

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-1 Provide the operating agreements for Grid Assurance, LLC (Grid Assurance), and AEP Transmission Holding Company, LLC (AEP Transmission Holding).

RESPONSE

The Grid Assurance LLC First Amended and Restated Limited Liability Company Agreement ("Agreement") is deemed confidential and proprietary by the parties to the Agreement. The Agreement further imposes certain notification and consultation obligations on AEP Transmission Holding Company, LLC (which is the only American Electric Power Company, Inc. entity that is a party to the agreement) prior to disclosing the agreement to third parties, including regulatory bodies. AEP Transmission Holding Company, LLC is undertaking these notification and consultation functions on behalf of Kentucky Power Company. Kentucky Power Company will seasonably supplement this response when the notification and consultation obligations are complete.

AEP Transmission Holding Company, LLC does not have an operating agreement.

Witness: Chad A. Heitmeyer

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KPSC 1-2 Explain in detail how the members of the board of managers of Grid Assurance will be chosen.

RESPONSE

The board of Grid Assurance currently includes six members. Each of the six members of the board was appointed by a different founder of Grid Assurance. The six founders are:

- AEP Transmission Holding Company, LLC
- BHE U.S. Transmission, LLC
- Eversource Energy Transmission Ventures, Inc.
- GXP Investments, Inc.
- Duke Energy Transmission Holding Company, LLC
- Edison Transmission, LLC

At the Transition Date, each founder of Grid Assurance who continues as an owner will continue to have the power to appoint a single member to the board of Grid Assurance. Further, all of the owners of Grid Assurance, including founders, will also have the power to elect individuals to the remaining board positions. For example, if there are four founding members, each of those four founding members will appoint its respective board member. Additionally, there could be a maximum of three additional board members that will be elected by all the owners of Grid Assurance. After Transition, founders will no longer have the power to appoint an individual to the board of Grid Assurance, and any appointed board members at that time will be deemed to have resigned. Instead, any board seat that was filled by any appointed board member will be filled by an elected board member. Thus, six years after the Transition, all members of the board will be elected by the owners.

Article 4 of the Grid Assurance LLC Agreement outlines the Composition, Appointed Managers, Elected Managers, Board Meetings, Power and Authority of Board, Matters Subject to Board Approval and other matters related to the Grid Assurance Board of Managers.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-3 Explain the extent that AEP Transmission Holding will be able to influence, directly or indirectly through other persons or entities, the composition of Grid Assurance's board of managers.

RESPONSE

Please see the Company's response to KPSC 1-2.

AEP Transmission Holding currently has a single representative on the six-member Board of Managers. Upon the Transition Date, AEP Transmission Holding may increase its equity investment in Grid Assurance to approximately 30-35 percent. The elected members of the Board of Managers, which will comprise all members of the Board of Managers six years after the Transition State, will be elected through votes of the equity holders. Equity holders possess voting power in connection with the election of board members in proportion to their percentage ownership interest.

Equity holders will possess only a single vote with respect to matters presented for their consideration other than the election of members of the Board of Managers.

Despite AEP Transmission Holding having a larger equity investment in Grid Assurance than the other equity investors, and thus 30-35 percent of the voting power, AEP Transmission Holding anticipates having only a single representative on the Board of Managers of Grid Assurance. The founders of Grid Assurance, including AEP Transmission Holding Company, have expressed a desire that each owner of Grid Assurance, whether founding or general interest, has no more than one representative on the board. Thus, the control of Grid Assurance exercised by AEP Transmission Holding will be no greater than any of the other equity investors of Grid Assurance that has a representative on the Board of Managers of Grid Assurance.

AEP Transmission Holding Company will have no direct or indirect control over the other Grid Assurance owners. The Board of Managers is charged with managing and governing the affairs of Grid Assurance. In general, board actions require approval of a majority of the board; certain other actions require approval of two-thirds of the board (such as the designation of the date when all of the subscription agreements are deemed to be "accepted"). As is customary among sophisticated parties in a joint venture of competitors, the owners of Grid Assurance have released (to the extent permitted by law) the individuals on the board from any fiduciary duties except as specifically provided in the LLC Agreement.

Witness: Chad A. Heitmeyer

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KPSC 1-4 To the extent that AEP Transmission Holding will be able to influence the composition of Grid Assurance's board of managers, explain in detail how AEP Transmission Holding intends to exercise that influence. Include any description of any processes to be in place for exercising that influence and the involvement of Kentucky Power, its parent company, or any affiliate.

RESPONSE

See the Company's responses to KPSC 1-2 and KPSC 1-3.

Like each founder of Grid Assurance, AEP Transmission Holding Company currently has the power to appoint one individual to the board of managers in its sole discretion. AEP Transmission Holding Company's current appointed board member is Daniel Rogier (Vice President – Transmission Asset Strategy & Policy, American Electric Power Service Corporation (AEPSC)). The appointment of an AEPSC representative to serve as the single board position available ensures that the interests of all participating AEP companies are served in an unbiased, efficient, and consistent fashion.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-5 Explain in detail the rights as to Grid Assurance held by AEP Transmission Holding because of its equity interest ownership in Grid Assurance. Include in the explanation the extent that AEP Transmission Holding may direct the management or policies of Grid Assurance, either directly or indirectly through other persons or entities.

RESPONSE

See the Company's responses to KPSC 1-2, KPSC 1-3, and KPSC1-4.

AEP Transmission Holding will lack the ability to direct or control the management or policies of Grid Assurance. Grid Assurance will be managed by its six or seven-member Board of Managers and not AEP Transmission Holding Company. In general, the Board of Managers can only act by the vote of a majority of its members. AEP Transmission Holding will appoint or elect a single representative to the Board of Managers.

Similarly, AEP Transmission Holding has no ability by itself to take action as an owner of Grid Assurance with respect to any matters described in the Grid Assurance LLC agreement that requires the approval of the owners (See Section 5.3).

Section 5.3 of the Grid Assurance agreement requires that the certain significant actions cannot occur without the approval of either 90% or 67% of the equity ownership, depending on the specific action. Examples include a sale of the Company's assets, a change in tax status, and amendments to the Company's governing documents.

Witness: Chad A. Heitmeyer

DATA REQUEST

KPSC 1-6 Describe any overlap between employees, owners, members, directors, managers, officers, stockholders, voting or holding trusts, and operators of Grid Assurance AEP Transmission Holding and Kentucky Power, its parent, and affiliates. Include current and anticipated overlap, that is, after the Transition Date, as defined in the application. Include any overlap of position, e.g., the director of AEP Transmission Holding shall, by virtue of holding that position, be a manager of Grid Assurance.

RESPONSE

Except as described below there is no “overlap between employees, owners, members, directors, managers, officers, stockholders, voting or holding trusts, and operators of Grid Assurance, AEP Transmission Holding, and Kentucky Power, its parent, and affiliates.” Grid Assurance does not currently have employees. All persons providing services to Grid Assurance are employees of its current equity owners or their affiliates. This includes employees of AEPSC, as well as employees from Berkshire Hathaway Energy Company and Kansas City Power and Light Company.

The AEPSC employees currently providing services to Grid Assurance are Jeff Fleeman (Managing Director – Transmission Business Development, AEPSC), Chad Heitmeyer (Director – Transmission Strategy & Grid Development, AEPSC), Dale Russell (Transmission Program Manager, AEPSC), and Jim Zumstein (Manager Transmission Projects, AEPSC). These AEPSC employees are neither officers nor employees of any other AEP company.

The following AEP Transmission Holding Company officers currently serve as officers of Grid Assurance:

Name	Other Title	Grid Assurance LLC Title
Lonni Dieck	Vice President (AEPThCo, LLC)	Treasurer
Thomas Berkemeyer	Assistant Secretary, (AEPThCo, LLC)	Assistant Secretary
Dan Rogier	President (Electric Transmission America, LLC), Vice President (Transource Energy, LLC)	Manager

Ms. Dieck and Mr. Berkemeyer also serve as officers of multiple additional AEP companies, including Kentucky Power and AEP Kentucky Transmission Company, Inc.

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Grid Assurance employees, officers, and directors following the Transition date are not currently known and will be determined at Transition date. Grid Assurance has advised its equity owners, to review the FERC Interlocking Directorate Rules and to make the necessary filings for those individuals impacted at Transition Date. Section 305(b) of the Federal Power Act (FPA) requires an officer or director of a public utility to obtain FERC authorization before simultaneously serving as an officer or director of "any company supplying electrical equipment" to the same public utility with which the officer or director serves.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-7 Identify the individuals involved in the decision for AEP Transmission Holding to become an equity investor in Grid Assurance and describe their process for reaching that decision.

RESPONSE

The decision for AEP Transmission Holding to become an equity investor was made by AEP Transmission Holding Company, LLC and the participating AEP companies. Lisa Barton, President and Chief Operating Officer of AEP Transmission Holding Company, LLC executed the LLC Agreement on behalf of AEP Transmission Holding Company, LLC.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-8 Identify the individuals involved in the decision for Kentucky Power to become a subscriber to Grid Assurance and describe their process for reaching that decision.

RESPONSE

Matthew J. Satterwhite (President & COO of Kentucky Power) and Ranie K. Wohnhas (Managing Director – Regulatory & Finance) participated in the decision making process. In 2016 and 2018, AEPSC made presentations to Kentucky Power and other participating AEP Companies on the emerging threats to the grid, overview of Grid Assurance, AEP's strategy to mitigate high impact low frequency threats, and AEP's nominated quantities and associated fees.

Witness: Ranie K. Wohnhas

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DATA REQUEST

KPSC 1-9 Refer to the application, paragraph 8.

- a. Provide an update on the current equity ownership levels and anticipated Transition Date.
- b. Identify the method by which new subscribers may have an opportunity to become equity owners after the Transition Date and how that would affect AEP Transmission Holding's equity interest.

RESPONSE

- a. There is no additional information. Kentucky Power will supplement this response when new information regarding final equity ownership levels becomes available.
- b. New subscribers may have an opportunity to become equity owners after the Transition Date if a Transfer (Article 13 of Grid Assurance LLC Agreement), Withdrawal (Article 14 of Grid Assurance LLC Agreement) or Default (Article 15 of Grid Assurance LLC Agreement) occurs.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-10 Refer to the application, paragraph 10. Explain what is meant by, "Grid Assurance supports the restoration of electric service . . . through multiple services including: ... assisting with delivery logistics."

RESPONSE

Grid Assurance will provide supporting logistics plans but Kentucky Power will be responsible for providing for the actual transport of the spare equipment.

Grid Assurance will develop and periodically update Subscriber information pertaining to the delivery logistics of the long-haul portion of the transportation of Inventoried Spares from Grid Assurance Warehouses to no more than five destinations designated by Kentucky Power that are within or near Kentucky Power's service territory. Grid Assurance will develop advance logistic plans, and make them available to Kentucky Power. The advance logistic plans may include engineering drawings, load securement drawings, railway clearances, load layout including transportation equipment, and specific transportation routes. Advance logistic plans can be developed by Grid Assurance on behalf of Kentucky Power and other Subscribers because the physical location of critical assets and the exact specifications (manufacturer, weight, dimensions, etc.) are known. These advance plans will allow efficient and expeditious delivery in times of emergency.

Witness: Chad A. Heitmeyer

DATA REQUEST

KPSC 1-11 Refer to the application, paragraph 11. Identify any service available to Kentucky Power, its parent company, or affiliates similar to the Sparing Service, as defined in the application. Include the name of the service provider, price, and description of the service.

RESPONSE

Across the industry, there are a few other efforts in existence or in development to provide sparing services. In many cases, these programs involve assets that exist and are co-located with in-service assets, and that require cooperation with other utilities through mutual assistance arrangements. As an overview, Edison Electric Institute (EEI) established a Spare Transformer Equipment (STEP) program. AEP is a member of EEI-STEP. EEI-STEP requires participating utilities to designate a specific number of assets to be made available to other utilities in case of a critical substation failure. To participate in STEP, Kentucky Power pays its allocated share of the AEP enrollment fee of \$10,000 and annual dues of \$7,500. STEP is a mechanism for utilities to share existing assets in the event of deliberate destruction and requires a declaration from the President of the United States of America to effectuate a transfer between utilities.

EEI also established the SpareConnect program. SpareConnect is less formal than STEP and is an on-line tool for utilities to network to facilitate equipment sharing. Both STEP and SpareConnect require utilities to leverage their existing physical assets.

RESTORE (Regional Equipment Sharing for Transmission Outage Restoration) is a regionally-focused initiative for enhanced mutual assistance for critical spare equipment. RESTORE is a voluntary program in which participants identify existing spare transformers from their operational inventory and other transmission equipment that would be made available for purchase by other participants if they experience a widespread disaster or physical attack within their service territory. While STEP and RESTORE are similar, in that they build on participants existing spare transformers, RESTORE allows for the proposed transactions to be triggered by a wider scope of disasters. Kentucky Power and its affiliates explored the options above as well as self-supply. Self-supply was not cost-effective and much too burdensome for customers. EEI-STEP, SpareConnect, and RESTORE are mutual assistance efforts. Mutual assistance efforts have been a valuable resource for the industry over the years but are no longer adequate to address restoration following catastrophic high impact low frequency events.

Grid Assurance was selected because it was the service provider capable of delivering the desired level of preparedness, resilience, and restoration confidence. Specifically, Grid Assurance is the spare equipment option that (1) increases the deployment-ready capacity of critical transmission equipment; (2) has secure domestic warehouse storage; (3) has preplanned transportation and logistics plans; and (4) offers regulatory clarity from FERC and full cost transparency.

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Finally, unlike other industry transmission pooling initiatives that promote sharing of already-purchased spare inventory, Grid Assurance will purchase new spare inventory to benefit its subscribers.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-12 Refer to the application, paragraphs 18- 24.

- a. Explain the volatility of the cost to be charged to Kentucky Power and any limits or parameters on how this cost may change in the future should the application be approved.
- b. State whether Kentucky Power foresees a situation where its cost for the Sparing Service could become more than de-minimus.
- c. State whether Kentucky Power believes there is a threshold cost for the Sparing Service for which it would need additional Commission approval to agree to pay.

RESPONSE

- a. The goal is to limit sparing fee volatility. There is no limit on increases or decreases in the subscription fee. However, the calculation of the subscription fee is a transparent function of cost, as described on Schedule 5.1 of the Subscription Agreement. The sparing fee does not change unless a component of the cost described in Schedule 5.1 changes. An additional financial control is the forecast and budget. The membership committee reviews the five year forecast and ultimately the Board reviews and approves the budget.
- b. Assuming no changes in AEP's total Nominated Quantities, and due to the pooling capability amongst the AEP participating companies, it is highly unlikely Kentucky Power will experience a situation where its cost for the Sparing Service would become more than de-minimis.
- c. No. Kentucky Power is unaware of any dollar or percentage of revenue threshold in the Kentucky Revised Statutes or the Commission's regulations that would be applicable to the payment of the Sparing Service Subscription Fee, or that might otherwise provide guidance by analogy as to the amount of a reasonable threshold. The estimated Sparing Service Subscription Fee described in page 4 of Exhibit 3 to the application is so de-minimis that even a 1,000 percent increase (which is not anticipated) would have no material effect on the Company's rates.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-13 Describe the extent to which Kentucky Power may cease participating in the Subscription Agreement, as that term is used in the application. Include the individuals, by name or position, with authority to make that determination on Kentucky Power's behalf, and state whether it is contingent upon approval of any person or entity outside of Kentucky Power.

RESPONSE

Kentucky Power may cease participation in Grid Assurance at any time upon payment of a Termination Liability.

Payment of the Termination Liability by a withdrawing Subscriber is designed to protect remaining Subscribers from the financial exposure that would otherwise result from such a withdrawal. The Termination Liability, which is calculated in accordance with the formula set forth in Schedule 13.3, includes (a) an amount to cover the terminating Subscriber's pro rata share of the cost of Inventoried Spares in the Equipment Classes in which it participates, as well as (b) future Sparring Service Fees that would have been payable by that Subscriber for the five-year period following the termination. The terminating Subscriber's pro rata share of the cost for Inventoried Spares is based on its Nominated Quantity as a percentage of the aggregate Nominated Quantities of all Subscribers participating in the relevant Equipment Class(es).

To mitigate potential undue harm to any withdrawing subscriber, the Subscription Agreement provides that if within five years of a Subscriber's termination, Grid Assurance proposes to enter into a Discretionary Sale of any Inventoried Spare for which a terminated Subscriber's Termination Liability included payment, that terminated Subscriber could apply the applicable portion of that payment as a credit in such Discretionary Sale transaction (see Section 13.4.2).

Kentucky Power executive management, including its then COO and President (currently Matthew J. Satterwhite) would be involved in the determination to cease participation in Grid Assurance. Kentucky Power would engage and discuss with AEP Transmission Holding and other participating AEP Companies prior to informing Grid Assurance of its plans to terminate.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-14 Provide a copy of all applications and orders granting or denying same for any Kentucky Power affiliate to enter into a Subscription Agreement.

RESPONSE

Kentucky Power supplemented its application with the October 4, 2018 Order from the Commonwealth of Virginia State Corporation Commission and the September 28, 2018 Order from the Public Service Commission of West Virginia granting approval for Appalachian Power Company and other entities to enter into the Grid Assurance Subscription Agreement.

There are no additional responsive orders. Please see KPCO_R_KPSC_1_14a_Attachment 1.pdf and KPCO_R_KPSC_1_14b_Attachment 1.pdf for the public versions of the two applications.

Witness: Chad A. Heitmeyer



BY HAND

PUBLIC VERSION

July 13, 2018

The Honorable Joel H. Peck, Clerk
State Corporation Commission
Document Control Center
1300 East Main Street, First Floor
Richmond, Virginia 23219

**Re: Petition of Appalachian Power Company, et al.
For approval pursuant to the Act Governing
Regulation of Relations with Affiliated Interests,
Virginia Code Sections 56-76, et seq.
Case No. PUR-2018-00_____**

Noelle J. Coates
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Dear Mr. Peck:

Enclosed please find for filing, an unbound original and one copy of the public version of Appalachian Power Company's ("Company") Petition for approval pursuant to the Act Governing Regulation of Relations with Affiliated Interest, Va. Code §§ 56-76, et seq.

The Company is also filing under separate cover, **UNDER SEAL**, one unbound original and fifteen copies of the confidential version of this Petition.

