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Bonneville Power Administration

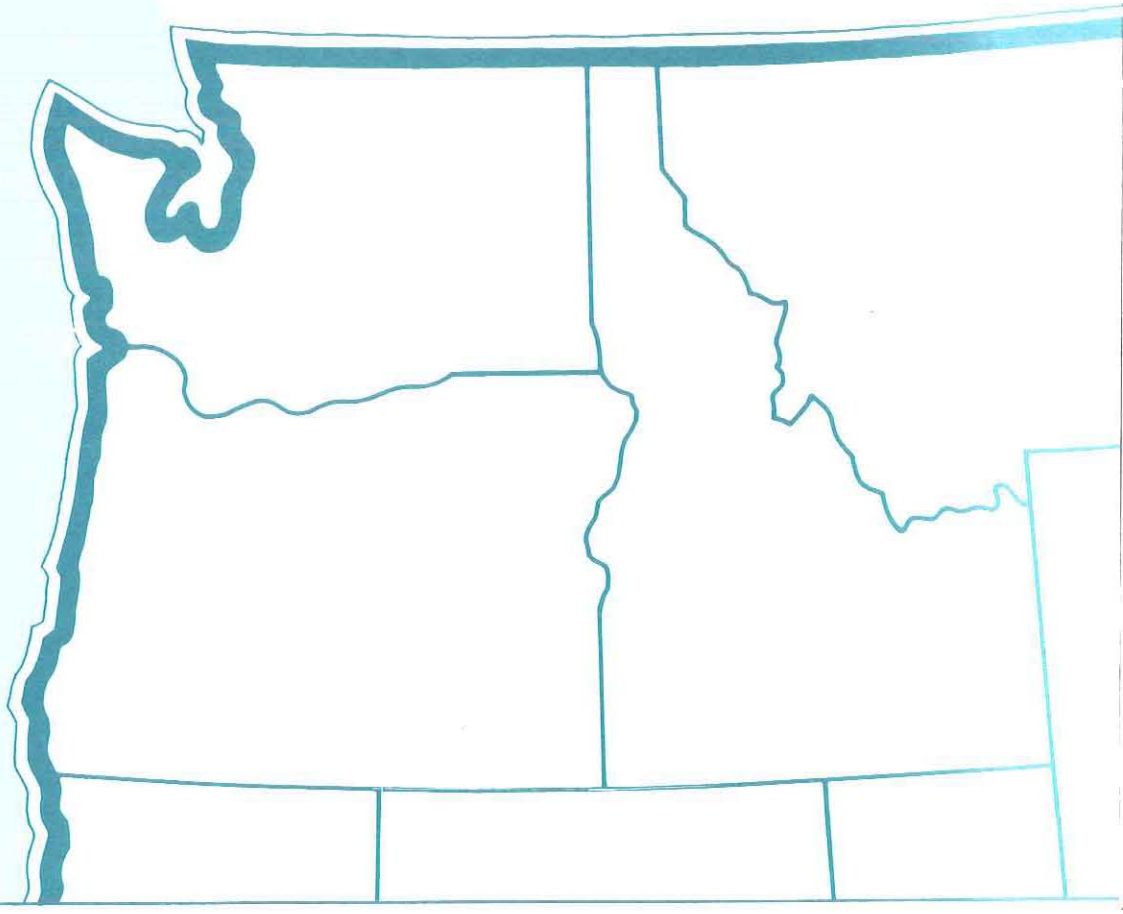
Final Environmental Impact Statement

INITIAL NORTHWEST POWER ACT POWER SALES CONTRACTS

U.S. Department of Energy

January 1992

Volume 3: Appendix M Contract Copies



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INITIAL NORTHWEST POWER ACT POWER SALES CONTRACTS

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APPENDIX M

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Contents:

DETAILED INDEX TO GENERIC UTILITY POWER SALES CONTRACTS DATED 2/7/84 1/

1. Termination of Prior Contract. (does not include peaking contracts)

2. Term of Contract.

   (a) Effective date described, termination date = June 30, 2001.

   (b) Early termination provisions:

      (i) 7-year notice

      (ii) FRE must show zero demand for year of termination

      (iii) determination of no adverse economic impacts on other customers

3. Definitions.

   (a) Actual Computed Requirements

   (b) Actual Firm Peak and Actual Firm Energy Load

   (c) Assured Peak and Assured Energy Capability

   (d) Billing Month

   (e) Computed Average Energy Requirement

   (f) Computed Energy Maximum

   (g) Computed Maximum Requirements

   (h) Computed Peak Requirement

   (i) Computed Requirements

   (j) Consumer

1/ This index contains very abbreviated descriptions of subject matter contained at the subsection and paragraph level. It is to be used to locate contract language and should not be considered a substitue for reading the actual text.

(k) Contracted Requirements

(l) Coordination Agreement

(m) Critical Period

(n) Customer

(o) Estimated Firm Peak and Energy Load

(p) Firm Capacity

(q) Firm Energy

(r) Firm Peak and Energy Load Carrying Capability

(s) Firm Power

(t) Firm Resource

(u) Flexibility Account

(v) Heavy Load Hours (see rate schedules)

(w) Integrated Demand

(x) Intra-Class excess Entitlement

(y) Light Load Hours (see rate schedules)

(z) Measured Amounts

(aa) Measured Demand

(bb) Measured Energy

(cc) Metered Requirement

(dd) New Large Single Load (repeats NW Power Act definition in Sec. 3(13))

(ee) Operating Year (7/1 - 6/30)

(ff) Pacific Northwest (statutory definition)

(gg) Planned Computed Requirements

(hh) Point of Delivery

(ii) Seasonal Storage

(jj) Year Preceding Insufficiency

4. Exhibits; Interpretation. Exhibits incorporated by reference. Contract contains entire agreement of parties. Headings do not control interpretation.

