare and have it delivered to a ... [Grid Assurance] Warehouse, including all transportation and delivery charges, taxes, duties (including custom duties), assessments, fees (including import and export fees) and other charges.” The Original Cost may be greater or lesser than the market price at the time of the Qualifying Event, although in practice Kentucky Power anticipates that obtaining comparable spares upon the same schedule in the case of a Qualifying Event would be more costly, if even possible, given the likely price premium that could be expected from a market transaction under such circumstances.

(b) *Discretionary Sales.*

27. The Grid Assurance Subscription Agreement provides Grid Assurance with the right but not the obligation to make Discretionary Sales of Inventoried Spares. The Subscription Agreement defines a Discretionary Sale as: “Any sale of any Inventoried Spare(s) by Grid Assurance other than a sale that is: (a) made to a Transmission Group Member; (b) due to damage or destruction caused by a Qualifying Event affecting the electric transmission system of that Transmission Group Member; (c) from an Equipment Class in which such Transmission Group Member is participating; and (d) in a quantity, for each such Equipment Class, no greater than the Nominated Quantity of such Transmission Group Member in that Equipment Class.” Grid Assurance cannot make a Discretionary Sale in lieu of a sale upon a Qualifying Event.

28. Kentucky Power anticipates that Discretionary Sales, which are optional with Grid Assurance, principally will be used by Grid Assurance to manage its inventory of Inventoried Spares. In particular, the Company anticipates Grid Assurance will use Discretionary Sales to mitigate the risk that Inventoried Spares could become technologically or physically obsolete, and to mitigate the risk of Inventoried Spares aging beyond the applicable warranty period.

29. Participation in Grid Assurance as a Subscriber, including the ability to request a Discretionary Sale, is not designed to supplant a utility's inventory procedures addressing normal equipment wear or failure. Kentucky Power's subscription is limited to the equipment classes and numbers listed in EXHIBIT 3 and is intended to provide the Company with the ability to address high-impact, low-frequency events where Kentucky Power's normal procedures (principally acquiring the equipment from within Kentucky Power or from another AEP affiliate) will be used to address the need for replacement equipment. Kentucky Power anticipates exercising its rights to acquire Inventoried Spares only in the case of a Qualifying Event, although it has the ability under the Subscription Agreement to request that Grid Assurance exercise its discretion to make a Discretionary Sale to the Company.

#### Affiliate Transaction Statutes

A. Application Of KRS 278.010(18) To Grid Assurance.

30. KRS 278.2201 to KRS 278.2219 regulate transactions among regulated utilities, such as Kentucky Power, and their affiliates. KRS 278.010(18) defines an affiliate as "a person that controls or that is controlled by, or is under common control with, a utility."

31. Grid Assurance is an independent limited liability company. It maintains its own board of managers which governs Grid Assurance. The Board of Managers of Grid Assurance is anticipated to be comprised of six or seven individuals. Each member of the Board of Managers will have an equal vote for the management of Grid Assurance.

32. Grid Assurance does not currently have employees. All persons working on behalf of Grid Assurance are resources provided by its equity current owners or their affiliates. This includes three employees of AEPSC, as well as resources from Berkshire

Hathaway Energy Company and Kansas City Power and Light Company (Great Plains Energy, Inc.) Grid Assurance anticipates employing a small, fully-dedicated team (approximately four to six employees) that will be augmented by support from the then-owners of Grid Assurance and third party contractors. The expected positions include a chief executive officer, equipment director, logistics director, and office manager. Staffing will occur at or prior to Transition Date, which is planned for the fourth quarter of 2018. The final staffing will be a function of the final subscription and final contracted services.

33. Kentucky Power anticipates that upon Transition Date AEP Transmission Holding may increase its equity investment in Grid Assurance from 16.67 percent to approximately 30-35 percent. Kentucky Power anticipates that AEP Transmission Holding's 30-35 percent equity investment in Grid Assurance will make AEP Transmission Holding the largest equity holder in Grid Assurance. Although AEP Transmission Holding likely will have a larger equity investment in Grid Assurance than other equity investors, AEP Transmission Holding will not have controlling interest in the company. Grid Assurance is governed by a Board of Managers. The Board of Managers of Grid Assurance is anticipated to comprise seven individuals, each with an equal vote for the management of Grid Assurance.

**B. Asymmetrical Pricing Requirements.**

34. KRS 278.2207(1)(b) mandates that if Grid Assurance is determined to be an affiliate of Kentucky Power all services and products provided by Grid Assurance to Kentucky Power must be priced at the lower of Grid Assurance's fully distributed cost or market.<sup>8</sup>

35. The Contract Allocated Share to be paid by Kentucky Power to receive the benefits

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<sup>8</sup> KRS 278.2207(1)(b).

available to Subscribers is a cost-based fee that includes a return on equity component.<sup>9</sup> There currently is no established market for the types of services to be provided to Kentucky Power under the Subscription Agreement. It thus is not practicable to quantify the market price for such services.

36. Kentucky Power is entitled to purchase from Grid Assurance, upon the occurrence of a Qualifying Event, Inventoried Spares of those Equipment Classes in which Kentucky Power participates. The purchase price in connection with such sales is equal to the Original Cost of the Inventoried Spare. Although the Original Cost of an Inventoried Spare would qualify as Grid Assurance's fully distributed cost, and thus satisfy one part of the requirements of KRS 278.2207(1)(b), such Original Cost may, under limited circumstances, be greater than the market price for the Inventoried Spare.

37. Kentucky Power may request that Grid Assurance make a Discretionary Sale to the Company of an Inventoried Spare when required by circumstances other than a Qualifying Event. Grid Assurance has the right but is not obligated to make such a Discretionary Sale. Unlike sales upon a Qualifying Event, the purchase price for a Discretionary Sale is anticipated to be the greater of the Original Cost or the Replacement Cost<sup>10</sup> (subject to Grid Assurance's right to further negotiate prices as desired). Although the Original Cost of an Inventoried Spare would qualify as Grid Assurance's fully distributed cost, and thus satisfy one part of the requirements of KRS

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<sup>9</sup> See Schedule 5.1 of the Subscription Agreement.

<sup>10</sup> The Replacement Cost is equal to "the total costs and expenses that Grid Assurance incurs or would incur to purchase or acquire new equipment to replace such Inventoried Spare and have it delivered to a ... [Grid Assurance warehouse] in accordance with Grid Assurance's policies, procedures and procurement practices, including all transportation and delivery charges, taxes, duties (including custom duties), assessments, fees (including import and export fees) and other charges, as such costs and expenses are determined by Grid Assurance in its reasonable judgment."

278.2207(1)(b), purchase at the Replacement Cost may be at a cost greater than the Original Cost or market price for the Inventoried Spare.

C. Kentucky Power's Request For An Order Declaring That Grid Assurance And Kentucky Power Are Not Affiliates And Thus Are Not Subject To The Affiliated Transaction Provisions Of Chapter 278 Of The Kentucky Revised Statutes.

38. AEP Transmission Holding will hold a non-controlling interest in Grid Assurance, despite AEP Transmission Holding's anticipated equity interest in Grid Assurance and representation on the Board of Managers of Grid Assurance. Grid Assurance will not control Kentucky Power; nor will the Company control Grid Assurance. Grid Assurance and Kentucky Power likewise are not under the common control of a third-party, including AEP or AEPSC. As such, Grid Assurance is not an affiliate of Kentucky Power and the affiliated transaction provisions of Chapter 278 of the Kentucky Revised Statutes are not applicable to Kentucky Power's transactions with Grid Assurance.

D. Kentucky Power's Request For A Waiver Or Deviation To The Extent The Commission Determines The Need For A Waiver Or Deviation.

39. KRS 278.2207(2) provides that the Commission may grant a deviation from the asymmetrical pricing requirements of KRS 278.2207(1)(b) for a "class of transactions" upon the demonstration by Kentucky Power that the requested pricing is reasonable and the deviation is in the public interest.

40. KRS 278.2219 provides the Commission may grant Kentucky Power a waiver or deviation from the Affiliate Transaction statutes, including the asymmetrical pricing requirements of KRS 278.2207(1)(b), upon the demonstration by Kentucky Power that compliance with such requirements is impracticable or unreasonable.

1. The Contract Allocated Share And The Purchase Of Inventoried Spares In Connection With A Qualifying Event Or A Discretionary Sale Are Reasonable.

41. In the event the Commission determines that Grid Assurance is an affiliate of Kentucky Power, the Company requests that the Commission grant Kentucky Power a deviation from the requirements of KRS 278.2207.

42. Because they are cost-based the Company's Contracted Allocated Share and the purchase of Inventoried Spares at Original Cost are reasonable.

43. The Replacement Cost of an Inventoried Spare, which would be paid by Kentucky Power in the event of a Discretionary Sale by Grid Assurance, likewise is reasonable even if it exceeded the Original Cost because it approximates the market price Kentucky Power would otherwise pay for the Inventoried Spare in the absence of Kentucky Power being a Subscriber.

44. Inventoried Spares are high-cost items that are infrequently used but that are critical to the operation of the Company's electrical infrastructure. The cost associated with Kentucky Power individually purchasing and inventorying Inventoried Spares would be much greater than utilizing a pooling approach, such as provided by Grid Assurance, that spreads the costs. Grid Assurance's Sparing Service will minimize costs by optimizing purchases and inventory for the collective resiliency needs of multiple utilities across the country and providing an opportunity for high volume purchases.

45. The lead time to obtain an Inventoried Spare from a manufacturer may be up to two years. By paying the Contract Allocated Share, and purchasing the Inventoried Spare at Original Cost, Replacement Cost, or a negotiated cost in the event of a Grid Assurance-initiated Discretionary Sale, Kentucky Power is able to obtain important benefits not available through a



market purchase.

46. Most important among these benefits is the ability to obtain an Inventoried Spare with greater certainty, in a timely fashion, of the exact desired specification, and without regard to the normal lead times required to purchase the Inventoried Spare from a manufacturer. Kentucky Power's membership in Grid Assurance also will enhance the Company's ability to respond to catastrophic grid events by allowing Kentucky Power to rely upon a known dedicated inventory of new equipment for sparing purposes. Grid Assurance's Sparing Service will be capable of supporting high-confidence restoration plans for transmission owners nationwide, as Kentucky Power and other Subscribers will know the specifications and physical location of Inventoried Spares, providing a basis for developing logistical and transportation plans ahead of time that can be confidently relied upon and executed upon the occurrence of a Qualifying Event.

47. Kentucky Power, in conjunction with AEPSC, examined alternatives to Grid Assurance. That examination indicated that Grid Assurance provides multiple advantages over other alternatives. Grid Assurance provides the cost advantages available through economies of scale purchases that would not be available to Kentucky Power through maintaining its own inventory or through mutual assistance agreements. Grid Assurance also provides Kentucky Power with increased deployment-ready capacity, pre-planned transportation and logistical plans, storage in secure warehouses located away from facilities where the Inventoried Spares would be used, as well as cost transparency, and regulatory clarity.

48. Because of these unique benefits there is not a market price readily available for the Sparing Service Fee and Kentucky Power's resulting Contract Allocated Share.

49. To the extent Grid Assurance is deemed an affiliate of Kentucky Power, and the

pricing provided by the Subscription Agreement does not reflect the asymmetrical pricing requirements of KRS 278.2207(1)(b), deviation from those asymmetrical pricing requirements is reasonable for the reasons described above.

2. Kentucky Power's Payment Of The Fees And Costs Provided By The Grid Assurance Subscription Agreement Is In The Public Interest And There Are No Practicable Alternatives.

50. In the event the Commission determines that Grid Assurance is an affiliate of Kentucky Power, the Company requests that the Commission grant Kentucky Power a waiver pursuant to KRS 278.2219 from the requirements of KRS 278.2207.

51. Electric transmission grid resilience is a matter of national public importance. In response to increased threats to the electric grid, federal policy makers identified the importance of resilience in the grid, as evidenced by the passage of the Fixing America's Surface Transportation ("FAST") Act which, among other things, found that "the storage of strategically located spare large power transformers . . . will reduce the vulnerability of the United States to multiple risks facing electric grid reliability, including physical attack, cyber-attack, electromagnetic pulse, geomagnetic disturbances, severe weather, and seismic events."<sup>11</sup> Recently, FERC opened a docket to address grid resilience issues.<sup>12</sup> Grid Assurance has been referenced in that docket by multiple intervenors.

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<sup>11</sup> Fixing America's Surface Transportation Act, Pub. L. 114-94, §31004(a), 129 Stat. 1312, 1779 (December 4, 2015).

<sup>12</sup> *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, Federal Energy Regulatory Commission Docket No. AD18-7, 162 FERC ¶ 61,012, Order Terminating Rulemaking Proceeding, Initiating New Proceeding, and Establishing Additional Procedures (January 8, 2018).

52. In 2017, the Department of Energy (“DOE”) released its Report on a Strategic Transformer Reserve,<sup>13</sup> whereby the DOE identified the need to develop a reserve of large power transformers and indicated support for the efficiency of industry-based approaches like Grid Assurance.

53. FERC has found that a transmission owner may subscribe to Grid Assurance as part of a utility’s reliability compliance plan (CIP Standard 014-1) and that Federal Power Act authorization is not required for Grid Assurance to transfer equipment to a transmission owner/subscriber following a triggering event.<sup>14</sup> Additionally, FERC found in a later order that subscribing to Grid Assurance Sparing Service and purchasing equipment from Grid Assurance in an emergency would be prudent.<sup>15</sup> Finally, FERC has found that a transmission owner/subscriber with a formula rate will not be required to make a separate Section 205 filing for Grid Assurance costs, provided such entity’s formula rates already incorporate the accounts to which Grid Assurance-related charges will be booked.<sup>16</sup>

54. Grid Assurance enhances the ability of Kentucky Power and other participating utilities to avoid the potentially devastating impacts of prolonged transmission outages by providing Subscribers with ready access to a pre-positioned and optimized inventory of critical transmission grid equipment. In the event of a catastrophic event, and absent Grid Assurance, such critical long lead time transmission equipment would need to be acquired on a “case-by-case” basis

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<sup>13</sup> U.S. Department of Energy, Strategic Transformer Reserve Report to Congress (March 2017), (*available at: <https://energy.gov/sites/prod/files/2017/04/f34/Strategic%20Transformer%20Reserve%20Report%20-%20FINAL.pdf>* (“Strategic Transformer Reserve Report”).

<sup>14</sup> See *Grid Assurance LLC*, 152 FERC ¶ 61,116 (August 7, 2015).

<sup>15</sup> See *Grid Assurance LLC*, 154 FERC ¶ 61,244 (March 25, 2016).

<sup>16</sup> See *Grid Assurance LLC, order granting clarification and denying reh'g*, 156 FERC ¶ 61,027 (July 8, 2016).

or through mutual sharing arrangements. The acquisition of critical long lead time equipment such as Inventoried Spares on a case-by-case basis or through a mutual sharing agreement typically requires longer lead times, at potentially higher costs, and with less certainty than through Grid Assurance. Grid Assurance will provide for rapid deployment of Inventoried Spares during emergencies.

55. The efficient operation of the Company, in accordance of its public service obligations under KRS 278.030(2), including its duty to employ reasonable means to protect the electric grid from long-term outages, mandates that the Company enter into the Subscription Agreement. The terms and conditions of the Subscription Agreement are reasonable, no affiliate of Kentucky Power or other transmission owner will be given an undue advantage as a result of Kentucky Power's subscription, and the public will not be adversely affected by the relief sought by Kentucky Power in this application.

56. To the extent Grid Assurance is deemed an affiliate of Kentucky Power, and the pricing provided by the Subscription Agreement does not reflect the asymmetrical pricing requirements of KRS 278.2207(1)(b), there are no practicable alternatives to Grid Assurance that provide the same level and types of benefits. As a result, compliance by Kentucky Power with those pricing requirements is impracticable.

57. To the extent Grid Assurance is deemed an affiliate of Kentucky Power, and the pricing provided by the Subscription Agreement does not reflect with the asymmetrical pricing requirements of KRS 278.2207(1)(b), waiver by the Commission of the asymmetrical pricing requirements of KRS 278.2207(1)(b) is in the public interest in light of the national public importance of grid resiliency, as well as the multiple benefits available only through Grid Assurance.

### **Request For Expedited Decision**

58. To allow Grid Assurance to begin securing warehouses and placing orders for equipment by the end of 2018, the Company requests expedited consideration of this filing. A decision by the Commission by October 15, 2018, will permit Grid Assurance to begin providing Subscribers, including the Company, with Sparring Service during 2019, thereby enhancing their ability to restore transmission grid operations promptly after a potential, major transmission grid disruption.

### **Exhibits**

59. The exhibits listed in the Appendix to this application are attached to and made a part of this application.

### **Communications**

60. The Applicant respectfully requests that communications in this matter be addressed to the e-mail addresses identified on Kentucky Power's August 23, 2018 Notice of Election of Use of Electronic Filing Procedures.

WHEREFORE, Kentucky Power Company requests that the Commission issue an Order:

(a) Declaring that Grid Assurance LLC is not an affiliate of Kentucky Power Company and that the affiliated transaction statutes of Chapter 278 of the Kentucky Revised Statutes are inapplicable to the contemplated transactions between Grid Assurance and Kentucky Power Company under the Subscription Agreement;

(b) To the extent the Commission determines Grid Assurance is an affiliate of Kentucky Power, granting Kentucky Power the authority, including all required deviations or waivers pursuant to KRS 278.2207(2) and KRS 278.2219 from the asymmetrical pricing

requirements of KRS 278.2207(1)(b), to pay all fees and costs required in connection with the Grid Assurance Subscription Agreement, including Kentucky Power's Contract Allocated Share and the purchase cost associated with purchases in connection with a Qualifying Event and Discretionary Sale purchases; and

- (c) Granting Kentucky Power such other relief as may be appropriate.

Respectfully submitted,



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Katie M. Glass  
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COUNSEL FOR KENTUCKY POWER  
COMPANY


**VERIFICATION**

The undersigned, Ranie K. Wohnhas, being duly sworn, states and deposes that he is the Managing Director, Regulatory and Finance, Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing verified application, and the factual matters contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
**Ranie K. Wohnhas**

**COMMONWEALTH OF KENTUCKY** )  
  ) **SS**  
**COUNTY OF BOYD**                              )

Subscribed and sworn to before me, a Notary Public in and before said County and State,  
by Ranie K. Wohnhas this the 10 day of September, 2018.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:  
3/27/20 (SEAL)

**APPENDIX – EXHIBITS**

EXHIBIT 1: Company's August 27, 2018 Certificate of Existence.

EXHIBIT 2: Grid Assurance, LLC form Subscription Agreement.

EXHIBIT 3: Initial Sparing Fee Estimate for AEP (dated: February 9, 2018) and Kentucky Power Company Contract Allocated Share.



**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Certificate of Existence**

Authentication number: 206192  
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**KENTUCKY POWER COMPANY**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 21, 1919 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 27<sup>th</sup> day of August, 2018, in the 227<sup>th</sup> year of the Commonwealth.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
206192/0028317

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**COVER PAGE**

This Subscription Agreement (this “*Agreement*”) is made and entered into as of [ ] (the “*Execution Date*”) by and among GRID ASSURANCE LLC, a limited liability company organized under the laws of the State of Delaware (“*Grid Assurance*”), and [ ], a [type of entity] organized under the laws of the State of [ ] (“*Subscriber*”).

1. Defined Terms. Capitalized terms used in this Agreement shall have the meanings ascribed to them in Part 1 of this Agreement (Defined Terms), which shall be deemed to be incorporated herein by reference as if stated herein in its entirety.

2. General Terms and Conditions. This Agreement shall be governed by the terms and conditions set forth in Part 2 of this Agreement (General Terms and Conditions), which shall be deemed to be incorporated herein by reference as if stated herein in its entirety.

3. Composition of Agreement. This Agreement shall include all of the Schedules identified in Part 1 and Part 2 of this Agreement, all of which shall be deemed to be incorporated herein by reference as if stated herein in their entirety. Such schedules shall include:

- Schedule 2.1 (Equipment Classes, Designated Transmission Owners and Nominated Quantities);
- Schedule 2.2 (Sparing Protocols);
- Schedule 2.7 (Insurance Requirements);
- Schedule 3.2 (Form of Fee Confirmation Notice);
- Schedule 4.1 (Form of QE Purchase Notice);
- Schedule 4.3 (Deployment Protocols);
- Schedule 4.5 (Standard Terms for Sales of Inventoried Spares);
- Schedule 5.1 (Sparing Service Fee);
- Schedule 6.4 (Reduction Liability);
- Schedule 12 (Non-Disclosure Agreement);
- Schedule 13.3 (Termination Liability); and
- Schedule 17 (Notice Information).

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Execution Date.

GRID ASSURANCE LLC

By: \_\_\_\_\_  
Michael M. Deggendorf  
Chief Executive Officer

[SUBSCRIBER]

By: \_\_\_\_\_  
[NAME]  
[TITLE]

*Signature Page*

*Revised: July 3, 2017*

**GRID ASSURANCE LLC**  
**SUBSCRIPTION AGREEMENT**  
**PART 1**

**DEFINED TERMS**

## GRID ASSURANCE LLC SUBSCRIPTION AGREEMENT

### DEFINED TERMS

The following capitalized terms, when used in the Subscription Agreement, shall have the meanings set forth below.

**Acceptance Date:** The date as of which Grid Assurance issues an Acceptance Notice to Subscriber.

**Acceptance Notice:** A written notice delivered by Grid Assurance to Subscriber stating that Grid Assurance is in receipt of a Regulatory Confirmation Notice and a valid Fee Confirmation Notice from Subscriber and has determined, in its reasonable judgment, that it has sufficient Regulatory Confirmation Notices and valid Fee Confirmation Notices from other Subscriber Group Members to enable Grid Assurance to provide Sparing Service to Subscriber for every Equipment Class in which Subscriber is participating, as each such Equipment Class is designated on Schedule 2.1.

**Affiliate:** With respect to any Person, another Person that directly or indirectly controls, is under common control with, or is controlled by, such Person or any successor thereto; *provided, however*, that for purposes of this definition, control of a Person means the power, direct or indirect, to vote fifty percent (50%) or more of the securities having ordinary voting power for the election of the governing body of such Person or direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

**Agreement:** The Subscription Agreement between Grid Assurance and Subscriber, including:

- The Cover Page;
- Part 1 (Defined Terms);
- Part 2 (General Terms and Conditions);
- Schedule 2.1 (Equipment Classes, Designated Transmission Owners and Nominated Quantities);
- Schedule 2.2 (Sparing Protocols);
- Schedule 2.7 (Insurance Requirements);
- Schedule 3.2 (Form of Fee Confirmation Notice);
- Schedule 4.1 (Form of QE Purchase Notice);
- Schedule 4.3 (Deployment Protocols);
- Schedule 4.5 (Standard Terms for Sales of Inventoried Spares);
- Schedule 5.1 (Sparing Service Fee);
- Schedule 6.4 (Reduction Liability);

- Schedule 12 (Non-Disclosure Agreement);
- Schedule 13.3 (Termination Liability); and
- Schedule 17 (Notice Information).

**Auditor:** An accounting firm selected by Grid Assurance and approved by the Subscriber Advisory Committee in accordance with Section 9.1.2(a) of Part 2.

**Billing Period:** With respect to each Equipment Class, each calendar month commencing as of the Fee Commencement Date for that Equipment Class and continuing through the term of the Agreement; *provided, however,* that the initial Billing Periods and the final Billing Periods may be partial calendar months.

**Board:** The Board of Managers of Grid Assurance.

**Board Representative:** As of any point in time, an individual assigned by the Board to serve as a liaison to the Subscriber Advisory Committee or an Equipment Committee.

