
Explanation of Proposed Financial Annex

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First, What is an Annex?

- Available language, posted on web site
 - For optional use in WSPP transactions
 - Vetted through WSPP to help assure some clarity/objectivity
 - To facilitate documentation of transactions
- It is NOT an Amendment of the WSPP Agreement.
 - Not FERC filed
 - Parties can use, modify, or ignore

The Financial Annex

- Several financial institutions who trade power requested that we consider a financial annex.
- One provided a draft.
- WSPP counsel modified it, and presented to Contract Subcommittee.
- Subcommittee made further modifications, and only undecided issue was waiver of jury trial. Counsel deleted that provision to simplify (it can be returned if preferred).

Provisions

- Governing Law: New York rather than Utah. New York has become customary in financial transactions.
- Setoff: 28.3 as written simply reserves rights to setoff. Annex provision would reduce any Termination Payment by setoff against all amounts payable to Defaulting Party under WSPP and any other agreement. Also provides some procedures.

Provisions, con'd.

- Additional Representations: in total, they place the burden on the non-financial institution to stand by its decision— that it,
 - made its own analysis
 - has the expertise to understand the risks
 - that the bank is not an adviser
 - that it is not an agent, but acting in its own right
 - is an eligible contract participant and eligible commercial entity, permitted to enter into certain trades under the Commodity Exchange Act.