5. Agreement as to Bonneville's Decision in Acquiring Resources to Serve Load.

   (a) BPA will serve firm load placed on it under this contract. Recital of statutes. Consistency with Plan "to extent appropriate."

   (b) BPA obligation not contingent on Purchaser (herein after "P.") actions. P.'s "recognition" of need to develop resources for BPA to acquire. P.'s "best efforts." Recitals acknowleging Northwest Power Act priorities, conservation.

6. Interpretation of Fish and Wildlife Responsibilities. BPA affirms Northwest Power Act duties. P. affirms FERC authority. Contract not to affect P.'s legal obligations re: FERC.

7. Allocation Provisions in the Event of Planning Insufficiency.

   (a) Notice of Restriction. Specifications of the notice. Limitations on giving of notice (mainly statutory). BPA must continue to try to acquire resources.

   (b) Determination of Purchaser's Allocation - Ref. to Allocation Formulas Exhibit, Other Specifications.

   (c) Federal Base System Resources.

      (1) FCRPS, existing or hereafter constructed

      (2) long term contracts - Hanford, WNP 1,2, 70 percent of 3, 30 percent of Trojan, Peak/Energy Exchange contracts with PSW, wind turbines

      (3) acquisitions to replace reductions in capability of (1) and (2)

   (d) Determination of the Firm Capability of the Federal Base System Resources. Principles for future determination.

   (e) Determination of Firm Capability of Acquired Resources. Principles for determination when acquired.

   (f) Principles for Allocation Intra-Class Excess Entitlements.

   (g) Allocation of Additional Gov't Resources.

8. Determination of New Large Single Loads.

(a) Determination of a Facility. Criteria to be applied when BPA and Purchaser make the determination:

(1) operated by single consumer

(2) single location

(3) manufacturing process producing a single product, type of product

(4) are separable portions of the load interdependent

(5) is load contracted for, served or billed as a single load under P.'s policy

(6) consistent application of above criteria in similar fact situations

(7) other relevant factors.

(b) Determination of 10 Av. MW increase. Increase in Consumer's energy consumption during the immediately past 12 mo. period unless committed to before September 1, 1979.

(c) Identification of Potential New Large Single Loads. Purchaser to notify BPA.

(d) Agreed Upon Monitored Loads. If BPA and Purchaser do not agree on NLSL decision.

(e) Service to New Large Single Loads. Entitled to Firm Power unless P. decided to serve with other resources. Use of renewable or cogeneration resource may avoid NLSL designation if the resource is continuously designated.

(f) Normalization of Consumer's Load. Unusual events affecting load shall be normalized for purposes of NLSL determinations.

(g) Changes in Load. Once an NLSL, always an NLSL. Description of load reductions which can remove the NLSL designation.

(h) Renewal, Relocation, and Transfer. Description of renewals, relocations and transfers within P.'s service area which would not result in NLSL designation.

(i) Compliance. Backbilling in event of failure to report NLSL.

9. Limitations on Increases of Single Loads.

(a) This section incorporates principles limiting BPA's duty to serve certain large load growths from industrial facilities. It is not related to NLSLs.

(b) P. to notify BPA of potential industrial load increases of more than 35 average megawatts in a year or more than 75 average megawatts in 5 years. BPA's firm obligation to serve may be limited but BPA must use best efforts to acquire resources. BPA is obliged to serve when resources are available or no later than seven years after P.'s notice.

(c) Limitations applying to smaller load increases, i.e., 10 average megawatts within 1 year. BPA is obliged to serve as of two years after notice.

(d) P. may dedicate a resource to such load, permanently or temporarily.

(e) BPA's obligation to serve will not be limited if P. has developed adequate resources to meet its load growth.

(f) Basically, BPA will keep a 100 average megawatt resource pool available for section 9-type increases.

(g) No limitations for loads that were contracted for or committed to as of 9/5/81.

10. Planning and Operating Information.

(a) General Information Requests. BPA and P. will exchange information reasonably necessary for performance of contract.

(b) Requesting party may pay costs.

(c) Provision of Statistical Data. Reference to FERC Forms 1 and 12.

(d) Long Range Planning. BPA to use best efforts to supply annual load resource balance document, resource acquisition info.

(e) Reference to BPA notice of need to acquire additional resources.

11. Compensation Program for Regional Curtailment of Firm Loads.

(a) Parties to develop comprehensive agreement.

(b) Description of amount of compensation BPA will pay to P. in event of voluntary or mandatory curtailment.

12. Purchasers Firm Resources.

(a) P.'s obligation to identify certain resources in the Firm Resources Exhibit (FRE). Reference to sections 5(b)(1)(A) and (B) of the Northwest Power Act to define resources which must be included.

(b) FREs due January 1. Only allowable changes are:

(1) Add peak for 5th year, energy for 7th year.

(2) Add any firm resource for any year if in accordance with BPA program implementing Plan.

(3) Add any FR for any year if BPA can dispose of resulting surplus without adverse economic effect.