**Business Day:** Any day other than a Saturday, Sunday or federal holiday.

**Claim:** Any judgment, claim, action, cause of action, demand, lawsuit, proceeding, grievance, governmental investigation or audit, loss, assessment, fine, penalty, administrative order, arbitral award, obligation, cost (including attorneys' fees), expense, lien, liability or damage.

**Conditional Period:** The period commencing as of the Execution Date and continuing: (a) until the first date as of which Subscriber shall have issued a Fee Confirmation Notice and a Regulatory Confirmation Notice; and (b) during any period thereafter for which Subscriber does not have a valid Fee Confirmation Notice outstanding; *provided, however,* that the Conditional Period shall not extend beyond the Acceptance Date.

**Deployment Protocols:** The rules and procedures governing the priority and manner in which Grid Assurance will sell Inventoried Spares to Transmission Group Members and other Persons, as such rules and procedures are set forth on Schedule 4.3.

**Designated Transmission Owner:** Each of: (a) Subscriber, if it is (i) identified on Schedule 2.1 as a Designated Transmission Owner and (ii) the direct owner or lessee of an electric transmission system; and (b) any Affiliate of Subscriber that is (x) identified on Schedule 2.1 as a Designated Transmission Owner and (y) the direct owner or lessee of an electric transmission system.

**Discretionary Sale:** Any sale of any Inventoried Spare(s) by Grid Assurance other than a sale that is: (a) made to a Transmission Group Member; (b) due to damage or destruction caused by a Qualifying Event affecting the electric transmission system of that Transmission Group Member; (c) from an Equipment Class in which such Transmission Group Member is participating; and (d) in a quantity, for each such Equipment Class, no greater than the Nominated Quantity of such Transmission Group Member in that Equipment Class.

**Drop Dead Date:** The date which is eighteen (18) months after the Execution Date, as such Drop Dead Date may be extended by agreement of the Parties.

**Equipment Class:** A designation of a certain type of Inventoried Spare based on its function (*e.g.*, transformer, circuit breaker, bushing, etc.), voltage and/or other operational criteria.

**Equipment Committee:** With respect to each Equipment Class, a permanent committee comprised of Subscriber Representatives representing the Subscriber Group Members participating in that Equipment Class, as such committees are described in Section 9.2 of Part 2.

**Equipment Manufacturer:** With respect to any Inventoried Spare, the original equipment manufacturer of such Inventoried Spare or its successor.

**Event of Default:** Any of the following events or circumstances affecting a Party:

- (a) a proceeding is instituted against such Party seeking to adjudicate such Party as bankrupt or insolvent and such proceeding is not dismissed within sixty (60) days of filing; such Party makes a general assignment for the benefit of its creditors; a receiver is appointed on account of the insolvency of such Party; such Party files a petition seeking to take advantage of any applicable law relating to bankruptcy, insolvency, reorganization, winding up or composition or readjustment of debts; or such Party is unable to pay its debts when due or as they mature;
- (b) Subscriber fails to satisfy the credit requirements set forth in Article 10 of Part 2;
- (c) a Party fails to pay any amount due and owing, which failure continues for fifteen (15) days after notice thereof;
- (d) a Party fails to perform any other material obligation under the Agreement, which failure continues for thirty (30) days after notice thereof or, if such failure cannot reasonably be cured within such thirty (30) day period, such longer period of time as may be reasonably necessary to cure the failure so long as such Party diligently undertakes and proceeds on an uninterrupted basis to cure the failure; and
- (e) any representation or warranty made by a Party is or was materially inaccurate as of the date made, which inaccuracy continues for thirty (30) days after notice thereof or, if such inaccuracy is curable but cannot reasonably be cured within such thirty (30) day period, such longer period of time as may be reasonably necessary to cure the inaccuracy so long as such Party diligently undertakes and proceeds on an uninterrupted basis to cure the inaccuracy.

**Execution Date:** The date of the Agreement, as specified on the Cover Page of the Agreement.

**Fee Commencement Date:** With respect to each Equipment Class, the first date as of which Grid Assurance has received, and is capable of delivering, any Inventoried Spare in that Equipment Class.

**Fee Confirmation Notice:** A notice in the form of Schedule 3.2 stating that, as of the date of such notice, the estimated annual Sparing Service Fee set forth in a valid Fee Estimate Certification applicable to every Equipment Class in which Subscriber's Designated Transmission Owner(s) is/are participating, is acceptable to Subscriber.

**Fee Estimate Certification:** A good faith, non-binding estimate (which may be subject to reasonable assumptions set forth therein) of the Sparing Service Fee that will be payable by Subscriber for one (1) year of Sparing Service for every Equipment Class in which Subscriber's Designated Transmission Owner(s) is/are participating once the Target Inventory Level for each such Equipment Class has been achieved.

**Force Majeure:** Any event or circumstance affecting a Party or one or more of its contractors of any tier that: (a) renders it impracticable for such Party to comply with its obligations under the Agreement; (b) is beyond the reasonable control of such Party or contractor(s), as applicable; and (c) does not result from the fault or negligence of such Party or contractor(s), as applicable; *provided, however*, that Force Majeure shall not include: (i) economic difficulties; (ii) changes in market conditions; or (iii) delay in the delivery of any machinery, equipment or materials except to the extent caused by an event that would otherwise constitute a Force Majeure.

**GA Warehouse:** A warehouse or other storage facility owned or leased by Grid Assurance at which Inventoried Spares are stored and maintained.

**GAAP:** As of any date, generally accepted accounting principles for the United States, as accepted by the Financial Accounting Standards Board or its successor, applied on a consistent basis.

**Good Utility Practice:** The practices, methods and acts engaged in, or approved by, a significant portion of transmission owners operating in the United States and Canada during the relevant time period, or any other practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, would be reasonably expected to accomplish the desired result at a reasonable cost, consistent with good business practices and reasonable consideration of reliability, safety and expedition; *provided, however*, that Good Utility Practice is not intended to be limited to the optimum practices, methods or acts to the exclusion of all others, but rather is intended to include generally accepted practices, methods and acts generally accepted in the region in which a transmission owner operates.

**Governmental Authority:** Any federal or state department, commission, board, bureau, agency, authority or other body having regulatory or oversight jurisdiction or authority over a Party or any Designated Transmission Owner.

**Grid Assurance:** Grid Assurance LLC, a Delaware limited liability company.

**Indemnified Persons:** With respect to a Person, such Person, its Affiliates (excluding any Affiliate that is also an Affiliate of the Indemnifying Party) and their respective employees, agents, directors, members, shareholders and officers.

**Indemnifying Party:** The Party obligated to indemnify the other Party's Indemnified Persons pursuant to the terms of the Agreement.

**Inventoried Spare:** Any transmission-related equipment procured and owned by Grid Assurance for a designated Equipment Class and held for re-sale.

**Late Payment Rate:** An annual rate of interest equal to the lesser of: (a) the "prime rate" as published in *The Wall Street Journal* under the caption "Money Rates" in effect on the date a payment hereunder is due plus two percent (2%); and (b) the maximum rate of interest permitted by applicable law.

**Lender:** A Person that issues debt, makes loans or otherwise provides credit, credit support or other financing to a Party.

**Letter of Credit Amount:** An amount equal to the Sparing Service Fee payable by Subscriber for twenty-four (24) complete Billing Periods immediately following the date of determination of the Letter of Credit Amount; *provided, however*, that in determining such amount, Grid Assurance shall utilize the assumptions contained in



the most recent five (5) year budget forecast provided to Subscriber Group Members pursuant to Section 8.1(b) of Part 2 (except that costs and revenues associated with any projected sales of Inventoried Spares shall be disregarded).

**Moody's:** Moody's Investor Service, Inc. and any successor thereto.

**NDA:** The Non-Disclosure Agreement between Subscriber (or an Affiliate thereof) and Grid Assurance, which is attached to the Agreement as Schedule 12.

**Nominated Quantity:** With respect to each Equipment Class in which any of Subscriber's Designated Transmission Owners is participating, the number of Inventoried Spares designated for that Equipment Class on Schedule 2.1.

**Operational Testing:** The electrical, mechanical and other specialized testing required by Good Utility Practice to validate the integrity and operational functionality of an Inventoried Spare.

**Original Cost:** With respect to an Inventoried Spare, the total cost incurred by Grid Assurance to purchase or acquire that Inventoried Spare and have it delivered to a GA Warehouse, including all transportation and delivery charges, taxes, duties (including custom duties), assessments, fees (including import and export fees) and other charges.

**Party:** Each of Grid Assurance and Subscriber.

**Person:** Any individual, partnership, joint venture, corporation, association, business, trust, unincorporated organization, limited liability company, Governmental Authority or other legal entity.

**QE Purchase Notice:** A notice from a Designated Transmission Owner to Grid Assurance, in the form of Schedule 4.1: (a) certifying that such Designated Transmission Owner has suffered a Qualifying Event; (b) identifying the damage to such Designated Transmission Owner's electric transmission equipment resulting from that Qualifying Event; and (c) specifying the type(s) and quantity of Inventoried Spare(s) that such Designated Transmission Owner proposes to purchase from Equipment Classes in which it is participating (up to its Nominated Quantity in each such Equipment Class).

**Qualifying Event:** Any damage, destruction or other material impairment of the safe operation of any equipment comprising the electric transmission system of a Transmission Group Member, which damage, destruction or impairment is caused by, or the result of: (a) an act of war, terrorism, rebellion, sabotage or a public enemy, or any other physical attack (whether or not such physical attack is conducted in connection with an act of war, terrorism or a public enemy); (b) a cyber-attack, whether or not in connection with an act of war, terrorism or a public enemy; (c) an electromagnetic pulse or intentional electromagnetic interference; or (d) an act of God, a catastrophic event (natural or otherwise) or a severe weather condition, including a solar storm, earthquake, volcanic eruption, hurricane, tornado, derecho, windstorm, wildfire or ice storm.

**Reduction Liability:** With respect to any amendment of Schedule 2.1 to reduce any Nominated Quantity for any Equipment Class in which a Designated Transmission Owner is participating, the amount calculated as the "Reduction Liability" in accordance with Schedule 6.4.

**Reduction Notice:** A notice delivered by Subscriber to Grid Assurance stating that Subscriber desires to reduce the Nominated Quantity in any Equipment Class in which any of its Designated Transmission Owners is then participating, which notice shall specifically identify any such reduced Nominated Quantity(ies).

**Regulatory Confirmation Notice:** A notice issued by Subscriber to Grid Assurance stating that: (a) all Required Regulatory Approvals have been obtained; or (b) there are no Required Regulatory Approvals.

**Replacement Cost:** With respect to an Inventoried Spare, the total costs and expenses that Grid Assurance incurs or would incur to purchase or acquire new equipment to replace such Inventoried Spare and have it delivered to a GA Warehouse in accordance with Grid Assurance's policies, procedures and procurement practices, including all transportation and delivery charges, taxes, duties (including custom duties), assessments, fees (including import and export fees) and other charges, as such costs and expense are determined by Grid Assurance in its reasonable judgment.

**Required Regulatory Approval:** Any permit, license, authorization, consent, decree, waiver, approval, exemption from, filing with or notice to, any Governmental Authority required by applicable law to be obtained by, or issued to, Subscriber or any Designated Transmission Owner in order for: (a) Subscriber to perform its obligations under the Agreement; or (b) any Designated Transmission Owner to be designated as such in the Agreement, in each case as determined by Subscriber or such Designated Transmission Owner in its reasonable judgment.

**S&P:** Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor thereto.

**Sparing Protocols:** The rules and procedures governing the manner in which Grid Assurance will procure, maintain and manage Inventoried Spares, including the manner in which it will determine Target Inventory Levels for each Equipment Class and procure Inventoried Spares that are suitable to replace, though not necessarily identical to, the equipment comprising the electric transmission systems of Transmission Group Members participating in each such Equipment Class, as such rules and procedures are set forth on Schedule 2.2.

**Sparing Service:** The services to be performed by Grid Assurance pursuant to the Agreement, as described in Article 1 of Part 2.

**Sparing Service Fee:** The fee payable by Subscriber for Sparing Service, as determined in accordance with Schedule 5.1 of Part 2.

**Subscriber:** The Person identified as Subscriber on the Cover Page of the Agreement; *provided, however*, that if the Agreement is executed by a Person in its capacity as an agent, the Subscriber Party shall be the principal of that Person.

**Subscriber Advisory Committee:** A permanent committee comprised of Subscriber Representatives, as such committee is described in Section 9.1 of Part 2.

**Subscriber Group Members:** As of any point in time, all Persons that have executed Subscription Agreements with Grid Assurance then in effect, including Subscriber.

**Subscriber Representative:** As of any point in time, an individual selected by Subscriber Group Members to serve on the Subscriber Advisory Committee or an Equipment Committee.

**Subscription Agreements:** As of any point in time, all of the Subscription Agreements then in effect between Grid Assurance and Subscriber Group Members, including this Agreement.

**Target Inventory Level:** With respect to each Equipment Class, the quantity of Inventoried Spares that Grid Assurance will seek to maintain in inventory based on the Sparing Protocols, as such quantity may be determined and/or revised from time to time in accordance with such Sparing Protocols.

**Termination Liability:** The amount calculated as the “Termination Liability” in accordance with Schedule 13.3.

**Termination Notice:** A notice delivered by Subscriber to Grid Assurance stating that Subscriber is terminating the Agreement pursuant to, and in accordance with, Section 13.3 of Part 2.

**Third Party:** Any Person other than a Party or an Affiliate of a Party.

**Third Party Transmission Purchaser:** A Third Party that directly or indirectly acquires any material portion of the electric transmission system(s) of any Designated Transmission Owner(s).

**Transmission Group Member:** As of any point in time, any Designated Transmission Owner of any Subscriber Group Member.

**Transmission Owner Allocated Share:** With respect to each Equipment Class in which any Designated Transmission Owner is participating, as each such Equipment Class is designated on Schedule 2.1, and as of the time a calculation of Transmission Owner Allocated Shares is made, a fraction (expressed as a percentage rounded to the nearest tenth of a percent) derived by dividing the Nominated Quantity of the Designated Transmission Owner(s) for that Equipment Class by the aggregate of the Nominated Quantities of all Transmission Group Members participating in that Equipment Class; *provided, however*, that the total Transmission Owner Allocated Shares of all Transmission Group Members participating in each Equipment Class shall, at all times, equal one hundred percent (100.0%).

[END OF PART 1]

**GRID ASSURANCE LLC**  
**SUBSCRIPTION AGREEMENT**  
**PART 2**

**GENERAL TERMS AND CONDITIONS**

*Revised: July 3, 2017*

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**GENERAL TERMS AND CONDITIONS**

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**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**GENERAL TERMS AND CONDITIONS**

**ARTICLE 1  
SCOPE OF SPARING SERVICE**

1.1 General.

In consideration of Subscriber's payment of the Sparing Service Fee and performance of its obligations pursuant to the Agreement, Grid Assurance shall procure, store, maintain and sell Inventoried Spares in accordance with the terms of the Agreement.

1.2 Inspection and Testing of Inventoried Spares.

To the extent required by Good Utility Practice, Grid Assurance shall: (a) directly or through a qualified representative, witness the Operational Testing and loading of Inventoried Spares prior to the shipment thereof from Equipment Manufacturers to Grid Assurance; and (b) inspect, confirm receipt of all parts, perform Operational Testing and, to the extent necessary and appropriate, assemble and disassemble Inventoried Spares upon delivery thereof to a GA Warehouse.

1.3 Maintenance of Inventoried Spares.

Grid Assurance shall store and maintain Inventoried Spares in accordance with Good Utility Practice and any additional requirements necessary to keep Equipment Manufacturers' warranties in effect during applicable warranty periods.

1.4 Inventory Management.

Grid Assurance shall exercise commercially reasonable efforts to manage its stockpile of Inventoried Spares in a manner intended to mitigate the risk of obsolescence of such Inventoried Spares, including by: (a) contracting with Equipment Manufacturers to perform testing and maintenance on Inventoried Spares; and (b) entering into Discretionary Sales; *provided, however*, that Grid Assurance shall not be responsible or liable in any way in the event Inventoried Spares become technologically or physically obsolete or otherwise decline in value.

1.5 Logistics Support.

1.5.1. Grid Assurance shall develop, periodically update in accordance with Good Utility Practice and provide to each Designated Transmission Owner information pertaining to the logistics of the long-haul portion of the transportation of Inventoried Spares from GA Warehouses to transportation hubs located within or near the electric transmission system of that Designated Transmission Owner; *provided, however*, that each such Designated Transmission Owner may designate no more than five (5) such transportation hubs. Such information shall include potential delivery routes, available modes of transportation and state and local permitting requirements applicable to the long-haul portion of such transportation.

1.5.2. Grid Assurance shall exercise commercially reasonable efforts to negotiate standardized terms and conditions of service that will be available to Transmission Group Members, at their option, for execution between such Transmission Group Members and transportation companies and/or

logistics service providers capable of delivering or assisting in the delivery of Inventoried Spares to such Transmission Group Members.

#### 1.6 Quality of Sparing Service.

Grid Assurance shall perform its obligations pursuant to the Agreement in accordance with the terms and conditions hereof and, subject to any express limitations and conditions set forth herein, Good Utility Practice. **THERE ARE NO IMPLIED WARRANTIES OF ANY KIND IN CONNECTION WITH ANY PERFORMANCE BY GRID ASSURANCE HEREUNDER AND ALL STATUTORY WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USAGE ARE HEREBY DISCLAIMED AND WAIVED.** No oral or written representation, warranty, course of dealing or trade usage not contained herein shall be binding on either Party.

### ARTICLE 2 PERFORMANCE BY GRID ASSURANCE

#### 2.1 Designation of Designated Transmission Owners and Nominated Quantities.

Schedule 2.1 identifies: (a) each Designated Transmission Owner; (b) each Equipment Class in which any Designated Transmission Owner is participating; (c) each Designated Transmission Owner participating in each such Equipment Class; and (d) the Nominated Quantity of the Designated Transmission Owner(s) for each such Equipment Class.

#### 2.2 Sparing Protocols.

2.2.1. Grid Assurance shall establish Target Inventory Levels for each Equipment Class.

2.2.2. Grid Assurance shall exercise commercially reasonable efforts to acquire and maintain quantities and types of Inventoried Spares in accordance with the Sparing Protocols; *provided, however*, that this Section 2.2.2 shall not restrict or prevent Grid Assurance from entering into sales of Inventoried Spares in accordance with the terms hereof that will temporarily reduce stockpiles of Inventoried Spares below applicable Target Inventory Levels.

2.2.3. Subject to Section 9.1.2(b) of this Part 2, Grid Assurance may amend the Sparing Protocols from time to time. Any amended Sparing Protocols shall become effective, and become part of the Agreement (in substitution of Schedule 2.2 previously attached hereto) upon delivery thereof by Grid Assurance to Subscriber with a written certification by Grid Assurance that such amended Sparing Protocols have been approved by the Subscriber Advisory Committee.

2.2.4. Grid Assurance shall have exclusive authority to determine: (a) the types of equipment to be procured as Inventoried Spares for each Equipment Class; (b) the Equipment Manufacturers from which Inventoried Spares will be procured; and (c) subject to Section 9.2.2(a) of this Part 2, the terms, conditions and pricing upon which Inventoried Spares are procured. Grid Assurance shall procure Inventoried Spares through competitive processes whenever reasonably practicable, as determined by Grid Assurance based on Good Utility Practice.

## 2.3 Warehouses.

- 2.3.1. Grid Assurance shall own or lease: (a) one (1) or more GA Warehouses in the continental United States to stockpile and maintain Inventoried Spares; and (b) all equipment and vehicles reasonably necessary to unload, assemble, disassemble, move, maintain, conduct Operational Testing and re-load Inventoried Spares at the GA Warehouses. Grid Assurance shall determine the number and location of GA Warehouses based on its reasonable judgment, which will include consideration of factors such as access to suitable means of transportation, security, cost and proximity to the electric transmission systems of Transmission Group Members.
- 2.3.2. Grid Assurance shall be responsible for developing and implementing policies and procedures to maintain physical and cyber security at the GA Warehouses in accordance with Good Utility Practice.
- 2.3.3. At Subscriber's request upon reasonable advance notice, Grid Assurance shall allow Subscriber and its representatives (including Designated Transmission Owners, Governmental Authorities and their respective personnel) to tour and inspect the GA Warehouses, subject to their compliance with Grid Assurance's standard health, safety, security and confidentiality requirements.

## 2.4 Personnel.

Grid Assurance shall provide all personnel necessary and appropriate, in the reasonable judgment of Grid Assurance, to perform Sparing Service in accordance with the terms and conditions of the Agreement.

## 2.5 Equipment Manufacturer Terms and Conditions.

In connection with its acquisition of Inventoried Spares, Grid Assurance shall exercise commercially reasonable efforts to obtain from Equipment Manufacturers: (a) warranties, indemnities and other terms and conditions customarily agreed to by Equipment Manufacturers for the benefit of equipment purchasers; (b) warranties with warranty periods that remain in effect for a reasonable period after the re-sale of the Inventoried Spares by Grid Assurance; and (c) the right to assign Equipment Manufacturers' warranties to purchasers of Inventoried Spares.

## 2.6 Use of Subcontractors.

Grid Assurance may utilize subcontractors (including members of Grid Assurance and their Affiliates) to perform its obligations pursuant to the Agreement; *provided, however*, that the use of any such subcontractors shall not relieve Grid Assurance of any responsibility hereunder.

## 2.7 Insurance.

Grid Assurance shall maintain in effect at all times after the initial Acceptance Date, insurance coverage as described on Schedule 2.7.

## 2.8 Equipment Classes.

Grid Assurance shall have the exclusive right to establish Equipment Classes from time to time in its reasonable judgment, which judgment will include consideration of the needs of Transmission Group Members.

### ARTICLE 3 CONDITIONS PRECEDENT

#### 3.1 Conditions to Subscriber Performance.

The obligation of Subscriber to accept and pay for Sparing Service pursuant to the Agreement is subject to satisfaction (or waiver by Subscriber in its sole discretion) of the following conditions:

- (a) Subscriber shall have issued a Fee Confirmation Notice that remains valid as of the Acceptance Date; and
- (b) Subscriber shall have issued a Regulatory Confirmation Notice.

#### 3.2 Fee Estimate Certifications.

3.2.1. Subscriber hereby acknowledges receipt of a Fee Estimate Certification that covers every Equipment Class in which each Designated Transmission Owner is participating as of the Execution Date.

3.2.2. At any time after the Execution Date and prior to the Acceptance Date, Grid Assurance may deliver to Subscriber one or more revised Fee Estimate Certifications; *provided, however*, that, upon delivery of any such revised Fee Estimate Certification, any prior Fee Estimate Certification delivered to Subscriber shall automatically be rendered invalid and be deemed to be superseded by the revised Fee Estimate Certification. If, at any time prior to the Acceptance Date, Grid Assurance determines that the estimated Sparing Service Fee payable by Subscriber has increased by more than ten percent (10%) above the estimated Sparing Service Fee set forth in a valid Fee Estimate Certification, Grid Assurance shall promptly notify Subscriber and shall thereafter prepare and deliver to Subscriber a revised Fee Estimate Certification.

3.2.3. If Subscriber determines that the estimated annual Sparing Service Fee set forth in a valid Fee Estimate Certification is acceptable, Subscriber shall execute and deliver to Grid Assurance a Fee Confirmation Notice, which notice shall be irrevocable by Subscriber; *provided, however*, that a Fee Confirmation Notice shall automatically be rendered invalid if Grid Assurance subsequently delivers to Subscriber prior to the Acceptance Date a revised Fee Estimate Certification with a higher estimated Sparing Service Fee.

3.2.4. At Grid Assurance's request, Subscriber shall notify Grid Assurance whether a then-valid Fee Estimate Certification is acceptable.