Sincerely,

Noelle J. Coates

Enclosures

cc: William H. Chambliss, Esq. (Confidential version)
C. Meade Browder, Jr., Esq. (Public version)
James R. Bacha, Esq.
Mr. William K. Castle

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

**PETITION OF
APPALACHIAN POWER COMPANY, *et al.***

**For approval pursuant to the Act Governing
Regulation of Relations with Affiliated Interests,
Virginia Code Sections 56-76, *et seq.***

Case No. PUR-2018-00____

PETITION FOR APPROVAL OF AN AFFILIATE TRANSACTION

With this Petition, Appalachian Power Company (“Appalachian”), AEP Transmission Holding Company, LLC (“AEPTHCo”), and Grid Assurance LLC (“Grid Assurance”) request that the State Corporation Commission (“Commission”) approve, pursuant to the Act Governing Regulation of Relations With Affiliated Interests, Virginia Code §§ 56-76, *et seq.* (the “Affiliates Act”) a transaction between Appalachian and its affiliate Grid Assurance, as described in greater detail below and in the Transaction Summary (attached as Exhibit 1 to this Petition). In support of this Petition, Appalachian and Grid Assurance state as follows.

A. The Petitioners

Appalachian is a Virginia public service company, as defined by Section 56-76 of the Affiliates Act. All of Appalachian’s common stock is owned by American Electric Power Company, Inc. (“AEP”), a New York corporation, having a post office address of 1 Riverside Plaza, Columbus, Ohio 43215.

Grid Assurance LLC (“Grid Assurance”) is a Delaware limited liability company launched in May 2016 to address foreseeable grid resiliency needs facing transmission-owning electric utilities. Specifically, Grid Assurance is designed to provide an increased ability for such utilities to ensure prompt restoration of the bulk power system in the wake of a catastrophic event such as a natural disaster or a physical or cyber-attack. The initial investors in Grid

Assurance are six major utility companies – Berkshire Hathaway Energy U.S. Transmission, LLC, AEP (through AEPThCo), Duke Energy, Edison Transmission, LLC, Eversource Energy, and Great Plains Energy, Inc. Other transmission owning electric utilities that execute subscription agreements (“subscribers”) may become investors in Grid Assurance.

Section 56-76 of the Affiliates Act defines “affiliated interests” of public service companies like Appalachian as, among other things, “[e]very corporation, partnership, association, or person ... in any chain of successive ownership of ten percent or more of voting securities, the chain beginning with the holder or holders of the voting securities of such public service company.” Accordingly, as AEP owns all of Appalachian’s common stock and as AEPThCo, an affiliate company of AEP is an investor in and a minority owner of Grid Assurance, Grid Assurance is an affiliated interest of Appalachian.

Section 56-77 of the Affiliates Act requires the Commission to review and approve contracts between public service companies and affiliated interests that provide for, among other things, the provision of management, engineering, accounting, legal and financial services, before such contracts can be valid. The agreement pursuant to which Appalachian will receive services from Grid Assurance therefore requires the Commission’s review and approval (the “Subscription Agreement”). Thus, Appalachian seeks approval to engage in the affiliate transaction of subscribing to Grid Assurance, which is owned in part by an Appalachian affiliate.

B. Overview of Grid Assurance

Grid Assurance seeks to address a critical national security need – supporting the resilience of the bulk power system in the event of a catastrophic events– by establishing a reserve of critical replacement equipment for the transmission grid such that this equipment is readily available. The availability of an optimized inventory of long lead-time critical spares, housed in strategically located, secure domestic warehouses, will allow for faster restoration

following attacks on the grid, natural disasters, and other events that damage critical transmission equipment. This spare equipment service is designed to help shield consumers from the impacts of prolonged transmission outages. Grid Assurance takes advantage of inventory pooling, economies of scale, improved logistics, and other efficiencies achieved through centralized inventory management and operations to economically deliver grid resiliency benefits to subscribers such as Appalachian and their customers.

Grid Assurance is the only company developing a strategic reserve of newly purchased, secure, well-maintained, deployment-ready critical assets for the bulk electric system. In addition, Grid Assurance is the only service provider that currently provides advanced logistic planning for critical long lead-time assets.

C. The Affiliate Transaction is in the Public Interest.

Appalachian and Grid Assurance request that the Commission find that its approval of Appalachian's participation in this transaction is in the public interest.¹ As described in greater detail in the Transaction Summary attached to this Petition as Exhibit 1, Appalachian will benefit from being a signatory to the Subscription Agreement and a beneficiary of the services Grid Assurance will provide.

Grid resilience is a priority to Appalachian, the Commission and national policy makers. At the national level, in response to increased threats to the electric grid, federal policy makers identified the importance of resilience in the grid, including 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,

¹ See, e.g., *Roanoke Gas Co. v. State Corp. Comm'n*, 217 Va. 850, 853 (1977).

cyberattack, electromagnetic pulse, geomagnetic disturbances, severe weather, and seismic events.”² The FAST Act directed the U.S. Department of Energy (“DOE”) to study “the degree to which utility sector actions or initiatives, including individual utility ownership of spare equipment, joint ownership of spare equipment inventory, sharing agreements, or other spare equipment reserves or arrangements” can address concerns about grid resilience.³

In 2017, the DOE released its Report on a Strategic Transformer Reserve.⁴ In the Strategic Transformer Reserve Report, 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. Specifically, the DOE’s report states:

[LPTs] are critical elements of the electric power transmission and distribution grid. LPTs pose unique vulnerabilities because of the long lead time it takes to manufacture and acquire replacements, and because of transformers’ potential susceptibility to serious and evolving threats and hazards, ranging from isolated outages caused by physical attack to more severe events with the potential for widespread impact. Concerns about the vulnerabilities of LPTs have focused both government and industry attention on the need for a reserve capacity of transformers that would increase the ability of both individual utilities and industry partnerships to respond to adverse events and assure that the U.S. grid is increasingly resilient and able to recover quickly from widespread transformer failures.⁵

Although the Strategic Transformer Reserve Report is specifically focused on large transformers, the logic applies to other long lead time equipment used in the transmission of electric energy, such as circuit breakers.

² Fixing America’s Surface Transportation Act, Pub. L. 114-94, § 61004(a), 129 Stat. 1312, 1779 (December 4, 2015).

³ *Id.*

⁴ 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”).

⁵ *Id.* at 4.

The need for new grid resilience policies and strategies becomes clear simply by reading the headlines from the last several years, which indicate an increase in the physical and cyber threats to the grid. For example, in 2016 a substation in south-central Utah was attacked with a high-powered rifle.⁶ In 2016 and 2015, Ukraine experienced significant cyber-attacks that threatened the grid and caused power outages.⁷ Extreme weather events also represent a growing threat to grid resiliency.

Recently, the Federal Energy Regulatory Commission (“FERC”) opened a docket to address grid resilience issues.⁸ Moreover, 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. 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. 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.⁹

⁶ See e.g., Sniper Attack on Utah Substation Highlights Grid Vulnerability, Utility Dive (October 13, 2016) (available at: <https://www.utilitydive.com/news/sniper-attack-on-utah-substation-highlights-grid-vulnerability/428202/>).

⁷ Quadrennial Energy Review: Transforming the Nation’s Electricity System at 4-34 (January 2017) (available at: <https://energy.gov/epso/downloads/quadrennial-energy-review-second-installment.1.2>) (citations omitted).

⁸ *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).

⁹ See *Grid Assurance LLC*, 152 FERC ¶ 61,116 (August 7, 2015); *Grid Assurance LLC*, 154 FERC ¶ 61,244 (March 25, 2016), *order granting clarification and denying reh’g*, 156 FERC ¶ 61,027 (July 8, 2016).

Grid Assurance is designed to provide a platform for rapid mitigation of grid vulnerability due to these types of high-impact, low-frequency events. Grid Assurance enhances the ability of participating utilities like Appalachian to avoid the potentially devastating impacts of prolonged transmission outages by providing ready access to a pre-positioned and optimized inventory of critical transmission grid equipment. Without Grid Assurance, in the event of a catastrophic event, such critical long lead time transmission equipment would need to be acquired on a case-by-case basis, or through mutual sharing agreements, typically with longer lead times, at higher costs and much less certainty. AEP transmission owning entities explored other options and determined that Grid Assurance offered the best alternative to provide a reasonable level of preparedness, resilience and restoration confidence.

Specifically, Grid Assurance supports the restoration of electric service after catastrophic events through a number of services, which include:

- 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, 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.

Collectively, these services are referred to as "Sparing Service," which will be provided to Appalachian if the Commission approves the Subscription Agreement.

Without Grid Assurance, this equipment would be acquired on a "case-by-case" basis, typically with long lead times and at potentially higher costs. As explained in greater detail in the Transaction Summary, for AEP and its affiliates, the pooling benefit for various breaker and transformer classes would give Appalachian access to several more breakers from Grid Assurance at a lower cost than holding more pieces of equipment.

With Grid Assurance, upon the occurrence of a Qualifying Event, Appalachian may purchase inventoried spares from Grid Assurance, at a cost equal to the original cost of such spares, up to the nominated quantity in each equipment class. The term Qualifying Event covers a broad range of events that are the most probable to cause catastrophic damage, including physical terrorism attacks, cyber-attacks, intentional electromagnetic interference, or certain catastrophic weather events.

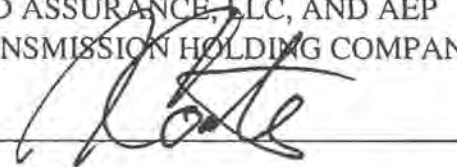
Thus, as explained in depth in the Transaction Summary, participation in Grid Assurance will result in greater savings and benefits to Appalachian and its customers, than any of the other, less certain options available to Appalachian, including self-supply or mutual assistance.

WHEREFORE, the Applicants request that the Commission approve the proposed Subscription Agreement and grant such further and other authority as may be necessary under Title 56, Chapter 4 of the Code and all other applicable law. Grid Assurance joins in this Petition in accordance with the requirements of Va. Code § 56-84.

Respectfully Submitted,

APPALACHIAN POWER COMPANY,
GRID ASSURANCE, LLC, AND AEP
TRANSMISSION HOLDING COMPANY, LLC

By



Of Counsel

Dated: July 13, 2018

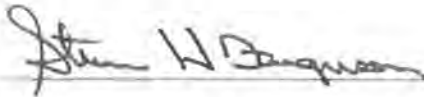
Noelle J. Coates, Esq. (VSB #73578)
American Electric Power Service Corporation
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Richmond, VA 23219
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614-716-1615
jrbacha@aep.com

*Counsel for Appalachian Power Company,
Grid Assurance, LLC, and AEP Transmission
Holding Company, LLC*

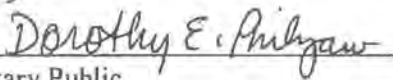
VERIFICATION

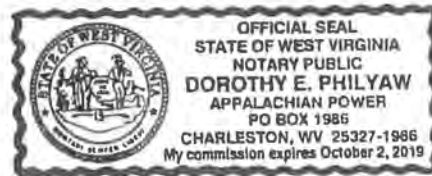
Being first duly sworn, the undersigned Steven H. Ferguson, deposes and states that he is Vice President of Appalachian Power Company, that he has read the foregoing Petition and its attachments and knows its contents; that the facts stated in the Petition and its attachments are true and correct to the best of his knowledge and belief.



STATE OF WEST VIRGINIA)
)
CITY/COUNTY OF CHARLESTON)

Subscribed to and sworn before me, a Notary Public, in and for the jurisdiction aforesaid, this 10th day of July, 2018. My commission expires October 2, 2019.


Notary Public



VERIFICATION

Being first duly sworn, the undersigned A. Wade Smith, deposes and states that he is Vice President of AEP Transmission Holding Company, LLC, that he has read the foregoing Petition and its attachments and knows its contents; that the facts stated in the Petition and its attachments are true and correct to the best of his knowledge and belief.

A Wade Smith

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Subscribed to and sworn before me, a Notary Public, in and for the jurisdiction aforesaid, this 9th day of July, 2018. My commission expires April 17 2021.

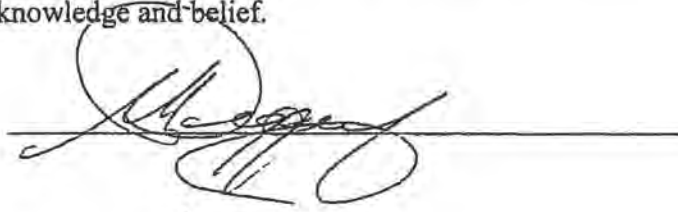
Victoria L. Dunfee
Notary Public



VICTORIA L. DUNFEE
NOTARY PUBLIC
FOR THE STATE OF OHIO
COMMISSION EXPIRES
APRIL 17, 2021

VERIFICATION

Being first duly sworn, the undersigned Michael L. Deggendorf, deposes and states that he is Chief Executive Officer of Grid Assurance, LLC, that he has read the foregoing Petition and its attachments and knows its contents; that the facts stated in the Petition and its attachments are true and correct to the best of his knowledge and belief.



STATE OF Mo

COUNTY OF Clay

)
) To-wit:
)

Subscribed to and sworn before me, a Notary Public, in and for the jurisdiction aforesaid, this 9th day of July, 2018. My commission expires 04-07-2019.

Deborah L. Holthouse
Notary Public

DEBORAH L. HOLTHOUSE Notary Public-Notary Seal STATE OF MISSOURI Clay County My Commission Expires April 7, 2019 Commission # 15470546

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was served by hand-delivery and/or first-class mail on this 13th day of July 2018 to:

William H. Chambliss, Esq.
State Corporation Commission
Tyler Building - 10th Floor
1300 East Main Street
Richmond, VA 23219

C. Meade Browder, Jr., Esq.
Division of Consumer Counsel
Office of the Attorney General
202 N. 9th Street
Richmond, VA 23219

A handwritten signature in black ink, appearing to read "J. O. [unclear]", written over a horizontal line.

Exhibit 1

TRANSACTION SUMMARY-AFFILIATE TRANSACTIONS

A. All applications filed for approval of affiliate transactions under the Affiliates Act:

1. *Describe, in detail, the affiliate relationship among the parties involved.*

AEP Transmission Holding Company (AEPTHCo), an affiliate company of American Electric Power Company, Inc. (AEP), is an investor in and owner of Grid Assurance LLC (Grid Assurance). Appalachian Power Company (Appalachian) and other AEP transmission owning entities will be a Subscribing Party of Grid Assurance. Appalachian and AEPTHCo are affiliates of AEP, as defined by the Affiliates Act.

2. *Describe specific services, rights, or things to be provided.*

Pursuant to the Subscription Agreement, Grid Assurance will provide emergency equipment supply services to Appalachian for the purpose of enhancing grid resilience. Grid Assurance will provide Appalachian with access to an optimized inventory of large power transformers (LPTs) and other critical long lead-time transmission equipment to assist it in recovering from catastrophic grid emergencies. To offer this sparing service, Grid Assurance will (1) procure and maintain an optimized inventory of critical spare LPTs, circuit breakers and related transmission equipment, (2) provide secure domestic warehousing of the inventory of spares in strategic locations, and (3) offer preplanned transportation and logistic support for prompt release and delivery of spare equipment to Appalachian as needed to respond to emergencies.

3. *Describe the conditions and term of the agreement, contract, or arrangement, including rights of parties to cancel and renewability. If the agreement requires the utility company to become involved in a long-term captive relationship, explain why this is necessary.*

The initial term of the Subscription Agreement is five years, with an automatic renewal in place. Appalachian has the right to terminate at any time for any reason, upon payment of a financial exit penalty (which is designed to protect other subscribers from the risk of stranded investment). Article 13, Term and Termination, of the Subscription Agreement provides additional details on the term of the agreement.

4. *Provide a copy of any formal agreement. If there is no formal agreement, provide a statement to that effect with a complete description of the contract or arrangement.*

Attached to this Transaction Summary are the following:

- Form Subscription Agreement (Attachment A)
- Cover pages, Schedules 2.1 and 17, and Attachment A to the AEP-specific Multi-Subscriber Addendum, executed by Grid Assurance and AEPSC as agent for the AEP Transmission Owners that are currently subscribers to Grid Assurance (Confidential Attachment B)
- Final Attachment A to the Multi-Subscriber Addendum (once all necessary regulatory approvals have been received) (Confidential Attachment C)

- Updated Fee Estimate (Confidential Attachment D)

B. Goods or services provided to the utility

1. Describe the utility's need for the goods or services.

Appalachian's subscription to Grid Assurance will allow it to restore its bulk power system promptly after a catastrophic event such as a natural disaster, physical or cyber-attack.

The loss of LPTs and other specialized, long lead-time high voltage transmission equipment due to a catastrophic event could severely impede Appalachian's ability to restore the bulk power system. Such equipment is essential to the functioning of the bulk power system. The limited inventory of suitable replacement LPTs and other critical transmission infrastructure, when combined with the long lead times required to manufacture new large power transformers, can lead to major delays in restoration. Furthermore, utilities do not plan to use all of their operational spares because doing so would expose them to normal contingency failures while the spares are replenished, which could cause further grid reliability issues.

Grid Assurance will address this by acquiring, owning and maintaining an inventory of new large transformers, circuit breakers and other critical equipment in strategic locations that will be made available to Appalachian promptly after such catastrophic events. Grid Assurance will store the equipment at secure, strategically-located sites that are near key modes of transportation, to maximize efficiency of delivery, and have low natural risks profile.

Grid Assurance's Sparing Service thus will be capable of supporting high-confidence restoration plans for transmission owners nationwide, as its Subscribers will know the specifications and physical location of Inventoried Spares, providing a basis for developing logistic and transportation plans ahead of time that can be confidently relied upon and executed.

Under the terms of the Subscription Agreement, which governs all pricing and services, Appalachian and other AEP transmission owning entities will identify the type and quantity of equipment needed in the Grid Assurance inventory.

Grid Assurance will release inventory to subscribers upon the occurrence of "Qualifying Events" at original costs. The Subscription Agreement defines "Qualifying Event" in a way that covers a broad range of events that are the most probable to cause catastrophic damage and that are not covered under Appalachian's current operational inventory programs that address normal 'wear and tear' or equipment failures. Specifically, "Qualifying Event" is defined as damage, destruction or other material impairment of the safe operation of the electric transmission system of a subscriber caused by, or resulting from:

- 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);
- A cyber-attack, whether or not in connection with an act of war, terrorism or a public enemy;

- An electromagnetic pulse or intentional electromagnetic interference; or
- 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 or ice storm.

Grid Assurance will assist with delivery logistics to assist subscribers with transporting equipment to subscriber sites as expeditiously as possible after the occurrence of a Qualifying Event.

2. *Describe the utility's current and prior arrangements for obtaining the goods or services, where applicable.*

Appalachian's current operational sparing strategy addresses normal 'wear and tear' and end of life failures only. Appalachian and other AEP east transmission companies hold enough spares collectively to cover these routine outages. Considered operational spares, these spares are typically stored onsite, within the bounds of the substation, and the inventory level is based on data analytics that balance the risk of a failure and number of assets in-service. In addition, the strategy uses asset health monitoring techniques and includes analyzing historical data trends to predict the probability of normal 'wear and tear' events.