(4) Add any FR which is renewable or cogeneration and is 50 average megawatts or less on as little as 30 months notice from the January 1 FRE filing. PURPA resources may be added for the year the P. first had notice of them cogen.

(5) Add any FR within 2 years after BPA declines to exercise an option.

(6) Add any FR on 2 years notice if offered to BPA for acquisition and not acquired.

(7) Add any FR if BPA is firm surplus in the first year for which the purchaser proposes to add such FR. BPA firm surplus determined from BPA publication on load resource balance.

(8) Remove any FR for any year if permanently discontinued.

(9) Remove any FR if BPA is firm deficit in the first operating year of such removal.

(10) Remove any FR if a new resource of similar capability is added.

(11) Add or remove any FR if switched with another BPA customer such that BPA's total firm obligations to supply power are not changed.

(12) Remove any FR for any year if BPA acquires the resource.

(13) Add or remove any FR consistent with notice periods in other contracts predating the Northwest Power Act.

(14) Add or remove any FR if BPA has given prior written consent (no reasons specified).

13. Designation of Basis for Purchasing Firm Power.

(a) If P. operates automatic generation control (AGC) equipment, Computed Requirements.

(b) If P. does not operate AGC but has sold generation in such a way as to change BPA's obligation or has resources or shares of resources that total 50 megawatts or more peak capability or include 1 or more units of 50 megawatts or more of peak capability, Computed Requirements. (Cowlitz, Eugene, Snohomish)

(c) All other P.s to be Metered Requirements.

(d) If P. operates FRs within BPA's AGC areas, BPA shall provide generation control services.

(e) Provisions for P.s who are non-scheduling utilities but are interconnected with other utilities.

(f) Becoming a Computed Requirements P. due to a sale of generation or increase in size of FRs.

14. Purchasers Metered Requirements and Amount of Power Sold.

(a) BPA to supply firm power for the P.'s actual firm loads less the output, if any, from FRs. Definition of "output of FRs."

(b) BPA shall provide various services--transmission, load factoring, seasonal storage, scheduling and management, and generation control.

(c) BPA shall help P. establish a planning capability for FRs.

(d) BPA may request P. to operate its firm resources to assist BPA meeting its total loads, at BPA's cost.

(e) Contract not to affect rights of P. to purchase nonfirm energy from BPA.

15. Metered Requirements Payment for Power Sold. Reference to rate schedules and general rate schedule provisions and general contract provisions. Reference to applicable rate schedules, i.e., PF for most purchases, NR rate for new large single loads. Reference to net billing.

16. Determination of Purchaser's Assured Capabilities. (Applicable only to Computed Requirements customers.) In general, determination of Assured Capability of resources is described in this section as being consistent with the practices for developing assured capabilities under the Coordination Agreement.

(a) P. required to shape its assured energy capability among years in the critical period so as to levelize its annual energy requirements on BPA. P. required to allocate its assured energy capability among months of each operating year so that its energy requirement on BPA is either levelized across months or follows the P.s load shape.

(b) Calculation of peak and energy capabilities can include non-power constraints, irrigation, navigation, flood control, recreation, fish and wildlife obligations.

(c) Verification of resource capabilities may be required.

(d) P. must be able to demonstrate that it has firm transmission capacity sufficient to transmit the peak capability of each FR to its load or the firm load of others it is serving through exchange.

17. Purchasers Computed Requirements and Amount of Power Sold.

(a) P. may request to purchase on the Planned Computed Requirements basis (Computed Requirements purchases set 1 year in advance).

(b) P. may request to purchase on Contracted Requirements basis (contracted requirements set 7 years in advance).

(1) General provisions on switching to or from Contracted Requirements basis, notices, etc.

(2) Contracted Requirements P.s must submit a schedule of contracted requirements purchases with their FRE. BPA can under some circumstances reduce the amount of Contracted Requirements it will supply to the P., but may not increase it. Reference to minimum allocations under section 7.

(3) Contracted Requirements purchases once filed can only be changed for reasons in paragraphs 4, 5 and 6.

(4) P. may change Contracted Requirements purchases consistent with FR changes permitted by section 12(b).

(5) P. may change Contracted Requirements purchases if estimated firm loads change and if change corresponds to resource changes that would have been permitted by sections 12(b)(7), (9), and (11).

(6) BPA may reduce Contracted Requirements purchases to the bare minimum if BPA might be required to acquire resource.

(7) Method for allocating annual Contracted Requirements energy purchases among months of the year in accordance with Coordination Agreement. [Same principle as described in Sec. 16(a) above.]

(8) Contracted Requirements peak purchases deemed to be purchasers computed peak requirement in each month, monthly amounts of energy for contracted energy purchase shall be deemed to be computed average energy requirement for each month.

(9) Before requesting regional load curtailment or a regional shortage-sharing mechanism, P. must buy all available resources up to 115% of cost of combustion turbine generation plus 15% allowance for cost of transmission.

(c) If P. is not Planned or Contracted, shall be Actual Computed Requirements.

(d) Use of flexibility account by Actual Computed Requirements P.s.

(e) Use of load curtailment to support assured capability of FRs (addresses a special situation of Chelan, maybe other Mid-Columbia PUDs).

(f) Description of computed average energy requirement and computed peak requirement.

(g) BPA's obligation with respect to hourly amounts of power to be supplied to all types of Computed Requirements customers.

(1) BPA obligation during heavy load hours (includes the BPA right to limit peaking during heavy load hours).