#### 3.3 Regulatory Approvals.

3.3.1. No later than thirty (30) days after the Execution Date, Subscriber shall provide Grid Assurance with notice: (a) of all Required Regulatory Approvals; or (b) that there are no Required Regulatory Approvals. Subscriber shall keep Grid Assurance apprised of any modifications to the information contained in such notice of Required Regulatory Approvals; *provided, however*, that Subscriber may not modify the designated Required Regulatory Approvals after it issues a Regulatory Confirmation Notice.

3.3.2. Subscriber shall exercise, and shall cause its Designated Transmission Owners to exercise, commercially reasonable efforts to obtain all Required Regulatory Approvals; *provided*,

*however*, that neither Subscriber nor any Designated Transmission Owner shall be obligated to continue such efforts if it determines, in its reasonable judgment, that a Required Regulatory Approval will not be obtained or, if obtained, would be subject to conditions that such Subscriber or Designated Transmission Owner deems unacceptable. At Subscriber's request, Grid Assurance shall support and cooperate with Subscriber and/or any of its Designated Transmission Owner(s) in connection with its/their efforts to obtain Required Regulatory Approvals.

- 3.3.3. At Grid Assurance's request, Subscriber shall notify Grid Assurance of the status of Subscriber's and its Designated Transmission Owners' efforts to obtain Required Regulatory Approvals, including the anticipated timing of receipt of such approvals.
- 3.3.4. Subscriber shall promptly notify Grid Assurance if Subscriber or any of its Designated Transmission Owners determines that: (a) a Required Regulatory Approval will not be obtained; or (b) a Required Regulatory Approval, if obtained, would be subject to conditions that Subscriber or any of its Designated Transmission Owners deems unacceptable.
- 3.3.5. If Subscriber and all of its Designated Transmission Owners obtain all Required Regulatory Approvals (or determine that there are no Required Regulatory Approvals), Subscriber shall execute and deliver to Grid Assurance a Regulatory Confirmation Notice, which notice shall be irrevocable by Subscriber.

#### 3.4 Acceptance Notice.

If Grid Assurance: (a) is in receipt of a Regulatory Confirmation Notice and a valid Fee Confirmation Notice from Subscriber; and (b) has determined, in its reasonable judgment, that it has received sufficient Regulatory Confirmation Notices and valid Fee Confirmation Notices from other Subscriber Group Members to enable Grid Assurance to provide Sparing Service to Subscriber for every Equipment Class in which its Designated Transmission Owner(s) is/are participating, Grid Assurance shall promptly execute and deliver to Subscriber an Acceptance Notice. Immediately upon issuance of an Acceptance Notice, all conditions precedent to the Parties' obligations to perform their respective obligations hereunder shall be deemed to be fully satisfied.

#### 3.5 Termination for Failure of Conditions.

- 3.5.1. At any time prior to its issuance of a Regulatory Confirmation Notice, Subscriber may terminate the Agreement without any liability whatsoever to Grid Assurance if Subscriber determines that a Required Regulatory Approval will not be obtained or, if obtained, would be subject to conditions that Subscriber or any of its Designated Transmission Owners deems unacceptable.
- 3.5.2. If Subscriber determines that the estimated Sparing Service Fee set forth in a valid Fee Estimate Certification, is not acceptable, Subscriber may terminate the Agreement without liability whatsoever to Grid Assurance; *provided, however*, that Subscriber may not terminate the Agreement pursuant to this Section 3.5.2 during any period in which a Fee Confirmation Notice from Subscriber is valid and outstanding.
- 3.5.3. The Agreement shall automatically terminate if Grid Assurance fails to issue an Acceptance Notice on or before the Drop Dead Date.

## ARTICLE 4 SALES OF INVENTORIED SPARES

### 4.1 Sales Based on Qualifying Events.

Upon the occurrence of a Qualifying Event affecting the electric transmission system(s) of one (1) or more Designated Transmission Owners, such Designated Transmission Owner(s) shall have the right to purchase Inventoried Spares from any Equipment Class(es) in which such Designated Transmission Owner(s) is/are participating at that time at a price equal to the Original Cost of such Inventoried Spare(s); *provided, however*, that for any Qualifying Event, the maximum number of Inventoried Spares that such Designated Transmission Owners shall have the right, in the aggregate, to purchase pursuant to this Section 4.1 from any Equipment Class in which it/they are participating shall be equal to the lesser of: (a) the Nominated Quantity of the Designated Transmission Owner(s) for that Equipment Class; (b) the number of units of comparable equipment on the electric transmission system(s) of such Designated Transmission Owner(s) that was damaged, destroyed or impaired by that Qualifying Event; (c) the number of Inventoried Spares in that Equipment Class at that time; and (d) the number of Inventoried Spares available for sale to such Designated Transmission Owner(s) based on the Deployment Protocols. In order to exercise its right to purchase any Inventoried Spares pursuant to this Section 4.1, a Designated Transmission Owner must deliver a QE Purchase Notice to Grid Assurance.

### 4.2 Discretionary Sales.

- 4.2.1. Grid Assurance shall have the right to sell Inventoried Spares pursuant to Discretionary Sales when and as deemed appropriate by Grid Assurance in its reasonable judgment; *provided, however*, that all Discretionary Sales shall be subject to the conditions set forth in the Agreement, the Sparing Protocols and the Deployment Protocols. Discretionary Sales from any Equipment Class may be conducted: (a) on Grid Assurance's own initiative (including for the purpose of mitigating the risk that Inventoried Spares could become technologically or physically obsolete); or (b) at the request of the Equipment Committee associated with that Equipment Class, a Subscriber Group Member, a Transmission Group Member or any other Person.
- 4.2.2. If Grid Assurance agrees to enter into a Discretionary Sale upon the request of a Subscriber Group Member, a Transmission Group Member or any other Person (including a Discretionary Sale pursuant to Section 4.2.3, Section 4.2.4 or Section 4.2.5 of this Part 2), the purchase price for any Inventoried Spare(s) sold in that Discretionary Sale shall be the greater of the Original Cost or the Replacement Cost of such Inventoried Spare(s); *provided, however*, that nothing in this Section 4.2.2 shall limit Grid Assurance's authority to negotiate the purchase price for Inventoried Spares sold pursuant to Discretionary Sales that Grid Assurance initiates.
- 4.2.3. Without limiting the conditions set forth in Section 4.2.1 and Section 4.2.2 of this Part 2, if Grid Assurance agrees to enter into a Discretionary Sale with any Transmission Group Member(s) that, based on a Qualifying Event, request(s) to purchase more than its/their Nominated Quantity for any Equipment Class in which it/they is/are participating, such sale shall be subject to the agreement by the Subscriber Group Member affiliated with such Transmission Group Member(s):
  - (a) subject to any Equipment Committee approval that may be required pursuant to Section 9.2.2(b) of this Part 2, to amend Schedule 2.1 to increase the Nominated Quantity in each

such Equipment Class to a quantity no less than the quantity of Inventoried Spares that such Transmission Group Member(s) is/are purchasing from that Equipment Class; and

- (b) if Schedule 2.1 is amended pursuant to Section 4.2.3(a) of this Part 2, to pay Grid Assurance (in addition to the purchase price of the Inventoried Spare(s)), for each Equipment Class for which the Nominated Quantity was increased pursuant to Section 4.2.3(a) of this Part 2, an amount equal to the lesser of: (i) the product of (x) the monthly Sparing Service Fee applicable to the minimum increase in the Nominated Quantity that Subscriber Group Member was required to specify pursuant to Section 4.2.3(a) of this Part 2, multiplied by (y) the number of months since the Fee Commencement Date for that Equipment Class; or (ii) two hundred percent (200%) of the Replacement Cost of the Inventoried Spare(s) purchased by the Subscriber Group Member's affiliated Transmission Group Member(s) from that Equipment Class in that Discretionary Sale.

4.2.4. Without limiting the conditions set forth in Section 4.2.1 and Section 4.2.2 of this Part 2, if Grid Assurance agrees to enter into a Discretionary Sale with a Transmission Group Member that, based on a Qualifying Event, requests to purchase any Inventoried Spares from an Equipment Class in which that Transmission Group Member is not participating, such sale shall be subject to the agreement by that Transmission Group Member's affiliated Subscriber Group Member:

- (a) subject to any Equipment Committee approval that may be required pursuant to Section 9.2.2(c) of this Part 2, to amend Schedule 2.1 to (i) include each Equipment Class from which that Transmission Group Member is purchasing any such Inventoried Spares, and (ii) specify as its Nominated Quantity in each such Equipment Class a quantity no less than the quantity of Inventoried Spares that such Transmission Group Member is purchasing from that Equipment Class; and
- (b) if Schedule 2.1 is amended pursuant to Section 4.2.4(a) of this Part 2, to pay Grid Assurance (in addition to the purchase price of the Inventoried Spare(s)), for each Equipment Class added pursuant to Section 4.2.4(a) of this Part 2, an amount equal to the product of (i) the monthly Sparing Service Fee applicable to the minimum Nominated Quantity that Subscriber Group Member was required to specify for that Equipment Class pursuant to Section 4.2.4(a) of this Part 2, multiplied by (ii) the number of months since the Fee Commencement Date for that Equipment Class.

4.2.5. Without limiting the conditions set forth in Section 4.2.1 and Section 4.2.2 of this Part 2, if Grid Assurance agrees to enter into a Discretionary Sale with a Person other than a Transmission Group Member, which Person requests to purchase any Inventoried Spares based on a circumstance (or single set of related circumstances) that, if that Person were a Transmission Group Member, would constitute a Qualifying Event, such sale shall be subject to that Person's (or one of its Affiliates') agreement:

- (a) subject to any Equipment Committee approval that may be required pursuant to Section 9.2.2(c) of this Part 2, to (i) enter into a standard Subscription Agreement with Grid Assurance specifying, for each Equipment Class from which that Person is purchasing Inventoried Spares, a Nominated Quantity no less than the quantity of Inventoried Spares that such Person is purchasing from that Equipment Class, and (ii) waive the conditions set forth in Section 3.1 of this Part 2 of that Subscription Agreement; and

- (b) to pay Grid Assurance (in addition to the purchase price of the Inventoried Spare(s) and regardless of whether that Person or any of its Affiliates enters into a Subscription Agreement), for each Equipment Class from which that Person is purchasing Inventoried Spares, an amount equal to the product of (i) the monthly Sparing Service Fee applicable to the minimum Nominated Quantity that Person (or one of its Affiliates) is required to specify for that Equipment Class pursuant to Section 4.2.5(a) of this Part 2, multiplied by (ii) the number of months since the Fee Commencement Date for that Equipment Class.

4.2.6. Without limiting the generality of Section 4.2.1 of this Part 2, promptly following the termination of a Subscription Agreement or the reduction of a Nominated Quantity by a Subscriber Group Member, Grid Assurance shall: (a) re-assess the Target Inventory Levels in all Equipment Classes directly impacted by such termination or reduction; and (b) if Grid Assurance determines, in its reasonable judgment, that there are surplus Inventoried Spares in any such Equipment Class, initiate Discretionary Sales to dispose of such surplus Inventoried Spares.

#### 4.3 Deployment Protocols.

4.3.1. Grid Assurance shall have the exclusive right to determine which Inventoried Spares will be sold from time to time; *provided, however*, that all sales of Inventoried Spares by Grid Assurance shall be made in accordance with the Deployment Protocols.

4.3.2. Subject to Section 9.1.2(c) of this Part 2, Grid Assurance may amend the Deployment Protocols from time to time; *provided, however*, that the Deployment Protocols shall at all times provide that sales of Inventoried Spares shall be made to Subscriber Group Members on a non-discriminatory basis.

4.3.3. Any amended Deployment Protocols shall become effective, and shall become part of the Agreement (in substitution of Schedule 4.3 previously attached hereto) upon delivery thereof by Grid Assurance to Subscriber with a written certification by an officer of Grid Assurance that such amended Deployment Protocols have been approved by the Subscriber Advisory Committee.

#### 4.4 Inspection and Testing Prior to Sale.

To the extent required by Good Utility Practice, Grid Assurance shall conduct Operational Testing of Inventoried Spares prior to the delivery thereof to Subscriber. Grid Assurance shall allow Subscriber and its representatives to witness, and shall reasonably cooperate with Subscriber to schedule, such Operational Testing; *provided, however*, that such Persons must agree to comply with Grid Assurance's standard health, safety, security and confidentiality requirements.

#### 4.5 Terms of Sale of Inventoried Spares.

All sales of Inventoried Spares to Transmission Group Members based on Qualifying Events affecting those Transmission Group Members shall be executed pursuant to Grid Assurance's standard form of agreement as then in effect; *provided, however*, that any such agreement shall at all times include terms and conditions consistent with Schedule 4.5. Subject to the express conditions set forth herein, Grid Assurance may, in its discretion, agree to terms and conditions other than those set forth on Schedule 4.5 for Discretionary Sales.



## ARTICLE 5 FEES; PAYMENT

### 5.1 Sparing Service Fee.

5.1.1. Subscriber shall pay Grid Assurance the Sparing Service Fee calculated in accordance with Schedule 5.1 for each Billing Period commencing as of the Acceptance Date; *provided, however*, that if, with respect to any Equipment Class in which any of Subscriber's Designated Transmission Owners is participating, the Fee Commencement Date has not occurred on or prior to the Acceptance Date, Subscriber's obligation to pay the Sparing Service Fee for that Equipment Class shall commence on the Fee Commencement Date for that Equipment Class.

5.1.2. Grid Assurance shall re-calculate the Transmission Owner Allocated Shares of all Transmission Group Members participating in an Equipment Class upon the execution or amendment of a Subscription Agreement with any Transmission Group Member(s) participating in that Equipment Class.

5.1.3. The Sparing Service Fee shall be payable monthly in arrears.

### 5.2 Monthly Invoices.

Grid Assurance shall deliver invoices for the Sparing Service Fee applicable to each Billing Period no later than fifteen (15) days after the end of that Billing Period, which invoices shall include reasonable supporting documentation.

### 5.3 Payment.

5.3.1. The Sparing Service Fee shall be due and payable thirty (30) days after receipt of an invoice therefor; *provided, however*, that Subscriber may withhold amounts disputed in good faith so long as it provides Grid Assurance with a reasonably detailed written statement of the basis of the dispute, including reasonable supporting documentation, no later than the date as of which the disputed payment is due.

5.3.2. All payments to a Party pursuant to the Agreement shall be made by automated clearing house (ACH) payment or wire transfer of immediately available funds to an account specified by that Party.

### 5.4 Late Payments.

Any amounts owed pursuant to the Agreement and not paid when and as due (including amounts disputed in good faith and subsequently determined to be due and owing) shall bear interest from the date due until the date paid, calculated at the Late Payment Rate.

### 5.5 No Set-Off.

A Party shall not be entitled to set-off any amount it owes to the other Party pursuant to the Agreement against any amount owed or claimed to be owed by such other Party.

## ARTICLE 6 CHANGES

6.1 Changes During Conditional Period.

- 6.1.1. At any time during the Conditional Period, Subscriber shall have the right to amend the Agreement to: (a) modify the Designated Transmission Owners; (b) add or remove Equipment Classes; and/or (c) increase or decrease the Nominated Quantity(ies) in any Equipment Classes.
- 6.1.2. In order to amend the Agreement pursuant to Section 6.1.1, Subscriber shall deliver to Grid Assurance a notice setting forth: (a) the Designated Transmission Owners to be included in the amended Agreement; (b) the Equipment Class(es) in which each such Designated Transmission Owner will participate; and (c) the Nominated Quantity in each such Equipment Class.
- 6.1.3. Promptly upon receipt of a notice from Subscriber pursuant to Section 6.1.2, Grid Assurance shall prepare and deliver to Subscriber an amended Agreement reflecting the changes proposed by Subscriber, including a revised Schedule 2.1.

6.2 Changes as of Right Following Conditional Period.

- 6.2.1. At any time following the Conditional Period, Subscriber shall have the right to amend the Agreement to modify the Designated Transmission Owners; *provided, however*, that any amendment of the Agreement to add any Equipment Class(es) and/or to increase or decrease any Nominated Quantity(ies) in any Equipment Classes shall be subject to Section 6.3 and/or Section 6.4, as applicable.
- 6.2.2. In order to amend the Agreement pursuant to Section 6.2.1, Subscriber shall deliver to Grid Assurance a notice setting forth the Designated Transmission Owners to be included in the amended Agreement and the Equipment Class(es) in which each such Designated Transmission Owner will participate.
- 6.2.3. Promptly upon receipt of a notice from Subscriber pursuant to Section 6.2.2, Grid Assurance shall prepare and deliver to Subscriber an amended Agreement reflecting the changes proposed by Subscriber, including a revised Schedule 2.1.

6.3 Increase in Nominated Quantity; Participation in New Equipment Class.

- 6.3.1. At any time other than during the Conditional Period, an amendment of the Agreement to add one (1) or more Equipment Classes in which any Designated Transmission Owner will participate or to increase the Nominated Quantity(ies) in any Equipment Classes in which any Designated Transmission Owner will participate shall be subject to the mutual agreement of the Parties and, to the extent applicable, the approval of the Equipment Committee(s) associated with the affected Equipment Classes pursuant to Section 9.2.2(b) or Section 9.2.2(c) of this Part 2.
- 6.3.2. In order to amend the Agreement pursuant to Section 6.3.1, Subscriber shall deliver to Grid Assurance a notice setting forth: (a) the Designated Transmission Owners to be included in the amended Agreement; (b) the Equipment Class(es) in which each such Designated Transmission Owner will participate; and (c) the Nominated Quantity(ies) in such Equipment Class(es).
- 6.3.3. In the event the Parties agree to add one (1) or more Equipment Classes in which any Designated Transmission Owner will participate or to increase the Nominated Quantity(ies) in any Equipment Class(es) and, to the extent applicable, the Equipment Committee associated with any

affected Equipment Class approves such change(s), Grid Assurance shall prepare and deliver to Subscriber an amended Agreement reflecting the changes proposed by Subscriber and, if applicable, agreed to by such Equipment Committee, including a revised Schedule 2.1.

#### 6.4 Reduction of Nominated Quantities.

- 6.4.1. If, at any time other than during the Conditional Period, the Agreement is amended to reduce the Nominated Quantity(ies) in any Equipment Class(es) in which any Designated Transmission Owner is then participating, Subscriber shall, except to the extent provided otherwise in Section 16.4.1 of this Part 2, be liable to Grid Assurance for payment of the Reduction Liability calculated based on such reduction.
- 6.4.2. In order to amend the Agreement pursuant to Section 6.4.1, Subscriber shall deliver to Grid Assurance a Reduction Notice. No later than thirty (30) days after receipt of a Reduction Notice, Grid Assurance shall: (a) provide Subscriber with a statement of the Reduction Liability that would result from the reduction the Nominated Quantity(ies) as specified in that Reduction Notice (which statement shall include reasonable supporting documentation); and (b) prepare and provide to Subscriber an amended Agreement reflecting the reduced Nominated Quantity(ies) proposed by Subscriber in that Reduction Notice, including a revised Schedule 2.1.
- 6.4.3. Promptly upon receipt of a Reduction Notice from a Subscriber Group Member, Grid Assurance shall forward a copy of that Reduction Notice to all Subscriber Group Members with affiliated Transmission Group Members then participating in any Equipment Class(es) directly impacted by that Reduction Notice.
- 6.4.4. Subscriber shall pay Grid Assurance the Reduction Liability resulting from an amendment of the Agreement pursuant to this Section 6.4 no later than thirty (30) days after the effective date of such amendment.
- 6.4.5. If, at any time within five (5) years of an amendment to the Agreement to reduce the Nominated Quantity for any Equipment Class, Grid Assurance proposes to conduct a Discretionary Sale of an Inventoried Spare (other than pursuant to Section 4.2.3, Section 4.2.4 or Section 4.2.5 of this Part 2) from that Equipment Class: (a) Grid Assurance shall provide advance notice of such Discretionary Sale to Subscriber; and (b) if Subscriber or any of its Designated Transmission Owners wishes to participate in the Discretionary Sale process for that Inventoried Spare, Subscriber and such Designated Transmission Owners shall be entitled to apply as a credit toward the purchase price for that Inventoried Spare an amount that, in the aggregate, is equal to the quotient of (i) the Equipment Reduction Contribution (as described in Schedule 6.4) applicable to that Equipment Class and paid by Subscriber as part of its Reduction Liability divided by (ii) the number of Inventoried Spares in the applicable Equipment Class at the time of such amendment.

## ARTICLE 7 FORCE MAJEURE

### 7.1 Excused Performance.

A Party shall not be in breach of any obligations pursuant to the Agreement (other than the obligation to pay amounts due and owing) to the extent any delay in performance results from Force Majeure.

### 7.2 Obligations of Affected Party.

A Party affected by Force Majeure shall use commercially reasonable efforts to: (a) proceed with its obligations pursuant to the Agreement to the extent it is not prevented from doing so by the Force Majeure; and (b) exercise commercially reasonable efforts to eliminate or mitigate the adverse effects of the Force Majeure as soon as reasonably practicable.

### 7.3 Notice Obligation.

A Party affected by Force Majeure shall provide prompt notice thereof to the other Party. Such notice shall specify the length of the delay expected to result from the Force Majeure. The Party affected by Force Majeure shall keep the other Party apprised of its progress in eliminating and/or mitigating the adverse effects of such Force Majeure.

## ARTICLE 8 REPORTING AND AUDITING

### 8.1 Annual Reporting.

During the period following the initial Fee Commencement Date, Grid Assurance shall prepare and deliver to Subscriber no later than September 1 of each year:

- (a) a reasonably detailed annual budget for the immediately subsequent calendar year;
- (b) a reasonably detailed budget forecast for the immediately subsequent five (5) calendar years; and
- (c) a good faith, non-binding estimate of the Sparing Service Fee that will be owed by Subscriber for Sparing Service for the immediately subsequent calendar year.

### 8.2 Quarterly Reporting.

During the period following the initial Fee Commencement Date, Grid Assurance shall, for each Equipment Class in which any of Subscriber's Designated Transmission Owners is participating, prepare and deliver to Subscriber quarterly reports on:

- (a) budget reconciliation and Transmission Owner Allocated Shares for the prior calendar quarter;
- (b) the types of Inventoried Spares (*i.e.*, Equipment Manufacturers, models, ratings and operating characteristics) then located at a GA Warehouse, in transit to a GA Warehouse or under contract to Grid Assurance;

- (c) maintenance activities on Inventoried Spares; and
- (d) sale prices for Inventoried Spares that were sold by Grid Assurance.

### 8.3 Audited Financial Statements.

For each full calendar year following the initial Fee Commencement Date, Grid Assurance shall prepare and deliver to Subscriber annual audited financial statements on Grid Assurance operations prepared in accordance with GAAP.

### 8.4 Audits.

- 8.4.1. Grid Assurance shall cause the Auditor to conduct, and provide Subscriber Group Members with a written report of, annual audits of Grid Assurance's books and records as they relate to its compliance with its obligations under the Subscription Agreements.
- 8.4.2. In the event Subscriber or any of its Designated Transmission Owners is directed by a Governmental Authority with jurisdiction over Subscriber or that Designated Transmission Owner to conduct an audit of Grid Assurance, Subscriber or that Designated Transmission Owner shall have the right to retain a Third Party reasonably acceptable to Grid Assurance to conduct such an audit; *provided, however*, that: (a) such Third Party must agree to comply with Grid Assurance's standard health, safety, security and confidentiality requirements; (b) Subscriber shall be obligated to reimburse Grid Assurance for any out-of-pocket costs reasonably incurred in connection with any such audit; (c) any such audit shall be conducted during the normal business hours of, and upon reasonable advance notice to, Grid Assurance; and (d) Subscriber or that Designated Transmission Owner shall provide Grid Assurance with a copy of the audit report promptly upon the completion thereof.