Appalachian's subscription to Grid Assurance is designed to address a separate risk to the grid. Grid Assurance will hold critical spare long lead-time assets in the event of a coordinated physical attack on the grid, natural disasters or other major events that damage critical transmission equipment. Unlike Appalachian's current operational sparing strategy, these new emerging threats to the grid carry an unknown probability with potential high damaging effects. Grid Assurance's shared inventory model offers a sensible sharing approach. Access to a shared inventory can ensure that a readily-available supply of securely stored, spare transformers and other critical assets will be available domestically for deployment following a catastrophic event. The ability for Appalachian to pool the costs of maintaining an inventory of spare critical equipment will expedite recovery at a substantial savings relative to a go-it-alone or self-supplying approach.

Moreover, Grid Assurance can be used for discretionary sales to purchase equipment for events other than Qualifying Events, i.e., catastrophic events, in order to assist those utilities in restoring service to the electric grid due to non-catastrophic events, such as normal equipment failure.

3. *Discuss whether or not the goods or services can be provided by the utility internally. If so, quantify the costs of doing so and compare such costs to costs of obtaining such goods or services from the affiliate. If not, explain why such goods or services cannot be provided internally.*

It would be duplicative and prohibitively expensive for utility customers for Appalachian to purchase, maintain and secure its own dedicated inventory of critical equipment, including high-voltage transformers, sufficient to address the risks of widespread catastrophic losses. This pooling approach will minimize Appalachian's costs by optimizing inventory for the collective resiliency needs of multiple utilities across the country and providing an opportunity for high volume purchases.

Grid Assurance will optimize its inventory to the resiliency needs of a large diverse group of subscribers, pool the cost of maintaining the equipment, resulting in significant cost savings to Appalachian and its customers to solve for these emerging threats. Appalachian's subscription to Grid Assurance would have a lower revenue requirement, as compared to the self-supply option.

Based upon participation by each AEP transmission owning entity listed on Confidential Attachment C and as shown on the Updated Fee Estimate attached as Confidential Attachment D, Appalachian's projected Sparing Service Fee for the June 2019 – May 2020 is expected to be approximately \$160,000 on a total company basis.

4. *Discuss other alternative sources for obtaining the goods or services available to the utility. Provide specific details, quantifying the costs of obtaining such goods or services from the alternative sources and comparing those costs to the costs of obtaining the goods or services from the affiliate.*

Across the industry, there are a few other efforts in existence or being established to implement sparing approaches. In many cases, these programs involve assets that are existing and co-located with in-service assets and require cooperation with other utilities through a mutual assistance arrangement.

As an overview, Edison Electric Institute (EEI) established a Spare Transformer Equipment (STEP) program. AEP is a member of EEI-STEP. STEP requires participating utilities to designate a specific number of assets to be made available to other utilities in case of a critical substation failure. To participate in STEP, each participating utility pays an enrollment fee of \$10,000 and annual dues of \$7,500. STEP is a mechanism for utilities to share existing assets in the event of deliberate destruction and requires a declaration from the President of the United States of America to effectuate a transfer between utilities. EEI also established the SpareConnect program. Both STEP and SpareConnect, require utilities to leverage their existing physical assets. SpareConnect is less formal than STEP and is an on-line tool for utilities to network to facilitate equipment sharing. RESTORE (Regional Equipment Sharing for Transmission Outage Restoration) is a regionally focused initiative for enhanced mutual assistance for critical spare equipment. RESTORE is a voluntary program in which participants identify existing spare transformers from their operational inventory and other transmission equipment that would be made available for purchase by other participants if they experience a widespread disaster or physical attack within their service territory. While the programs of STEP and RESTORE are similar, in that they build on participants existing spare transformers, RESTORE allows for the proposed transactions to be triggered by a wider scope of disasters.

APCo and its affiliates explored these other options: (1) self-supplying; (2) EEI-STEP; (3) SpareConnect; and (4) RESTORE and determined Grid Assurance was the service provider capable of delivering the desired level of preparedness, resilience and restoration confidence. Specifically, Grid Assurance is the spare equipment option that will (1) increase the deployment-ready capacity of critical transmission equipment; (2) have secure domestic warehouse storage; (3) have preplanned transportation and logistics plans; and (4) offer regulatory clarity from the Federal Energy Regulatory Commission (FERC) and full cost transparency. Self-supplying would not be cost effective and much too burdensome for customers. EEI-STEP, SpareConnect

and RESTORE are mutual assistance efforts. Mutual assistance efforts, such as these have been a valuable resource for the industry over the years but are no longer adequate to address restoration following catastrophic high impact low frequency events.

Finally, unlike other industry transmission pooling initiatives that promote sharing of already-purchased spare inventory, Grid Assurance will be purchasing new spare inventory to benefit its subscribers.

5. *Explain how the costs of obtaining goods or services from the affiliate are to be determined. If costs to the utility are to be based on the affiliate's cost of providing the goods or services, provide those cost components. If the cost components are to include a return on investment component, state what that is and show how it is determined.*

Appalachian will pay a "Sparing Service Fee" to Grid Assurance, which is a monthly, cost-based fee that is determined based on a formula set forth in Schedule 5.1 of the Subscription Agreement.

The Sparing Service Fee is designed to reflect Grid Assurance's costs, including the following: 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 Appalachian's share of:

- Maintenance costs specifically attributable to the inventoried spares in that equipment class; plus
- 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
- 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
- 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
- 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 the 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.

Upon the occurrence of a Qualifying Event, the Grid Assurance Agreement provides that a subscriber may purchase inventoried spares from Grid Assurance, at a cost equal to the original cost of such spares, up to the subscriber's nominated quantity in each equipment class.

6. *If costs to the utility are to be based on market rates, explain, in detail, how such market rates are to be determined. Provide the dollar amount and percentage of the affiliate's revenues that are derived from providing such goods or services to non-affiliated entities. Provide supporting calculations.*

Not applicable.

7. *If the utility is to be charged or allocated costs from the affiliate, explain how such charges or allocations are to be made, providing specific allocations methodologies. If allocation formulas are to be used, provide such formulas.*

See the response to B5.

8. *If services are not proposed to be priced at the lower of cost, plus a reasonable return, or the market price, explain why this will not be done.*

Not applicable.

C. Goods or services provided by the utility

Not applicable.

D. Leasing arrangements with affiliates

Not applicable.

E. Accounting and other issues to be provided or addressed by the utility and affiliate:

1. *Provide a copy of the utility's or affiliate's Cost Allocation Manual (depending on which entity is providing services), which describes the accounting system (to include the chart of accounts used) and cost allocation methodologies (including factors and methods of calculation) put in place to track costs accurately relative to contracts and arrangements with affiliates.*

Not applicable. See Confidential Attachment C for the expected allocations among Appalachian and other participating AEP transmission owning entities.

2. *Describe any specific safeguards in place to ensure that no unregulated affiliate will be subsidized by the regulated company as a result of the proposed contract or arrangement.*

There are specific safeguards in place so that no unregulated affiliate will be subsidized by the regulated companies.

The AEP regulated companies that are parties to the Subscription Agreement, including Appalachian, will be responsible for paying the service fees and correspondingly those companies are the only AEP companies that can purchase spares following a Qualifying Event. Therefore, Appalachian's unregulated affiliates will not receive the benefits of the sparing service.

See Section 5 of the Addendum to the Subscription Agreement for more detail.

3. *Compare and contrast the utility's risk exposure as a result of the proposed arrangement and show that the arrangement is in the public interest in spite of any anticipated change in risk exposure.*

The Subscription Agreement is in the public interest, as it addresses an increasingly critical and foreseeable need: Appalachian's ability to restore promptly its bulk power system in the wake of a catastrophic event, such as a natural disaster or a physical or cyber-attack. Grid Assurance will acquire and hold a reserve inventory of the LPTs and other critical equipment in strategic locations, and will make those reserves available to Appalachian promptly in the event of an emergency. This will in turn enable Appalachian to restore service to its customers more promptly.

4. *Discuss any anticipated cost savings for the utility as a result of the arrangement. Describe such anticipated savings and quantify to the extent possible. Provide support for anticipated savings. Include any anticipated impacts on operating efficiencies or quality of service and explain and quantify to the extent possible with supporting detail.*

See Response to B3 above.

5. *Discuss in specific terms any other anticipated positive impacts on public interest not yet addressed, including any anticipated impacts on customers' rates.*

If this Application is approved, Appalachian will begin paying subscription fees to Grid Assurance in 2019. The specific date depends on when Grid Assurance will secure inventory. Appalachian will recover the sparing fees through its transmission rate adjustment clause.

See Response to E3 above.

6. *If approval is required in other jurisdictions, provide the status of the review process in those jurisdictions and provide copies of any orders issued. Provide bi-weekly updates until a Commission Order is issued.*

The Public Service Commission of West Virginia (WVPSC) must also approve the Subscription Agreement, and Appalachian will update the Staff as the WVPSC's review progresses. The Federal Energy Regulatory Commission has also issued favorable rulings on Grid Assurance.¹

7. *Descriptions of goods or services to be provided or received pursuant to affiliate contracts or arrangements must be specific. Categories such as "other" and "incidental" without description of the types of services in those categories are unacceptable and cannot be recommended for Commission approval.*
8. *If the proposed contract or arrangement is for the utility to provide services to an affiliate to support the affiliate providing services to other entities, the affiliate should have a separate accounting system established prior to obtaining Commission approval. If this has not been established, indicate when this will take place. A copy of the accounting procedures established for the affiliate showing how costs will be tracked should be provided to the Division of Public Utility Accounting.*

Not Applicable.

9. *If the contract or arrangement involves investment by the utility company in an affiliate and the provision of services to the affiliate to enable the affiliate to operate, describe, in specific detail, how the utility's customers (or members in the case of electric cooperatives) will be protected against any losses incurred by the affiliate.*

Not Applicable.

10. *For contracts or arrangements in which services are offered to an affiliate operating in a competitive environment, describe, in specific detail, what steps are being taken to ensure that the affiliate is not being favored over competitors.*

Not Applicable.

¹ See Grid Assurance LLC, 152 FERC ¶ 61,116 (2015); Grid Assurance LLC, 154 FERC ¶ 61,244, order granting clarification and denying reh'g, 156 FERC ¶ 61,027 (2016).

11. Describe, in detail, how the proposed services provided by the utility company will be accounted for in the utility's financial records.

Not Applicable.

F. Applications for exemption from the filing and prior approval requirements of the Affiliates Act pursuant to § 56-77 B of the Code of Virginia.

Not Applicable.

**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 I]

GRID ASSURANCE LLC
SUBSCRIPTION AGREEMENT
PART 2

GENERAL TERMS AND CONDITIONS

**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

Equipment Class	Nominated Quantity*
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_{EC} = *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_{EC} = *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_{EC} = *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_{EC} = *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 I 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 Sparing 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

CONFIDENTIAL AND PROPRIETARY
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]

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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

**GRID ASSURANCE LLC
SUBSCRIPTION AGREEMENT**

SCHEDULE 2.1

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

Designated Transmission Owners

Public Service Company of Oklahoma
Ohio Power Company
AEP Texas Inc.
AEP Ohio Transmission Company, Inc.
AEP Oklahoma Transmission Company, Inc.

Nominated Quantities

Equipment Class	Nominated Quantity*

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

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**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

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 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

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%
	One (1) or more Affiliates of the Subscriber Parties**		42.97%
		Total	100.0%
[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%
		Total	100.0%
[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%
		Total	100.0%

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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

Subscriber Parties	Contract Allocated Share
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: apsmlyth@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%		
	Total	100.0%	
[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**

PUBLIC Attachment D





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]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

PUBLIC Attachment D

Subscribing through Grid Assurance brings equipment pooling benefits



Fee Estimate by Equipment Class

Annual Fee for assumed first ten years (June 2019 through May 2029) includes start-up fee amortization

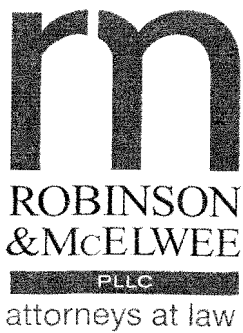


Subscription Fee Estimate
 Estimate Date: February 9, 2018
 Fee Period Start: June 1, 2019
 Fee Period End: May 31, 2020

To: American Electric Power Company

Nominated Quantity	Equipment Class	Description	Equipment Class Fee (\$000)
█	█	█	█
█	█	█	█
█	█	█	█

PUBLIC Attachment D



July 13, 2018

BY HAND DELIVERY

Ingrid Ferrell, Executive Secretary
West Virginia Public Service Commission
201 Brooks Street
Charleston, WV 25301

04:48 PM JUL 13 2018 EXEC SEC DIV

18-1028-E-PC

Re: Petition of Appalachian Power Company, Wheeling Power Company, AEP West Virginia Transmission Company, Inc., Monongahela Power Company, The Potomac Edison Power Company, and Trans-Allegheny Interstate Line Company for Consent and Approval to Enter Into Grid Assurance Subscription Agreement

Dear Ms. Ferrell:

On behalf of the following companies, Appalachian Power Company, Wheeling Power Company, AEP West Virginia Transmission Company, Inc., Monongahela Power Company, The Potomac Edison Power Company, and Trans-Allegheny Interstate Line Company, I enclose herewith for filing the original and twelve (12) copies of the above-referenced joint Petition and the public versions of various exhibits thereto.

In addition to the original and twelve (12) copies of the redacted public versions of the exhibits containing confidential information, three (3) copies of the confidential versions of those exhibits are being filed herewith, under seal, with a cover letter attached to the outside of the sealed envelope containing them. Within one week of this filing, the Petitioners will file a Motion for Protective Order, supported by affidavit(s). The Petitioners request that the Executive Secretary's office take measures to ensure that the materials filed under seal are protected from public access and accorded provisional protected status, pending the Commission's ruling on that motion.

Please include all of the undersigned attorneys on the electronic service list for this case.

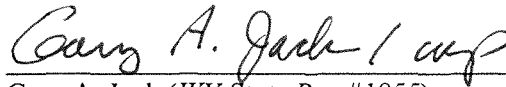
Very truly yours,

William C. Porth (W.Va. State Bar #2943)
wcp@ramlaw.com

Heather G. Harlan (W.Va. State Bar #8986)
hgh@ramlaw.com

Counsel for Appalachian Power Company,
Wheeling Power Company, and
AEP West Virginia Transmission Company, Inc.

Ingrid Ferrell, Executive Director
July 13, 2018
Page 2



Gary A. Jack (*WV State Bar #1855*)
Mon Power/PE/Trailco
5001 Nasa Blvd.
Fairmont, WV 26554
gjack@firstenergycorp.com

Counsel for Monongahela Power Company,
The Potomac Edison Company, and
Trans-Allegheny Interstate Line Company

WCP:sr
Enclosures

04:48 PM JUL 13 2018 EXEC SEC DIV

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON.**

CASE NO. _____

APPALACHIAN POWER COMPANY, WHEELING
POWER COMPANY, AEP WEST VIRGINIA
TRANSMISSION COMPANY, INC., MONONGAHELA
POWER COMPANY, THE POTOMAC EDISON
COMPANY and TRANS-ALLEGHENY INTERSTATE
LINE COMPANY,
public utilities.

04:48 PM JUL 13 2018 EXEC SEC DIV

Petition for consent and approval to enter
into a Subscription Agreement

PETITION

COME NOW Appalachian Power Company (“APCo”), Wheeling Power Company (“WPCo”), and AEP West Virginia Transmission Company, Inc. (“WV Transco”), (the foregoing being referred to herein collectively as “the AEP Petitioners”), and Monongahela Power Company (“Mon Power”), The Potomac Edison Company (“PE”), and Trans-Allegheny Interstate Line Company (“Trailco”) (together “the FE Petitioners”)¹ and respectfully file this Petition for the Commission’s consent and approval, pursuant to W.Va. Code §24-2-12, for the AEP and FE Petitioners, along with other AEP and FE transmission owning companies, to enter into an agreement with Grid Assurance LLC, which is or will be partially owned by their affiliates, in the case of the AEP Petitioners, AEP Transmission Holding Company, LLC

¹ The AEP Petitioners and the FE Petitioners are sometimes collectively referred to herein as “the Petitioners” or “the AEP and FE Petitioners.”

("AEPThCo"), and, in the case of the FE Petitioners, FirstEnergy Transmission LLC ("FET").

In support of this Petition, the Petitioners represent as follows:

1. APCo's mailing address is Appalachian Power Company, Suite 800, Laidley Tower, 500 Lee Street East, Charleston WV 25301. APCo is incorporated under the laws of the Commonwealth of Virginia.

2. WPCo is a West Virginia corporation. WPCo's mailing address is Wheeling Power Company, Suite 800, Laidley Tower, 500 Lee Street East, Charleston, West Virginia 25301.

3. WV Transco is a public service corporation incorporated under the laws of the State of West Virginia. The mailing address of WV Transco is AEP West Virginia Transmission Company, Inc., 1 Riverside Plaza, Columbus, Ohio 43215.

4. The mailing address of AEPThCo is 1 Riverside Plaza Columbus, Ohio 43215. AEPThCo is organized under the laws of the State of Delaware.

5. APCo, WPCo and WV Transco are subsidiaries of American Electric Power Company, Inc. ("AEP"). AEP's mailing address is American Electric Power Company, Inc., 1 Riverside Plaza Columbus, Ohio 43215. AEP is incorporated under the laws of the State of New York.

6. Mon Power is a corporation formed under the laws of the State of Ohio and operates in West Virginia with a business address of 5001 Nasa Blvd., Fairmont, West Virginia 26554.

7. PE is a corporation formed under the laws of the State of Maryland and the Commonwealth of Virginia and operates in West Virginia, Maryland and Virginia. PE's principal mailing address is 10802 Bower Avenue, Williamsport, Maryland 21795.

8. Trailco is a corporation formed under the laws of the State of Maryland and the Commonwealth of Virginia and operates in West Virginia, Virginia, and Pennsylvania. Trailco's principal mailing address is 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601.

9. FET, which is organized under the laws of the State of Delaware, is a direct subsidiary of FirstEnergy Corp, both of which have a business address of 76 S. Main Street, Akron, Ohio 44308.

10. AEP Petitioners, APCo, WPCo and WV Transco, and FE Petitioners, Mon Power, PE, and Trailco, are each transmission owning electric public utilities subject to the jurisdiction of the Commission.