(2) BPA obligation during light load hours.

(3) BPA's obligation for each month.

(h) Post facto "scheduling" procedure for nonscheduling Computed Requirements P.s (Eugene, Cowlitz, Snohomish).

(i) Forty-eight-month planning information to be provided.

(j) BPA to help P. acquire replacment power for FRs. Relates to Northwest Power Act Provision section 9(i)(1)(A).

18. Power Scheduling.

(a) Parties to endeavor to avoid schedule changes and deviations.

(b) If Power Scheduling Procedures Exhibit 2/ revised, must be 80 percent agreement among scheduling customers. Principles to be applied for such revisions--single system--type efficiency, workable procedures.

(c) Separate classes of power distinguished in separate schedules.

(d) Separate schedules of different types of energy delivered by P. to BPA.

2/ The Power Scheduling Procedures Exhibit must be read word for word. It is not outlined here.

19. Computed Requirements Payment for Power Sold.

(a) Incorporation of relevant exhibits. See especially Relief from Overrun Exhibit 3/.

(b) Specification of billing factors for firm power. (See availability charge lawsuit for arguments on interpretations.) Includes specific mention of various types of billing, regular firm power, NR rate for new large single loads, service charges, replacement power, miscellaneous.

(c) Recitals of miscellaneous payments BPA may make to the purchaser for net billing, nonfirm, load curtailment, compensation, etc.

20. Miscellaneous.

(a) All determinations under this contract to be "reasonable."

(b) Amendment only by mutual written agreement, unless otherwise expressly provided within the contract. Oral waivers or temporary informal arrangements not precluded.

(c) Favored nations provision regarding amendments.

3/ The Relief from Overrun Exhibit must be read word for word. It may be used to avoid certain unauthorized increase charges to which the P. would otherwise be expised due to load estimating errors.

MFlynn:bl/pas (VS6-WP-PGC-5349K)

* REFORMATTED CONTRACT *

The intent of the reformatting was to preserve the meaning of the contract while making it easier to read. This version is not a facsimile copy (thus it is not "legal" since the form is different from that of the signed contracts), but the text in the contract is unchanged. However, the signature page has been modified to reflect the signature page as it is currently prepared and the page numbers in the index have been changed to comport with the reformatted contract.

(WP-PKL-3010c)

Contract No. DE-MS79-84BP_____

2/7/84

POWER SALES CONTRACT
executed by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and

_____

Metered Requirements and Computed Requirements

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Section	Page

This POWER SALES CONTRACT, executed _____, 19__ by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville) and _____ _____, _____ (Purchaser), a _____ of the state of _____,

W I T N E S S E T H:

WHEREAS the Purchaser is a public body which is distributing electric power and energy to ultimate consumers in _____, _____ and adjacent areas, and as such, is included in certain statutes which require Bonneville to give preference and priority to public bodies and cooperatives in disposing of electric power and energy; or

WHEREAS the parties hereto, on _____, executed a power sales contract, Contract No. _____ (which as the same may be amended is hereinafter called "Prior Contract"), which provides for the sale of electric power and energy by Bonneville to the Purchaser, and the parties desire to terminate such contract and provide for the sale of electric power and energy by Bonneville to the Purchaser pursuant to the terms of this contract; and

WHEREAS Bonneville offered the Purchaser on August 28, 1981, a long term Power Sales Contract (Contract No. DE-MS79-81BP_____) pursuant to Section 5(g) of the Pacific Northwest Electric Power Planning and Conservation Act (P.L. 96-501) and the Purchaser did not accept such offer; and

WHEREAS the Purchaser pursuant to the Pacific Northwest Electric Power Planning and Conservation Act (P.L. 96-501) is entitled to purchase and Bonneville is authorized to sell electric power and energy to serve all or a portion of the Purchaser's firm load requirements; and

WHEREAS Bonneville is obligated to acquire sufficient resources to meet the electric power requirements placed on Bonneville consistent with implementing cost effective conservation measures and to protect, mitigate and enhance fish and wildlife consistent with P.L. 96-501; and

WHEREAS Bonneville is required under section 4(g)(1) of P.L. 96-501 to maintain comprehensive programs to insure widespread public involvement in the formulation of regional power policies; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Termination of Prior Contract.

The Prior Contract, if any, is hereby terminated as of the effective date of this contract. All liabilities accrued thereunder are hereby preserved until satisfied.

2. Term of Contract.

(a) This contract shall be effective on the first day of the next Billing Month following the date of execution by Bonneville and shall continue in effect until 2400 hours on June 30, 2001.

(b) This contract may be terminated by the Purchaser upon

(i) 7 years' prior notice to Bonneville;
(ii) concurrent submission by the Purchaser to Bonneville of a Firm Resource Exhibit reciting zero demand upon Bonneville as of the proposed date of termination; and
(iii) a determination that termination will cause no adverse economic impacts on Bonneville's other customers.

3. Definitions.

(a) "Actual Computed Requirements" means the basis on which a designated Computed Requirements Purchaser, pursuant to section 17(c), purchases Firm Power from Bonneville.