## ARTICLE 9 SUBSCRIBER COMMITTEES

### 9.1 Subscriber Advisory Committee.

- 9.1.1. Commencing no later than ninety (90) days after the Acceptance Date and continuing throughout the term of the Agreement, there shall be a Subscriber Advisory Committee, which shall be comprised of no fewer than five (5) Subscriber Representatives. The Subscriber Advisory Committee may, at its discretion, provide input and recommendations to the Board on matters affecting Subscriber Group Members; *provided, however*, that except as expressly provided in Section 9.1.2 of this Part 2, the Subscriber Advisory Committee shall have no authority with respect to the operation or management of Grid Assurance or any actions taken by the Board.
- 9.1.2. The following actions by Grid Assurance shall be subject to the approval of the Subscriber Advisory Committee, such approval not to be unreasonably withheld, delayed or conditioned:
  - (a) selection of the Auditor;
  - (b) amendment of the Sparing Protocols;
  - (c) amendment of the Deployment Protocols; and

- (d) any action that would increase by more than twenty percent (20%) (i) the common equity balance of Grid Assurance (as determined in accordance with GAAP and reflected on the Grid Assurance balance sheet) or (ii) operating and maintenance expenses of Grid Assurance that are included in “Common Subscriber Costs” pursuant to Schedule 5.1, as such costs are reflected in Grid Assurance’s annual budget or five-year budget forecast.

9.1.3. Any matter subject to the approval of the Subscriber Advisory Committee pursuant to Section 9.1.2 of this Part 2 shall be deemed approved unless, within sixty (60) days of such matter being referred by notice to the Subscriber Representatives on the Subscriber Advisory Committee: (a) a majority of the Subscriber Representatives on the Subscriber Advisory Committee vote to disapprove such matter; and (b) at least one (1) Subscriber Representative on the Subscriber Advisory Committee provides the Board with notice to that effect, which notice shall include a reasonably detailed, written statement of the basis of such disapproval.

9.1.4. Grid Assurance shall provide the Subscriber Representatives on the Subscriber Advisory Committee with information as they may reasonably request to facilitate their consideration of any matters referred to that committee for approval.

## 9.2 Equipment Committees.

9.2.1. Commencing no later than thirty (30) days after the establishment of each Equipment Class and continuing throughout the term of the Agreement, there shall be an Equipment Committee for that Equipment Class. Each Equipment Committee shall be comprised of one (1) Subscriber Representative appointed by each Subscriber Group Member participating in the associated Equipment Class. Each Equipment Committee may, at its discretion, provide input and recommendations to the Board on matters affecting Subscriber Group Members participating in the associated Equipment Class; *provided, however*, that except as expressly provided in Section 9.2.2 of this Part 2, no Equipment Committee shall have any authority with respect to the operation or management of Grid Assurance or any action taken by the Board.

9.2.2. The following actions by Grid Assurance with respect to an Equipment Class or any Subscriber Group Member that has an affiliated Transmission Group Member participating in that Equipment Class shall be subject to the approval of the Equipment Committee associated with that Equipment Class, such approval not to be unreasonably withheld, delayed or conditioned:

- (a) acquisition of an Inventoried Spare with Equipment Manufacturer warranties that are not assignable by Grid Assurance to a purchaser of that Inventoried Spare;
- (b) an amendment of Schedule 2.1 to increase in the Nominated Quantity of any Transmission Group Member participating in that Equipment Class if that increase would, in Grid Assurance’s reasonable judgment, increase the Sparing Service Fee for any Subscriber Group Member with an affiliated Transmission Group Member already participating in that Equipment Class by more than twenty percent (20%); and
- (c) participation in that Equipment Class by a new Transmission Group Member if that participation would, in Grid Assurance’s reasonable judgment, increase the Sparing Service Fee for any Subscriber Group Member with an affiliated Transmission Group Member already participating in that Equipment Class by more than twenty percent (20%).

- 9.2.3. Any matter subject to the approval of an Equipment Committee pursuant to Section 9.2.2 of this Part 2 shall be deemed approved unless, within thirty (30) days of such matter being referred by notice to the Subscriber Representatives on such Equipment Committee: (a) Subscriber Representatives holding no less than two-thirds (2/3) of the voting power on that Equipment Committee vote to disapprove such action; and (b) at least one (1) Subscriber Representative on that Equipment Committee notifies Grid Assurance of such voting results, which notice shall include a reasonably detailed, written statement of the basis of such disapproval; *provided, however,* that Grid Assurance may, by notice to the Subscriber Representatives on an Equipment Committee, reduce the Equipment Committee's thirty (30) day review period for a proposed Discretionary Sale pursuant to Section 4.2.3, Section 4.2.4 or Section 4.2.5 of this Part 2.
- 9.2.4. Each Subscriber Representative on an Equipment Committee shall have voting rights on that committee equal to the Nominated Quantity of its affiliated Transmission Group Members participating in that Equipment Class.
- 9.2.5. Grid Assurance may not eliminate an Equipment Class or modify the description of the Inventoried Spares to be maintained in that Equipment Class without the unanimous approval of the Subscriber Representatives on the Equipment Committee associated with that Equipment Class.

### 9.3 Subscriber Representatives.

- 9.3.1. The Board shall appoint the Subscriber Representatives on the initial Subscriber Advisory Committee, each of whom shall serve for a term not to exceed one (1) year.
- 9.3.2. The initial Subscriber Advisory Committee shall have authority to establish (and each future Subscriber Advisory Committee shall have authority to amend) rules and procedures pertaining to the functions and operation of the Subscriber Advisory Committee, including with respect to the election and terms of office for its Subscriber Representatives and meeting notice requirements; *provided, however,* that: (a) Subscriber Group Members shall have the exclusive right to select the Subscriber Representatives on the Subscriber Advisory Committee (other than the Subscriber Representatives on the initial Subscriber Advisory Committee); (b) in the event there are at least three (3) Subscriber Group Members that are not Affiliates of owners of Grid Assurance, such Subscriber Group Members shall be entitled to select one (1) Subscriber Representative on the Subscriber Advisory Committee; and (c) once any Subscriber Representative(s) affiliated with one or more Transmission Group Members serves on the Subscriber Advisory Committee for two (2) consecutive terms (excluding the term(s) of any Subscriber Representative(s) appointed to the initial Subscriber Advisory Committee), no Subscriber Representative affiliated with any such Transmission Group Members shall be eligible to serve on the Subscriber Advisory Committee until all other Subscriber Group Members have had an affiliated Subscriber Representative serve (or such other Subscriber Group Members have waived their right to have an affiliated Subscriber Representative serve) on the Subscriber Advisory Committee (with such limitation on eligibility being repeated as Subscriber Representatives affiliated with Subscriber Group Members are re-selected to serve on the Subscriber Advisory Committee from time to time).
- 9.3.3. Each Subscriber Representative on the Subscriber Advisory Committee or any Equipment Committee shall be responsible for keeping Grid Assurance apprised by notice of: (a) his or her identity and contact information for notices; (b) if there is a limit to his or her term as Subscriber

Representative, when such term ceases; and (c) the identity of his or her replacement Subscriber Representative.

9.4 Board Representatives.

9.4.1. Grid Assurance shall designate an individual to serve as a Board Representative on the Subscriber Advisory Committee and each Equipment Committee; *provided, however*, that: (a) there may be different Board Representatives on each such committee; and (b) Grid Assurance may remove or replace Board Representatives from time to time as it sees fit.

9.4.2. Upon the appointment, removal or replacement of a Board Representative on the Subscriber Advisory Committee or any Equipment Committee, Grid Assurance shall provide notice to the Subscriber Representatives on that committee of the identify of, and contact information for notices to, that Board Representative.

9.5 Notices.

9.5.1. Notice shall be deemed to have been given to the Subscriber Representatives on the Subscriber Advisory Committee if such notice is delivered to all Persons then identified by notice to Grid Assurance as the Subscriber Representatives on the Subscriber Advisory Committee.

9.5.2. Notice shall be deemed to have been given to a Subscriber Group Member's Subscriber Representative on an Equipment Committee if such notice is delivered to the Person then identified by notice from that Subscriber Group Member to Grid Assurance as its Subscriber Representative on that Equipment Committee.

**ARTICLE 10  
SUBSCRIBER CREDIT REQUIREMENTS**

10.1 Minimum Acceptable Credit Rating.

Subject to Section 10.2 of this Part 2, during the term of the Agreement, Subscriber shall maintain a credit rating on its long-term unsecured debt obligations of at least "BBB-" by S&P or "Baa3" by Moody's.

10.2 Alternative Credit Support.

If, at any time during the term of the Agreement, Subscriber fails to meet the minimum credit rating set forth in Section 10.1 of this Part 2, it shall: (a) notify Grid Assurance of such circumstance no later than ten (10) days after the occurrence thereof; and (b) commencing no later than twenty (20) days after the occurrence of such circumstance, and continuing throughout the period in which such circumstance persists, maintain in effect:

- (a) an irrevocable, stand-by letter of credit in favor of Grid Assurance, which letter of credit shall (i) have a face amount no less than the Letter of Credit Amount (such amount to be updated on an annual basis), (ii) be issued by a United States bank that has a credit rating of at least A- from S&P or A3 from Moody's, and (iii) be subject to terms and conditions (including a replenishment obligation) reasonably acceptable to Grid Assurance;
- (b) an irrevocable corporate guarantee of Subscriber's payment obligations pursuant to the Agreement in favor of Grid Assurance, which guarantee shall be issued (i) by a guarantor



reasonably acceptable to Grid Assurance, and (ii) on terms and conditions reasonably acceptable to Grid Assurance; or

- (c) such other credit support or evidence of creditworthiness as may be reasonably acceptable to Grid Assurance (based on considerations applied consistently by Grid Assurance).

## **ARTICLE 11 INDEMNIFICATION**

### **11.1 Reciprocal Indemnities.**

To the fullest extent permitted by applicable law, each Party shall indemnify, defend and hold harmless such other Party's Indemnified Persons from and against all Claims asserted by Third Parties to the extent caused by: (a) a breach of the Agreement by the Indemnifying Party; or (b) the negligent acts or omissions, or any fraud or willful misconduct, of the Indemnifying Party, its agents, representatives or contractors of any tier or any of their respective officers, directors or employees in connection with, or related to, the Agreement; *provided, however*, that Grid Assurance shall have no obligation to indemnify, defend or hold harmless any Subscriber Indemnified Person with respect to any Claim asserted by any of Subscriber's customers.

### **11.2 Subscriber Indemnity.**

To the fullest extent permitted by applicable law, Subscriber shall indemnify, defend and hold harmless Grid Assurance's Indemnified Persons from and against all Claims asserted by any of Subscriber's customers in connection with, or related to, the Agreement or any sale or unavailability of Inventoried Spares pursuant hereto, regardless of the underlying cause or basis of any such Claim(s).

### **11.3 Defense of Indemnified Claims.**

- 11.3.1. Within a reasonable time after receipt by an Indemnified Person of any Claim as to which an indemnity obligation pursuant to the Agreement may apply, the Party associated with such Indemnified Person shall notify the Indemnifying Party of such fact; *provided, however*, that no delay in notifying the Indemnifying Party shall relieve such Indemnifying Party of its indemnification obligations except to the extent that it is materially prejudiced by such delay.
- 11.3.2. The Indemnifying Party shall diligently, competently and in good faith control and conduct the defense of any Claim as to which an indemnity applies; *provided, however*, that the Indemnifying Party may not settle or compromise any such Claim without the Indemnified Person's consent (such consent not to be unreasonably withheld, delayed or conditioned) unless the terms of such settlement or compromise unconditionally release the Indemnified Person from any and all liability with respect thereto and do not impose any obligations on any Indemnified Person.
- 11.3.3. An Indemnified Person shall have the right to assume the defense of, and to settle or compromise, any indemnified Claim at the Indemnifying Party's expense if: (a) the Indemnifying Party fails to acknowledge, in writing, its responsibility to assume the defense of such Claim; or (b) the Indemnifying Party fails to conduct the defense of such Claim.

11.3.4. An Indemnified Person shall have the right, at its sole cost and expense, to: (a) be represented by advisory counsel of its own selection; and/or (b) monitor the progress and handling of an indemnified Claim.

11.4 Effect of Workers' Compensation Laws.

An Indemnifying Party's obligations to indemnify, defend and hold harmless Indemnified Persons shall not be reduced or limited in any way by any provision of any workers' compensation act, disability benefits act or other employee benefit act or by reason of any limitation on the amount or type of damages, compensation or benefits payable by or for the Indemnifying Party or any of its subcontractors under workers' compensation acts, disability benefit acts or other employee benefit acts, and each Party hereby waives immunity under such acts to the extent such acts would bar recovery under, or full enforcement of, such Party's indemnification obligations hereunder.

11.5 No Limitation on Direct Claims.

Nothing in this Article 11 shall be interpreted to limit or affect in any way any Claim by one Party (whether based in contract, warranty, tort, strict liability or any other theory of liability) against the other Party for damages resulting from the acts or omissions of such other Party.

**ARTICLE 12  
CONFIDENTIALITY**

Information provided or received by a Party pursuant to, or in connection with, the Agreement shall be subject to the NDA attached hereto as Schedule 12.

**ARTICLE 13  
TERM AND TERMINATION**

13.1 Initial Term.

The initial term of the Agreement shall commence on the Execution Date and continue until the fifth (5th) anniversary of the Acceptance Date.

13.2 Automatic Renewals.

Upon the expiration of the initial term and each renewal term, the term of the Agreement shall automatically be renewed for a subsequent five (5) year period without any action or notice required by or to either Party.

13.3 Termination by Subscriber.

13.3.1. Subject to Section 13.4 of this Part 2, Subscriber may terminate the Agreement for any reason or no reason by delivering a Termination Notice to Grid Assurance.

13.3.2. No later than thirty (30) days after receipt of a Termination Notice, Grid Assurance shall provide Subscriber with a statement of the Termination Liability that would result from a termination of the Agreement (which statement shall include reasonable supporting documentation). Subscriber may, in its sole discretion and by notice to Grid Assurance, withdraw a Termination Notice at any time within fifteen (15) days of receipt of such statement. If Subscriber fails to withdraw a

Termination Notice by the end of such fifteen (15) day period, the Agreement shall automatically terminate on and as of such date.

13.3.3. Promptly upon receipt of a Termination Notice from a Subscriber Group Member, Grid Assurance shall forward a copy of that Termination Notice to all Subscriber Group Members with affiliated Transmission Group Members then participating in any Equipment Class(es) directly impacted by that Termination Notice.

#### 13.4 Subscriber Liability upon Termination.

13.4.1. Upon a termination of the Agreement by Subscriber (other than pursuant to Section 3.5) or by Grid Assurance based on an Event of Default by Subscriber, Subscriber shall pay Grid Assurance: (a) all Sparing Service Fees and any other amounts owed or liabilities accrued pursuant to the Agreement through the date as of which the Agreement is terminated; plus (b) the Termination Liability. Subscriber shall pay such amounts no later than sixty (60) days after the date of a Termination Notice or, if the Agreement is terminated based on an Event of Default by Subscriber, on the date of such termination. Payment of such amounts shall be the sole and exclusive remedy for Grid Assurance, and the sole and exclusive liability of Subscriber, upon a termination of the Agreement by Subscriber or by Grid Assurance based on an Event of Default by Subscriber.

13.4.2. If, at any time within five (5) years of the termination of the Agreement, Grid Assurance proposes to conduct a Discretionary Sale of an Inventoried Spare (other than pursuant to Section 4.2.3, Section 4.2.4 or Section 4.2.5 of this Part 2) from an Equipment Class in which any of Subscriber's Designated Transmission Owners participated immediately prior to that termination: (a) Grid Assurance shall provide advance notice of such Discretionary Sale to Subscriber; and (b) if Subscriber or any of its Designated Transmission Owners wishes to participate in the Discretionary Sale process for that Inventoried Spare, Subscriber and such Designated Transmission Owners shall be entitled to apply as a credit toward the purchase price for that Inventoried Spare an amount that, in the aggregate, is equal to the quotient of (i) the Equipment Contribution (as described in Schedule 13.3) applicable to that Equipment Class and paid by Subscriber as part of its Termination Liability divided by (ii) the number of Inventoried Spares in the applicable Equipment Class at the time of termination.

### **ARTICLE 14 REMEDIES; LIMITATIONS OF LIABILITY**

#### 14.1 Remedies.

14.1.1. Subject to any limitations of remedies and/or limitations of liability set forth herein, each Party shall be entitled to its remedies at law and in equity in connection with the Agreement.

14.1.2. Without limiting a Party's remedies in accordance with Section 14.1.1 of this Part 2, upon an Event of Default, the non-defaulting Party shall have the right to terminate the Agreement upon not less than thirty (30) days' advance notice.

14.1.3. Subject to any remedies that are expressly stated to be exclusive, the rights and remedies of the Parties pursuant to the Agreement are cumulative and the exercise of any right or remedy shall

not restrict, limit or prejudice in any way the exercise of any other right or remedy, concurrently or subsequently.

14.2 Waiver of Consequential Damages.

NOTWITHSTANDING ANY OTHER PROVISION OF THE AGREEMENT, EACH PARTY HEREBY WAIVES ANY RIGHT IT MAY HAVE AGAINST THE OTHER PARTY OR ANY OF THE OTHER PARTY'S CONTRACTORS OR SUPPLIERS OF ANY TIER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES OF ANY KIND OR NATURE WHATSOEVER, OR DAMAGES ARISING FROM, OR IN CONNECTION WITH, SUCH PARTY'S LOSS OF ACTUAL OR ANTICIPATED PROFITS OR REVENUES, IN EACH CASE ARISING OUT OF, IN CONNECTION WITH, OR RESULTING FROM THE AGREEMENT, REGARDLESS OF WHETHER ANY CLAIM FOR SUCH DAMAGES IS BASED ON CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE; *provided, however*, that this Section 14.2 shall not prevent recovery of, or affect in any way, a Claim for indemnification pursuant to the terms hereof.

14.3 Limitation of Liability.

To the maximum extent permitted by applicable law, and notwithstanding any other provision of the Agreement, the aggregate liability of Grid Assurance to Subscriber, its Designated Transmission Owners, their Affiliates and their respective officers, directors and employees in connection with the Agreement (exclusive of any liabilities payable by Grid Assurance insurers) shall be limited to the total amount of the Sparing Service Fee paid by Subscriber during the most recent twelve (12) Billing Periods; *provided, however*, that such limitation shall not apply to the extent that Grid Assurance's liability is based on its fraud, gross negligence or willful misconduct.

14.4 Acknowledgment.

Each Party acknowledges and agrees that: (a) the costs and losses that would be suffered by Grid Assurance and other Subscriber Group Members and Transmission Group Members as a result of a termination of the Agreement or the reduction by Subscriber of a Nominated Quantity for any Equipment Class are difficult to ascertain with certainty; (b) both the Termination Liability and the Reduction Liability formulations represent reasonable estimates of such costs and losses; (c) neither the Termination Liability or the Reduction Liability is intended to be a penalty; and (d) it will not assert that the Termination Liability or the Reduction Liability represents a penalty. The Termination Liability and the Reduction Liability will be due and payable by Subscriber in accordance with the terms and conditions of the Agreement regardless of the actual costs or losses suffered as a result of a termination of the Agreement by Subscriber or by Grid Assurance based on an Event of Default by Subscriber or the amendment of the Agreement to reduce a Nominated Quantity for any Equipment Class in which any of Subscriber's Designated Transmission Owners is participating.

**ARTICLE 15**  
**REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS**

15.1 Mutual Representations and Warranties.

Each Party hereby represents and warrants to the other Party, as of the Execution Date, that:

- (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and is duly qualified to do business therein and in all other jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure to so qualify could reasonably be expected to have a material adverse effect on its ability to perform its obligations pursuant to the Agreement;
- (b) it is not in violation of any applicable laws or permits or judgments issued or entered by any Governmental Authority, which violation, individually or in the aggregate with other such violations, could reasonably be expected to have a material adverse effect on its ability to perform its obligations pursuant to the Agreement;
- (c) there are no Claims pending or, to its knowledge, threatened against it which, if adversely determined, could reasonably be expected to have a material adverse effect on its ability to perform its obligations pursuant to the Agreement;
- (d) none of the execution, delivery or performance of the Agreement conflict with, or result in a violation or breach of, the terms of its charter, by-laws or other organizational documents or any applicable law, regulation, order, writ, injunction, award, judgment or decree of any court or Governmental Authority or any agreement, contract, indenture or other instrument to which it or its assets is bound or to which it or its assets is subject;
- (e) the execution, delivery and performance of the Agreement have been duly authorized by all requisite corporate or other company action and it has all requisite corporate or other company power and authority to enter into the Agreement and perform its obligations hereunder; and
- (f) the Agreement has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to the enforcement of creditors' rights generally or by the application of general equitable principles (regardless of whether considered in a proceeding at law or in equity).

#### 15.2 Subscriber Representation and Warranty.

Subscriber hereby represents and warrants to Grid Assurance, as of the Execution Date, that:

- (a) each Designated Transmission Owner is the direct owner or lessee of an electric transmission system; and
- (b) each Nominated Quantity represents Subscriber's reasonable estimate, based on Good Utility Practice, of the number of Inventoried Spares that its Designated Transmission Owners, in the aggregate, may require to restore electric service following a Qualifying Event.

#### 15.3 Subscriber Acknowledgements.

Subscriber hereby acknowledges and agrees that:

- (a) certain Subscriber Group Members and Transmission Group Members are Affiliates of certain owners of Grid Assurance;
- (b) Grid Assurance cannot, and is making no attempt or representation as to its ability to, maintain quantities of Inventoried Spares that will be adequate to meet the needs of all Transmission Group Members in all circumstances, including circumstances in which one or more Qualifying Events affect multiple Transmission Group Members simultaneously or other circumstances that result in damage, destruction or inoperability of transmission-related equipment of Transmission Group Members that is beyond the needs planned for by the Sparing Protocols; and
- (c) application of the Deployment Protocols may result in prioritized sales of Inventoried Spares to Transmission Group Members other than Subscriber's Designated Transmission Owners, including in situations where one (1) or more Designated Transmission Owners may have suffered Qualifying Events and there are insufficient Inventoried Spares to satisfy the needs of all Transmission Group Members, including Subscriber's Designated Transmission Owners.

## **ARTICLE 16 ASSIGNMENT**

### **16.1 Assignments Subject to Approval.**

Any assignment of the Agreement (other than an assignment described in Section 16.2 of this Part 2) shall be subject to the approval of the non-assigning Party, such approval not to be unreasonably withheld, delayed or conditioned.

### **16.2 Permitted Assignments.**

16.2.1. Subject to the conditions set forth in Section 16.3 and Section 16.4 of this Part 2, Grid Assurance hereby consents to the assignment of the Agreement in its entirety by Subscriber to a purchaser or transferee of all or any material portion of the electric transmission system(s) of one (1) or more of Subscriber's Designated Transmission Owners.

16.2.2. Each Party hereby consents to a collateral assignment of the Agreement by the other Party to a Lender and, subject to the conditions set forth in Section 16.3 of this Part 2, to the subsequent assignment by such Lender to a purchaser or transferee of all or any material portion of the electric transmission system(s) of one (1) or more of Subscriber's Designated Transmission Owners.

### **16.3 Conditions to Assignments.**

16.3.1. Any assignment by Subscriber (other than a collateral assignment to a Lender pursuant to Section 16.2.2 of this Part 2) shall be subject to receipt by Grid Assurance, in form and substance acceptable to Grid Assurance, of: (a) a written certification by the assignee that the representations and warranties set forth in Section 15.1 and Section 15.2 of this Part 2 are true and correct as to the assignee as of the date of the assignment; (b) a written acknowledgement by the assignee of the matters set forth in Section 15.3 of this Part 2; and (c) evidence that the assignee is in compliance with Article 10 of this Part 2 (Subscriber Credit Requirements).