11. The AEP and FE Petitioners request that they and their affiliates be relieved from any requirement of providing copies of their articles of incorporation or organization, as the case may be, and statements of their financial condition, in accordance with Rule 21 of the Commission's Rules of Practice and Procedure and Form No. 10 appended thereto.

12. AEPTHCo, an affiliate company of the AEP Petitioners, and FET, an affiliate of the FE Petitioners, are or will be investors in and owners of Grid Assurance LLC, a Delaware limited liability company ("Grid Assurance"). Both AEPTHCo and FET will hold a non-controlling interest in Grid Assurance.

13. Grid Assurance was launched in May 2016 to address an increasingly critical and foreseeable grid resilience need facing transmission owning electric utilities. Specifically, Grid Assurance is designed to provide an increased ability for transmission utilities to ensure prompt restoration of the bulk power system in the wake of a catastrophic event such as a natural disaster (including weather-related natural disasters), or a physical or cyber-attack.

14. The initial investors in Grid Assurance are six major utility companies or their affiliates – Berkshire Hathaway Energy U.S. Transmission, LLC, AEP (through AEPTHCo),

Duke Energy, Edison Transmission, LLC, Eversource Energy, and Great Plains Energy, Inc.

Other transmission owning electric utilities that execute subscription agreements (“Subscribers”) may, and in the case of First Energy Corp (through FET) and National Grid are expected to, become investors in Grid Assurance. Initially, Grid Assurance’s capital structure is expected to be approximately 75% debt and 25% equity; once fully capitalized, which may take up to approximately five (5) years, its capital structure will be similar to other transmission companies and is expected to be approximately 50% debt and 50% equity. Grid Assurance’s return on equity will be based on an average of the then-current returns on equity in the transmission formula rates on file at the Federal Energy Regulatory Commission (“FERC”) for all subscribing affiliates of the then-current owners of Grid Assurance that have transmission formula rates on file at FERC.

15. The AEP and FE Petitioners are planning to participate in Grid Assurance as Subscribers, as defined in the Subscription Agreement. The complete definition of other capitalized terms used in this Petition can be found in the form Subscription Agreement attached hereto as Exhibit A.

16. The AEP and FE Petitioners seek approval pursuant to W.Va. Code §24-2-12, and any other applicable requirement, to engage in the affiliate transaction of subscribing to Grid Assurance.

17. Electric transmission grid resilience is a matter of national importance. In response to increased threats to the electric grid, federal policy makers identified the importance of resilience in the grid, including 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.”² Recently, the FERC opened a docket to address grid resilience issues.³ Moreover, 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. (August 7, 2015 Order). Additionally, FERC found in a later order that subscribing to Grid Assurance Sparring Service and purchasing equipment from Grid Assurance in an emergency would be prudent. (March 25, 2016 Order). 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. (July 8, 2016 Order).⁴

18. In 2017, the Department of Energy (“DOE”) released its Report on a Strategic Transformer Reserve⁵, 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.

19. Grid Assurance is a prudent part of a contingency strategy and will help to ensure that transmission service is restored quickly and cost effectively after a catastrophic event.

² Fixing America’s Surface Transportation Act, Pub. L. 114-94, §31004(a), 129 Stat. 1312, 1779 (December 4, 2015).

³ *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).

³ *Id.*

⁴ See *Grid Assurance LLC*, 152 FERC ¶ 61,116 (August 7, 2015); *Grid Assurance LLC*, 154 FERC ¶ 61,244 (March 25, 2016), *order granting clarification and denying reh’g*, 156 FERC ¶ 61,027 (July 8, 2016).

⁵ 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”).

20. Grid Assurance is designed to provide a platform for rapid mitigation of grid vulnerability in the event of a high-impact, low-frequency event that impacts the transmission grid. Grid Assurance enhances the ability of 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. Without Grid Assurance, in the event of a catastrophic event, such critical long lead time transmission equipment would need to be acquired on a “case-by-case” basis, or through mutual sharing arrangements, typically with longer lead times and at potentially higher costs and much less certainty. Lead times through manufacturers can be up to two years in length. AEP’s and FE’s transmission owning entities explored other options and determined that Grid Assurance offered the best alternative to provide a reasonable level of preparedness, resilience and restoration confidence, and to achieve cost effectiveness through economies of scale. The cost associated with the Petitioners individually purchasing and inventorying critical transmission grid equipment would be much higher than utilizing a pooling approach to spread those costs.

21. Specifically, Grid Assurance supports the restoration of electric service after catastrophic events through a number of services, which include:

- 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, 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.

Collectively, these services are referred to as Sparing Service, which will be provided to any transmission owning entity that enters into a Grid Assurance Subscription Agreement and pays

the required annual Spring Service Fee. The Spring Service Fee is designed to reflect Grid Assurance's costs, including the following: its cost to purchase, store and maintain an inventory of spare parts; general and administrative expenses; and financing costs.

22. The form of the Grid Assurance Subscription Agreement, a copy of which is attached hereto as Exhibit A, consists of the following: Cover Pages; Defined Terms (Part 1); General Terms and Conditions (Part 2); and a number of Schedules. In the case of the AEP and FE Petitioners, the Subscription Agreement includes a Multi-Subscriber Addendum.

23. A redacted copy of the current Cover Pages; Schedules 2.1 and 17; and Attachment A to the Multi-Subscriber Addendum that was executed by Grid Assurance and American Electric Power Service Corporation ("AEPSC"), solely in its capacity as agent for AEP transmission owning entities that are currently Subscribers to Grid Assurance, is attached as Public Exhibit B. Upon receipt of appropriate regulatory approvals for AEP's other transmission owning entities, the Grid Assurance Subscription Agreement and Multi-Subscriber Addendum will be modified to list each of those entities. A redacted copy of the resulting Attachment A to the Multi-Subscriber Addendum, which redacts confidential Equipment Classes and Nominated Quantities, is attached as Public Exhibit C. Based upon participation by each AEP transmission owning entity listed on Public Exhibit C, and Grid Assurance's February 9, 2018 projection of AEP's annual Spring Service Fee for the period June 1, 2019 through May 31, 2020, as shown on the redacted Updated Fee Estimate attached as Public Exhibit D, the AEP Petitioners' projected Spring Service Fee for that annual period is expected to be approximately as follows:

APCo	\$160,000
WPCo	\$ 2,100
WV Transco	\$ 50,000

24. A redacted copy of the Cover Pages; Schedules 2.1 and 17; and Attachment A to the Multi-Subscriber Addendum that was executed by Grid Assurance and First Energy Service

Company, solely in its capacity as agent for FE transmission entities participating in the Agreement, is attached as Public Exhibit E. Attachment A to the Multi-Subscriber Addendum redacts confidential Equipment Classes and Nominated Quantities. Based upon participation by each FE transmission owning entity listed on that attachment, and Grid Assurance's February 27, 2018 projection of First Energy Corp's annual Sparing Service Fee for the period June 1, 2019 through May 31, 2020, as shown on the redacted Fee Estimate attached as Public Exhibit F, the FE Petitioners' projected Sparing Service Fee for the same annual period is expected to be approximately as follows:

Mon Power	\$ 116,280
PE	\$ 337,000
Trailco	\$1,045,143

25. Grid Assurance will procure and maintain an inventory of spare transformers, circuit breakers and other critical transmission equipment ("Inventoried Spares") and provide access to Subscribers following catastrophic events.⁶ 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"). 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, the location of which will not be disclosed for security reasons. The warehouses will be located in areas that meet criteria for long haul transportation

⁶ While Grid Assurance is not designed to supplement utility inventory for normal wear and tear or equipment failure, the Grid Assurance Subscription Agreement does provide an opportunity for it to make Discretionary Sales of Investment Spares under limited circumstances.

facilities, security, topology, weather and environment. Grid Assurance will assist with delivery logistics.

26. Upon the occurrence of a Qualifying Event, the Grid Assurance Agreement provides that a Subscriber may purchase Inventoried Spares from Grid Assurance, at a cost equal to the Original Cost of such spares, up to the Subscriber's Nominated Quantity in each Equipment Class. The term Qualifying Event covers 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.

27. Grid Assurance is a cost-effective solution. Grid Assurance's pooling approach will result in savings and benefits for Subscribers and the customers they serve. This pooling approach 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. Grid Assurance also will enhance a Subscriber's ability to respond to catastrophic grid events by allowing them to rely upon a 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 its Subscribers will know the specifications and physical location of Inventoried Spares, providing a basis for developing logistic and transportation plans ahead of time that can be confidently relied upon and executed upon the incurrence of a Qualifying Event.

28. The Grid Assurance 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.

29. Grid Assurance will benefit the customers of APCo, WPCo, WV Transco, Mon Power, PE and Trailco by buying and providing access to Grid Assurance's Inventoried Spares, by securely storing Grid Assurance's Inventoried Spares in strategic locations, and by providing logistics assistance. Collectively, these benefits will provide for rapid deployment during emergencies.

30. While Grid Assurance is a relatively new entity, as indicated earlier, it has already received a number of supportive rulings from the FERC and has the financial backing of some of the largest utilities in the country and North America.

31. Entering into the Subscription Agreement is necessary for the efficient operation of APCo, WPCo, and WV Transco, and Mon Power, PE, and Trailco, in the fulfillment of their public service obligations, including their duty to protect the electric grid from long-term outages. The terms and conditions of the Subscription Agreement are reasonable, no affiliate Subscriber or owner will be given an undue advantage in the Subscription Agreement, and the public is not adversely affected by the Commission's approvals sought in this Petition.

32. In order to allow Grid Assurance to begin securing warehouses and placing orders for equipment by the end of 2018, the AEP and FE Petitioners request expedited consideration of this filing. A decision by the Commission by September 30, 2018, will permit Grid Assurance to begin providing Subscribers, including the AEP and FE Petitioners, with Sparing Service during 2019, thereby enhancing their ability to restore transmission grid operations promptly after a potential, major transmission grid disruption.

WHEREFORE, APCo, WPCo, and WV Transco, and Mon Power, PE, and Trailco, respectfully request that the Commission 1) grant its consent and approval for them to enter into the Grid Assurance Subscription Agreement and implement and carry out the provisions of that

Agreement; 2) grant waivers as requested herein; 3) issue an Order in this proceeding by September 30, 2018, if possible; and 4) grant such other relief as may be appropriate.

Respectfully submitted,

APPALACHIAN POWER COMPANY
WHEELING POWER COMPANY
AEP WEST VIRGINIA TRANSMISSION
COMPANY, INC.
MONONGAHELA POWER COMPANY
THE POTOMAC EDISON COMPANY
TRANS-ALLEGHENY INTERSTATE LINE
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**GRID ASSURANCE LLC
SUBSCRIPTION AGREEMENT**

COVER PAGE

This Subscription Agreement (this “*Agreement*”) is made and entered into as of [REDACTED] (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 [REDACTED], a [type of entity] organized under the laws of the State of [REDACTED] (“*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]

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

**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

Equipment Class	Nominated Quantity*
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_{EC} = *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_{EC} = *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_{EC} = *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_{EC} = *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 Sparing 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.

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);

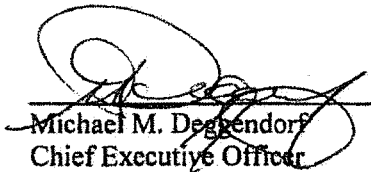
- Schedule 6.4 (Reduction Liability);
- Schedule 12 (Non-Disclosure Agreement);
- Schedule 13.3 (Termination Liability); and
- Schedule 17 (Notice Information).

[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

**GRID ASSURANCE LLC
SUBSCRIPTION AGREEMENT**

SCHEDULE 2.1

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

Designated Transmission Owners

- Public Service Company of Oklahoma
- Ohio Power Company
- AEP Texas Inc.
- AEP Ohio Transmission Company, Inc.
- AEP Oklahoma Transmission Company, Inc.

Nominated Quantities

Equipment Class	Nominated Quantity*
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

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

**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

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 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

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%
	One (1) or more Affiliates of the Subscriber Parties**		42.97%
		Total	100.0%
[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%
		Total	100.0%
[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%
		Total	100.0%

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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

Subscriber Parties	Contract Allocated Share
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

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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



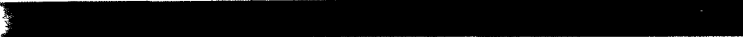


- (d) notwithstanding Section 3.4 of Part 2 of the Agreement, Grid Assurance shall have no obligation to execute or deliver an Acceptance Notice until such time as the Agreement is amended so that so that one hundred percent (100%) of all Contract Allocated Shares and one hundred percent of the Equipment 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
	Public Service Company of Oklahoma		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%		
		Total	100.0%
	Public Service Company of Oklahoma		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

Equipment Class	Pooling Benefit	AEP Cost Equivalent	
		Access	Cost

Subscribing through Grid Assurance brings equipment pooling benefits

Fee Estimate by Equipment Class



Annual Fee for assumed first ten years (June 2019 through May 2029) includes start-up fee amortization



Subscription Fee Estimate

Estimate Date: February 9, 2018
Fee Period Start: June 1, 2019
Fee Period End: May 31, 2020

To: American Electric Power Company

Nominated Quantity	Equipment Class	Description	Equipment Class Fee (\$000)
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PUBLIC Exhibit D

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 May 14, 2018 (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 FirstEnergy Service Company, an Ohio corporation, solely in its capacity as agent on behalf of: American Transmission Systems, Incorporated, a corporation organized under the laws of the State of Ohio; Mid-Atlantic Interstate Transmission, LLC, a limited liability company organized under the laws of the State of Delaware; Trans-Allegheny Interstate Line Company, a corporation organized under the laws of the State of Maryland and the Commonwealth of Virginia; Monongahela Power Company, a corporation organized under the laws of the State of Ohio, The Potomac Edison Company, a corporation organized under the laws of the State of Maryland and the Commonwealth of Virginia; and Jersey Central Power & Light Company, a corporation organized under the laws of State of New Jersey (each and collectively "**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);

CONFIDENTIAL AND PROPRIETARY
Grid Assurance LLC

- Schedule 13.3 (Termination Liability); and
- Schedule 17 (Notice Information).

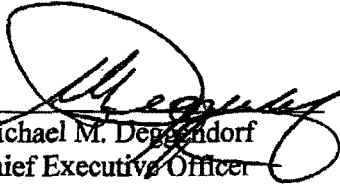
[Signature Page Follows]

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. Degeandorf
Chief Executive Officer

FirstEnergy Service Company solely in its capacity as agent on behalf of each of:

American Transmission Systems, Incorporated

Mid-Atlantic Interstate Transmission, LLC

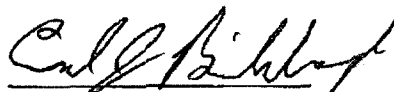
Trans-Allegheny Interstate Line Company

Monongahela Power Company

The Potomac Edison Company

Jersey Central Power & Light Company

By:


Carl J. Bridenbaugh
Vice President, Transmission

Signature Page

CONFIDENTIAL AND PROPRIETARY
Grid Assurance LLC

**GRID ASSURANCE LLC
 SUBSCRIPTION AGREEMENT**

SCHEDULE 2.1

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

Designated Transmission Owners

American Transmission Systems, Incorporated
 Mid-Atlantic Interstate Transmission, LLC
 Trans-Allegheny Interstate Line Company
 Monongahela Power Company
 The Potomac Edison Company
 Jersey Central Power & Light Company

Nominated Quantities

Equipment Class	Nominated Quantity*
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

CONFIDENTIAL AND PROPRIETARY
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

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

FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
Attention: Carl J. Bridenbaugh,
Vice President, Transmission
E-mail: bridenbaughc@firstenergycorp.com

with a copy to:

FirstEnergy Service Company
76 South Main Street
Akron, OH 44308
Attention: Milorad Pokrajac
Director, Business Development
E-mail: mpokraj@firstenergycorp.com

CONFIDENTIAL AND PROPRIETARY
Grid Assurance LLC

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

Subscriber Party Nominee

FirstEnergy Service Company
 76 South Main Street
 Akron, OH 44308
 Attention: Carl J. Bridenbaugh
 Email of Contact Name: bridenbaughc@firstenergycorp.com

Class Allocated Shares

Equipment Class*	Subscriber Parties	Nominated Quantity*	Class Allocated Share
[REDACTED]	American Transmission Systems, Incorporated	[REDACTED]	0.00%
	Mid-Atlantic Interstate Transmission, LLC		14.29%
	Trans-Allegheny Interstate Line Company		57.14%
	Monongahela Power Company		0.00%
	The Potomac Edison Company		0.00%
	Jersey Central Power & Light Company		28.57%
	Total		100.0%
[REDACTED]	American Transmission Systems, Incorporated	[REDACTED]	88.00%
	Mid-Atlantic Interstate Transmission, LLC		0.00%
	Trans-Allegheny Interstate Line Company		0.00%
	Monongahela Power Company		12.00%
	The Potomac Edison Company		0.00%
	Jersey Central Power & Light Company		0.00%
	Total		100.0%
[REDACTED]	American Transmission Systems, Incorporated	[REDACTED]	0.00%
	Mid-Atlantic Interstate Transmission, LLC		0.00%
	Trans-Allegheny Interstate Line Company		0.00%

CONFIDENTIAL AND PROPRIETARY
 Grid Assurance LLC

Equipment Class*	Subscriber Parties	Nominated Quantity*	Class Allocated Share
	Monongahela Power Company		0.00%
	The Potomac Edison Company		100.00%
	Jersey Central Power & Light Company		
	Total		100.0%
	American Transmission Systems, Incorporated		0.00%
	Mid-Atlantic Interstate Transmission, LLC		66.67%
	Trans-Allegheny Interstate Line Company		0.00%
	Monongahela Power Company		0.00%
	The Potomac Edison Company		0.00%
	Jersey Central Power & Light Company		33.33%
	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
American Transmission Systems, Incorporated	22.71%
Mid-Atlantic Interstate Transmission, LLC	17.97%
Trans-Allegheny Interstate Line Company	19.42%
Monongahela Power Company	27.83%
The Potomac Edison Company	8.97%
Jersey Central Power & Light Company	3.10%
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

CONFIDENTIAL AND PROPRIETARY
Grid Assurance LLC

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.