(b) "Actual Firm Peak Load" and "Actual Firm Energy Load" mean the actual maximum integrated one-hour monthly peak and average monthly energy loads, respectively, of the Purchaser's system in the Pacific Northwest, for each Billing Month, after adjustment pursuant to section 17(e). Such actual loads shall not include any load to the extent that the Purchaser had a unilateral right to interrupt such load during such month, even if such load was not actually interrupted, but shall include the amount of any load which the Purchaser had a right to interrupt or actually interrupted for the purpose of backing up or providing economic operation of its system including its Firm Resources. In addition, any New Large Single Load or portion of such load shall not be included in the Purchaser's firm loads hereunder prior to the date Bonneville is obligated to supply such load with Firm Power pursuant to the terms of section 8(e). Contractual obligations of the Purchaser to utilities outside its normal service area may, if permitted by the terms of section 12(a), be included in the Purchaser's Firm Resources, but shall not be included in the Purchaser's Actual Firm Loads hereunder. Actual Firm Peak Load and Actual Firm Energy Load shall be referred to collectively as "Actual Firm Load."

(c) "Assured Peak Capability" and "Assured Energy Capability" mean the total of the firm peak and firm energy capabilities, respectively, for all of the Purchaser's Firm Resources, as determined pursuant to section 16, which the Purchaser can deliver on a firm basis to its loads. Assured Peak Capability and Assured Energy Capability shall be referred to collectively as "Assured Capability."

§3 (d) "Billing Month," when used with respect to a Purchaser designated to purchase on the basis of Metered Requirements, means the interval between meter-reading dates which normally will be approximately 30 days. If service is for less or more than the normal billing month, the monthly charges stated in the applicable rate schedule shall be appropriately adjusted. Winter and summer periods identified in the rate schedules shall begin and end for a Purchaser with the beginning and ending of the Billing Month having meter-reading dates closest to the periods so identified. When used with respect to a Purchaser designated to purchase on the basis of Computed Requirements, means a calendar month.

(e) "Computed Average Energy Requirement" means the amount by which the Purchaser's Actual Firm Energy Load for a month exceeds its Assured Energy Capability for such month, after adjustment pursuant to section 17(d). The term "average energy computed demand" as used in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit has the same meaning.

(f) "Computed Energy Maximum" means an amount of electric energy equal to the product of the Purchaser's Computed Average Energy Requirement for a month and the number of hours in such month.

(g) "Computed Maximum Requirements" means the hourly amounts of power Bonneville is obligated to deliver to the Purchaser during the Heavy Load Hours of a month, as defined in section 17(g)(1).

(h) "Computed Peak Requirement" means the amount by which the Purchaser's Actual Firm Peak Load for a month exceeds its Assured Peak Capability for such month. The term "peak computed demand" as used in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit has the same meaning.

(i) "Computed Requirements" means the basis on which the Purchaser, if so designated as specified in section 13, purchases from Bonneville its requirements for Firm Power which exceed its Assured Capability. The term "computed demand" as used in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit has the same meaning. All references to "Computed Requirements" shall be deemed to include Actual Computed Requirements, Planned Computed Requirements, and Contracted Requirements.

(j) "Consumer" means an end user of electric power or energy.

(k) "Contracted Requirements" means the basis on which a designated Computed Requirements Purchaser, pursuant to section 17(b), purchases Firm Power from Bonneville.

(l) "Coordination Agreement" means the Agreement for Coordinated Operations among Power Systems of the Pacific Northwest (BPA Contract No. 14-03-48221), as amended or replaced.

§3 (m) "Critical Period" when used with respect to Firm Resources which are included in Coordination Agreement planning, means the same herein as that term is defined in the Coordination Agreement; when used with respect to Firm Resources which are not included in Coordination Agreement planning means the one or more months in any one Operating Year in the historical streamflow period of record normally used for hydroelectric resource planning in the Pacific Northwest, during which the Purchaser's system of such Firm Resources, together with all of the Purchaser's Seasonal Storage which is not included in the Coordination Agreement planning, is able to produce the least energy in a monthly distribution, represented by the difference between the Purchaser's Estimated Firm Energy Load and that Estimated Firm Energy Load, if any, submitted under Coordination Agreement planning; provided, however, that for the Firm Resources of the Montana Power Company which are hydroelectric resources located on the Missouri River or its tributaries, the Critical Period so determined shall not be limited to the months in any one Operating Year.

(n) "Customer" means any entity which contracts for the purchase of electric power or energy from Bonneville.

(o) "Estimated Firm Peak Load" and "Estimated Firm Energy Load" mean the best estimate of the maximum integrated 1-hour monthly peak and average monthly energy loads of the Purchaser's system in the Pacific Northwest which are equally likely to be less than or greater than the Purchaser's actual peak and energy loads in each month under normal weather conditions, except that the Purchaser may increase the largest of such monthly peak loads during the Operating Year to represent the peak load which is equally likely to be less than or greater than the Purchaser's actual peak load during the Operating Year. Such system loads shall be reduced by any and all loads to the extent that the Purchaser has unilateral rights to interrupt deliveries to such load during each month of such Operating Year, excepting loads which the Purchaser has a right to interrupt for the purpose of backing up or providing economic operation of its system including its Firm Resources. In addition, any New Large Single Load or portion of such load shall not be included in the Purchaser's firm loads hereunder prior to the date Bonneville is obligated to supply such load with Firm Power pursuant to the terms of section 8(e). Contractual obligations of the Purchaser to utilities outside its normal service area may, if permitted by the terms of section 12(a), be included in the Purchaser's Firm Resources, but shall not be included in the Purchaser's firm loads hereunder. Estimated Firm Peak Load and Estimated Firm Energy Load shall be referred to collectively as "Estimated Firm Load."