16.3.2. No assignment of the Agreement shall act to release, or be deemed to release, the assigning Party from any of its obligations hereunder unless the assignee (including a purchaser or transferee of all or any material portion of the electric transmission system of a Designated Transmission Owner from a Lender pursuant to a collateral assignment to such Lender pursuant to Section 16.2.2 of this Part 2) enters into an agreement, in form and substance reasonably acceptable to the non-assigning Party, to assume the obligations and liabilities of the assigning Party.

#### 16.4 Partial Transfers of Subscriber's Electric Transmission System.

16.4.1. In the event Subscriber or any Affiliate thereof enters into a transaction, the result of which will be that any material portion of the electric transmission system(s) of any Designated Transmission Owner will be owned by a Third Party and, as a result of such transaction, Subscriber desires to reduce the Nominated Quantity in any Equipment Class in which any of its Designated Transmission Owners then participates:

- (a) Grid Assurance shall, at Subscriber's request, negotiate in good faith with the Third Party Transmission Purchaser in an effort to enter into one (1) or more new Subscription Agreements with such Third Party Transmission Purchaser and/or its Affiliate(s);
- (b) if, in connection with a transaction described in this Section 16.4.1, the Third Party Transmission Purchaser and/or its Affiliates enter into one (1) or more new Subscription Agreements (or amend one (1) or more existing Subscription Agreements) and, pursuant thereto, the amount of any reduction in the Nominated Quantity pursuant to an amendment of the Agreement (for each Equipment Class for which the Nominated Quantity was reduced by such amendment) is included in any new, or added to any amended, Subscription Agreement(s) executed by the Third Party Transmission Purchaser and/or its Affiliates, notwithstanding Section 6.4 of this Part 2, Subscriber shall not be liable for any Reduction Liability in connection with the reduction in Nominated Quantity(ies) pursuant to such amendment of the Agreement; and
- (c) if, in connection with a transaction described in this Section 16.4.1, the Third Party Transmission Purchaser and/or its Affiliates do not enter one (1) or more new Subscription Agreements (or amend one (1) or more existing Subscription Agreements) pursuant to which the amount of any reduction in the Nominated Quantity pursuant to an amendment of the Agreement (for each Equipment Class for which the Nominated Quantity was reduced by such amendment) is not fully added to new or amended Subscription Agreement(s) executed by the Third Party Transmission Purchaser and/or its Affiliates, Subscriber shall be liable for the Reduction Liability calculated based on the difference (for each Equipment Class for which the Nominated Quantity was reduced by such amendment) between (i) Subscriber's Nominated Quantity immediately prior to the amendment of the Agreement, and (ii) the total Nominated Quantities of Third Party Transmission Purchaser and its Affiliates under any new or amended Subscription Agreements.

16.4.2. Subscriber shall pay any Reduction Liability owed in connection with an amendment of the Agreement to reduce any Nominated Quantity(ies) pursuant to Section 16.4.1(c) of this Part 2 no later than thirty (30) days after the effective date of such amendment.

## **ARTICLE 17 NOTICES**

### **17.1 Manner of Notice.**

All notices, approvals, consents or other communications required or authorized pursuant to the Agreement must be in writing, addressed to the other Party at the address(es) specified on Schedule 17 and shall be delivered by electronic mail (with confirmation of receipt), hand delivery or nationally recognized overnight courier service and shall be deemed given on the Business Day following the day on which it was delivered (unless hand delivered prior to 5:00 p.m. local time on a Business Day, in which case it shall be deemed received on such day).

### **17.2 Change in Notice Information.**

Subscriber may modify the notice information set forth on Schedule 17 by providing notice of such modification to Grid Assurance in accordance with Section 17.1 of this Part 2. Upon receipt of modified notice information from Subscriber or if Grid Assurance desires to modify its notice information, Grid Assurance shall prepare and provide to Subscriber a revised Schedule 17 setting forth the modified notice information, which revised schedule shall automatically, as of the date of delivery thereof to Subscriber: (a) be deemed to replace, supersede and be substituted for the Schedule 17 previously attached hereto; and (b) become part of the Agreement.

## **ARTICLE 18 NON-RECOURSE OBLIGATIONS**

Notwithstanding any other provision of the Agreement, no Person other than the Parties hereto (including officers, employees, executives, directors, members, shareholders, agents and authorized representative of the Parties and their respective Affiliates) shall have any liability in connection with, or related to, the Agreement or any performance or non-performance hereunder other than, in the case of Subscriber, liability pursuant to the terms of a letter of credit, guarantee or other credit support provided pursuant to Article 10 of this Part 2.

## **ARTICLE 19 GOVERNING LAW**

The rights and obligations of the Parties arising out of the Agreement shall be governed in all respects by, and enforced in accordance with, the laws of the State of New York (excluding Section 5-323 of the New York General Obligations Law) without regard to its conflicts of laws principles (other than Section 5-1401 of the New York General Obligations Law).

## **ARTICLE 20 JURISDICTION, VENUE AND WAIVER OF JURY TRIAL**

### **20.1 Jurisdiction.**

Each Party hereby consents to personal jurisdiction in the State of Ohio for any Claim arising out of, or in connection with, the Agreement.

### **20.2 Venue.**



20.2.1. Each Party hereby consents to venue in the state and federal courts sitting in the State of Ohio for any Claim arising out of, or in connection with, the Agreement.

20.2.2. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY STATE OR FEDERAL COURT SITTING IN FRANKLIN COUNTY, OHIO IN ANY ACTION OR PROCEEDING ARISING OUT OF, OR RELATING TO, THE AGREEMENT, AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

20.3 Waiver of Right to Jury Trial.

**TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND AS SEPARATELY BARGAINED-FOR CONSIDERATION, EACH PARTY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY CLAIM ARISING OUT OF, OR IN CONNECTION WITH, THE AGREEMENT.**

**ARTICLE 21  
MISCELLANEOUS PROVISIONS**

21.1 Contract Interpretation.

The following rules of construction shall apply when interpreting the Agreement:

- (a) all references in the Agreement to Parts, Articles, Sections and Schedules refer to Parts, Articles, Sections and Schedules of the Agreement unless expressly provided otherwise;
- (b) the headings appearing in the Agreement are for convenience only, do not constitute any part of the Agreement and shall be disregarded in construing the language contained herein;
- (c) the terms “herein,” “hereby,” “hereunder,” “hereof” and terms of similar import in the Agreement refer to the Agreement as a whole and not to any particular subdivision unless expressly so limited and the term “this Section” refers only to the Section hereof in which such words occur;
- (d) the word “including” (in its various forms) means “including without limitation”;
- (e) each Schedule to the Agreement shall be deemed to be incorporated herein by reference as if such Schedule were set forth in its entirety herein; and
- (f) no term of the Agreement shall be construed in favor of, or against, a Party as a consequence of one Party having had a greater role in the preparation or drafting of the Agreement, but shall be construed as if the language were mutually drafted by each Party with full assistance of counsel.

21.2 Entire Agreement.

The Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous and collateral agreements or understandings with respect to such subject matter.

### 21.3 Amendments.

Subject to Section 2.2.3 and Section 4.3.3 of this Part 2, amendments to the Agreement shall only be effective if made in writing and signed by both Parties; *provided, however*, that amended Schedules may be replaced as expressly authorized herein and shall thereby become part of the Agreement. Any amendment of the Agreement shall be effective upon execution and delivery thereof by the Parties.

### 21.4 Further Assurances.

Each Party agrees to provide such information, execute and deliver any instruments and documents and to take such other actions as may be necessary or reasonably requested by each other Party in order to give full effect to the Agreement.

### 21.5 Severability.

If any provision of the Agreement is held to be illegal, invalid or unenforceable under present or future laws: (a) such provision shall be fully severable; (b) the Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of the Agreement; (c) the remaining provisions of the Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from the Agreement; and (d) the Parties shall negotiate in good faith in attempting to amend such provision so that it is legal, valid and enforceable and would produce as nearly as possible the intended rights and obligations of the Parties.

### 21.6 Sole Benefit.

The Agreement and all rights hereunder are intended for the sole benefit of the Parties and shall not imply or create any rights on the part of, or obligations to, any other Person except to the extent expressly provided herein with respect to the rights of, and obligation to, Indemnified Persons and Designated Transmission Owners.

### 21.7 Counterparts.

The Parties may execute and deliver the Agreement in counterparts, all of which shall be deemed originals. Signatures delivered by facsimile or other electronic means shall be as valid as original ones.

### 21.8 Survival.

The provisions of the Agreement that by their nature survive its termination (including Article 11 (Indemnification), Section 13.4 (Subscriber Liability upon Termination) Article 14 (Remedies; Limitations of Liability) and Article 15 (Representations, Warranties and Acknowledgements) of this Part 2) shall survive such termination.

### 21.9 No Partnership; Independent Contractor.

21.9.1. The Agreement shall not be construed as creating a joint venture or partnership between the Parties.

21.9.2. Grid Assurance shall perform its obligations pursuant to the Agreement as an independent contractor to Subscriber and shall not in any respect be deemed an agent of Subscriber for any purpose or reason whatsoever. Grid Assurance is an independent contractor and all of employees and agents shall be subject solely to the control, supervision and authority of Grid Assurance.

21.10 Waivers.

No waiver of any of the provisions of the Agreement shall be binding unless in writing and signed by a duly authorized representative of the Party or, if applicable, the Indemnified Person to be bound. No waiver by a Party of any right or obligation hereunder shall be interpreted as constituting a waiver going forward with respect to any similar or related circumstance.

*[END OF PART 2]*

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 2.1**

**EQUIPMENT CLASSES, DESIGNATED TRANSMISSION OWNERS  
AND NOMINATED QUANTITIES**

Designated Transmission Owners

[REDACTED]

Nominated Quantities

<b>Equipment Class</b>	<b>Nominated Quantity*</b>
Circuit Breaker – CB-500	
Circuit Breaker – CB-345	
Circuit Breaker – CB-230	
Circuit Breaker – CB-161	
Circuit Breaker – CB-138	
Circuit Breaker – CB-069	
Transformer – H500-L345 (1ø)	
Transformer – H500-L230 (1ø)	
Transformer – H500-L230 (3ø)	
Transformer – H500-L069	
Transformer – H345-L230	
Transformer – H345-L161	
Transformer – H345-L138	
Transformer – H345-L125	
Transformer – H345-L115 (3ø)	
Transformer – H345-L069	
Transformer – H230-L161	
Transformer – H230-L138	
Transformer – H230-L115	
Transformer – H230-L069	

\* NP signifies that Subscriber is not participating in the designated Equipment Class.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 2.2**

**SPARING PROTOCOLS**

1. Equipment Classes will be established in a manner intended to allow Subscriber Group Members to benefit from cost sharing and pooling.
2. The Target Inventory Level for each Equipment Class will be established based on a documented methodology that will provide for consideration of various factors, including:
  - a. the Nominated Quantities of Subscriber Group Members participating in the Equipment Class;
  - b. input from the Equipment Committee associated with that Equipment Class;
  - c. the types of Qualifying Event that could reasonably be expected to occur;
  - d. the perceived risk or probability of a Qualifying Event occurring; and
  - e. the anticipated magnitude of damage resulting from one or more Qualifying Events, including reasonably coincident Qualifying Events.
3. In evaluating the risk of technological or physical obsolescence of an Inventoried Spare, various factors will be considered, including:
  - a. the condition of the Inventoried Spare, as determined by tests and checks;
  - b. the length of time the Inventoried Spare has been in storage;
  - c. the then-current state of the Equipment Manufacturer's warranty on the Inventoried Spare;
  - d. maintenance previously performed or needed on the Inventoried Spare; and
  - e. technological changes pertaining to the Inventoried Spare and comparable equipment.
4. The Target Inventory Level for each Equipment Class will be re-evaluated from time to time, including after the deployment of an Inventoried Spare from that Equipment Class. When the number of Inventoried Spares in an Equipment Class is less than the Target Inventory Level, the stock of Inventoried Spares will be replenished to the Target Inventory Level as soon as reasonably practicable consistent with Good Utility Practice and Grid Assurance's procurement policies and practices. Inventoried Spares may be procured on an expedited basis if appropriate.
5. A variety of factors will be used in evaluating the types of Inventoried Spares to procure for each Equipment Class, including:
  - a. the technical requirements of Subscriber Group Members participating in the applicable Equipment Class;

- b. industry experience with the equipment and the Equipment Manufacturer;
- c. price;
- d. commercial terms and conditions (including warranty provisions) available from Equipment Manufacturers; and
- e. the expected delivery date.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 2.7**

**INSURANCE REQUIREMENTS**

**1. Required Insurance Coverage**

- (a) Workers' Compensation and Employers' Liability. If required, Grid Assurance shall maintain Workers' Compensation insurance coverage with statutory limits or qualified self-insurance in compliance with all applicable laws. Grid Assurance shall maintain Employers' Liability insurance coverage in the amount not less than \$1,000,000 bodily injury each accident, \$1,000,000 for each employee by disease and \$1,000,000 disease policy limit.
- (b) Automobile Liability Insurance. Grid Assurance shall maintain Automobile Liability insurance coverage in respect of all owned, non-owned and hired motor vehicles used on public highways. The limit of liability shall not be less than \$1,000,000 combined single limit for all owned, non-owned and hired motor vehicles.
- (c) Aircraft Liability Insurance. If required and if aircraft are used in connection with performance by Grid Assurance, Grid Assurance shall maintain Aircraft Liability insurance coverage in respect of all aircraft owned, non-owned, hired or chartered for use, if any. The limit of liability shall not be less than \$10,000,000 per occurrence.
- (d) Commercial General Liability. Grid Assurance shall maintain Commercial General Liability and Excess Liability insurance coverage for Grid Assurance's legal liability arising out of Grid Assurance operations with bodily injury, property damage and personal injury liability limits of no less than \$35,000,000 per occurrence and \$35,000,000 annual aggregate. This requirement may be satisfied with any combination of primary or excess liability coverage and/or by a self-insured retention followed by excess liability insurance coverage.
- (e) Property Insurance. Grid Assurance shall maintain All-Risk Property insurance coverage for Grid Assurance property. Coverage shall be written on an "All-Risk" form at replacement cost valuation and shall include coverage for earth movement and flood, collapse, sinkhole, subsidence and removal of debris.

**2. Self-Insured Retentions and Deductibles**

Grid Assurance shall have the right to determine, in its reasonable judgment, the level of its self-insured retentions and/or deductibles under its insurance coverages.

**3. Evidence of Insurance**

Upon the request of Subscriber, Grid Assurance shall provide Subscriber with evidence of any insurance coverage required pursuant to this Schedule 2.7,

4. **Insurance Company Standards**

All insurance coverage required pursuant to this Schedule 2.7 shall be issued by insurance companies having an A.M. Best rating of A- / VII or better as long as rated carriers are available. Other insurers may be used at the discretion of Grid Assurance.

5. **Endorsements**

To the extent the following endorsements may be obtained on a commercially reasonable basis without materially adversely affecting the quality of Grid Assurance's coverage for insured risks, Grid Assurance shall cause the insurance coverage required pursuant to this Schedule 2.7 to include the following endorsements:

- i. the insurer shall waive all rights of recovery and subrogation against Subscriber, its Affiliates and their respective officers, directors and employees; and
- ii. the liability insurance policies shall include Subscriber as an additional insured with respect to Subscriber's liability arising out of the operations of Grid Assurance.

6. **Primary and Non-Contributory Coverage**

The insurance coverage required pursuant to this Schedule 2.7 shall be primary to, and non-contributory with, any insurance or self-insurance of Subscriber.

7. **Several Liability and Cross Liability**

All Commercial General Liability and Excess/Umbrella Liability insurance coverage maintained by Grid Assurance pursuant to this Section 2.7 shall include severability of interest and cross-liability clauses.



**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 3.2**

**FORM OF FEE CONFIRMATION NOTICE**

Reference is made to that certain Subscription Agreement dated as of \_\_\_\_\_, 20\_\_ (the “*Agreement*”) between \_\_\_\_\_ [NAME OF SUBSCRIBER] (“*Subscriber*”) and Grid Assurance LLC (“*Grid Assurance*”). Capitalized terms used but not defined in this Fee Confirmation Notice shall have the meanings ascribed to such terms in the Agreement.

Subscriber hereby confirms and serves notice to Grid Assurance that:

1. as of the date hereof, Subscriber is in receipt of a valid Fee Estimate Certification that covers every Equipment Class in which each Designated Transmission Owner is participating, as such Equipment Classes are designated on Schedule 2.1 of the Agreement (which Fee Estimate Certification is attached hereto as Attachment 1);
2. Subscriber has not received any Fee Estimate Certification after the Fee Estimate Certification attached hereto as Attachment 1;
3. the estimated Sparing Service Fee set forth in the Fee Estimate Certification attached hereto as Attachment 1 is acceptable; and
4. this Fee Confirmation Notice is irrevocable by Subscriber but shall automatically be rendered invalid if, after the date hereof, Grid Assurance delivers a new Fee Estimate Certification to Subscriber.

[NAME OF SUBSCRIBER]

By:

\_\_\_\_\_  
[NAME OF DULY AUTHORIZED OFFICER]  
[TITLE]

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 4.1**

**FORM OF QE PURCHASE NOTICE**

Reference is made to that certain Subscription Agreement dated as of \_\_\_\_\_, 20\_\_ (the “*Agreement*”) between \_\_\_\_\_ [NAME OF SUBSCRIBER] (“*Subscriber*”) and Grid Assurance LLC (“*Grid Assurance*”). Capitalized terms used but not defined in this QE Purchase Notice shall have the meanings ascribed to such terms in the Agreement.

The undersigned (“[NAME OF DESIGNATED TRANSMISSION OWNER]”) hereby confirms and serves notice to Grid Assurance that:

5. [NAME OF DESIGNATED TRANSMISSION OWNER] is a Designated Transmission Owner under the Agreement.
6. On or about [DATE], a Qualifying Event occurred which damaged, destroyed or materially impaired the safe operation of equipment comprising [NAME OF DESIGNATED TRANSMISSION OWNER]’s electric transmission system.
7. Set forth in Attachment 1 hereto is a description of the Qualifying Event and its impact on [NAME OF DESIGNATED TRANSMISSION OWNER]’s electric transmission system, other interconnected transmission systems and electric consumers.
8. As a result of the Qualifying Event described in Attachment 1 hereto, [NAME OF DESIGNATED TRANSMISSION OWNER] desires to purchase the type(s) and quantity of Inventoried Spares identified in Attachment 2 hereto.
9. [NAME OF DESIGNATED TRANSMISSION OWNER] is purchasing the Inventoried Spare(s) referenced in Attachment 2 hereto for its own account either to replace electric transmission equipment that has been damaged, destroyed or materially impaired by a Qualifying Event or to replace spare equipment that has been installed or will be installed to replace electric transmission equipment that has been damaged, destroyed or materially impaired by a Qualifying Event.
10. The Agreement is in full force and effect as of the date hereof.

[NAME OF DESIGNATED TRANSMISSION OWNER]

By: \_\_\_\_\_  
[NAME OF DULY AUTHORIZED OFFICER]  
[TITLE]

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 4.3**

**DEPLOYMENT PROTOCOLS**

1. Upon the occurrence of a Qualifying Event affecting one or more Transmission Group Members, deployments of Inventoried Spares from an Equipment Class will be made on a first priority basis to Transmission Group Members participating in that Equipment Class (up to their respective Nominated Quantities, recognizing that multiple Transmission Group Members covered by a single Subscription Agreement will, in the aggregate, be limited to the Nominated Quantity for an Equipment Class). Such deployments shall be considered "Tier 1" deployments for purposes of these Deployment Protocols.
2. Grid Assurance will utilize the following priorities when considering Discretionary Sales of Inventoried Spares from an Equipment Class:
  - a. Tier 2 – to Transmission Group Members participating in that Equipment Class, in quantities above their respective Nominated Quantities, based on one or more Qualifying Events affecting such Transmission Group Members;
  - b. Tier 3 – to Transmission Group Members not participating in that Equipment Class based on one or more Qualifying Events affecting such Transmission Group Members;
  - c. Tier 4 – to Persons other than Transmission Group Members, at their request based on one or more circumstances that would be Qualifying Events if such Persons were Transmission Group Members participating in that Equipment Class;
  - d. Tier 5 – to Transmission Group Members participating in that Equipment Class based on circumstances that are not a Qualifying Event; and
  - e. Tier 6 – to Persons other than Transmission Group Members based on circumstances that would not be a Qualifying Event if such Persons were Transmission Group Members participating in that Equipment Class.
3. For purposes of applying these Deployment Protocols, reasonably coincident Qualifying Events affecting one or more Transmission Group Members may be considered simultaneously by Grid Assurance (without reference to the actual timing of their occurrence).
4. If the number of Inventoried Spares in an Equipment Class is inadequate to satisfy the demands of Transmission Group Members within a Tier described above, Inventoried Spares will be deployed in accordance with the terms of the Agreement on a non-discriminatory basis taking into consideration the following factors to the extent known by Grid Assurance:
  - a. within Tier 2, the relative Nominated Quantities of the Transmission Group Members participating in an Equipment Class (recognizing that multiple Transmission Group Members covered by a single Subscription Agreement will, in the aggregate, be limited to the Nominated Quantity for the applicable Equipment Class);
  - b. the impact on the stability of the bulk electric transmission network;

- c. the total electric load and number of customers impacted; and
  - d. whether electric service can be restored with fewer Inventoried Spares than the quantities requested by the Transmission Group Members.
5. If there are multiple Inventoried Spares in an Equipment Class that are capable of meeting the needs of a purchaser, Inventoried Spares will be deployed from the GA Warehouse closest to the purchaser's affected facility on a "First In-First Out" basis for each Equipment Class. For a Discretionary Sale initiated by Grid Assurance (*i.e.*, not based on a request of a Transmission Group Member or other prospective purchaser), an Inventoried Spare may be deployed from an Equipment Class other than on a "First In-First Out" basis so long as all Transmission Group Members participating that Equipment Class are allowed to participate in the process by which the Discretionary Sale is conducted.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 4.5**

**STANDARD TERMS FOR SALES OF INVENTORIED SPARES**

1. Delivery.

Sales of Inventoried Spares will be made on a Free Carrier (FCA) basis (Incoterms 2010) at the GA Warehouse at which such Inventoried Spares are located.

The Transmission Group Member will be solely responsible for:

- a) providing Grid Assurance with prompt notice of the identity of the designated carrier and the proposed transportation vehicle(s) to be used to receive the Inventoried Spares;
- b) providing all necessary transportation vehicles, all of which will be subject to Grid Assurance's approval, such approval not to be unreasonably withheld, delayed or conditioned;
- c) insuring all Inventoried Spare while in transit and thereafter; and
- d) arranging and paying for import clearance, if applicable.

Grid Assurance will be solely responsible for: (i) loading all Inventoried Spares onto the transportation vehicle of the Transmission Group Member's carrier; and (ii) clearing Inventoried Spares for export, if applicable.

Grid Assurance and the Transmission Group Member will reasonably cooperate in connection with the transportation of Inventoried Spares from a GA Warehouse, including with respect to scheduling the pick-up and delivery thereof.

2. Taxes and Other Fees.

As between the parties to the purchase and sale agreement, the Transmission Group Member will be solely responsible for all taxes, duties (including custom duties), assessments, fees (including export fees) and other costs and charges incurred in connection with, or as a result of, the purchase of Inventoried Spares.