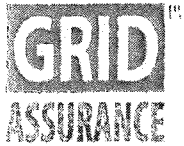
**Grid Assurance
Fee Estimate for
First Energy
February 27, 2018**

Public Exhibit F

Fee Estimate by Equipment Class



Annual Fee for assumed first ten years (June 2019 through May 2029) includes start-up fee amortization



Subscription Fee Estimate

Estimate Date: February 27, 2018

Fee Period Start: June 1, 2019

Fee Period End: May 31, 2020

To: First Energy

Nominated Quantity	Equipment Class	Description	Equipment Class Fee (\$000)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Total \$	[REDACTED]

Public Exhibit F

Nominated Quantities, Inventory Levels & Pooling Savings



As of February 27, 2018:

Equipment Class	FIRST ENERGY Nominated Quantity	Total Nominated Quantity	Inventory Level
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Equipment Class	Pooling Benefit	FIRST ENERGY Cost Equivalent	
		Access	Cost
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Subscribing through Grid Assurance brings equipment pooling benefits

Public Exhibit F

VERIFICATION

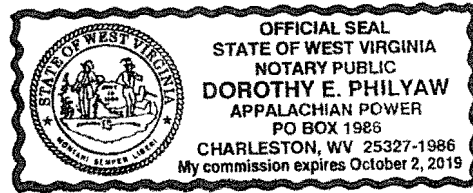
Being first duly sworn, the undersigned Steven H. Ferguson, deposes and states that he is Vice President of Appalachian Power Company, that he has read the foregoing Petition and its attachments and knows its contents; that the facts stated in the Petition and its attachments are true and correct to the best of his knowledge and belief.

Steven H. Ferguson

STATE OF WEST VIRGINIA)
)
CITY/COUNTY OF CHARLESTON)

Subscribed to and sworn before me, a Notary Public, in and for the jurisdiction aforesaid, this 10th day of July, 2018. My commission expires October 2, 2019.

Dorothy E. Philyaw
Notary Public



VERIFICATION

STATE OF WEST VIRGINIA,

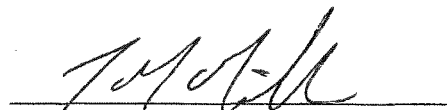
COUNTY OF MARION, TO WIT:

Milorad Pokrajac, Director, Business Development of First Energy Service Corporation, being duly sworn according to law, deposes and says that the facts and allegations stated in the attached Petition are true, except insofar as they are therein stated to be on information, and that, insofar as they are therein stated to be on information, he believes them to be true.


Milorad Pokrajac

Taken, sworn to and subscribed before me this 13th day of July, 2018.

My commission expires: April 7, 2020


Notary Public



Terese M. Miller
Resident Summit County
Notary Public, State of Ohio
My Commission Expires: 04/07/2020

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-15 Refer to the application, paragraphs 25-28. State whether the Subscription Agreement requires Kentucky Power to purchase equipment from Grid Assurance under any circumstances.

RESPONSE

No. Kentucky Power has no obligation to purchase equipment from Grid Assurance under any circumstances.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-16 Refer to the application, paragraph 31, which states that "[e]ach member of the Board of Managers [for Grid Assurance] will have an equal vote for the management of Grid Assurance." Identify and provide the source or support for this statement.

RESPONSE

See the Company's responses to KPSC 1-1, KPSC 1-2, and KPSC 1-3 and KPSC1-4. Article 4 of the Grid Assurance LLC Agreement governs the Board of Managers.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-17 Refer to the application, paragraph 32.

- a. Explain how Kentucky Power, its parent, or its affiliates will augment and support Grid Assurance in the future.
- b. Explain what is meant by the sentence, "The final staffing will be a function of the final subscription and final contracted services."

RESPONSE

a. As a cost-based service, there may be functions that Grid Assurance may seek to contract for with Subscribers. Any such agreements would be subject to all applicable cost allocation requirements or practices. These Administrative Support Agreements will be determined over the next six months as Grid Assurance clarifies operational needs.

b. Grid Assurance will be staffed to meet the level and demand for the services it provides. For example, for certain functions, there currently is not sufficient need for full-time staffing. The level of staffing of Grid Assurance in large part is dependent on the number of subscribers as well as the size and composition of the inventory it maintains. In addition, staffing may change if a third warehouse is added to serve western markets.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-18 Refer to the application, paragraph 33. If AEP Transmission Holding increases its equity interest in Grid Assurance as described in that paragraph, explain the effect on AEP Transmission Holding's ability to direct and control Grid Assurance in relation to other equity owners.

RESPONSE

Please see the Company's response to KPSC 1-2, KPSC 1-3, and KPSC 1-4. The contemplated increase in equity ownership is not anticipated to affect AEP Transmission Holding's inability to direct or control Grid Assurance in relation to other equity holders.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-19 Refer to the application, paragraph 36. Explain the circumstances under which Kentucky Power would, upon a Qualifying Event, purchase equipment from Grid Assurance at a price greater than market price.

RESPONSE

Kentucky Power has no obligation to purchase equipment from Grid Assurance. Any purchase by Kentucky Power of nominated equipment following a Qualifying Event would be at the original cost paid by Grid Assurance. It is very unlikely that market price would decline below the original cost, as raw materials, labor and transport cost, in general, tend to increase.

In the unlikely event that the current market price for a Large Power Transformer is lower than the Grid Assurance's original cost, Kentucky Power retains the option to purchase the transformer from the market. Any such purchase likely would result in the delay of the restoration of the subject transformers (and possibly the grid) by a year or more while awaiting the design, manufacture, and delivery of new transformers. Conversely, a purchase from Grid Assurance would permit immediate access to Large Power Transformers and aid in prompt restoration of the grid.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-20 Refer to the application, paragraph 37. Explain the circumstances under which Kentucky Power would, using a Discretionary Sale, purchase equipment from Grid Assurance at a price greater than market price.

RESPONSE

For reasons similar to those described in the Company's response to KPSC 1-19, this is a highly unlikely scenario. Kentucky Power would purchase a Grid Assurance transformer through a Discretionary Sale in the event that a transformer is needed for reliability reasons in less time than is required to procure a newly manufactured transformer through a direct purchase from a transformer manufacturer. The alternative would be to wait upon the design, manufacture, and delivery of a new transformer for one to two years, which could introduce too great a reliability risk.

A second circumstance in which Kentucky Power might seek a Discretionary Sale is if Kentucky Power suffered from coordinated physical attack on multiple substations which impacted more transformers than the allowed Nominated Quantity. Due to the criticality of the stations and the need to replace the damaged equipment immediately to avoid prolonged outages, Kentucky Power may opt to enter into a Discretionary Sale and purchase additional assets from Grid Assurance. The Subscription Agreement describes (in Sections 4.2.3 and 4.2.4) Discretionary Sales to Transmission Group Members that want to buy more than their Nominated Quantity in Equipment Classes in which they participate, and also Equipment Classes in which they do not participate. The Subscription Agreements require a purchase price for such sales that attempts to eliminate any resulting windfall to the purchasing Subscriber as a result of its failure to participate at the now-desired quantity.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-21 Refer to the application, paragraph 38. Explain the basis for stating that AEP Transmission Holding will hold a non-controlling interest in Grid Assurance even though it will have an equity interest in Grid Assurance and will have representation on the Board of Managers of Grid Assurance.

RESPONSE

See the Company's Responses to KPSC 1-1, KPSC 1-2, KPSC 1-3, and KPSC 1-4.

Witness: Chad A. Heitmeyer

DATA REQUEST

KPSC 1-22 Refer to the application, paragraph 45, which states that "[t]he lead time to obtain an Inventoried Spare from a manufacturer may be up to two years." Identify and provide the source or support for this statement.

RESPONSE

In general, the larger the transformer that is being purchased, the longer the required lead time needed to source a replacement. Fewer facilities exist to make the larger size transformers. The lead time between identification of need and transformer delivery is comprised of: contract negotiation, engineering and design, manufacture (including receipt of materials and third party manufactured accessories), and transportation. Once received, the transformer must be assembled, processed with insulating oil, tested, and commissioned before it can be placed into service. Most references to transformer lead time include only the time between placing an order and the transformer's arrival on site. Thus reported lead times exclude contract negotiation time, which may require many months and field assembly and commissioning time which may require many weeks.

Support for the statement includes the sources listed below:

The March 2017 Strategic Transformer Reserve report states "...lead times that could stretch beyond 8 to 12 months if the manufacturer has difficulty obtaining key parts...." [*DOE, Strategic Transformer Reserve Report, March 2017*]

A report by Lloyds of London estimates that a large geomagnetic disturbance event could cost more than \$2 trillion and lead to disruptions lasting up to two years. [*Lloyd's, Solar Storm Risk to the North American Electric Grid, at 4.*]

"In 2010, the average lead time between a customer's Large Power Transformer order and the date of delivery ranged from five to 12 months for domestic producers and six to 16 months for producers outside the United States. The LPT market is a cyclical market with a correlation between the volume of orders on the one hand and lead time and price on the other. In other words, the average lead time can increase when the demand is high, up to 18 to 24 months. This lead time could extend beyond 20 months and up to five years in extreme cases if the manufacturer has difficulty obtaining any key inputs, such as bushings and other key raw materials, or if considerable new engineering is needed. An industry source noted that high-voltage (HV) bushings often have a long lead time, extending up to five months. Another industry source added that HV bushings are usually customized for each power transformer and there are limited bushing manufacturers in the United States. Manufacturers must also secure supplies of specific raw materials or otherwise they could endure an extended lead time." [*DOE*

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018
Page 2 of 2

Large Power Transformers and the U.S. Electric Grid Report Update, dated April 2014 Update]
According to DOE “the average lead time for a large transformer is between five and 16 months; however, the lead time can extend beyond 20 months if there are any supply disruptions or delays with the supplies, raw materials, or key parts.” The size and weight of LPTs can further delay procurement process “because an LPT requires special arrangements and special rail cars for transport. [*DOE Large Power Transformers and the U.S. Electric Grid Report Update, dated April 2014 Update]*”

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-23 Refer to the application, paragraph 47.

- a. Identify the alternatives examined and provide Kentucky Power's analysis of those alternatives.
- b. Explain what is meant by, "Grid Assurance also provides Kentucky Power with ... pre-planned transportation and logistical plans."
- c. State Kentucky Power's belief as to whether Grid Assurance is a replacement or alternative to mutual assistance agreements and whether Kentucky Power is considering such an agreement.

RESPONSE

a. See Company's response to Question KPSC 1-11. There is no written analysis to provide.

b. See Company's response to Question KPSC 1-10.

c. Grid Assurance provides benefits not available through mutual assistance agreements. See Application at ¶¶ 11, 47. As a result, it is more accurately characterized as a supplement to a mutual assistance agreement. With Grid Assurance, Kentucky Power knows precisely what equipment, location, and transportation route will serve its needs. The Grid Assurance option also provides certainty that the equipment will be delivered without requiring any intermediate parties to decide upon whether a, or which, "donor" utility will provide which transformer from what location. Grid Assurance, unlike the other solutions, allows a utility to plan ahead with confidence to ensure that the transformer they will receive will be delivered, and will perform properly on their grid. Although mutual assistance agreements can provide benefits Grid Assurance addresses those instances when mutual assistance agreements alone will fall short in promptly restoring service.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-24 Refer to the application, paragraph 10, which states that Grid Assurance was launched in May 2016. Refer also to the application, paragraph 58, which seeks an expedited decision. Explain why Kentucky Power waited until August 23, 2018, to file its notice of intent to file its application.

RESPONSE

Kentucky Power filed its application within a reasonable period after the specific information required to support the application, and that would permit the Commission to conduct a meaningful review, was finalized in the second quarter of 2018. These unresolved matters included the identification of subscribers, the determination of equipment specifications, the specification of each Subscriber's requested inventory, and the calculation of estimated fees.

Kentucky Power requested expedited consideration of this filing. Due to several other pending state Grid Assurance filings, it is likely the Transition will be delayed. Kentucky Power is now revising its request for Commission action to November 15, 2018.

Witness: Ranie K. Wohnhas

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018
Page 1 of 3

DATA REQUEST

- KPSC 1-25 Refer to the form Subscription Agreement attached as Exhibit 2 to the application.
- a. Explain what "assessments" are included in the definition of "original cost" on page 8 of the exhibit.
 - b. Explain what "fees" are included in the definition of "original cost" on page 8 of the exhibit.
 - c. Explain what "other costs" are included in the definition of "original cost" on page 8 of the exhibit.
 - d. Refer to paragraph 2.6 of the exhibit. Describe any discussion American Electric Power Company, Inc., has had regarding itself, a wholly owned entity, or an affiliate becoming a subcontractor for Grid Assurance and any such anticipated subcontractor activities.
 - e. Refer to paragraph 9.1 of the exhibit. Explain whether Kentucky Power anticipates participating in any committee.
 - f. Refer to Schedule 4.5 of the exhibit.
 - (1) Describe the extent the terms of sale in this schedule differ from Kentucky Power's typical purchases of similar equipment.
 - (2) Explain the interplay between the Delivery term in paragraph 1 and representations in the application regarding Grid Assurance's logistics services, for example, in paragraph 14 of the application.
 - (3) Describe Kentucky Power's analysis of the effect on the warranty provisions on Kentucky Power's evaluation of the relative costs of a purchase pursuant to these terms as compared to Kentucky Power's typical purchases of similar equipment.
 - g. Calculate Kentucky Power's Termination Liability, as defined in the exhibit, based on currently known information.

RESPONSE

a. In general, the “original cost” is the all-inclusive total cost paid by Grid Assurance to procure each asset, complete with its accessories, and including transportation and related expenses for delivery to the Grid Assurance-designated site. These costs are the same costs that would be paid by an asset owning utility for the delivery of similar assets for operational or spare purposes for the utility’s system. Assessments are those costs associated with the cost assessed by local, state, or federal authorities to compensate for any accommodations (e.g. widening a road or repairing a rail siding) required prior to, during, or after the movement of the equipment along the transport route to allow safe transport of the assets free from damage to the asset or the route itself.

b. Fees include those costs charged for services, access, or storage by logistics or other services providers; port or transport entities; and local, state or federal authorities to compensate for resources, equipment and services used for the lading, rigging, hauling, handling, clearance, access, safety escort, movement or temporary storage required during the delivery transportation cycle.

c. Other costs would include such costs incurred by Grid Assurance to provide supporting engineering and inspections during the design, manufacturing, loading, assembly, disassembly, insulating oil or gas handling, and other costs in preparation for storage.

d. AEPSC anticipates providing services such as Business Services, Tax Services, Risk Management Services, Siting Services, Regulatory Services, Procurement Services, Web Hosting Services to Grid Assurance LLC at cost. The Grid Assurance LLC and American Electric Power Service Corporation Administrative Service Agreements govern these activities.

e. An assigned Subject Matter Expert from the AEP Service Corporation will serve on the Grid Assurance Equipment Committee for all AEP participating companies. This is the most cost effective approach, employs the highest level of expertise available, and assures consistent practices are applied across all of AEP’s participating companies.

f.

(1) The terms set forth in Schedule 4.5 address the transfer of ownership (from Grid Assurance) and relocation (from a secure warehouse) of an existing asset. The terms set forth in Schedule 4.5 are essentially the same that would apply if Kentucky Power were moving an existing spare asset from its Kentucky Power or AEP operating company storage location to the location where it was to be placed into service following a failure event. Conversely, the terms differ from those that would apply to the fundamentally different transaction involved in the purchase of an asset from a manufacturer. In that case, the transport terms and costs would generally be included in the invoice from the manufacturer.

(2) Grid Assurance develops and regularly maintains an advance plan for delivery logistics, so that the delivery can be better planned, smoothly executed and expedited, and cost-effectively performed following a Qualifying Event (or Discretionary Sale). In order to avoid cross-

Kentucky Power Company
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subsidization of costs between subscribers, the purchasing subscriber is responsible for the execution and cost of the delivery (based upon the advance plan developed). Having the advance delivery plan avoids the significant delays, confusion, and likely far greater expense of developing delivery plans and obtaining the necessary clearances, permits, services and equipment after the catastrophic event has occurred.

(3) The industry warranty standard is 12-months from in-service date, or 18-months from delivery, whichever occurs first. AEP Transmission negotiates 60-months from in-service date, or 66-months from delivery, whichever occurs first. For AEP spare units the warranty typically expires 66 months after delivery, unless otherwise specified in a negotiated contract.

Grid Assurance has committed to pass on a manufacturer's warranty to subscribers for a minimum of one year in service, even if the asset has been stored for up to 25 years. This mitigation of risk is unprecedented in the industry.

g. It is currently anticipated that the remaining AEP companies would not modify AEP's total Nominated Quantities if Kentucky Power elected to cease participation and that Kentucky Power would not be assessed a Termination Liability.

Witness: Chad A. Heitmeyer

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DATA REQUEST

KPSC 1-26 State whether Kentucky Power has or will have a preference for purchases from Grid Assurance.

RESPONSE

Generally, Kentucky Power will have a preference in the case of a Qualifying Event for the purchase of its Nominated Quantities from the Equipment Classes in which it participates.

More specifically, Schedule 4.3 of the Subscription Agreement, titled Deployment Protocols, defines the rules and procedures governing the priority and manner in which Grid Assurance will sell Inventoried Spares to members of Grid Assurance.

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. Grid Assurance will then utilize the Tier 2 – Tier 6 priorities when considering Discretionary Sales of Inventoried Spares from an Equipment Class. If the number of Inventoried Spares in an Equipment Class is inadequate to satisfy the demands of Subscriber Group members within Tiers 1-6 described above, Inventoried Spares will be deployed on a non-discriminatory basis, taking into consideration the following factors:

- relative Nominated Quantities of the Transmission Group Members participating in an Equipment Class;
- the impact on the stability of the bulk electric transmission network;
- the total electric load and number of customers impacted; and
- whether electric service can be restored with fewer Inventoried Spares than the quantities requested by the Transmission Group Members.

Witness: Chad A. Heitmeyer

Kentucky Power Company
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Dated October 1, 2018

DATA REQUEST

KPSC 1-27 Provide a copy of Kentucky Power's policies and procedures regarding equipment purchasing for the type of equipment included in its subscription to Grid Assurance and describe any changes to those policies and procedures anticipated because of the Grid Assurance subscription.

RESPONSE

Please refer to KPCO_R_KPSC_1_27_Attachment 1.pdf for AEP's Corporate Procurement Policy. Kentucky Power follows AEP policies and procedures in entering into an agreement with a supplier.

[Please note: The yellow highlighting on KPCO_R_KPSC_1_27_Attachment 1.pdf is an internal AEP convention used to represent the latest changes made in Revision 003 of the document. The yellow highlight *does not* indicate confidential material.]

The competitive bid requirement under AEP purchasing practices applies to new purchases for transmission equipment under normal circumstances. If Kentucky Power were to purchase assets from Grid Assurance, a Sole Source Justification would be developed in accordance with 5.1.6 of the policy based on the circumstances presented, including the unique purpose of Grid Assurance, the need met by Kentucky Power's subscription, and the occurrence of a catastrophic event requiring immediate remedy for the benefit of customers.

Grid Assurance purchases equipment using competitive bidding practices in accordance with good utility practice and comparable to AEP Transmission practices. Kentucky Power's subsequent purchase of the competitively-acquired equipment from Grid Assurance at Original Cost is consistent with AEP policy.