(p) "Firm Capacity" means capacity which Bonneville assures will be available to the Purchaser in the amounts and during the period or periods specified in the contract except when operation of the generation or transmission facilities used by Bonneville to serve such Purchaser is suspended, interrupted, interfered with, curtailed or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service sections of the General Contract Provisions Exhibit.

§3 (q) "Firm Energy" means electric energy which Bonneville assures will be available to the Purchaser during the period or periods specified in the contract except when the operation of the generation or transmission facilities used by Bonneville to serve the Purchaser is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service sections of the General Contract Provisions Exhibit.

(r) "Firm Peak Load Carrying Capability," "Firm Energy Load Carrying Capability" and "Firm Load Carrying Capability" mean the same herein as those terms are defined in the Coordination Agreement.

(s) "Firm Power" means electric power which Bonneville will make continuously available to the Purchaser on a Metered or Computed Requirements basis to meet its Actual Firm Loads except when restricted because the operation of generation or transmission facilities used by Bonneville to serve the Purchaser is suspended, interrupted, interfered with, curtailed or restricted as the result or the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service sections of the General Contract Provisions Exhibit. Unless related to specific facilities serving the Purchaser, restrictions of Firm Power shall not be made until Bonneville has exercised its rights to restrict industrial firm power, modified firm power, and all other power subject to restriction in favor of the Purchaser. Firm Power shall be a collective reference to Firm Capacity and Firm Energy.

(t) "Firm Resource" means that portion of each of the generating resources or contractual resources of the Purchaser dedicated to the Purchaser's Actual Firm Load as set forth in the Purchaser's Firm Resources Exhibit. The term Firm Resource includes the Purchaser's firm contractual obligations to utilities outside its normal service area, if any, as set forth in the Purchaser's Firm Resources Exhibit.

(u) "Flexibility Account" means the account kept by the Purchaser which shows as of the end of each month of the Operating Year the accumulated balance of adjustments made by the Purchaser to its Assured Energy Capability. Such account shall be established and maintained pursuant to section 17(d).

(v) "Heavy Load Hours" means those hours between 7 a.m. and 10 p.m., Monday through Saturday, or such other hours as may be specified in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit or its successor.

(w) "Integrated Demand" means the number of kilowatts equal to the number of kilowatthours recorded by a meter during a clock-hour.

§3 (x) "Intra-Class Excess Entitlement" means the portion, if any, of the Purchaser's entitlement to Firm Capacity or Firm Energy from the Purchaser's entitlement of Federal base system resources, if any, and resources acquired by Bonneville from or on behalf of the Purchaser under P.L. 96-501 as determined in the Allocation Formulas Exhibit which is in excess of the amount of Firm Capacity or Firm Energy necessary to serve Bonneville's obligation to the Purchaser on a Metered or Computed Requirements basis for any Operating Year in a period of insufficiency.

(y) "Light Load Hours" means those hours of the month which are not Heavy Load Hours.

(z) "Measured Amounts," when used with respect to a Purchaser designated to purchase on the basis of Computed Requirements but which does not schedule amounts of power to be interchanged with Bonneville, means the amounts assigned to Firm Power purchased pursuant to this agreement in the tabulation of hourly interchange prepared by the Purchaser pursuant to section 17(h). When used with respect to a Purchaser designated to purchase on the basis of Computed Requirements and which schedules amounts of power to be interchanged with Bonneville, means the hourly amounts of Firm Power requested by the Purchaser in accordance with section 17(g) and scheduled to the Purchaser in accordance with the provisions of section 18 of this agreement.

(aa) "Measured Demand," when used with respect to a Purchaser designated to purchase on the basis of Metered Requirements, means the largest of the Integrated Demands for each Point of Delivery, adjusted as appropriate to such Point of Delivery, for Heavy Load Hours during a Billing Month. When used with respect to a Purchaser designated to purchase on the basis of Computed Requirements, means the largest of the Measured Amounts for Heavy Load Hours during a month; provided, however, that if Bonneville has, pursuant to section 17(g)(1), limited its obligation to make power available to the Purchaser during such month below the largest of the Measured Amounts for Heavy Load Hours in such month, the Measured Demand shall be the lowest level to which the Purchaser was so limited during such month.

(bb) "Measured Energy," when used with respect to a Purchaser designated to purchase on the basis of Metered Requirements, means the number of kilowatthours delivered to any Point of Delivery during a Billing Month. Such number of kilowatthours shall be the reading which is recorded during a Billing Month by a meter specifically installed to measure such kilowatthours and which is adjusted as appropriate to such Point of Delivery. When used with respect to a Purchaser designated to purchase on the basis of Computed Requirements, means the sum of the Measured Amounts for all hours in a Billing Month, after adjustment, if any, for energy delivered to the Purchaser on the last day of the Billing Month and returned to Bonneville in the next Billing Month pursuant to section 2(a)(4) of the Power Scheduling Procedures Exhibit.

§3 (cc) "Metered Requirements" means the basis on which the Purchaser, if so designated as specified in section 13, purchases from Bonneville its requirements for Firm Power.

(dd) "New Large Single Load" means any load associated with a new facility, an existing facility, or an expansion of an existing facility:

(1) which is not contracted for, or commited to, as determined by Bonneville, by a public body, cooperative, investor-owned utility, or Federal agency Customer prior to September 1, 1979, and

(2) which will result in an increase in power requirements of such Customer of ten average megawatts or more in any consecutive twelve-month period.