Grid Assurance will reasonably cooperate with the Transmission Group Member to minimize any taxes, duties, assessments, fees and other costs and charges incurred in connection with, or as a result of, the sale of the Inventoried Spares; *provided, however*, that the Transmission Group Member will be solely responsible for notifying Grid Assurance of any actions or filings required to be taken or made, and providing exemption certificates and other documentation that may need to be completed or filed, to minimize any such taxes, duties, assessments, fees and other costs and charges.

3. Operational Testing.

To the extent required by Good Utility Practice, Grid Assurance will conduct Operational Testing of Inventoried Spares prior to the delivery thereof to the Transmission Group Member. Grid Assurance will allow the Transmission Group Member and its representatives to witness, and shall reasonably cooperate with the Transmission Group Member to schedule, such Operational Testing; *provided, however,* that: (a) such Persons must agree to comply with Grid Assurance's standard health, safety, security and confidentiality requirements; and (b) Grid Assurance will not be responsible or liable in any way for any delays to the extent caused by or due to the Transmission Group Member or its representatives witnessing Operational Testing of Inventoried Spares.

4. Warranties.

Grid Assurance will warrant that each Inventoried Spare sold by Grid Assurance to the Transmission Group Member:

- a) has not been operated since its acquisition by Grid Assurance other than for purposes of Operational Testing, maintenance and other activities consistent with Good Utility Practice; and
- b) has been properly stored and maintained in accordance with Good Utility Practice and any additional requirements necessary to keep Equipment Manufacturers' warranties in effect during applicable warranty periods.

Grid Assurance will not make any other express warranties in connection with a sale of any Inventoried Spares. All implied warranties with respect to any such sale will be expressly disclaimed.

Grid Assurance will not be liable for the breach of any warranty to the extent such breach is caused by, or results from, Force Majeure.

5. Assignment of Equipment Manufacturer Terms.

Upon a sale of any Inventoried Spare to the Transmission Group Member, Grid Assurance will assign to the Transmission Group Member any warranties, indemnities and other terms and conditions that: (a) the Equipment Manufacturer of such Inventoried Spare agreed to upon the sale thereof to Grid Assurance; (b) remain in effect at the time of sale by Grid Assurance; and (c) are assignable. Sales of Inventoried Spares will be subject to any restrictions, limitations and conditions imposed by the applicable Equipment Manufacturer and made known to the Transmission Group Member at the time of sale, including any such conditions pertaining to the transportation, delivery and/or installation of the Inventoried Spares.

6. Title and Risk of Loss.

Title to, and risk of loss of, each Inventoried Spare sold by Grid Assurance to the Transmission Group Member will transfer when such Inventoried Spare is loaded onto the vehicle of the Transmission Group Member's designated carrier at a GA Warehouse.

7. No Liens.

Any Inventoried Spare sold by Grid Assurance to the Transmission Group Member will be delivered free and clear of all liens and encumbrances other than any liens or encumbrances: (a) based on the Transmission Group Member's failure to pay any amount owed to Grid Assurance; or (b) created by or through the Transmission Group Member or its affiliated Subscriber Group Member, including any liens or encumbrances of any Lenders.

8. Payment.

Payment for Inventoried Spares will be due and payable in full thirty (30) days after delivery of a proper invoice, which Grid Assurance shall provide upon delivery (unless the Transmission Group Member is providing credit support in the form of pre-payment, in which case Grid Assurance shall provide the Transmission Group Member with an invoice, and payment shall be due, prior to delivery).

9. Credit Support.

If, at the time of sale of any Inventoried Spares, the Transmission Group Member does not have a credit rating on its long-term unsecured debt obligations of at least "BBB-" by S&P or "Baa3" by Moody's, such sale will be subject to the Transmission Group Member providing Grid Assurance with:

- a) an irrevocable, stand-by letter of credit in favor of Grid Assurance, which letter of credit shall (i) have a face amount equal to the purchase price of the Inventoried Spare, (ii) be issued by a United States bank having a credit rating of at least A- from S&P or A3 from Moody's, and (iii) be subject to terms and conditions reasonably acceptable to Grid Assurance;
- b) an irrevocable corporate guarantee in favor of Grid Assurance issued by a guarantor reasonably acceptable to Grid Assurance on terms and conditions reasonably acceptable to Grid Assurance;
- c) full payment of the purchase price prior to delivery; or
- d) such other credit support or evidence of creditworthiness as may be reasonably acceptable to Grid Assurance (based on considerations applied consistently by Grid Assurance).

10. Indemnification.

In connection with a sale of any Inventoried Spare, each party to the purchase and sale agreement will indemnify, defend and hold harmless the other party's Indemnified Persons from and against all Claims asserted by Third Parties to the extent caused by: (a) a breach of that purchase and sale agreement by the indemnifying party; or (b) the negligent acts or omissions, or any fraud or willful misconduct, of the indemnifying party, its agents, representatives or contractors of any tier or any of their respective officers, directors or employees in connection with, or related to, that purchase and sale agreement; *provided, however*, that Grid Assurance shall have no obligation to indemnify, defend or hold harmless the Transmission Group Member, its affiliated Subscriber Group Member or any of such Subscriber Group Member's Subscriber Indemnified Persons with respect to any Claim asserted by any customers of the Transmission Group Member or any of its Affiliates.

The Transmission Group Member will indemnify, defend and hold harmless Grid Assurance's Indemnified Persons from and against all Claims asserted by any customers of the Transmission Group Member or its Affiliates in connection with, or related to, a purchase and sale of any Inventoried Spare.

11. Insurance.

Each of Grid Assurance and the Transmission Group Member will be obligated to: (a) procure and maintain (through Third Party insurers or self-insurance programs reasonably acceptable to the other party) specified property and liability insurance coverage; and (b) provide evidence of required insurance coverage upon the request of the other party.

12. Remedies; Limitations of Liability.

Grid Assurance's aggregate liability in connection with the purchase and sale of any Inventoried Spare will be limited to the purchase price of such Inventoried Spare, except to the extent of damages caused by Grid Assurance's gross negligence, fraud or willful misconduct.

The Transmission Group Member's exclusive remedy against Grid Assurance for a failure by Grid Assurance to properly deliver any Inventoried Spare will be repair or replacement of such equipment or reimbursement of the purchase price.

Each of Grid Assurance and the Transmission Group Member will waive any right it may have against the other party or any of the other party's contractors or suppliers of any tier for any special, indirect, incidental, punitive, consequential or exemplary damages of any kind or nature whatsoever, or damages arising from, or in connection with, such party's loss of actual or anticipated profits or revenues, in each case arising out of, in connection with, or resulting from the purchase or sale of any Inventoried Spare(s), regardless of whether any claim for such damages is based on contract, warranty, tort (including negligence), strict liability or otherwise.

13. Assignment.

The Transmission Group Member will be permitted to assign the purchase and sale agreement pertaining to any Inventoried Spare(s) to a subsequent purchaser of such Inventoried Spare(s). Any other assignment of such purchase and sale agreement will be subject to the approval of the non-assigning party, such approval not to be unreasonably withheld, delayed or conditioned. No assignment will relieve the assigning party of its obligations or liabilities in connection with any such purchase and sale agreement unless the parties and the assignee enter into a definitive assignment and assumption agreement.



**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 5.1**

**SPARING SERVICE FEE**

The Sparing Service Fee for each Billing Period shall be equal to the amount calculated based on the following formula, as applied to every Equipment Class in which Subscriber is participating:

$$SSF = \sum TOAS_{EC} \times [ECC + ACC_{EC} + (AEB_{EC} \times TAR) + OC_{EC} - SCA_{EC}]$$

Where

- SSF = *Sparing Service Fee*, as defined in Part 1 of the Agreement.
- TOAS<sub>EC</sub> = *Transmission Owner Allocated Share* for the applicable Equipment Class; *provided, however*, that for purposes of calculating the Sparing Service Fee payable for any Billing Period, the Transmission Owner Allocated Share determined as of the end of the applicable Billing Period shall be utilized.
- ECC = *Equipment Class Costs*, which shall be the total maintenance expenses incurred by Grid Assurance for the applicable Billing Period to maintain Inventoried Spares in the applicable Equipment Class.
- ACC<sub>EC</sub> = *Allocated Common Costs* for the applicable Equipment Class, which shall be, for each discreet category of Common Subscriber Costs, the product of the total costs incurred by Grid Assurance for that category for the applicable Billing Period multiplied by the applicable Common Cost Allocation Factor; *provided, however*, that the total of all Allocated Common Costs for all Equipment Classes for any Billing Period shall equal the total Common Subscriber Costs for that Billing Period.
- AEB<sub>EC</sub> = *Allocated Equity Balance* for the applicable Equipment Class, which shall be the product of the Total Equity Balance multiplied by the Equity Allocation Factor for that Equipment Class; *provided, however*, that the total of all Allocated Equity Balances for all Equipment Classes for any Billing Period shall equal the Total Equity Balance for that Billing Period.
- TAR = *Tax Adjusted Return*, which shall be the percentage derived by dividing the Return on Equity as of the end of the applicable Billing Period by the difference between one (1) less the Income Tax Rate as of the end of that Billing Period.
- OC<sub>EC</sub> = *Obsolescence Charge* for the applicable Equipment Class, which shall apply in the event the sale price of an Inventoried Spare in that Equipment Class is sold by Grid Assurance for a price less than the Original Cost of that Inventoried Spare, in which case there will be an Obsolescence Charge for the applicable Billing Period equal to the difference between the Original Cost of the Inventoried Spare less its sale price. In the event Grid Assurance attempts, but is unable within a commercially reasonable period, to sell an Inventoried Spare, the Obsolescence Charge for that Inventoried Spare will be equal to its Original Cost plus the total expenses, if any, incurred by Grid Assurance to dispose of that Inventoried Spare. If Grid Assurance initiates any Discretionary Sale(s) of any surplus Inventoried Spare(s) from an Equipment Class pursuant to

Section 4.2.6 of Part 1 following any termination of, or any reduction or elimination of a Nominated Quantity in, any Subscription Agreement, any revenues paid to Grid Assurance in respect of any Equipment Reduction Contribution (as defined in Schedule 6.2) or any Equipment Contribution (as defined in Schedule 13.3) for that Equipment Class shall be applied to offset any Obsolescence Charge resulting from such Discretionary Sale(s).

$SCA_{EC}$  = **Subscriber Credit Amount** for the applicable Equipment Class, which shall be the sum of any of the following revenues received by Grid Assurance during the applicable Billing Period: (a) any proceeds of sales received by Grid Assurance on the sale of any Inventoried Spare (net of taxes, fees and other costs and charges incurred in connection with such sale) to the extent such proceeds exceed the Original Cost of such spare; (b) the portion of any Reduction Liability representing any Sparing Service Fee Reduction (“SSFR” as described in Schedule 6.2) for the applicable Equipment Class; (c) the portion of any Termination Liability representing Sparing Service Fee Loss (“SSFL” as described in Schedule 13.3) for the applicable Equipment Class; and (d) revenues received by Grid Assurance pursuant to Section 4.2.3(b) or Section 4.2.4(b) of Part 1 and allocated to the applicable Equipment Class. The portion of any Subscriber Credit Amount described in clauses (b) and (c) above shall be applied ratably over the five (5) year period following payment of the Reduction Liability or the Termination Liability, as applicable.

The following capitalized terms, as used in this Schedule 5.1, shall have the meanings set forth below:

**Common Subscriber Costs:** The total of operating, maintenance and other expenses incurred by Grid Assurance net of Equipment Class Costs (ECC) and miscellaneous income (excluding income reflected in Subscriber Credit Amounts ( $SCA_{EC}$ )) for the applicable Billing Period. Common Subscriber Costs include labor and personnel costs, general and administrative expenses, insurance expenses, depreciation (determined in accordance with GAAP), taxes other than income taxes, Start-Up Costs and interest expense on debt. The amount of Common Subscriber Costs will be based on actual costs incurred through the end of the applicable Billing Period. Any corrections to the values included in the calculation of Common Subscriber Costs (whether discovered by Grid Assurance, a Subscriber Group Member, an audit or otherwise) will be applied (without interest) as a credit or debit to Common Subscriber Costs promptly after the discovery and verification of the error; *provided, however*, that no such corrections shall be made for errors discovered more than eighteen (18) months after the date of an invoice. Any revenues paid to Grid Assurance in respect of an Equipment Reduction Contribution (as defined in Schedule 6.2) or an Equipment Contribution (as defined in Schedule 13.3) and not required to be applied to offset an Obsolescence Charge resulting from a Discretionary Sale of any surplus Inventoried Spare(s) shall be applied to offset Common Subscriber Costs on a *pro-rata* basis.

**Common Cost Allocation Factor:** For each discreet category of Common Subscriber Costs, a fraction used to allocate such costs among all Equipment Classes based on the portion of such costs that are attributable to each Equipment Class, as determined by Grid Assurance in its reasonable judgment; *provided, however*, that the total of the Common Cost Allocation Factors for each category of Common Subscriber Costs shall, for all periods, equal one hundred percent (100%).

**Equity Allocation Factor:** With respect to an Equipment Class, a fraction, the numerator of which is the aggregate of the Original Cost of all Inventoried Spares in that Equipment Class as of the end of the applicable Billing Period and the denominator of which is the aggregate of the Original Cost of all Inventoried Spares in all Equipment Classes as of the end of that Billing Period.

**FERC:** The Federal Energy Regulatory Commission or its successor.

**Income Tax Rate:** The sum of: (a) the highest United States federal corporate income tax rate in effect as of the end of the applicable Billing Period; plus (b) a weighted average of the highest state corporate income tax rates in effect as of the end of that Billing Period in the states in which the owners of Grid Assurance are legally domiciled for tax purposes.

**Return on Equity:** The simple average of the then-current returns on equity in the transmission formula rates on file at FERC for all Affiliates of the then-current owners of Grid Assurance that have transmission formula rates on file at FERC. Such returns on equity shall include any FERC-approved adjustments (*e.g.*, adders for participation in a regional transmission organization) other than any such adjustments awarded for specific transmission projects. The Return on Equity shall be calculated and updated on an annual basis.

**Start-Up Costs:** All costs incurred by Grid Assurance prior to the date as of which Subscriber Group Members are obligated to commence payment of the Sparing Service Fee, including costs incurred in connection with the formation of Grid Assurance and a carrying charge applicable to the period between the time when costs were incurred and applicable Fee Commencement Dates. Start-Up Costs will be capitalized and amortized over a period of five (5) years commencing as of the Fee Commencement Date for each Equipment Class.

**Total Equity Balance:** The common equity balance of Grid Assurance as of the end of the applicable Billing Period, as determined in accordance with GAAP and reflected on the Grid Assurance balance sheet, which Total Equity Balance shall include paid in capital, retained earnings and any other capital other than debt.

**NOTES:**

1. Any values to be determined as of a specified date (*e.g.*, the end of a Billing Period) may, in the reasonable discretion of Grid Assurance, be pro-rated in order to avoid manifest unfairness.
2. For purposes of calculating the Allocated Common Costs during the period in which Start-Up Costs are being accrued, Common Cost Allocation Factors will be set as if the Fee Commencement Date had occurred for all Equipment Classes then contemplated to be formed. Once Start-Up Costs are no longer being accrued, there will be a true up for Allocated Common Costs based on the Common Cost Allocation Factors determined at such time by Grid Assurance.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 6.4**

**REDUCTION LIABILITY**

In the event the Agreement is amended to reduce a Nominated Quantity for any Equipment Class in which any Designated Transmission Owner is participating, the Reduction Liability shall be equal to the amount calculated based on the following formula, as applied to every Equipment Class for which the Nominated Quantity is reduced:

$$RL = \sum ERC + SSFR$$

Where

RL = *Reduction Liability*

ERC = *Equipment Reduction Contribution* for the applicable Equipment Class, which shall be equal to the product of: (a) the Transmission Owner Allocated Share Reduction (as defined below) for that Equipment Class; multiplied by (b) the Total Equipment Cost (as defined below) for that Equipment Class.

SSFR = *Sparing Service Fee Reduction* for the applicable Equipment Class, which shall be equal to the difference between: (a) the Sparing Service Fee that would have been payable by Subscriber for that Equipment Class for the entire Fee Forecast Period (as defined below) if the Agreement had not been amended to reduce the Nominated Quantity in that Equipment Class; and (b) the Sparing Service Fee that will be payable by Subscriber for that Equipment Class for the entire Fee Forecast Period based on the reduced Nominated Quantity, in both cases as reasonably determined by Grid Assurance; *provided, however*, that in determining any Sparing Service Fee that would have been payable by Subscriber during the Fee Forecast Period, Grid Assurance shall utilize the assumptions contained in the most recent five (5) year budget forecast provided to Subscriber Group Members pursuant to Section 8.1(b) of Part 2, except that (i) costs and revenues associated with any projected sales of Inventoried Spares shall be disregarded, and (ii) projected costs, revenues and assumptions for the final year of the budget forecast shall be used for any portion of the Fee Forecast Period that is not covered by that budget forecast. For purposes of calculating SSFR, the differences between the Sparing Service Fee payable by Subscriber shall be determined on an annual basis and present valued to the date of payment of the Reduction Liability using a discount rate equal to the then-current Consumer Price Index for all urban consumers (as published by the U.S. Department of Labor, Bureau of Labor Statistics) applicable to the area in which in which the principal place of business of Grid Assurance is located.

The following capitalized terms, as used in this Schedule 6.4, shall have the meanings set forth below:

***Amendment Date:*** The date as of which the Agreement is amended to reduce a Nominated Quantity.

***Fee Forecast Period:*** With respect to any amendment of the Agreement to reduce the Nominated Quantity in any Equipment Class, the sixty (60) Billing Periods immediately subsequent to the Amendment Date.

**Total Equipment Cost:** With respect to each Equipment Class in which any Designated Transmission Owner is participating, the aggregate of the Original Cost of all Inventoried Spares in that Equipment Class (including Inventoried Spares on order but not yet delivered) immediately prior to the Amendment Date, as reasonably determined by Grid Assurance.

**Transmission Owner Allocated Share Reduction:** With respect to each Equipment Class in which any Designated Transmission Owner is participating, the difference between: (a) the Transmission Owner Allocated Share for that Equipment Class immediately prior to the Amendment Date; and (b) the Transmission Owner Allocated Share for that Equipment Class immediately after the Amendment Date, as reasonably determined by Grid Assurance.

**NOTES:**

1. Once determined, the Reduction Liability shall not be reduced or offset for any reason, other than manifest error in the calculation thereof.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 12**

**NON-DISCLOSURE AGREEMENT**

This Non-Disclosure Agreement (the “*NDA*”) is entered into as of [\_\_\_\_\_] (the “*Effective Date*”) by and between Grid Assurance LLC, a Delaware limited liability company (“*Grid Assurance*”), and [Counterparty], a [state of formation, type of entity] (“*Counterparty*”). Each of Grid Assurance and [Counterparty] may be referred to individually as an “*NDA Party*” and collectively as the “*NDA Parties*.”

**RECITALS**

WHEREAS, Grid Assurance has been formed to procure, store, maintain and resell spare transmission equipment that will be made available to its contract customers (each, a “*Subscriber*”) upon the occurrence of certain events affecting its Subscribers; and

WHEREAS, [Counterparty] has expressed an interest in executing, or having one or more of its Affiliates execute, an agreement (when and if executed, a “*Subscription Agreement*”) with Grid Assurance to become a Subscriber; and

WHEREAS, the NDA Parties desire to exchange information, subject to the restrictions set forth herein.

NOW, THEREFORE, the NDA Parties hereby mutually agree as follows:

**ARTICLE 1  
DEFINITIONS**

1.1 Defined Terms.

The following capitalized terms, when used in this NDA, have the meanings set forth below:

***Affiliate:*** With respect to any Person, another Person that directly or indirectly controls, is under common control with, or is controlled by, such Person or any successor thereto; *provided, however*, that for purposes of this definition, control of a Person means the power, direct or indirect, to vote fifty percent (50%) or more of the securities having ordinary voting power for the election of the governing body of such Person or direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

***Business Day:*** Any day other than a Saturday, Sunday or federal holiday.

***Confidential Information:*** Subject to the exceptions set forth in Section 2.6, any proprietary or commercially sensitive information, knowledge or data in any form that: (a) is disclosed by a Disclosing Party or any of its Representatives to a Receiving Party or any of its Representatives; and (b) relates or pertains to (i) [Counterparty]’s consideration of becoming a Subscriber; or (ii) if [Counterparty] or any of its Affiliates becomes a Subscriber, the performance of the NDA Parties’ and such Affiliates’ obligations under the Subscription Agreement.

***Disclosing Party:*** The NDA Party that provides, or whose Representative provides, Confidential Information to a Receiving Party or any of its Representatives pursuant to this NDA.

**Governmental Authority:** Any federal or state department, commission, board, bureau, agency, authority or other body having regulatory or oversight jurisdiction or authority over a NDA Party.

**Person:** Any individual, partnership, joint venture, corporation, association, business, trust, unincorporated organization, limited liability company, Governmental Authority or other legal entity.

**Receiving Party:** The NDA Party that receives, or whose Representative receives, Confidential Information from a Disclosing Party or any of its Representatives pursuant to this NDA.

**Representative:** As to any NDA Party, its owners, their Affiliates and their respective directors, officers, employees, agents and advisors (including financial advisors, attorneys, accountants and lenders).

**Sparing Service:** The services provided by Grid Assurance to Subscribers pursuant to Subscription Agreements.

## ARTICLE 2 PROTECTION OF CONFIDENTIAL INFORMATION

### 2.1 Protection of Confidential Information.

Except for disclosures permitted pursuant to Section 2.3, a Receiving Party shall, and shall cause its Representatives to, protect, hold in confidence and not disclose to any Person any Confidential Information received from the Disclosing Party or any of its Representatives. Each Receiving Party shall use, and shall cause its Representatives to use, the same care in protecting Confidential Information that it uses to protect its own confidential information; *provided, however*, that a Receiving Party shall, at the very least, exercise commercially reasonable efforts to protect Confidential Information.

### 2.2 Restrictions on Use.

No Receiving Party nor any of its Representatives shall be permitted to use any Confidential Information provided by a Disclosing Party or any of its Representatives other than in connection with: (a) [Counterparty]'s consideration of becoming, or having any of its Affiliates become, a Subscriber; and/or (b) if [Counterparty] or any of its Affiliates becomes a Subscriber, the performance of Sparing Service by Grid Assurance.

### 2.3 Permitted Disclosures.

2.3.1. A Receiving Party may disclose Confidential Information on a “need-to-know” basis to its Representatives.

2.3.2. A Receiving Party may disclose Confidential Information to the extent, and only to the extent, that such disclosure is legally required by applicable law or is otherwise necessary to obtain or maintain regulatory or governmental approvals, applications or exemptions. In such cases, to the extent permitted by applicable law, the Receiving Party or its Representative, as applicable, shall: (a) give the earliest notice practicable to the Person that provided the Confidential Information that such disclosure is or may be required; (b) reasonably cooperate in protecting the confidential or proprietary nature of the Confidential Information that must be disclosed; (c) furnish only the portion of the Confidential Information that is legally required to be disclosed (as determined by the Receiving Party's or, if applicable, its Representative's legal counsel); and (d) exercise commercially reasonable efforts to obtain assurance that confidential treatment will be accorded the Confidential Information to the fullest extent practicable.