Witness: Chad A. Heitmeyer



Title:	AEP Procurement Policy (REV 003)	Effective Date:	July 1, 2013
Owner:	Brian Tierney, Chief Financial Officer	Sponsoring Area(s):	Supply Chain, Procurement & Fleet

Policy/Purpose Statement:

This Policy establishes the minimum requirements that a Business Unit shall follow for the Acquisition of Goods and/or Services. Additionally, it sets expectations for all Business Units within AEP having an influence on cost, quality, and delivery of Goods and/or Services.

Detail:

1.0 Scope: This Policy shall apply to the Acquisition of Goods and/or Services. The Policy governing Procurement of fuels, transportation, and related products is part of the Coal Procurement Policy and is administered separately. Acquisitions of Goods and/or Services for Joint Ventures shall be governed by the agreements, policies, and protocols established for each Joint Venture.

2.0 Definitions: Refer to Attachment A for the definition of any capitalized terms herein.

3.0 Compliance: The provisions set forth in this Policy shall be followed when acquiring any Goods and/or Services on behalf of AEP. Failure to comply with these provisions may result in disciplinary action up to and including termination. Any exceptions to this Policy shall be approved in writing by the owner of this Policy.

4.0 Approval of Commitments: All Contracts, Purchase Requisitions, lease agreements, Releases, and other agreements/expenditures that commit funds of the Company for the Acquisition of Goods and/or Services shall comply with the AEP Authorization Policy. The Authorization Policy can be found on the AEP Policy Central website.

5.0 Sourcing and Selection:

5.1 Standards:

5.1.1 Acceptable Transaction Methods: The Acquisition of Goods and/or Services will be requested through the use of the following methods. Every effort should be made to buy Goods through established AEP Catalogs (Asset Suite, Office Supplies, AEPGear.com, T&D WESCO Tool Catalog).

- Material Requests resulting in material issuances, transfers or Purchase Orders
- Purchase Requisitions resulting in Purchase Orders
- Contract Requisitions resulting in Contracts
- Other BU requests processed into Purchase Orders or Contracts
- Credit Card purchases in accordance with the AEP Corporate Credit Card Policy

5.1.1.1 Exceptions to Acceptable Transaction Methods: The [list of exceptions](#) is maintained on the SCPFO SharePoint site. New permanent exceptions can be requested by following the "[New PO-Contract Exception Request](#)" process.



5.1.2 Required Use of Sourcing Professional: Acquisition of Goods and/or Services with an estimated value over \$100,000 must utilize a designated Sourcing Professional as defined by this Policy. A Sourcing Professional may also be involved with an event less than \$100,000 as requested.

5.1.3 Competitive Bidding Threshold: Unless exempted under Section 5.1.4 of this Policy, any Acquisition of Goods and/or Services with an estimated value above \$100,000 shall be made through competitive bidding. For Acquisitions of Goods and/or Services below the \$100,000 threshold, the use of competitive bidding to Procure Goods and/or Services, regardless of the value, is strongly encouraged as a good business practice.

5.1.4 Exceptions to Competitive Bidding:

- Sole, Single Source and/or Other Than Low Bidder Awards for Goods and/or Services (in accordance with Section 5.1.5)
- Releases, Work Authorizations, or Purchase Orders issued against a Blanket Purchase Order, Blanket Contract or Blanket Service Agreement
- Exceptions listed under Section 5.1.1.1 of this Policy
- Software licenses for annual renewals associated with a Contract
- Legal service contracts written by AEP Legal Department

5.1.5 Inclusion of Small Business/Diverse Suppliers in Bid Opportunities: Unless exempted under Section 5.1.4 of this Policy, any Acquisition of Goods and/or Services with an estimated value above \$500,000 shall solicit a qualified minority, woman or veteran-owned supplier. For Acquisitions of Goods and/or Services below the \$500,000 threshold, the inclusion of a diverse supplier is strongly encouraged as a good business practice. (Refer to attachment D for diverse supplier classifications.)

5.1.6 Sole, Single Source and Other Than Low Bidder Justification: Prior to Award, any Sole Source, Single Source, or Other Than Low Bidder Acquisition of Goods and/or Services, with an actual or estimated value above \$100,000 shall have a Justification Statement reviewed by the appropriate Sourcing Professional (shown in the table below) and Business Unit approval at the next Authorization Level above the level having the dollar authorization to make the commitment.

5.1.6.1 Procurement Review: The level required for Procurement Review approval is outlined below:

Procurement Review	Range
Sourcing Professional	\$100,000 - \$1,000,000
Category Manager	\$1,000,000 - \$2,500,000
Director of Procurement	\$2,500,000 - \$5,000,000
CPO	➤ \$5,000,000

5.1.5.2 Justification Statement: As a minimum, the Justification Statement shall include, but not be limited to: 1) Business Unit; 2) description of the Goods and/or Services being acquired; 3) dollar value; 4) detailed description of why only this suggested source can furnish the requirements 5) signature of the individual(s) writing and approving the Justification Statement. A standard template that shall be used for a Justification Statement can be found as Attachment B to this Policy.



5.1.7 Zero Dollar Blankets: Blanket Contracts/Purchase Orders which provide no financial commitment, but establish a **commercial relationship** with a supplier, require the oversight and approval outlined below.

	Competitively Bid	Sole/Single Sourced or Other Than Low Bidder
Procurement Review		
\$100,000 - \$10,000,000	Category Manager	Director of Procurement
➤ \$10,000,000	Category Manager	CPO
Business Unit Approval	Vice President	Vice President

5.1.8 Intentional Transaction Split: Acquisition of Goods and/or Services shall not be split into multiple transactions with the same Supplier in order to avoid the requirements of competitive bidding.

5.1.9 Competitive Affiliates: Competitive bidding that includes a Competitive Affiliate must meet additional requirements contained in the state codes of conduct. The state codes of conduct can be found on AEP's Ethics & Compliance web site <http://ethics/codes/SourceDocuments/>.

5.2 Methods and Form of Solicitations:

5.2.1 Methods of Solicitation: Any Acquisition of Goods and/or Services valued above the Competitive Bidding Threshold defined in Section 5.1.3 shall utilize one or more of the formal methods of solicitation as defined in Attachment A and listed below:

- Request For Information (RFI)
- Request For Proposal (RFP)
- Request For Quote (RFQ)

5.2.2 Solicitation Documentation:

5.2.2.1 Control Desk: An RFP response (manual or electronic) must be strictly controlled through the formal establishment of a Control Desk in order to receive a bid or proposal from a Supplier. The electronic submission of a Supplier's response through a secure Electronic Sourcing Tool (EST) does not require the establishment of a Control Desk provided the EST functions in a method that prevents access to a response until the bid open date and time.

5.3 Awards and Approvals:

5.3.1 Other Than Low Bidder: Prior to an Award of a Contract that was competitively bid as part of Section 5.2.1 of this Policy, but that will not be awarded to the lowest price bidder, a Justification Statement must be reviewed by the appropriate Sourcing Professional (shown in the table 5.1.5.1) and must be approved by the Business Unit at the next Authorization Level above the level having the dollar authorization to make the commitment. In the case of a Zero Dollar Blanket, an Other Than Low Bidder Justification Statement must be written and approved by the individual listed in the "Competitively Bid" Column in Section 5.1.6.

5.3.2 Evaluations/Analysis: Evaluation and analysis of a Supplier's response shall be conducted in a fair and impartial manner and the Award made to the Lowest and Best Supplier responsive to the requirements described in the Rules Document.



5.3.3 Certificate of Award (COA): A Certificate of Award shall be executed for any Acquisition that results in the Award of a Purchase Order/Contract to a Supplier for the purchase of Goods and/or Services above \$100,000.

5.3.4 Award Notifications: All Suppliers participating in an RFP shall be formally notified (electronically or by letter) as to the status of an Award by the Sourcing Professional conducting the RFP.

5.3.5 Limited Notice To Proceed (LNTN): All LNTN's, regardless of the value, shall be reviewed and approved by AEP Legal.

5.3.6 Verbal Agreements: The Purchase Order/Contract constitutes the entire agreement between the parties and supersedes all previous and collateral agreements or understandings with respect of the subject matter of the Contract. No waiver, alteration, amendment or modification of any of the provisions of the Contract shall be binding unless in writing and signed by duly authorized representatives of the parties.

6.0 Contract Standards, Documents, & Modifications:

6.1 Contract Standards:

6.1.1 General: Notwithstanding the use of a credit card in accordance with the AEP Credit Card Policy, any transaction that contains the provisions of an Offer, Acceptance, and Consideration shall utilize one or more Forms of the Contract Documents residing on AEP Legal's website: <http://legal/contractforms/> or in another Form acceptable to AEP Legal.

6.1.2 General Terms and Conditions: Unless approved by AEP Legal, all Contracts shall reference AEP Terms and Conditions as the governing terms.

6.1.3 Legal Review of Contracts: Any commitments that include changes to the various sets of AEP terms and conditions must be reviewed and approved by AEP Legal. Notwithstanding the provisions of the AEP Legal Contract Review Policy for Business Logistics/Supply Chain and Generation Business Services letter date September 28, 2005, all Contracts with a commitment value over \$500,000 shall be reviewed and approved as to Form by AEP Legal. Any Amendments that modify the General Terms and Conditions of a Contract or present a substantial modification in risk shall be reviewed and approved by AEP Legal. Notwithstanding the provisions of the AEP Legal Contract Review Policy for Business Logistics/Supply Chain and Generation Business Services letter dated September 28, 2005, all exceptions to AEP Terms and Conditions shall be approved by AEP Legal.

6.1.4 Releases against Blanket Contracts: Refer to the Business Unit Contract Standards for guidelines as to whether a competitive bid is required or whether the existing blanket can be used for the order.

7.0 Documentation and Records Retention:

7.1 Retention of Bid and Contract Files: Bid documents and Contracts must be retained in accordance with AEP's Records Retention Manual which can be found on the following website: <http://dsapp2or/DATABASE/CORPSRVS/CSRRM00a.nsf?OpenDatabase>



Review / Revision:

Every policy must be reviewed and certified as current on an annual or more frequent basis. The most current of those dates and the employee conducting it should be shown here, with that date added to the top of the first page and the footer of all pages. At the discretion of the owner, more detailed "Edit History" and/or "Approvals" areas may be maintained here, showing all activity on this policy over the specified time period.

Reviewers/Approver:

Reviewed by: Rich Mueller, VP, Audit Services	04/15/13
Reviewed by: Craig Rhoades, VP Supply Chain, Procurement & Fleet	04/15/13
Approved by: Brian Tierney, Chief Financial Officer	06/05/13

Revision History:

Revision 001, Paragraphs 5.1.1.1 and 5.1.6 – additions are highlighted	
Reviewed by: Rich Mueller, VP, Audit Services	10/01/13
Reviewed by: Craig Rhoades, VP Supply Chain, Procurement & Fleet	10/01/13
Approved by: Brian Tierney, Chief Financial Officer	12/12/13

Revision 002, Paragraphs 1.0, 3.0, 4.0, 5.0-5.3, 6.1.4	
Reviewed by: Procurement Policy and Procedures Team	01/25/16
Reviewed by: DVT	01/21/16
Reviewed by: SCPFO Steering Committee	03/08/16
Approved by: Brian Tierney, Chief Financial Officer	03/17/16

Revision 003, Paragraphs 5.1.1.1, 5.1.4-5.1.7, 5.3.6, Attachment C, Attachment D	
Reviewed by: Procurement Policy and Procedures Team	12/06/16
Reviewed by: DVT	12/08/16
Reviewed by: SCPFO Steering Committee	12/19/16
Approved by: Brian Tierney, Chief Financial Officer	02/07/17



Attachment A Definitions

The following words, terms, and phrases defined in this attachment shall have the meanings set forth below whenever they appear in this Policy, except where:

- 1) the context in which they are used clearly requires a different meaning; or
- 2) a different definition is prescribed for a particular section or provision.

Words not defined shall be given the meaning provided under their common and ordinary meaning unless the context suggests otherwise.

Acceptance – the decision by a Business Unit to agree to an Offer from a Supplier. One part of Contract formation

Acquisition - the taking of possession and control (in the form of title and ownership) of property from a third party

Amendment – any change or modification to the original Terms and Conditions of a Contract or other document

Asset Suite – the work management system used by AEP to record transactions associated with Contracts and Purchase Orders

Authorization Level – the specific dollar amount to which an individual may commit or legally bind AEP

Award – the formal Acceptance by the Business Unit of an Offer of Goods and/or Services made by a Supplier

Blanket Contract – A Contract that is funded for future Services, which is parceled as needed in the form of a Release

Blanket Purchase Order – A Purchase Order that is funded for future Goods, which is parceled as needed in the form of a Release

Business Unit – an entity within AEP having specific responsibilities and identified by a unique accounting string

Catalog ID Items – Goods that are assigned a unique numeric identifier in Asset Suite

Category Manager - a manager within Procurement responsible for a subset of Goods and/or Services who strives to improve Total Cost of Ownership and increase Internal Business Partner value by leveraging the total spend of the organization, proactively managing supplier relationships, rationalizing demand, streamlining the procurement process and focusing on the value drivers

Competitive Affiliate - an unregulated AEP affiliate whose business includes providing products in the open market

Consideration – something of value which is given by both parties in a Contract which induces the parties to enter into the subject agreement and to exchange mutual performance

Control Desk - the location to which bids/proposals are sent, logged, and kept under lock and key during an RFX that specifies requirements for sealed bids



Contract – the agreement detailing the specific terms of the Offer and Acceptance for the provision of Goods and/or Services between AEP and a Supplier in return for Consideration. Some examples of Contracts are Service Agreements, Standard Contracts or Blanket Contracts

Contract Requisition - the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for a Contract

DVT – a team comprised of the Procurement Category Managers and other Procurement related support members that approves process and tool additions or changes. Team membership is maintained via the DVT email group

Electronic Sourcing Tool (EST) - a software tool utilized to collect profile information about potential suppliers and to conduct RFI and RFP bidding events

Goods – all tangible items

Joint Venture – an association of two or more companies engaged in a solitary business enterprise for profit without actual partnership or incorporation

Justification Statement – a document which clearly indicates the reason for not competitively bidding the Acquisition of a Good and/or Service or for not making an Award to the low bidder

LNTP – an instrument used to place a Supplier on notice to start a Service or deliver a Good prior to the execution of a Contract and is normally contingent upon successful negotiation of the terms and conditions

Lowest and Best – as applied to ranking of bids or proposals; lowest and best refers to the identification of a bid or proposal that provides the best outcome (without reference to cost) and then the ranking from lowest to highest price. The lowest and best is determined by the lowest price of those bids or proposals which are deemed to be responsive to providing the best solution

Material Request – the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for Goods

Offer – a promise that, according to its terms, is contingent upon a particular act or promise given in exchange for the original promise

Other Than Low Bid Acquisition – selecting the supplier that is not the lowest commercially evaluated bidder for the Acquisition of a Good and/or Service

Procurement – the act of buying, purchasing, renting, or otherwise acquiring any Goods and/or Services for AEP. Procurement also includes all functions that pertain to the afore-stated, including, but not limited to: description of requirements, selection and solicitation of sources, preparation and Award of Contracts, and all phases of contract administration

Proposal – an Offer by a Supplier in response to an RFP invitation

Purchase Order - an Offer made to a Supplier through AEP's Enterprise Asset Management tool to purchase Goods from a Supplier contingent upon the Supplier meeting the terms included in the Offer

Purchase Requisitions – the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for a Purchase Order

Release(s) – see Work Authorization. Release has a specific legal definition and for this Policy will only refer to the name given to the mechanism for issuing work against a Blanket Contract or Purchase Order in Asset Suite



Rules Document - the document provided with an RFx that provides the instructions for its completion and submission

Request for Information (RFI) - may be used to solicit information about a potential or existing Supplier's experience, service or product, capability, quality, and other information required to screen potential Suppliers prior to the formal process of requesting an RFP, RFQ, quote, or proposal

Request for Proposal (RFP) - shall be used to solicit an Offer from a Supplier when the scope, product, or work is not defined specifically enough, or when AEP is soliciting a solution to a product or Service requirement. This method will normally include the negotiation of both price and non-price factors for Award and shall be delineated in the Rules Document

Request for Quote (RFQ) - an RFQ may be utilized as an acceptable method to solicit and document a price for Goods and/or Services under the specific terms issued as part of a Contract or Service Agreement for Goods and/or Services resulting in a Work Authorization, Release, or Purchase Order as defined by this Policy

RFx – refers to any of the family of “Request For” documents, see RFI, RFP, RFQ

Service Agreement – the Form of Contract for Services that are generally low risk and up to \$500,000 in value. The Service Agreement is intended to be used with the Service Agreement Terms and Conditions

Service – any activity performed by a third party for the benefit of AEP, including, but not limited to labor, consulting, construction, training, maintenance and/or staff augmentation

Single Source - not competitively bidding the Acquisition of a Good and/or Service due to a business unit decision to select a specific supplier based on a technical, commercial or other valid business reason

Sole Source - not competitively bidding the Acquisition of a Good and/or Service due to a unique situation where there is only one supplier that offers that particular Good and/or Service

Sourcing – the act of identifying potential or existing Suppliers who are able to meet the form, fit, function, design or Service requirements identified in Contracts

Sourcing Professional – an individual within Procurement or Cook Procurement who possess specialized knowledge, skills, abilities, education, and experience to facilitate an RFx event

Supplier – one who provides Goods and/or Services

Standard Contract – the Form of Contract Services that are generally moderate or high risk and are over \$500,000 in value

Work Authorization - a specialized Contract Form, issued against a Blanket Contract, that authorizes a Supplier to perform Services and/or deliver Goods as described in its body or attached documents

Zero Dollar Blankets - Blanket Contracts or Blanket Purchase Orders which provide no financial commitment, but establish a **commercial relationship** with a Supplier



**® AEP PROCUREMENT POLICY ATTACHMENT B
JUSTIFICATION FOR SOLE SOURCE, SINGLE SOURCE OR OTHER THAN LOW BID ACQUISITION**

I certify the statements enclosed and the information provided is complete and correct to the best of my knowledge. I understand that the processing of a justification form precludes the use of full and open competition in accordance with American Electric Power's Procurement Policy dated July 1, 2013. Section 5 requires that all purchases in excess of the Competitive Bid threshold of \$100,000 require competitive bidding unless justified by a Sole Source or Single Source Justification. I understand further that Awards to Other than Low Bidder must be similarly justified. Requisitioners are required to justify a Sole Source, Single Source or Other than Low Bid selection of a supplier in accordance with the instructions in the policy. This form must be completed and forwarded with the Contract and/or Purchase Requisition to proceed with the acquisition process.