(ee) "Operating Year" means the period commencing each year on July 1 and ending the following June 30.

(ff) "Pacific Northwest" means the same herein as such term is defined in P.L. 96-501.

(gg) "Planned Computed Requirements" means the basis on which a designated Computed Requirements Purchaser, pursuant to the provisions of section 17(a), purchases Firm Power from Bonneville.

(hh) "Point of Delivery" means a point of delivery listed in the Points of Delivery Exhibit.

(ii) "Seasonal Storage" means the ability to store water in reservoirs and to thereby increase or decrease the planned or actual energy generation at hydroelectric facilities in one month and to compensate for such change in another month, either using the Purchaser's own facilities or the facilities of others which the Purchaser has firm rights to use pursuant to contracts.

(jj) "Year Preceding Insufficiency" means the Operating Year immediately preceding the initial Operating Year in a continuous period of one or more years for which Bonneville has issued a notice or notices of restriction in which Bonneville actually determines a final allocation of Firm Capacity or Firm Energy for any Purchaser in the public body and cooperative class or Federal agency class

4. Exhibits; Interpretation.

The rights and obligations of the parties hereunder shall be subject to and governed by this contract, including Exhibits A through L attached hereto and by this reference made a part of this contract in accordance with the specific provisions of this contract relating to each exhibit. This contract sets forth the entire agreement of the parties as of the effective date of the contract. The headings used in this contract are for convenient reference only, and shall not affect the interpretation of this contract.

5. Agreement as to Bonneville's Decision in Acquiring Resources to Serve Load.

(a) Bonneville agrees to serve the firm load obligations of the Purchaser placed upon Bonneville pursuant to this contract. Bonneville shall meet the load utilizing resources available to Bonneville or acquired by Bonneville in accordance with P.L. 75-329, P.L. 93-454, P.L. 96-501, and other applicable law. Bonneville's acquisition of resources under P.L. 96-501, to the extent appropriate, shall be consistent with the plan adopted by the Pacific Northwest Electric Power and Conservation Planning Council.

(b) Except as expressly provided in this contract and in applicable provisions of law, Bonneville's obligations under this contract are not contingent upon action taken or to be taken by the Purchaser. To the extent that the Purchaser obligates Bonneville to serve all or a portion of its load growth pursuant to this contract in lieu of using Firm Resources to meet such load growth, the Purchaser and Bonneville recognize that resources must be made available by or on behalf of the Purchaser to Bonneville if Bonneville is to have the ability to meet its obligations hereunder. The Purchaser therefore agrees that it will use its best efforts either to serve its load growth using Firm Resources, or to make available for acquisition by Bonneville, in accordance with the conservation and resource priorities and other requirements of P.L. 96-501, resources equivalent to the load growth of the Purchaser which is served hereunder. Such resources will be made available to Bonneville pursuant to mutually agreeable contracts providing appropriate compensation to the Purchaser and other necessary terms. In making such resources available, the Purchaser may act individually or in cooperation with others. The parties acknowledge that cost-effective conservation measures will be implemented in accordance with P.L. 96-501 and that Bonneville is required to give priority to the development and acquisition of certain types of resources under P.L. 96-501. The Purchaser agrees to make a good faith effort to cooperate with Bonneville in implementing and initiating the resource responsibilities placed on Bonneville, and providing services necessary thereto, pursuant to P.L. 96-501.

6. Interpretation of Fish and Wildlife Responsibilities.

In meeting its obligations under this contract, Bonneville affirms its obligations under Section 4 and 6 of P.L. 96-501 and other applicable law with respect to implementation of measures and objectives for the protection, mitigation, and enhancement of fish and wildlife, while assuring the Pacific Northwest an adequate, efficient, economical, and reliable power supply. This contract shall not impair compliance with such obligations.

The Purchaser affirms its legal obligations related to fish and wildlife established in any license or order issued by the Federal Energy Regulatory Commission. This contract shall not expand, impair, or in any way alter the Purchaser's legal obligations related to fish and wildlife established in a license or order issued by the Federal Energy Regulatory Commission.

7. Allocation Provisions in the Event of Planning Insufficiency.

(a) Notice of Restriction.

For purposes of issuing notices of restriction under this contract Bonneville's Customers shall be divided into three classes:

(1) public body and cooperative;
(2) Federal agency; and
(3) investor-owned utility.

If Bonneville determines for any Operating Year that it cannot on a planning basis acquire sufficient resources to fully supply Bonneville's estimated obligation to the Purchaser or any member of the Purchaser's class of Customers and Bonneville's estimated commitments to other Customers whose supply from Bonneville is not subject to restriction in favor of the Purchaser, Bonneville may issue a written notice of restriction to the Purchaser and its class of Customers for such Operating Year. Such notice shall be dated no earlier than provided for in paragraph (2) below and must be consistent with the provisions of paragraphs (3), (4), and (5) below. The notice of restriction may limit Bonneville's obligation in such Operating Year to supply Firm Power to the Purchaser pursuant to section 14 or section 17 below, as applicable.

The notice of restriction shall specify Bonneville's best estimate of the Purchaser's entitlement to Firm Capacity and Firm Energy for such Operating Year, Bonneville's estimate of the Purchaser's allocation, including the loads and resources on which such estimate is based and Bonneville's estimate of the expected duration of any period of insufficiency. Any notice of restriction issued hereunder shall be subject to the following limitations:

(1) Notice periods shall not commence until the start of next Operating Year following the date a notice is issued.