#### 2.4 Return or Destruction of Confidential Information.

A Receiving Party shall return or destroy all Confidential Information (including all copies thereof) within thirty (30) days of receipt of a written request from the Disclosing Party or any of its Representatives; *provided, however,* that: (a) a Receiving Party may retain one (1) or more copies of any Confidential Information solely for archival purposes or otherwise as may be required by applicable law; (b) the accounting, legal, financial and other advisors of a Receiving Party may retain copies of Confidential Information and work product that includes such Confidential Information in accordance with policies and procedures implemented by such advisors in order to comply with applicable law or regulations; and (c) a Receiving Party shall not be required to return, erase or destroy Confidential Information that (x) is commingled with other electronic records that are collected and maintained in an archived computer system backup in accordance with its standard procedures, or (y) the destruction of which would, in the opinion of the Receiving Party's legal counsel, be unlawful or violate any order, judgment, writ or decree to which the Receiving Party is subject, or by which it is bound.

#### 2.5 Responsibilities with Respect to Representatives.

All rights granted, and all restrictions applicable, to an NDA Party vis-à-vis Confidential Information shall be deemed to apply to its Representatives. Each NDA Party shall be responsible for the acts or omissions, including any breach of the terms hereof, of its Representatives.

#### 2.6 Exceptions.

Notwithstanding any other provision of this NDA, Confidential Information shall not include any information, knowledge or data that: (a) was known to the Receiving Party prior to the receipt thereof from the Disclosing Party or any of its Representatives; (b) was, or becomes, known to the public through no breach of the Receiving Party's or any of its Representatives' obligations hereunder; (c) is lawfully disclosed to the Receiving Party from a Person other than the Disclosing Party or any of its Representatives, which Person, to the knowledge of the Receiving Party, is under no obligation to the Disclosing Party or any of its Representatives that disclosed such information, knowledge or data to maintain the confidentiality thereof; or (d) is independently developed by the Receiving Party without any use of, or reference to, any Confidential Information provided by the Disclosing Party or any of its Representatives.

### **ARTICLE 3 NO REPRESENTATIONS AND WARRANTIES**

No Disclosing Party or any of its Representatives shall be deemed to have made any representation or warranty, express or implied, of any kind with respect to any Confidential Information including with respect to the accuracy or completeness thereof.

### **ARTICLE 4 TERM; DURATION OF OBLIGATIONS**

#### 4.1 Term.

Unless earlier terminated in accordance with Section 4.3, this NDA shall remain in effect until: (a) eighteen (18) months after the Effective Date; or (b) in the event Grid Assurance and [Counterparty] (or any of its Affiliates) executes a Subscription Agreement during that period, the expiration or termination of that Subscription Agreement.

#### 4.2 Duration of Obligations.



The obligations hereunder shall remain in effect for a period of five (5) years following the expiration or termination of this NDA or such longer period as a Receiving Party may retain Confidential Information pursuant to Section 2.4.

4.3 Termination.

At any time prior to the execution of a Subscription Agreement between Grid Assurance and [Counterparty] or any of its Affiliates, an NDA Party may terminate this NDA on not less than thirty (30) days' notice.

**ARTICLE 5  
REMEDIES; LIMITATIONS OF LIABILITY**

5.1 Remedies.

Without prejudice to the rights and remedies otherwise available to an NDA Party, each NDA Party shall be entitled to equitable relief by way of injunction or otherwise if a Receiving Party or any of its Representatives breaches or threatens to breach any of the provisions of this NDA. A Receiving Party shall not plead in defense of any claim for equitable relief that an adequate remedy exists at law.

5.2 Waiver of Consequential Damages.

EACH PARTY HEREBY WAIVES ANY RIGHT IT MAY HAVE AGAINST THE OTHER PARTY OR ANY OF THE OTHER REPRESENTATIVES FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES OF ANY KIND OR NATURE WHATSOEVER, OR DAMAGES ARISING FROM, OR IN CONNECTION WITH, SUCH PARTY'S LOSS OF ACTUAL OR ANTICIPATED PROFITS OR REVENUES, IN EACH CASE ARISING OUT OF, IN CONNECTION WITH, OR RESULTING FROM THIS NDA, REGARDLESS OF WHETHER ANY CLAIM FOR SUCH DAMAGES IS BASED ON CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE.

**ARTICLE 6  
ASSIGNMENT**

Any assignment of this NDA shall be subject to the approval of the non-assigning NDA Party. This NDA shall be binding on, and shall inure to the benefit of, the NDA Parties and their respective successors and permitted assigns.

**ARTICLE 7  
NOTICES**

7.1 Manner of Notice.

All notices, approvals, consents or other communications required or authorized pursuant to this NDA must be in writing, addressed to the other NDA Party at the address(es) specified below and shall be delivered by electronic mail (with confirmation of receipt), hand delivery or nationally recognized overnight courier service and shall be deemed given on the Business Day following the day on which it was delivered (unless hand delivered prior to 5:00 p.m. local time on a Business Day, in which case it shall be deemed received on such day).

If to Grid Assurance: Grid Assurance LLC  
1200 Main Street  
Kansas City, MO 64105  
Attention: Michael L. Deggendorf, Chief Executive Officer  
E-mail: mldeggendorf@gridassurance.com

with a copy to: Grid Assurance LLC  
c/o American Electric Power  
One Riverside Plaza  
Columbus, OH 43215  
Attention: John W. Seidensticker, Secretary  
E-mail: jwseidensticker@aep.com

If to [Counterparty]: [ ]

with a copy to: [ ]

7.2 Change in Notice Information.

An NDA Party may modify the notice information set forth herein by providing notice of such modification to the other NDA Party in accordance with Section 7.1.

**ARTICLE 8  
GOVERNING LAW**

The rights and obligations of the NDA Parties arising out of this NDA shall be governed in all respects by, and enforced in accordance with, the laws of the State of New York (excluding Section 5-323 of the New York General Obligations Law) without regard to its conflicts of laws principles (other than Section 5-1401 of the New York General Obligations Law).

**ARTICLE 9  
WAIVER OF JURY TRIAL**

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND AS SEPARATELY BARGAINED-FOR CONSIDERATION, EACH PARTY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY CLAIM ARISING OUT OF, OR IN CONNECTION WITH, THIS NDA.

## ARTICLE 10 MISCELLANEOUS PROVISIONS

### 10.1 Contract Interpretation.

The following rules of construction shall apply when interpreting this NDA:

- (a) all references in this NDA to Articles or Sections refer to Articles or Sections of this NDA unless expressly provided otherwise;
- (b) the headings appearing in this NDA are for convenience only, do not constitute any part of this NDA and shall be disregarded in construing the language contained herein;
- (c) the terms “herein,” “hereby,” “hereunder,” “hereof” and terms of similar import in this NDA refer to this NDA as a whole and not to any particular subdivision unless expressly so limited and the term “this Section” refers only to the Section hereof in which such words occur;
- (d) the word “including” (in its various forms) means “including without limitation”; and
- (e) no term of this NDA shall be construed in favor of, or against, an NDA Party as a consequence of one NDA Party having had a greater role in the preparation or drafting of this NDA, but shall be construed as if the language were mutually drafted by both NDA Parties with full assistance of counsel.

### 10.2 Entire Agreement.

This NDA constitutes the entire agreement between the NDA Parties with respect to the subject matter hereof and supersedes all previous and collateral agreements or understandings with respect to such subject matter, including any prior agreements between the NDA Parties or their Affiliates pertaining to the protection of confidential information exchanged in connection with the possibility of Grid Assurance performing Sparing Service; *provided, however*, that any Confidential Information that may have been disclosed pursuant to any such prior agreement between the NDA Parties or their Affiliates shall constitute Confidential Information hereunder and be subject to the terms hereof.

### 10.3 Amendments.

Amendments to this NDA shall only be effective if made in writing and signed by both NDA Parties.

### 10.4 Severability.

If any provision of this NDA is held to be illegal, invalid or unenforceable under present or future laws: (a) such provision shall be fully severable; (b) this NDA shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this NDA; and (c) the remaining provisions of this NDA shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this NDA.

10.5 Third Party Beneficiaries.

Each NDA Party acknowledges and agrees that each of the other NDA Party's Representatives is an intended third party beneficiary of this NDA, entitled to directly enforce its remedies in connection with any breach by an NDA Party or any of its Representatives of the terms of this NDA.

10.6 Counterparts.

The NDA Parties may execute and deliver this NDA in counterparts, all of which shall be deemed originals. Signatures delivered by facsimile or other electronic means shall be as valid as original ones.

10.7 Waivers.

No waiver of any of the provisions of this NDA shall be binding unless in writing and signed by a duly authorized representative of the NDA Party or, if applicable, the Representative to be bound. No waiver by an NDA Party or a Representative of any right or obligation hereunder shall be interpreted as constituting a waiver going forward with respect to any similar or related circumstance.

10.8 Publicity.

Except as required by applicable law (including the requirements of a stock exchange on which the shares of an NDA Party or its parent may be listed), neither NDA Party nor any of its Representatives shall issue or make any press releases, public announcements or other disclosures, including promotional or marketing material, relating or referring to [Counterparty]'s consideration of obtaining, or decision to obtain, Sparing Service from Grid Assurance without the prior written consent of the other NDA Party, the granting of which shall be within each NDA Party's reasonable discretion.

*[Signature Page Follows]*

IN WITNESS WHEREOF, each of the NDA Parties has caused this NDA to be executed by its authorized representative as of the date first written above.

Grid Assurance LLC

[COUNTERPARTY]

By: \_\_\_\_\_  
Michael L. Deggendorf  
Chief Executive Officer

By: \_\_\_\_\_  
[NAME]  
[TITLE]

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 13.3**

**TERMINATION LIABILITY**

In the event the Agreement is terminated, the Termination Liability shall be equal to the amount calculated based on the following formula, as applied to every Equipment Class in which a Designated Transmission Owner was participating as of the Termination Date (as defined below)

$$TL = \sum EC + SSFL$$

Where

TL = *Termination Liability*

EC = *Equipment Contribution* for the applicable Equipment Class, which shall be equal to the product of: (a) the Transmission Owner Allocated Share Loss (as defined below) for that Equipment Class; multiplied by (b) the Total Equipment Cost (as defined below) for that Equipment Class.

SSFL = *Sparing Service Fee Loss* for the applicable Equipment Class, which shall be equal to the Sparing Service Fee that would have been payable by Subscriber for that Equipment Class for the entire Fee Forecast Period (as defined below) if the Agreement had not been terminated, as reasonably determined by Grid Assurance; *provided, however*, that in determining the Sparing Service Fee that would have been payable by Subscriber during the Fee Forecast Period, Grid Assurance shall utilize the assumptions contained in the most recent five (5) year budget forecast provided to Subscriber Group Members pursuant to Section 8.1(b) of Part 2, except that (i) costs and revenues associated with any projected sales of Inventoried Spares shall be disregarded, and (ii) projected costs, revenues and assumptions for the final year of the budget forecast shall be used for any portion of the Fee Forecast Period that is not covered by that budget forecast. For purposes of calculating SSFL, the Sparing Service Fee payable by Subscriber shall be determined on an annual basis and present valued to the date of payment of the Termination Liability using a discount rate equal to the then-current Consumer Price Index for all urban consumers (as published by the U.S. Department of Labor, Bureau of Labor Statistics) applicable to the area in which in which the principal place of business of Grid Assurance is located.

The following capitalized terms, as used in this Schedule 13.3, shall have the meanings set forth below:

***Fee Forecast Period:*** The sixty (60) Billing Periods immediately subsequent to the Termination Date.

***Termination Date:*** The date as of which the Agreement is or will be terminated, as reasonably determined by Grid Assurance.

***Total Equipment Cost:*** With respect to an Equipment Class, the aggregate of the Original Cost of all Inventoried Spares in that Equipment Class (including Inventoried Spares on order but not yet delivered) as of the Termination Date, as reasonably determined by Grid Assurance.

***Transmission Owner Allocated Share Loss:*** With respect to an Equipment Class, the Transmission Owner Allocated Share for that Equipment Class as of the Termination Date.

**NOTES:**

1. Once determined, the Termination Liability shall not be reduced or offset for any reason, other than manifest error in the calculation thereof.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 17**

**NOTICE INFORMATION**

Grid Assurance

Grid Assurance LLC  
1200 Main Street  
Kansas City, MO 64105  
Attention: Michael L. Deggendorf, Chief Executive Officer  
Email: Michael.Deggendorf@kcpl.com

with a copy to:

Grid Assurance LLC  
c/o American Electric Power  
One Riverside Plaza  
Columbus, OH 43215  
Attention: John W. Seidensticker, Secretary  
E-mail: jwseidensticker@aep.com

Subscriber

[ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
E-mail: \_\_\_\_\_ ]

with a copy to:

[ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
E-mail: \_\_\_\_\_ ]



**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**MULTI-SUBSCRIBER ADDENDUM**

This Multi-Party Subscriber Addendum (this “*Addendum*”) is being executed as an addendum to, and a part of, that certain Subscription Agreement dated [\_\_\_\_], 2017 among Grid Assurance and each of the other signatories hereto and thereto (each such other signatory, a “*Subscriber Party*” and collectively, the “*Subscriber Parties*”). This Addendum shall supplement and, as applicable, modify the other terms and conditions set forth in the Agreement; *provided, however*, that: (a) except to the extent expressly modified by this Addendum, the other terms and conditions set forth in the Agreement shall remain applicable; and (b) in the event of a conflict between the terms and conditions of this Addendum and the other terms and conditions set forth in the Agreement, the terms and conditions of this Addendum shall govern.

1. Defined Terms.

- (a) Capitalized terms used but not otherwise defined in this Addendum shall have the meanings ascribed to them in Part 1 of the Agreement.
- (b) The following capitalized terms used in this Addendum shall have the meanings set forth below or in the provisions of this Addendum referenced below:

***Addendum***: The preamble hereto.

***Amendment Notice***: A notice delivered by the Subscriber Party Nominee to Grid Assurance pursuant to, and in accordance with, Section 6 requesting to amend the Agreement and this Addendum as permitted pursuant to this Addendum.

***Class Allocated Share***: Section 5(b).

***Contract Allocated Share***: Section 5(a).

***Equipment Class Liability***: Any cost or liability arising in connection with the Agreement that is specifically attributable to the Designated Transmission Owners participating in an Equipment Class, and only such Designated Transmission Owners, based on their participation in that Equipment Class.

***New Subscriber Party***: Any Person that becomes a Subscriber Party as a result of an amendment to the Agreement pursuant to Section 6; *provided, however*, that if such amendment is executed by a Person in its capacity as an agent, the New Subscriber Party shall be the principal of that Person.

***Permissible NQ Reduction Amount***: With respect to any Equipment Class for which a Nominated Quantity is reduced by an amendment of the Agreement, the product (rounded down to the nearest whole number) of: (i) the aggregate Class Allocated Share(s) of the Removed Subscriber Party(ies) that participated in that

Equipment Class immediately prior to the effective date of that amendment; multiplied by (ii) the Nominated Quantity for that Equipment Class immediately prior to the effective date of that amendment.

***Remaining Subscriber Party:*** With respect to any amendment of the Agreement, each Person that will be a Subscriber Party immediately following the effective date of that amendment (including any New Subscriber Party).

***Removed Subscriber Party:*** With respect to any amendment of the Agreement, each Person that was a Subscriber Party immediately prior to the effective date of that amendment but will no longer be a party to the Agreement immediately following the effective date of that amendment.

***Subscriber Party and Subscriber Parties:*** The preamble hereto; *provided, however,* that if the Agreement and/or this Addendum is executed by a Person in its capacity as an agent, the Subscriber Party shall be the principal of that Person.

***Subscriber Party Liability:*** Any cost or liability arising in connection with the Agreement that is solely and exclusively attributable to the acts or omissions of a Subscriber Party, including a Subscriber Party's liability to pay its Class Allocated Share of Spring Service Fees.

***Subscriber Party Nominee:*** The Person identified on Attachment A as the Subscriber Party Nominee.

2. Designations.

- (a) The term "Agreement" shall be deemed to refer to the Agreement (as it may be amended from time to time) as supplemented by this Addendum (as it may be amended from time to time).
- (b) The term "Subscriber" shall be deemed to refer to all Subscriber Parties, collectively.
- (c) The term "Party," to the extent applicable to Subscriber, shall be deemed to refer to all Subscriber Parties, collectively.
- (d) Except to the extent expressly provided otherwise in this Addendum, all Subscriber Parties, collectively, shall be deemed to be a single Subscriber, a single Party and a single Subscriber Group Member.
- (e) Each Subscriber Party shall be deemed to be a Designated Transmission Owner participating in each Equipment Class for which it is identified as a Designated Transmission Owner on Schedule 2.1 and a Subscriber Party on Attachment A.

3. Designation of Subscriber Party Nominee. Each Subscriber Party hereby authorizes and empowers the Subscriber Party Nominee to be its legal representative and agent for all purposes related to the Agreement, including with respect to the execution and delivery of amendments thereto and the issuance and receipt of notices, including Fee Estimate Certifications, Fee Confirmation Notices and Regulatory Confirmation Notices. The Subscriber Parties may, from time to time, change the Subscriber Party Nominee by providing notice to Grid Assurance, which notice shall: (a) unequivocally authorize and empower the new Subscriber Party Nominee to be the legal representative and agent of the Subscriber Parties for all purposes related to the Agreement; and (b) be executed by each Subscriber Party.

4. Nominated Quantities. For each Equipment Class in which a Designated Transmission Owner participates (as set forth on Schedule 2.1 of the Agreement and Attachment A), that Designated Transmission Owner shall be deemed to have designated the total Nominated Quantity for that Equipment Class; *provided, however*, that notwithstanding Section 4.1 of Part 2 of the Agreement, if a Qualifying Event affects multiple Designated Transmission Owners participating in any Equipment Class, the maximum number of Inventoried Spares that all such Designated Transmission Owners, collectively, shall have the right to purchase from that Equipment Class shall be equal to the lesser of: (a) the Nominated Quantity for that Equipment Class; (b) the number of units of comparable equipment on the affected Designated Transmission Owners' electric transmission systems that were damaged, destroyed or impaired by that Qualifying Event; (c) the number of Inventoried Spares in that Equipment Class at that time; and (d) the number of Inventoried Spares available for sale to a single Transmission Group Member having the characteristics of all Designated Transmission Owners participating in that Equipment Class that were affected by the Qualifying Event (as reasonably determined by Grid Assurance) based on the Deployment Protocols.

5. Allocation of Costs and Liabilities.

- (a) Each Subscriber Party shall be liable for payment of a portion (such portion, as designated on Attachment A, the "***Contract Allocated Share***") of the Sparing Service Fee, any Termination Liability and any other cost or liability owed by Subscriber pursuant to the Agreement other than any Equipment Class Liability or Subscriber Party Liability; *provided, however*, that the sum of all Contract Allocated Shares of all Subscriber Parties shall, at all times, equal one hundred percent (100%).
- (b) Each Subscriber Party shall be liable for payment of a portion (such portion, as designated on Attachment A, the "***Class Allocated Share***") of any Equipment Class Liability; *provided, however*, that the sum of all Class Allocated Shares for all Designated Transmission Owners participating in each Equipment Class specified in this Addendum shall, at all times, equal one hundred percent (100%).
- (c) A Subscriber Party shall be solely liable for its Subscriber Party Liabilities.

- (d) In the event of a good faith dispute among the Subscriber Parties as to whether any cost or liability should be characterized as an Equipment Class Liability, a Subscriber Party Liability or a general liability subject to payment in accordance with Contract Allocated Shares, pending resolution of that dispute such cost or liability shall be treated in the manner determined by Grid Assurance, in its reasonable judgment.

6. Changes to Subscriber Parties and Nominated Quantities.

- (a) In addition to the rights granted pursuant to Article 6 of Part 2 of the Agreement, the Subscriber Parties shall have the right to amend the Agreement to add or remove Subscriber Parties and/or modify Class Allocated Shares and/or Contract Allocated Shares, in each case in accordance with this Section 6; *provided, however*, that any amendment of the Agreement to add any additional Equipment Class and/or to increase or decrease any Nominated Quantity in any Equipment Class shall be subject to: (i) Section 6.3 and Section 6.4 of Part 2 of the Agreement, as applicable; and (ii) Section 6(c).
- (b) In order to amend the Agreement pursuant to this Section 6, the Subscriber Party Nominee shall deliver to Grid Assurance: (i) an Amendment Notice that identifies (1) each Removed Subscriber Party and each Remaining Subscriber Party, (2) the Equipment Class(es) in which any of the Designated Transmission Owners that are Remaining Subscriber Parties will participate, (3) subject to the requirements set forth in Section 5(a), the Contract Allocated Shares of all Remaining Subscriber Parties, (4) subject to the requirements set forth in Section 5(b), the Class Allocated Shares of the Remaining Subscriber Parties in each such Equipment Class, and (5) if there are any New Subscriber Parties, evidence that each such New Subscriber Party satisfies the credit requirements set forth in Section 10 of Part 2 of the Agreement; and (ii) subject to Section 7(b), in the event any amendment pursuant to this Section 6 will result in one (1) or more Removed Subscriber Parties, a release (in form and substance reasonable acceptable to Grid Assurance) executed by each such Removed Subscriber Party of any Claims arising out of, or related to, such amendment.
- (c) If, in connection with a transaction described in Section 16.4.1 of Part 2: (i) the Agreement is amended to remove a Subscriber Party and reduce the Nominated Quantity for any Equipment Class in which such Removed Subscriber participated as a Designated Transmission Owner immediately prior to the effective date of that amendment; and (ii) the Third Party Transmission Purchaser and its Affiliates do not enter one (1) or more new Subscription Agreements (or amend one (1) or more existing Subscription Agreements) pursuant to which, for each such Equipment Class, the amount of the reduction in such Nominated

Quantity pursuant to the amended Agreement is not fully included in any new, or added to any amended, Subscription Agreement(s) executed by such Third Party Transmission Purchaser and its Affiliates, for each such Equipment Class (1) the Removed Subscriber Party (or, if there are multiple Removed Subscriber Parties, such Removed Subscriber Parties in proportion to their respective Class Allocated Shares as in effect immediately prior to the effective date of the amendment) shall be liable for the Reduction Liability calculated based on the difference between (x) the Permissible NQ Reduction Amount, and (y) the difference between the Nominated Quantity immediately prior to the effective date of the amended Agreement and the aggregate Nominated Quantities of the Third Party Transmission Purchaser and its Affiliates under any new or amended Subscription Agreements, and (2) the Remaining Subscriber Party that participated as a Designated Transmission Owner in that Equipment Class immediately prior to the effective date of the amended Agreement (or, if there are multiple such Remaining Subscriber Parties, such Remaining Subscriber Parties in proportion to their respective Class Allocated Shares as in effect immediately prior to the effective date of the amended Agreement) shall be liable for any additional Reduction Liability owed pursuant to Section 16.4.1 of Part 2.

- (d) If, other than in connection with a transaction described in Section 16.4.1 of Part 2, the Agreement is amended (including pursuant to Section 7) to remove a Subscriber Party and reduce the Nominated Quantity for any Equipment Class in which such Removed Party participated as a Designated Transmission Owner immediately prior to the effective date of that amendment: (i) for any such Equipment Class for which such reduction is less than or equal to the Permissible NQ Reduction Amount, the Removed Subscriber Party (or, if there are multiple Removed Subscriber Parties, such Removed Subscriber Parties in proportion to their respective Class Allocated Shares as in effect immediately prior to the effective date of that amendment) shall be liable for the Reduction Liability resulting from such reduction; and (ii) for any Equipment Class for which such reduction is greater than the Permissible NQ Reduction Amount (1) the Removed Subscriber Party (or, if there are multiple Removed Subscriber Parties, such Removed Subscriber Parties in proportion to their respective Class Allocated Shares as in effect immediately prior to the effective date of that amendment) shall be liable for the portion of the Reduction Liability resulting from such reduction up to the Permissible NQ Reduction Amount, and (2) the Remaining Subscriber Party that participated as a Designated Transmission Owner in that Equipment Class immediately prior to the effective date of that amendment (or, if there are multiple such Remaining Subscriber Parties, such Remaining Subscriber Parties in proportion to their respective Class Allocated Shares as in effect immediately prior to the effective date of that amendment) shall be liable for the portion of the Reduction Liability resulting from such reduction to the extent it exceeds the Permissible NQ Reduction Amount.