At a minimum, the Justification Statement shall include, but not be limited to: 1) Business Unit; 2) description of the Goods and/or Services being acquired; 3) dollar value; 4) detailed description of why only this suggested source can furnish the requirements 5) signature of the individual(s) writing and approving the Justification Statement.

Purpose of Form: Sole Source Single Source Other than Low Bid Acquisition

The preliminary estimated dollar expenditure for this material, software and/or services is: \$ _____

Requisitioner:

Signature _____
Name _____
Title _____
Date _____

Item(s) or service(s): (Description of Goods and/or Services)

Suggested source/supplier: (Supplier Name)

Contract/PO number (if known): (Contract No.)

Describe in detail why only this suggested source can furnish the requirements to the exclusion of other sources.

Approver:

Signature _____
Name _____
Title _____
Date _____
User ID _____

Procurement Review: _____ :
Initials _____
Name _____
Title _____



**AEP PROCUREMENT POLICY ATTACHMENT C
PO/CONTRACT EXCEPTION FORM**

This form allows for an exception to the PO/Contract requirement in the Procurement Policy given the nature of the transaction. This form can also be used to request that a permanent exception to the Procurement Policy's PO/Contract requirement.

The preliminary estimated dollar expenditure for this material, software and/or services is: \$ _____

One time Exception (PO/Contract Pending) Seeking Permanent Exception

Explanation for Exception: (must include date of purchase or service, reason a contract or purchase order was not obtained, and whether this transaction will be recurring)

Does vendor/contractor accept credit card payments? YES NO

Requisitioner:

Signature _____
Name _____
Title _____
Date _____

Business Unit Approval (Director, Plant Manager, or next level above):

Signature _____
Name _____
Title _____
Date _____

Suggested source/supplier: (Supplier Name)

Item(s) or service(s): (Description of Goods and/or Services)

Procurement Director Approval:

- Corporate – Mannie Alvarez Generation – Brad Yoho
- Transmission – Judd Schumacher Distribution – Judd Schumacher

Signature _____
Date _____ *Signature Required*

*Completed form shall be submitted with invoice using the Online Payment Request Tool in PeopleSoft. Payment type of "DIR" shall be selected under "Special Options" of the Online Payment Request.



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AEP PROCUREMENT POLICY ATTACHMENT D DIVERSE SUPPLIER CLASSIFICATIONS

Diverse Suppliers, in accordance with the guidelines set by the Small Business Administration, are defined below. The following words, terms and phrases defined in this attachment shall have the meanings set forth below when they appear in this Policy.

Words not defined shall be given the meaning provided under this common and ordinary meaning unless the context suggests otherwise.

Small Business – To qualify as a small business a business concern eligible for assistance from SBA as a small business is one that is organized for profit, with a place of business located in the United States. It must operate primarily within the United States or make a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor. Together with its affiliates, it must meet the numerical size standards as defined in the Small Business Size Regulations 13 CFR 121.

Minority-Owned – A business that is at least 51% owned by, and whose management and daily business operations are controlled by, one or more members of a socially and economically disadvantaged minority group, namely US citizens who are African Americans (Black), Hispanic Americans, Native Americans, Asian-Pacific Americans and Indian sub-Continent Americans.

Minority Business Enterprise (MBE) – A business enterprise at least 51% owned by a minority individual or group, or in case of any publicly owned business, at least 51% of the stock of which is owned by one or more minority groups, and whose management and daily business operations are controlled by one or more of these individuals. American Electric Power shall presume that minority includes, but is not limited to Black Americans, Hispanic Americans, Asian Pacific Americans and other groups.

Women Owned – A business that is at least 51% owned by and whose management and daily business operations are controlled by one or more women who are U.S. citizens.

Woman Business Enterprise (WBE) – A business that is at least 51% owned by a woman; or, in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more women, and whose management and daily business operations are controlled by one or more women.

Woman-owned or Minority-owned Business Enterprise (WMBE) - A woman-owned or minority-owned business enterprise; business that is at least 51% owned by a woman or minority; or, in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more women or minority, and whose under these rules, the woman and/or minorities owning such an enterprise should be either U.S. citizens or legal aliens having permanent resident status in the United States.

Veteran Owned (VET) – A business that is at least 51% owned by one or more veterans, or in the case of any publicly owned business, not less than 51% of the stock of which is owned by one or more veterans; and the management and daily business operations of which are controlled by one or more veterans.

Service Disabled Veteran Owned (SDV) – Service Disabled Veteran a business that is a least 51% owned by one or more service-disabled veterans, or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more service disabled veterans; and the management and daily business operation of which are controlled by one or more service-disabled veterans, or in the case of a veteran with a permanent and severe disability, a spouse or permanent caregiver of such veteran.

HUBZone (HUB) - HubZones are small businesses located in "historically underutilized business zones", are owned or controlled by a U.S. Citizen, and at least 35% of its employees reside in a Hub zone.



8a – A program to assist eligible small disadvantaged businesses with business concerns compete in the American economy through business development.

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

- KPSC 1-28 State whether Kentucky Power is seeking approval for any future purchase of equipment from Grid Assurance and, if so:
- a. Identify what specific types or categories of purchase for which you request approval.
 - b. Explain how Kentucky Power will decide to make those purchases.

RESPONSE

a. Kentucky Power is requesting relief in the alternative. It first requests a determination that Grid Assurance is not an affiliate of Kentucky Power and that the asymmetrical pricing requirements of KRS 278.2207 do not apply to any transactions between Kentucky Power and Grid Assurance.

To the extent the Commission determines that Grid Assurance is an affiliate of Kentucky Power, and the Company contends that it is not, Kentucky Power is seeking advance authority, including any required deviation or waiver, for all future purchases of nominated quantities of the equipment classes to which it subscribes and to make future discretionary purchases.

b. Please see the Company's responses to KPSC 1-10 and KPSC 1-19.

Kentucky Power anticipates that the ability to purchase equipment at Original Cost, coupled with the timing and logistical advantages available through Grid Assurance, will lead the Company to purchase nominated equipment through Grid Assurance. In each instance, Kentucky Power management, in consultation with the relevant AEPSC subject matter experts, will review the options available to the Company, including purchasing the equipment, if available, from a Kentucky Power affiliate.

Witness: Ranie K. Wohnhas

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-29 Provide any other contracts, executed or anticipated, between (1) Kentucky Power, its parent, or affiliates and (2) Grid Assurance.

RESPONSE

See Company's response to question KPSC 1-25(d) and
KPCO_R_KPSC_1_29_Attachment1.pdf.

The expenses related to the scope of services in the Administrative Services Agreement shown on Schedule 2.2 for the development period are billed to Grid Assurance LLC and funded by the initial equity owners.

Witness: Chad A. Heitmeyer

SECOND ADMINISTRATIVE SERVICES AGREEMENT

This Second Administrative Services Agreement (the "*Administrative Services Agreement*") is made and entered into as of January __, 2017 (the "*Execution Date*") by and between Grid Assurance LLC, a limited liability company organized under the laws of the State of Delaware (the "*Company*"), and American Electric Power Service Corporation, a corporation organized under the laws of the State of New York ("*Service Provider*").

RECITALS

WHEREAS, the Company and Service Provider entered into that certain Administrative Services Agreement, dated as of May 6, 2016 (the "*Original Services Agreement*"), pursuant to which Service Provider agreed to provide services to the Company for ninety (90) days; and

WHEREAS, the Original Services Agreement expired on August 5, 2016; and

WHEREAS, Service Provider has continued to provide Services to the Company since the expiration of the Original Services Agreement; and

WHEREAS, the Company desires for Service Provider to continue to provide, and Service Provider is willing to continue to provide, the Services (as defined below) in accordance with the terms of this Administrative Services Agreement; and

WHEREAS, the Company is willing to pay Service Provider for Services (including Services performed since the expiration of the Original Services Agreement) in accordance with the terms hereof if Service Provider enters into this Administrative Services Agreement; and

WHEREAS, Service Provider is willing to enter into this Administrative Services Agreement and continue to provide Services in accordance with the terms hereof.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Service Provider agree as follows:

ARTICLE 1 DEFINED TERMS

1.1 Defined Terms.

In addition to other capitalized terms defined herein, the following capitalized terms, when used in this Administrative Services Agreement, shall 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 more than 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.

Claim: Any judgment, claim, cause of action, demand, lawsuit or other legal proceeding, governmental investigation or audit, loss, assessment, fine, penalty, administrative order, obligation, cost, expense, liability or damage (whether actual, consequential or punitive), including interest, penalties, reasonable attorneys' fees, disbursements and costs of investigations, deficiencies, levies and duties.

Confidential Information: Any proprietary or commercially sensitive information, knowledge or data in any form that is disclosed by one Party to the other Party in connection with performance hereunder, *provided, however*, that 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; (b) was, or becomes, known to the public through no breach of the Receiving Party's obligations hereunder; (c) is lawfully disclosed to the Receiving Party from a Person other than the Disclosing Party, which Person, to the knowledge of the Receiving Party, is under no obligation to the Disclosing Party 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.

Default 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.

Good Utility Practice: The practices, methods and acts engaged in, or approved by, a significant portion of electric utility companies operating in the United States 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 an electric utility company operates.

Indemnified Person: Any Company Indemnified Person or Service Provider Indemnified Person.

Indemnifying Party: The Party required to provide indemnification pursuant to Section 6.1.

Initial Development Period: The period from the Restatement Date through the Transition Date (as "Restatement Date" and Transition Date" are defined in the LLC Agreement).

LLC Agreement: The First Amended and Restated Limited Liability Company Agreement of Grid Assurance LLC dated May 6, 2016, as it may be amended from time to time.

Party: Each of the Company and Service Provider.

Grid Assurance LLC

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

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

ARTICLE 2 PERFORMANCE OF SERVICES

2.1 Services.

Service Provider shall perform: (a) any services described in Schedule 2.1 (including providing personnel and resources) as requested by the Company and agreed to by Service Provider; and (b) such other services as may be agreed to in writing by the Parties (collectively, the "**Services**"). Service Provider shall perform the Services subject to the general direction of the Company.

2.2 Budget.

2.2.1. The budget setting forth the costs and expenses Service Provider anticipates incurring to provide Services (the "**Services Budget**") through the end of the Services Term (as defined in Section 3.1) is set forth in Schedule 2.2. The Company shall not be liable for any charges in excess of the total Services Budget. Any amendment to the Services Budget shall be subject to the approval of the Company's Board of Managers (the "**Board**").

2.2.2. Without limiting any other rights of the Parties hereunder, if, at any time during the Services Term, the aggregate of all costs and expenses incurred by Service Provider to provide the Services equals or exceeds eighty percent (80%) of the total amount of the Services Budget, either Party may, by notice to the other Party, request a review of the Services Budget. Promptly following issuance of any such notice, the Parties shall confer regarding the Services Budget and, if it is determined that the existing Services Budget is inadequate to cover costs and expenses then anticipated to be incurred through the end of the Services Term (as defined below), the Parties shall negotiate in good faith to amend the Services Budget; *provided, however*, that nothing in this Section 2.2.2 shall be deemed to: (a) obligate either Party to agree to amend the Services Budget; or (b) affect either Party's rights hereunder, including pursuant to Section 3.2.

2.3 Standard of Performance.

Service Provider shall perform the Services in accordance with Good Utility Practice and applicable law.

2.4 Authority.

No Person performing any Service shall have any authority to bind the Company to any contract except to the extent such authority may be expressly granted by the Board.

2.5 Officers of the Company.

2.5.1. In the event that an individual who is an employee or agent of Service Provider is appointed to serve as an officer of the Company in accordance with the LLC Agreement:

- (a) whenever such individual acts in his or her capacity as an officer of the Company, he or she shall owe a duty of care to the Company; and
- (b) notwithstanding Section 2.4 (but subject to Section 2.5.2) that individual shall be entitled to exercise the authority that is granted to such officer pursuant to the LLC Agreement or such other authority as the Board may delegate from time to time in accordance with Section 6.1.1 of the LLC Agreement.

2.5.2. No individual who is an employee or agent of Service Provider shall have any authority to bind the Company in connection with any amendment of, or any consent, approval or waiver granted pursuant to, this Administrative Services Agreement or any other Affiliate Arrangement (as defined in the LLC Agreement) between the Company and Service Provider or any of its Affiliates. Any such action shall be subject to the approval of the Board and execution by an authorized representative of the Company who is not an employee or agent of Service Provider or any of its Affiliates.

**ARTICLE 3
TERM; TERMINATION**

3.1 Term.

The term of this Administrative Services Agreement (the "*Services Term*") shall be deemed to have commenced as of August 6, 2016, and, unless earlier terminated in accordance with the terms hereof, continue in effect until the end of the Initial Development Period.

3.2 Termination.

Either Party may terminate this Administrative Services Agreement upon not less than thirty (30) days' advance written notice; *provided, however*, that at the request of the Company, Service Provider shall continue to perform Services as requested by the Company for an additional period of up to sixty (60) days so long as the Company agrees in writing, in a form acceptable to Service Provider, to pay for Services rendered during such additional period.

ARTICLE 4 COMPENSATION

4.1 Charges for Services.

Charges for Services shall include: (a) reimbursement of any reasonable and documented out-of-pocket costs incurred to perform the Services; plus (b) charges for personnel determined on the same basis such charges are determined from time to time for equivalent services that Service Provider provides to its Affiliates, including allocations for overhead, but excluding any markup for profit.

4.2 Invoices.

Service Provider shall submit monthly invoices for Services, which invoices shall include reasonable supporting documentation.

4.3 Sales and Use Taxes.

4.3.1. If Service Provider is required by applicable law to: (a) pay any state or local sales or use taxes or any other similar charges in connection with providing any Services (other than any such taxes or charges based on the earnings or income of Service Provider); or (b) collect directly from the Company any state or local sales or use taxes or any other similar charges in connection with providing any Services, Service Provider shall include such taxes and/or charges on invoices to the Company and the Company shall be liable to pay or reimburse Service Provider for all such taxes and charges.

4.3.2. Service Provider shall exercise reasonable diligence in attempting to minimize the amount of any sales, use or other taxes for which the Company is responsible hereunder.

4.4 Payment.

4.4.1. Payment of each invoice shall be due and payable no later than thirty (30) days after receipt thereof; *provided, however*, that a Party may withhold payment of invoiced amounts to the extent disputed in good faith.

4.4.2. If a Party disputes in good faith any portion of an invoice, it shall provide a reasonably detailed written explanation of the basis for the dispute no later than the due date for payment thereof. If any disputed amount is later determined or agreed to have been owed, it shall be paid within ten (10) Business Days of the resolution of the dispute.

4.5 Interest on Overdue Amounts.

Any amount due to Service Provider under this Administrative Services Agreement and not paid as and when due (including disputed amounts determined to be due and owing) shall accrue interest daily from the due date for payment thereof until paid at the Default Rate.

4.6 Preservation and Examination of Documentation.

- 4.6.1. Service Provider shall maintain accurate records, books of account, time records, invoices, contracts, mileage records and other documentation to substantiate the charges hereunder.
- 4.6.2. Upon reasonable advance notice and at reasonable times during the term of this Administrative Services Agreement and for two (2) years following the termination or expiration hereof, the Company shall have access to, and shall have the right to examine any pertinent documentation relating to Service Provider's performance hereunder; *provided, however*, that: (a) any such examination shall be conducted during the normal business hours of Service Provider and shall be conducted in a manner that does not unreasonably interfere with Service Provider's business operations; (b) the Company shall comply with Service Provider's standard health, safety and security requirements; and (c) the Company shall be obligated to reimburse Service Provider for any out-of-pocket costs reasonably incurred in connection with any such examination. Any documentation and information made available to the Company pursuant to an examination of Service Provider's records, books of account, time records, invoices, contracts, mileage records or other documentation shall be deemed Confidential Information subject to the terms of Article 7, whether or not it was marked as "Confidential" or "Proprietary" at the time of examination.

**ARTICLE 5
DISCLAIMER OF WARRANTIES**

SERVICE PROVIDER HAS NOT MADE AND DOES NOT MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES OTHER THAN AS SET FORTH IN SECTION 2.3. ANY AND ALL WARRANTIES THAT COULD BE IMPLIED, WHETHER AT LAW OR OTHERWISE, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY EXPRESSLY DISCLAIMED BY SERVICE PROVIDER.

**ARTICLE 6
INDEMNIFICATION**

6.1 Indemnification Obligations.

- 6.1.1. The Company shall indemnify, defend and hold harmless Service Provider and its Affiliates, successors and permitted assigns and their respective officers, directors, managers, employees, agents and representatives (each a "***Service Provider Indemnified Person***") from and against any third-party Claims to the extent arising out of Service Provider's performance of the Services, except to the extent arising out of, or caused by, the gross negligence or intentional misconduct of a Service Provider Indemnified Person.
- 6.1.2. Service Provider shall indemnify, defend and hold harmless the Company and its Affiliates, successors and permitted assigns and their respective officers,

Grid Assurance LLC

directors, managers, employees, agents and representatives (each a "***Company Indemnified Person***") from and against: (a) any Claims by any employee(s) of Service Provider based on the terms and conditions of their employment by, or any employment practice of, Service Provider; and (b) any third-party Claims to the extent caused by the gross negligence or intentional misconduct of Service Provider or any Service Provider Indemnified Person in connection with the performance of the Services.

6.2 Defense of Indemnified Claims.

- 6.2.1. Within a reasonable time after receipt by an Indemnified Person of notice of any Claim as to which an indemnity obligation pursuant to this Administrative Services 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 Party of its indemnification obligations except to the extent that it is materially prejudiced by such delay.
- 6.2.2. The Indemnifying Party shall diligently, competently and in good faith control and conduct the defense of any Claim against an Indemnified Person as to which an indemnity applies; *provided, however*, that the Indemnifying Party may not settle or compromise any such Claim without that Indemnified Person's consent (such consent not to be unreasonably withheld, delayed or conditioned) unless the terms of such settlement or compromise unconditionally release that Indemnified Person from any and all liability with respect thereto and do not impose any obligations on that Indemnified Person.
- 6.2.3. 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.
- 6.2.4. An Indemnified Person shall have the right, at its sole cost and expense, to: (a) be represented by counsel of its own selection; and/or (b) monitor the progress and handling of an indemnified Claim.

6.3 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.

6.4 No Limitation on Direct Claims.

Nothing in this Article 6 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.