- (e) Promptly upon receipt of an Amendment Notice pursuant to Section 6(b), Grid Assurance shall prepare and deliver to the Subscriber Party Nominee an amended Agreement, including a revised Schedule 2.1 to the Agreement and a revised Attachment A, in each case reflecting the changes proposed in such Amendment Notice.
- (f) Upon any amendment of the Agreement that results in one (1) or more Removed Subscriber Parties (including an amendment to remove a defaulting Subscriber Party pursuant to Section 7), each such Removed Subscriber Party shall remain liable to Grid Assurance for all of its Subscriber Party Liabilities as of the effective date of such amendment, including its Contract Allocated Share of all Sparing Service Fees owed pursuant to the Agreement and any damages owed as a result of any other breach of the Agreement or Event of Default by that Removed Subscriber Party.

7. Cure for Segregable Defaults.

- (a) Upon an Event of Default that is solely attributable to the acts or omissions of one (1) or more (but less than all) Subscriber Parties, the non-defaulting Subscriber Party(ies) shall not be subject to any liability based on such Event of Default if they amend the Agreement pursuant to Section 6 to remove each defaulting Subscriber Party as a Party thereto; *provided, however*, that: (i) the Subscriber Party Nominee shall deliver an Amendment Notice to remove the defaulting Subscriber Party(ies) no later than thirty (30) days after notice of such Event of Default; and (ii) the amendment to remove the defaulting Subscriber Party(ies) must be executed and delivered to Grid Assurance no later than ten (10) days after delivery thereof to the Subscriber Party Nominee. If, following an Event of Default that is solely attributable to the acts or omissions of one (1) or more (but less than all) Subscriber Parties, the non-defaulting Subscriber Parties fail to deliver an Amendment Notice or execute and deliver an amendment to the Agreement to remove the defaulting Subscriber Party(ies) in accordance with this Section 7(a), Grid Assurance shall be entitled to its remedies in accordance with Article 14 of Part 2 of the Agreement, including termination of the Agreement (in which case the Agreement shall be deemed to have been terminated due to an Event of Default by Subscriber and the Subscriber Parties shall be liable for the resulting Termination Liability in accordance with their Contract Allocated Shares).
- (b) If the Agreement is amended to remove all defaulting Subscriber Party(ies) pursuant to Section 7(a), the Remaining Subscriber Parties may, in lieu of providing the release(s) required pursuant to clause (ii) of Section 6(b), agree (pursuant to an agreement in form and substance reasonable acceptable to Grid

Assurance) to indemnify, defend and hold harmless Grid Assurance's Indemnified Persons (based on the Contract Allocated Shares of such Remaining Subscriber Parties as in effect immediately following the effective date of such amendment) from and against all Claims by any Removed Subscriber Parties or their Affiliates arising out of, or related to, such amendment, including any such Claims alleging wrongful termination of the Agreement.

8. Termination. The Agreement may only be terminated by the Subscriber Parties upon issuance of a Termination Notice by the Subscriber Party Nominee on behalf of all Subscriber Parties. Any Termination Notice delivered by any Subscriber Party(ies) other than the Subscriber Party Nominee or any such notice purporting to terminate any part (but not all) of the Agreement shall be null and void; *provided, however*, that nothing in this Section 8 shall limit the Subscriber Parties' right to amend the Agreement to remove Subscriber Parties.

9. Invoicing.

- (a) Any invoice required or authorized to be issued or delivered by Grid Assurance to any or all Subscriber Parties shall be deemed to have been issued or delivered upon issuance or delivery thereof to the Subscriber Party Nominee.
- (b) Grid Assurance shall issue a single invoice for Sparing Service Fees showing amounts owed by each Subscriber Party based on their Contract Allocated Shares.
- (c) Grid Assurance shall issue a single invoice for Equipment Class Liabilities showing amounts owed by each Subscriber Party participating as a Designated Transmission Owner participating in the applicable Equipment Class based on the Class Allocated Shares of such Subscriber Parties.

10. Credit Support. Each Subscriber Party shall be obligated to independently satisfy the credit requirements set forth in Article 10 of Part 2 of the Agreement.

11. Committees. All Subscriber Parties that are Designated Transmission Owners participating in any Equipment Class shall have the right to designate one (1) individual to serve on the Equipment Committee for that Equipment Class.

12. Interpretation. Section 21.1 of Part 2 of the Agreement shall apply to this Addendum, with the exception that any references in this Addendum to Sections or Attachments refer to Sections of, or Attachments to, this Addendum unless expressly provided otherwise.

13. Representations, Warranties and Acknowledgements. Each Subscriber Party is hereby deemed to have made each of the representations, warranties and acknowledgements set forth in Article 15 of Part 2 of the Agreement.

14. Further Assurances. Each Subscriber Party shall independently be obligated and bound by the requirements set forth in Section 21.4 of Part 2 of the Agreement.

15. Counterparts. Grid Assurance and the Subscriber Parties may execute and deliver this Addendum in counterparts, all of which shall be deemed originals. Signatures delivered by facsimile or other electronic means shall be as valid as original ones.

*[Signature Page Follows]*



IN WITNESS WHEREOF, Grid Assurance and the Subscriber Parties have caused this Addendum to be duly executed as of the Execution Date.

GRID ASSURANCE LLC

By:

\_\_\_\_\_  
Michael L. Deggendorf  
Chief Executive Officer

IN WITNESS WHEREOF, Grid Assurance and the Subscriber Parties have caused this Addendum to be duly executed as of the Execution Date.

[ ] solely in its capacity as agent on behalf of each of

[ ]

[ ]

[ ]

[ ]

By: \_\_\_\_\_  
[NAME, TITLE]

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT  
MULTI-SUBSCRIBER ADDENDUM  
ATTACHMENT A**

**Subscriber Party Nominee**

[ ]

**Class Allocated Shares**

Equipment Class*	Subscriber Parties	Nominated Quantity*	Class Allocated Share
	Total		100.0%
	Total		100.0%
	Total		100.0%
	Total		100.0%

- \* Equipment Classes and Nominated Quantities must coincide with those set forth on Schedule 2.1.

**Contract Allocated Shares**

Subscriber Parties	Contract Allocated Share
Total	100.0%

\*\* The Subscriber Parties have advised Grid Assurance that it is their intention to amend the Agreement pursuant to Section 6.1 of Part 2 of the Agreement and Section 6 to (i) add one (1) or more Affiliates of the Subscriber Parties (each, an “**Intended Subscriber Party**” and collectively, the “**Intended Subscriber Parties**”) as Designated Transmission Owners and Subscriber Parties, and (ii) modify the Contract Allocated Shares and the Equipment Allocated Shares so that, after such amendment, one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes will be fully subscribed by the Remaining Subscriber Parties. Accordingly, though none of the Intended Subscriber Parties is a party to the Agreement or has any rights, obligations or liabilities pursuant thereto prior to any such amendment, Grid Assurance and the Subscriber Parties agree that:

- (a) the definition of “Required Regulatory Approval” shall be deemed to include all permits, licenses, authorizations, consents, decrees, waivers, approvals, exemptions from, filings with or notices to, Governmental Authorities required to be obtained by, or issued to, any Intended Subscriber Parties;
- (b) the Subscriber Parties shall provide notice to Grid Assurance pursuant to Section 3.3.3 and Section 3.3.4 of Part 2 of the Agreement with respect to (i) the status of the Intended Subscriber Parties’ efforts to obtain Required Regulatory Approvals, and (ii) any determination by an Intended Subscriber Party that a Required Regulatory Approval will not be obtained by such Intended Subscriber Party or, if obtained, would be subject to conditions that such Intended Subscriber Party deems unacceptable;
- (c) notwithstanding Section 3.3.5 of Part 2 of the Agreement, the Subscriber Parties shall not be permitted to provide Grid Assurance with a Fee Confirmation Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated

Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties; and

- (d) notwithstanding Section 3.4 of Part 2 of the Agreement, Grid Assurance shall have no obligation to execute or deliver an Acceptance Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties.

**CONFIDENTIAL AND PROPRIETARY**  
*Grid Assurance LLC*

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**COVER PAGE**

This Subscription Agreement (this “*Agreement*”) is made and entered into as of February 20, 2017 (the “*Execution Date*”) by and among GRID ASSURANCE LLC, a limited liability company organized under the laws of the State of Delaware (“*Grid Assurance*”), American Electric Power Service Corporation solely in its capacity as agent on behalf of PUBLIC SERVICE COMPANY OF OKLAHOMA, a corporation organized under the laws of the State of Oklahoma, American Electric Power Service Corporation solely in its capacity as agent on behalf of OHIO POWER COMPANY, a corporation organized under the laws of the State of Ohio, American Electric Power Service Corporation solely in its capacity as agent on behalf of AEP TEXAS INC., a corporation organized under the laws of the State of Texas, American Electric Power Service Corporation solely in its capacity as agent on behalf of AEP OHIO TRANSMISSION COMPANY, INC., a corporation organized under the laws of the State of Ohio, and American Electric Power Service Corporation solely in its capacity as agent on behalf of AEP OKLAHOMA TRANSMISSION COMPANY, INC., a corporation organized under the laws of the State of Oklahoma (Public Service Company of Oklahoma, Ohio Power Company, AEP Texas Inc., AEP Ohio Transmission Company, Inc. and AEP Oklahoma Transmission Company, Inc. being referred to collectively as “*Subscriber*”).

1. Defined Terms. Capitalized terms used in this Agreement shall have the meanings ascribed to them in Part 1 of this Agreement (Defined Terms), which shall be deemed to be incorporated herein by reference as if stated herein in its entirety.

2. General Terms and Conditions. This Agreement shall be governed by the terms and conditions set forth in Part 2 of this Agreement (General Terms and Conditions), which shall be deemed to be incorporated herein by reference as if stated herein in its entirety.

3. Composition of Agreement. This Agreement shall include all of the Schedules identified in Part 1 and Part 2 of this Agreement, all of which shall be deemed to be incorporated herein by reference as if stated herein in their entirety. Such schedules shall include:

- Schedule 2.1 (Equipment Classes, Designated Transmission Owners and Nominated Quantities);
- Schedule 2.2 (Sparing Protocols);
- Schedule 2.7 (Insurance Requirements);
- Schedule 3.2 (Form of Fee Confirmation Notice);
- Schedule 4.1 (Form of QE Purchase Notice);
- Schedule 4.3 (Deployment Protocols);
- Schedule 4.5 (Standard Terms for Sales of Inventoried Spares);
- Schedule 5.1 (Sparing Service Fee);

*Revised: January 25, 2017*

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*Grid Assurance LLC*

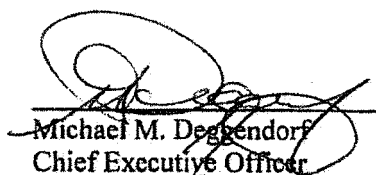
- Schedule 6.4 (Reduction Liability);
- Schedule 12 (Non-Disclosure Agreement);
- Schedule 13.3 (Termination Liability); and
- Schedule 17 (Notice Information).

*[Signature Page Follows]*

**CONFIDENTIAL AND PROPRIETARY**  
*Grid Assurance LLC*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the Execution Date.

GRID ASSURANCE LLC

By:   
Michael M. Degendorf  
Chief Executive Officer

AMERICAN ELECTRIC POWER SERVICE CORPORATION  
solely in its capacity as agent on behalf of each of

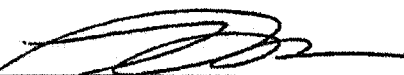
PUBLIC SERVICE COMPANY OF OKLAHOMA

OHIO POWER COMPANY

AEP TEXAS INC.

AEP OHIO TRANSMISSION COMPANY, INC., and

AEP OKLAHOMA TRANSMISSION COMPANY, INC.

By:   
Lisa M. Barton  
Executive Vice President - Transmission

*Signature Page*

*Revised: January 25, 2017*





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*Grid Assurance LLC*

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT**

**SCHEDULE 17**

**NOTICE INFORMATION**

**Grid Assurance**

Grid Assurance LLC  
1200 Main Street  
Kansas City, MO 64105  
Attention: Michael L. Deggendorf, Chief Executive Officer  
Email: Michael.Deggendorf@kcpl.com

**Subscriber**

American Electric Power Service Corporation  
1 Riverside Plaza  
Columbus OH 43215  
Attention: Antonio P. Smyth, Vice President  
Email: apsmyth@aep.com

with a copy to:

American Electric Power Service Corporation  
One Riverside Plaza  
Columbus, OH 43215  
Attention: John W. Seidensticker  
E-mail: jwseidensticker@aep.com

**CONFIDENTIAL AND PROPRIETARY**  
*Grid Assurance LLC*

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT  
MULTI-SUBSCRIBER ADDENDUM  
ATTACHMENT A**

**Subscriber Party Nominee**

American Electric Power Service Corporation  
One Riverside Plaza  
Columbus, OH 43215  
Attention: Antonio P. Smyth  
Email: apsmyth@aep.com

**Class Allocated Shares**

<b>Equipment Class*</b>	<b>Subscriber Parties</b>	<b>Nominated Quantity*</b>	<b>Class Allocated Share</b>
[REDACTED]	Public Service Company of Oklahoma	[REDACTED]	10.37%
	Ohio Power Company		15.56%
	AEP Texas Inc.		14.07%
	AEP Ohio Trans Co, Inc.		14.07%
	AEP Oklahoma Trans Co, Inc.		2.96%
	One (1) or more Affiliates of the Subscriber Parties**		42.97%
		<b>Total</b>	<b>100.0%</b>
[REDACTED]	Public Service Company of Oklahoma	[REDACTED]	5.12%
	Ohio Power Company		10.89%
	AEP Texas Inc.		9.19%
	AEP Ohio Trans Co, Inc.		15.35%
	AEP Oklahoma Trans Co, Inc.		2.89%
	One (1) or more Affiliates of the Subscriber Parties**		56.56%
		<b>Total</b>	<b>100.0%</b>
[REDACTED]	Public Service Company of Oklahoma	[REDACTED]	12.41%
	Ohio Power Company		17.49%
	AEP Texas Inc.		24.53%
	AEP Ohio Trans Co, Inc.		8.10%
	AEP Oklahoma Trans Co, Inc.		1.17%
	One (1) or more Affiliates of the Subscriber Parties**		36.3%
		<b>Total</b>	<b>100.0%</b>

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*Grid Assurance LLC*

- \* Equipment Classes and Nominated Quantities must coincide with those set forth on Schedule 2.1.

**Contract Allocated Shares**

<b>Subscriber Parties</b>	<b>Contract Allocated Share</b>
Public Service Company of Oklahoma	9.62%
Ohio Power Company	14.91%
AEP Texas Inc.	14.67%
AEP Ohio Trans Co, Inc.	13.43%
AEP Oklahoma Trans Co, Inc.	2.68%
One (1) or more Affiliates of the Subscriber Parties**	44.69%
Total	100.0%

\*\* The Subscriber Parties have advised Grid Assurance that it is their intention to amend the Agreement pursuant to Section 6.1 of Part 2 of the Agreement and Section 6 to (i) add one (1) or more Affiliates of the Subscriber Parties (each, an “*Intended Subscriber Party*” and collectively, the “*Intended Subscriber Parties*”) as Designated Transmission Owners and Subscriber Parties, and (ii) modify the Contract Allocated Shares and the Equipment Allocated Shares so that, after such amendment, one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes will be fully subscribed by the Remaining Subscriber Parties. Accordingly, though none of the Intended Subscriber Parties is a party to the Agreement or has any rights, obligations or liabilities pursuant thereto prior to any such amendment, Grid Assurance and the Subscriber Parties agree that:

- (a) the definition of “Required Regulatory Approval” shall be deemed to include all permits, licenses, authorizations, consents, decrees, waivers, approvals, exemptions from, filings with or notices to, Governmental Authorities required to be obtained by, or issued to, any Intended Subscriber Parties;
- (b) the Subscriber Parties shall provide notice to Grid Assurance pursuant to Section 3.3.3 and Section 3.3.4 of Part 2 of the Agreement with respect to (i) the status of the Intended Subscriber Parties’ efforts to obtain Required Regulatory Approvals, and (ii) any determination by an Intended Subscriber Party that a Required Regulatory Approval will not be obtained by such Intended Subscriber Party or, if obtained, would be subject to conditions that such Intended Subscriber Party deems unacceptable;
- (c) notwithstanding Section 3.3.5 of Part 2 of the Agreement, the Subscriber Parties shall not be permitted to provide Grid Assurance with a Fee Confirmation Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of

**CONFIDENTIAL AND PROPRIETARY**  
*Grid Assurance LLC*

all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties; and

- (d) notwithstanding Section 3.4 of Part 2 of the Agreement, Grid Assurance shall have no obligation to execute or deliver an Acceptance Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties.

**GRID ASSURANCE LLC  
SUBSCRIPTION AGREEMENT  
MULTI-SUBSCRIBER ADDENDUM  
ATTACHMENT A**

**Subscriber Party Nominee**

American Electric Power Service Corporation  
One Riverside Plaza  
Columbus, OH 43215  
Attention: Antonio P. Smyth  
Email: apsmyth@aep.com

**Class Allocated Shares**

Equipment Class*	Subscriber Parties	Nominated Quantity*	Class Allocated Share
[REDACTED]	Public Service Company of Oklahoma	[REDACTED]	10.37%
	Ohio Power Company		15.56%
	AEP Texas Inc.		14.07%
	AEP Ohio Trans Co, Inc.		14.07%
	AEP Oklahoma Trans Co, Inc.		2.96%
	Appalachian Power Company		10.37%
	AEP Appalachian Trans Co, Inc.		0
	Electric Transmission Texas, LLC		1.48%
	Indiana & Michigan Power Co		9.63%
	AEP Indiana Michigan Trans Co, Inc.		2.96%
	Kingsport Power Company		0
	Kentucky Power Company		0.74%
	AEP Kentucky Trans Co, Inc.		0
	Southwestern Electric Power Co		14.82%
	Wheeling Power Company		0
	AEP West Virginia Trans Co, Inc.		2.96%
	<b>Total</b>	<b>100.0%</b>	
[REDACTED]	Public Service Company of Oklahoma	[REDACTED]	5.12%
	Ohio Power Company		10.89%
	AEP Texas Inc.		9.19%
	AEP Ohio Trans Co, Inc.		15.35%
	AEP Oklahoma Trans Co, Inc.		2.89%
	Appalachian Power Company		1.97%
	AEP Appalachian Trans Co, Inc.		0
	Electric Transmission Texas, LLC		20.87%

Equipment Class*	Subscriber Parties	Nominated Quantity*	Class Allocated Share
	Indiana & Michigan Power Co		13.12%
	AEP Indiana Michigan Trans Co, Inc.		5.77%
	Kingsport Power Company		0
	Kentucky Power Company		0.79%
	AEP Kentucky Trans Co, Inc.		0
	Southwestern Electric Power Co		10.63%
	Wheeling Power Company		0
	AEP West Virginia Trans Co, Inc.		3.41%
	Total		100.0%
	Public Service Company of Oklahoma		12.41%
	Ohio Power Company		17.49%
	AEP Texas Inc.		24.53%
	AEP Ohio Trans Co, Inc.		8.10%
	AEP Oklahoma Trans Co, Inc.		1.17%
	Appalachian Power Company		12.53%
	AEP Appalachian Trans Co, Inc.		0.02%
	Electric Transmission Texas, LLC		3.85%
	Indiana & Michigan Power Co		5.58%
	AEP Indiana Michigan Trans Co, Inc.		1.95%
	Kingsport Power Company		0.57%
	Kentucky Power Company		0.14%
	AEP Kentucky Trans Co, Inc.		1.47%
	Southwestern Electric Power Co		8.12%
Wheeling Power Company	0.78%		
AEP West Virginia Trans Co, Inc.	1.29%		
	Total		100.0%

\* Equipment Classes and Nominated Quantities must coincide with those set forth on Schedule 2.1.

### Contract Allocated Shares

Subscriber Parties	Contract Allocated Share
Public Service Company of Oklahoma	9.620%
Ohio Power Company	14.907%
AEP Texas Inc.	14.673%
AEP Ohio Trans Co, Inc.	13.427%
AEP Oklahoma Trans Co, Inc.	2.676%
Appalachian Power Company	9.002%
AEP Appalachian Trans Co, Inc.	0.003%
Electric Transmission Texas, LLC	5.753%

Indiana & Michigan Power Co	9.720%
AEP Indiana Michigan Trans Co, Inc.	3.377%
Kingsport Power Company	0.087%
Kentucky Power Company	0.659%
AEP Kentucky Trans Co, Inc.	0.223%
Southwestern Electric Power Co	12.956%
Wheeling Power Company	0.118%
AEP West Virginia Trans Co, Inc.	2.799%
Total	100.0%

\*\* The Subscriber Parties have advised Grid Assurance that it is their intention to amend the Agreement pursuant to Section 6.1 of Part 2 of the Agreement and Section 6 to (i) add one (1) or more Affiliates of the Subscriber Parties (each, an “*Intended Subscriber Party*” and collectively, the “*Intended Subscriber Parties*”) as Designated Transmission Owners and Subscriber Parties, and (ii) modify the Contract Allocated Shares and the Equipment Allocated Shares so that, after such amendment, one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes will be fully subscribed by the Remaining Subscriber Parties. Accordingly, though none of the Intended Subscriber Parties is a party to the Agreement or has any rights, obligations or liabilities pursuant thereto prior to any such amendment, Grid Assurance and the Subscriber Parties agree that:

- (a) the definition of “Required Regulatory Approval” shall be deemed to include all permits, licenses, authorizations, consents, decrees, waivers, approvals, exemptions from, filings with or notices to, Governmental Authorities required to be obtained by, or issued to, any Intended Subscriber Parties;
- (b) the Subscriber Parties shall provide notice to Grid Assurance pursuant to Section 3.3.3 and Section 3.3.4 of Part 2 of the Agreement with respect to (i) the status of the Intended Subscriber Parties’ efforts to obtain Required Regulatory Approvals, and (ii) any determination by an Intended Subscriber Party that a Required Regulatory Approval will not be obtained by such Intended Subscriber Party or, if obtained, would be subject to conditions that such Intended Subscriber Party deems unacceptable;
- (c) notwithstanding Section 3.3.5 of Part 2 of the Agreement, the Subscriber Parties shall not be permitted to provide Grid Assurance with a Fee Confirmation Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties; and
- (d) notwithstanding Section 3.4 of Part 2 of the Agreement, Grid Assurance shall have no obligation to execute or deliver an Acceptance Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract



Allocated Shares and one hundred percent of the Equipment Allocated Shares for all designated Equipment Classes are fully subscribed by Persons that are Subscriber Parties.



**Grid Assurance  
Updated Fee Estimate for  
American Electric Power Company  
February 9, 2018**



# Nominated Quantities, Inventory Levels Pooling Savings

As of February 9, 2018:

Equipment Class	AEP Nominated Quantity	Total Nominated Quantity	Inventory Level
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Equipment Class	Pooling Benefit	AEP Cost Equivalent	
		Access	Cost
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**Subscribing through Grid Assurance brings equipment pooling benefits**



Cost allocation is based on asset make-up of the AEP entities participating in Grid Assurance. The allocation of costs to Kentucky Power will be based on its transformer and circuit breaker assets, compared to total AEP transformer and circuit breaker assets, as of February 2018. Based upon participation by each AEP Transmission owning entity, Kentucky Power's projected annual Sparing Service Fee for the June 2019 – May 2020 is expected to be approximately [REDACTED] on a total company basis.