6.5 Subrogation.

In the event that an Indemnifying Party pays all or any portion of a Claim, it shall be subrogated to any and all defenses, claims or other matters which the Indemnified Person asserted or could have asserted against the Person making such Claim, and all related cross-claims that the Indemnified Person asserted or could have asserted against other Persons. The Indemnified Person shall execute and deliver to the Indemnifying Party (at the Indemnifying Party's expense) such documents as may be reasonably necessary to establish the ability of the Indemnifying Party to assert such defenses, claims, cross-claims or other matters by way of subrogation.

6.6 Dispute Resolution.

In the event of any dispute between Service Provider and the Company regarding any material matter hereunder, a senior executive officer of Service Provider and a senior executive officer of the Company shall meet to attempt to resolve such dispute in good faith. If a resolution cannot be reached between such senior executive officers within ten (10) Business Days following the first such meeting, either Party shall be free to take legal action in connection with such dispute, and shall be entitled to its remedies at law and in equity, in any court or other forum of competent jurisdiction.

ARTICLE 7
CONFIDENTIALITY

7.1 Protection of Confidential Information.

Except for disclosures permitted pursuant to Section 7.3, a Party that receives Confidential Information (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 other Party (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.

7.2 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 performance of the Services.

7.3 Permitted Disclosures.

- 7.3.1. A Receiving Party may disclose Confidential Information to its Representatives who have a need to know such Confidential Information for the purpose of providing or receiving the Services, and who have been advised of the confidentiality obligations set forth in this Administrative Services Agreement. The Receiving Party will notify the Disclosing Party promptly if it learns of any misappropriation of Disclosing Party's Confidential Information or use of Disclosing Party's Confidential Information by anyone in any manner not expressly authorized by this Administrative Services Agreement, and will fully cooperate with any efforts by the Disclosing Party to prevent any misappropriation or misuse of the Disclosing Party's Confidential Information.
- 7.3.2. 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 Representatives, 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.

7.4 Return or Destruction of Confidential Information.

- 7.4.1. 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 in accordance with its document retention policies 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.

7.4.2. Notwithstanding the return or destruction of Confidential Information or the retention thereof in accordance with the terms hereof, a Receiving Party shall continue to be obligated to comply with the requirements hereof with respect to Confidential Information.

7.5 Responsibilities with Respect to Representatives.

All rights granted, and all restrictions applicable, to a Party vis-à-vis Confidential Information shall be deemed to apply to its Representatives. Each Party shall be responsible for the acts or omissions, including any breach of the terms hereof, of its Representatives. Notwithstanding any other provision of this Administrative Services Agreement, the Company shall not be liable in any way for any disclosure of Service Provider's Confidential Information to the extent caused by any act or omission of a Company Representative that is an employee, agent or subcontractor of or to Service Provider.

7.6 Termination; Duration of Obligations.

The obligations pursuant to this Article 7 shall remain in effect for a period of three (3) years following the expiration or termination of this Administrative Services Agreement or such longer period as a Receiving Party may retain Confidential Information pursuant to Section 7.3 or Section 7.4.

**ARTICLE 8
LIMITATIONS OF LIABILITY**

8.1 Waiver of Consequential Damages.

NOTWITHSTANDING ANY OTHER PROVISION OF THIS ADMINISTRATIVE SERVICES 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 THIS ADMINISTRATIVE SERVICES 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 8.1 shall not prevent recovery of, or affect in any way, a Claim for indemnification pursuant to the terms hereof.

8.2 Limitation of Liability.

8.2.1. To the maximum extent permitted by applicable law, and notwithstanding any other provision of this Administrative Services Agreement, the aggregate liability of Service Provider in connection with this Administrative Services Agreement shall be limited to the total amount paid by the Company for Services rendered during the most recent twelve (12) month period; *provided, however*, that such

limitation shall not apply to the extent that Service Provider's liability is based on its fraud, gross negligence or intentional misconduct.

- 8.2.2. In the event an employee or agent of Service Provider who has been appointed to serve as an officer of the Company acts or fails to act in accordance with the terms of Section 2.5.1: (a) Service Provider shall not be liable to the Company for any money damages as a result of such act or omission; and (b) the Company's sole remedy vis-à-vis Service Provider shall be termination of this Administrative Services Agreement.

ARTICLE 9 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 this Administrative Services Agreement;
- (b) none of the execution, delivery or performance of this Administrative Services 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 is bound;
- (c) it has all requisite corporate or other company power and authority to enter into this Administrative Services Agreement and perform its obligations hereunder; and
- (d) this Administrative Services 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).

ARTICLE 10 ASSIGNMENT

Any assignment of this Administrative Services Agreement shall be subject to the prior written approval of the non-assigning Party, such approval not to be unreasonably withheld, delayed or

conditioned; *provided, however*, that: (a) upon notice to the Company, Service Provider may assign this Administrative Services Agreement to one of its Affiliates; (b) no restriction on the assignability of this Administrative Services Agreement shall prevent Service Provider from utilizing its Affiliates or contractors and consultants to perform any Services; and (c) no assignment of this Administrative Services Agreement shall modify or affect in any way the appointment by the Board of an individual to serve as an officer of the Company. This Administrative Services Agreement is binding on, and shall inure to the benefit of, the Parties and their respective successors and permitted assigns.

ARTICLE 11 NOTICES

11.1 Manner of Notice.

All notices, approvals, consents or other communications required or authorized pursuant to this Administrative Services Agreement must be in writing, addressed to the other 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 the Company:

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

If to Service Provider:

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
1 Riverside Plaza, 29th Floor
Columbus OH 43215
Attention: John W. Seidensticker, Senior Counsel
Email: jwseidensticker@aep.com

11.2 Change in Notice Information.

A Party may modify the notice information set forth herein by providing notice of such modification to the other Party in accordance with Section 11.1.

**ARTICLE 12
NON-RECOURSE OBLIGATIONS**

Notwithstanding any other provision of this Administrative Services Agreement, no Person other than the Parties hereto shall have any liability in connection with, or related to, this Administrative Services Agreement or any performance or non-performance hereunder. Without limiting the foregoing, officers, employees, executives, directors, members, shareholders, agents and authorized representatives of the Parties and their respective Affiliates shall not have any liability in connection with, or related to, this Administrative Services Agreement or any performance or non-performance hereunder.

**ARTICLE 13
GOVERNING LAW**

The rights and obligations of the Parties arising out of this Administrative Services 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 14
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 ADMINISTRATIVE SERVICES AGREEMENT.

**ARTICLE 15
MISCELLANEOUS PROVISIONS**

15.1 Contract Interpretation.

The following rules of construction shall apply when interpreting this Administrative Services Agreement:

- (a) all references in this Administrative Services Agreement to Articles, Sections and Schedules refer to Articles, Sections and Schedules of this Administrative Services Agreement unless expressly provided otherwise;
- (b) the headings appearing in this Administrative Services Agreement are for convenience only, do not constitute any part of this Administrative

Services Agreement and shall be disregarded in construing the language contained herein;

- (c) the terms "herein," "hereby," "hereunder," "hereof" and terms of similar import in this Administrative Services Agreement refer to this Administrative Services 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 this Administrative Services 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 this Administrative Services 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 this Administrative Services Agreement, but shall be construed as if the language were mutually drafted by both Parties with full assistance of counsel.

15.2 Entire Agreement.

This Administrative Services 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, including the Original Services Agreement.

15.3 Amendments.

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

15.4 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 the other Party in order to give full effect to this Administrative Services Agreement.

15.5 Severability.

If any provision of this Administrative Services Agreement is held to be illegal, invalid or unenforceable under present or future laws: (a) such provision shall be fully severable; (b) this Administrative Services Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Administrative Services Agreement; and (c) the remaining provisions of this Administrative Services 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 this Administrative Services Agreement.

15.6 Sole Benefit.

This Administrative Services 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.

15.7 Counterparts.

The Parties may execute and deliver this Administrative Services 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.

15.8 Survival.

The provisions of this Administrative Services Agreement that by their nature survive its expiration or termination (including Article 6 (Indemnification), Article 7 (Confidentiality), Article 8 (Limitations of Liability) and Article 11 (Non-Recourse Obligations)) shall survive such expiration or termination. In addition, each Party shall remain liable to pay all amounts owed or liabilities accrued as of the date of expiration or termination hereof.

15.9 No Partnership; Independent Contractor.

15.9.1. This Administrative Services Agreement shall not be construed as creating a joint venture or partnership between the Parties.

15.9.2. Service Provider shall perform its obligations pursuant to this Administrative Services Agreement as an independent contractor to the Company and shall not in any respect be deemed an agent of the Company for any purpose or reason whatsoever. Service Provider is an independent contractor and all of its employees and agents shall be subject solely to the control, supervision and authority of Service Provider.

15.10 Waivers.

No waiver of any of the provisions of this Administrative Services 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.

[Signature Page Follows]

Grid Assurance LLC

IN WITNESS WHEREOF, the Parties have executed this Administrative Services Agreement as of the Execution Date.

GRID ASSURANCE LLC

**AMERICAN ELECTRIC POWER
SERVICE CORPORATION**

By:

Michael L. Deggendorf
Chief Executive Officer

By:

Lisa M. Barton
Executive Vice President -
Transmission

Signature Page

**SCHEDULE 2.1
SCOPE OF SERVICES**

1. Business Services.

- a) Service Provider shall provide personnel as may be reasonably necessary to manage, administer and oversee the Company's affairs and activities.
- b) Service Provider shall administer, in the name and on behalf of the Company, the Company's billing for its services and collection of amounts due to the Company.
- c) Service Provider shall, in the name and on behalf of the Company as the Company's representative, establish one or more bank accounts and other collection, cash management, and disbursement facilities (and not as a joint account with Service Provider) as the Company deems appropriate (with Service Provider's personnel having appropriate signature authority) and shall use such facilities to collect sums due to the Company from any source and, subject to the terms of the Administrative Services Agreement and this Schedule 2.1, administer the payment of all sums owed by the Company. Service Provider shall not commingle the Company's funds with the funds of any other Person, including Service Provider. Service Provider's obligations to disburse funds shall not obligate it to make any disbursement unless the Company has sufficient funds and such funds are available for disbursement.
- d) Service Provider shall manage the Company's internal accounting, internal and external auditing, and treasury functions.
- e) Service Provider shall administer a system of controls for the Company's activities, obligations and expenditures.
- f) Service Provider shall manage the investment of the Company's funds in an effort to provide adequate liquidity for the Company's operations, protect against investment losses and earn investment returns commensurate with such requirements of liquidity and safety. Service Provider shall not commingle the Company's investments with the investments of any other Person, including Service Provider.
- g) Service Provider shall prepare and deliver to the Company: (i) the reports that the Company is required to produce pursuant Section 8.2 of the LLC Agreement; (ii) the Initial Operating Budget and Initial Five-Year Forecast as described in the LLC Agreement; and (iii) such other financial reports reasonably requested by the Company in connection with the Company's or any of its member's financial reports and analyses.
- h) Service Provider shall manage the Company's tax compliance function. Service Provider shall: (i) prepare all local, state and federal tax returns (including information returns); (ii) assist the Company with any audits, investigations and other inquiries by taxing

authorities; and (iii) prepare and provide to the Company information concerning the Company necessary for preparation of any of its members' income tax returns.

- i) Service Provider may engage and direct, in the name and on behalf of the Company, accountants, consultants, and experts as appropriate.
- j) Service Provider shall provide human resource services.
- k) Service Provider shall maintain documents and records of the Company.

2. Regulatory and Legal Services.

- a) Service Provider shall manage the Company's regulatory and legal affairs. Service Provider may utilize its internal counsel or may, as the Company's representative and on the Company's behalf, engage and direct legal counsel (unless such legal representation would create a conflict of interest in which case the Company will arrange for counsel on its own), consultants and experts as appropriate. The substance of all material applications, all material regulatory filings and/or any ultimate settlement on the Company's behalf shall be subject to the Company's prior written approval.

3. Procurement Services.

- a) Service Provider shall manage procurement activities, including: (i) identifying qualified vendors and equipment and material suppliers; (ii) conducting requests for information; (iii) conducting requests for quotations; (iv) conducting negotiations; (v) recommending awards of contracts; (vi) preparing prudency reviews; and (vii) developing forms of vendor and equipment and material supply contracts.
- b) Service Provider shall prepare and submit to the Company for its approval bid packages for all contracts to be entered into by the Company, on the one hand, and any other Person other than Service Provider or any Affiliate of Service Provider, on the other hand, in connection with any service to be provided to or for the Company or any materials or equipment to be purchased by the Company.

4. Insurance Services.

- a) Service Provider shall administer the implementation and maintenance of the Company's insurance portfolio.
- b) Service Provider shall manage any Claims made by or against the Company, including managing the settlement of Claims under the Company's insurance portfolio. Service Provider shall consult with the Company with respect to any material Claim and shall not make any ultimate agreement on settlement without the prior written approval of the Company.

5. External Affairs and Public Communications Services.

- a) Service Provider shall manage the governmental affairs activities for the Company.
- b) Service Provider shall manage the corporate communication and external affairs policy for the Company, including evaluating and recommending third party communication consultants and managing the consultants' work, recommending protocols for project communications, coordinating communication efforts with members of the Company, developing project messaging with the full range of communication tools, such as maps, fact sheets, web sites, social media, etc., developing and executing communication media relations strategy and providing media relations protocols to third party communication consultants and monitoring and managing their work in this area.

6. Web-Hosting Services.

- a) Service Provider shall establish, operate, maintain, update and grant the Company access to, an internet website and email domain that will enable the Company and its members to interface with all visitors to its website, including the Company's service providers, subcontractors, suppliers, and vendors. Service Provider shall have no obligation pursuant to validate the content, correctness or usability of any trademark, trade name, logo, character, written material, graphic, photograph or other material provided by the Company to Service Provider, in whatever form or media ("*Company Content*"). All Company Content, together with all patent rights, copyrights, trademarks, trade names and other proprietary rights therein, shall at all times be the exclusive property of the Company or the applicable owner thereof. All deliverables and other materials developed or prepared for the Company by Service Provider as part of Web-Hosting Service and the look and feel of the internet website, together with all patent rights, copyrights, trademarks, trade names and other proprietary rights therein (collectively, "*Company Materials*") are, and shall at all times be, the exclusive property of the Company. All Company Materials prepared by Service Provider specifically for the Company and that constitute works of authorship shall be deemed to be works made for hire to the extent permissible under the federal copyright laws.

**SCHEDULE 2.2
 SERVICES BUDGET**

Function	2016	2017 (11 months)	Total
Chief Operating Officer function	\$188,402	\$462,000	\$650,402
Equipment and Analysis Program Services	\$91,720	\$254,375	\$346,095
Regulatory Services	\$113,152	\$462,000	\$575,152
Warehouse Operations Services	\$45,442	\$415,984	\$461,426
Deployment Logistics Services	\$9,000	\$220,458	\$229,458
Operations Project Management Services	\$18,398	\$254,375	\$272,773
Engineering/Design Services – secondary	\$11,900	\$254,375	\$266,275
Equipment Procurement Services	\$4,008	\$220,458	\$224,466
Sales, Marketing & Operations – Travel	\$92,676	\$165,000	\$257,676
Accounting and Tax	\$61,179	\$224,323	\$285,502
Legal	\$39,711	\$116,875	\$148,750
Human Resources	\$27,492	\$100,805	\$128,297
Information Technology	\$83,088	\$304,654	\$387,742
Operations & Maintenance Plans	\$31,625	\$115,958	\$147,583
Security & Operations, etc.	\$32,775	\$120,175	\$152,950
TOTAL	\$850,566	\$3,691,816	\$4,542,382

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-30 Describe any cost-benefit analysis of the Grid Assurance subscription as to Kentucky Power, its parent, or affiliates.

RESPONSE

AEPSC completed cost of service analyses comparing Grid Assurance versus a self-supply option for a Kentucky Power affiliate. The studies indicated that subscribing to Grid Assurance was the lesser cost option.

Witness: Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-31 Describe any plans, mechanisms, procedures, or processes Kentucky Power has in place for future evaluations of the cost-effectiveness of subscribing to Grid Assurance.

RESPONSE

Please see the Company's responses to KPSC 1-10 and KPSC 1-19.

Kentucky Power anticipates that the de minimis cost associated with its subscription, the ability to purchase equipment at Original Cost, coupled with the timing and logistical advantages available through Grid Assurance, will make Kentucky Power's continuing subscription Grid Assurance the most cost-effective option available to the Company.

Management will periodically review the status of the subscription as events warrant.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-32 Explain and quantify to the extent possible any monetary savings Kentucky Power anticipates with respect to its equipment reserve because of subscribing to Grid Assurance.

RESPONSE

Sharing access to secure, firm inventory results in a lower cost than capitalizing increased operational spares when preparing for high impact events to the grid. Each utility's cost share for access to inventory will be minimized by optimizing inventory to the collective resiliency needs of multiple utilities across the country. No calculation of the anticipated savings has been made for Kentucky Power.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer

Kentucky Power Company
KPSC Case No. 2018-00287
Commission Staff's First Set of Data Requests
Dated October 1, 2018

DATA REQUEST

KPSC 1-33 Explain and quantify to the extent possible any costs Kentucky Power anticipates with respect to its participation in Grid Assurance not captured in the fee to be paid to Grid Assurance, including but not limited to any compliance cost or cost associated with overseeing/auditing Grid Assurance.

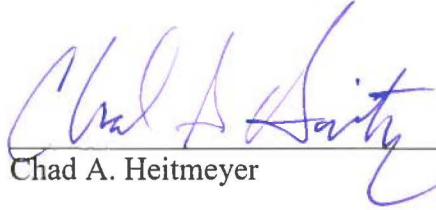
RESPONSE

Other than the annual sparing fee and the costs of any purchases, Kentucky Power does not anticipate any other expected costs. Overseeing and auditing of Grid Assurance fees would be included in the sparing fees for the Subscribers.

Witnesses: Ranie K. Wohnhas
Chad A. Heitmeyer


VERIFICATION

The undersigned, Chad A. Heitmeyer, being duly sworn, deposes and says he is the Director of Transmission Strategy & Grid Development for AEP Service Corporation, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

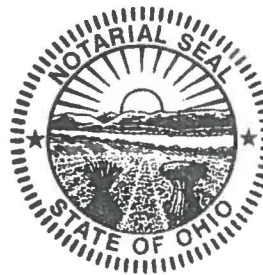

Chad A. Heitmeyer

State of Ohio)
) Case No. 2018-00287
County of Franklin)

Subscribed and sworn before me, a Notary Public, by Chad A. Heitmeyer this 12th day of October, 2018.


Notary Public


My Commission Expires 11/02/2018



Robin S Smith
Notary Public
In and for the State of Ohio
My Commission Expires
November 2, 2018

VERIFICATION

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


Ranie K. Wohnhas

Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2018-00287

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this
 11th day of October, 2018.


Notary Public

My Commission Expires 3-18-19