(2) Bonneville shall not issue a notice of restriction to any class of Customers prior to December 5, 1985, to allow Bonneville a reasonable period of experience under P.L. 96-501.

(3) Any notice of restriction which limits Bonneville's obligation to supply Firm Energy to the Purchaser if it is a member of the public body and cooperative class or Federal agency class shall not be effective prior to the expiration of the eighth Operating Year following the commencement date applicable to such notice.

§7(a) (4) Any notice of restriction which limits Bonneville's obligation to supply Firm Power if the Purchaser is a member of the investor-owned utility class or Firm Capacity if the Purchaser is a member of the public body and cooperative class or the Federal agency class shall not be effective prior to the expiration of the fifth Operating Year following the commencement date applicable to such notice.

(5) Any notice of restriction issued to the public body and cooperative class or Federal agency class shall not be effective prior to the Operating Year for which Bonneville estimates that its combined obligations to both classes to supply Firm Capacity or Firm Energy equal or exceed the firm peak capability or firm energy capability, respectively, of the Federal base system resources.

(6) A notice of restriction issued to any Purchaser under this section shall not be effective for any Operating Year to the extent Bonneville has not exercised its rights in a timely manner to restrict Bonneville's obligations to other Customers whose supply from Bonneville is subject to restriction in favor of the Purchaser.

§7(a) Bonneville shall use its best efforts to annually advise the Purchaser of Bonneville's estimate of the Purchaser's allocation of Firm Capacity and Firm Energy for any Operating Year for which a notice of restriction was issued. Such advisement shall include current estimates of the Purchaser's allocation of Firm Capacity and Firm Energy for all Operating Years for which a notice of restriction has been issued.

Notwithstanding the issuance of a notice of restriction to the Purchaser, Bonneville shall use its best efforts to acquire sufficient resources to supply in full its obligations to the Purchaser pursuant to section 14 or section 17 below, as applicable, and its similar obligations to the Purchaser's class of Customers. Bonneville may cancel a notice of restriction by giving written notice to the Purchaser and thereby reduce or eliminate the limits on Bonneville's obligation to supply Firm Capacity or Firm Energy to the Purchaser and its class of Customers at any time. Such cancellation shall be made whenever Bonneville determines it will have sufficient resources to supply in full its obligations to the Purchaser pursuant to section 14 or section 17 below, as applicable, and its similar obligations to such class of Customers. Any such cancellation shall be made only after Bonneville consults with the Purchaser and Bonneville's other Customers.

§7 (b) Determination of Purchaser's Allocation.

The Purchaser's contractual entitlement to and allocation of Firm Capacity or Firm Energy shall be based on the formulas in the Allocation Formulas Exhibit. Such formulas shall be used for determining both estimated allocations and final allocations of Firm Capacity and Firm Energy based on the Purchaser's entitlement to firm peak capability and firm energy capability determined under the formulas. In addition to the loads and resources which Bonneville would normally consider in establishing Bonneville's obligations to the Purchaser pursuant to section 14 or section 17, as applicable, Bonneville shall deduct the planning capability of the Purchaser's Firm Resources for Customers purchasing on a Metered Requirements basis in determining its obligation to the Purchaser pursuant to this section. The planning capability of the Purchaser's Firm Resources for Customers purchasing on Metered Requirements for the purpose of determining Bonneville's obligation to such Purchaser shall either be established by

(1) a services agreement with Bonneville or another entity;

(2) contracts for the delivery of amounts of power by Bonneville or other entities; or

(3) a planning capability supplied by the Purchaser for each of its Firm Resources along with the data used to determine such planning capability. Planning capabilities supplied by the Purchaser shall be reasonable and in conformance with usual practices used by the Purchaser, Bonneville, and other Pacific Northwest utilities for resource planning.

§7(b) Bonneville shall revise every notice of restriction which has not been cancelled by the January 1 prior to the Operating Year it becomes effective. Such revision shall specify either

(1) that Bonneville shall be obligated

to serve the Purchaser on a Metered Requirements basis pursuant to section 14 except that the output of the Purchaser's Firm Resources must be at least the planning capability of such resources determined in the paragraph above or

to serve the Purchaser on a Computed Requirements basis pursuant to section 17 during the next Operating Year, as applicable; or

(2) Bonneville's estimate of the Purchaser's allocation of Firm Capacity and Firm Energy available to serve the Purchaser's Actual Firm Loads for such Operating Year. Such estimated allocation shall be determined using the best available estimates of loads and resource capabilities at that time.

§7(b)(2) Such estimated allocation shall establish Bonneville's obligations to the Purchaser and be used to determine the billing factors for demand and energy established by the Purchaser's allocation for each month of the Operating Year until a final allocation is issued. The billing factor for allocated demand for each month shall be based on monthly allocations of Firm Capacity based on amounts of firm peak capability determined from the formulas in the Allocations Formula Exhibit. The billing factor for allocated energy for each month shall be established from the yearly allocation of Firm Energy based on the amount of firm energy capability determined from the formulas in the Allocation Formulas Exhibit. If the Purchaser has sufficient Seasonal Storage to allocate its Assured Energy Capability among months of the Operating Year in the manner set forth in section 16(c)(2), the Purchaser shall substitute its yearly allocation of Firm Energy for its annual energy requirement on Bonneville to distribute its yearly allocation of Firm Energy among months of the Operating Year. Bonneville shall distribute the yearly allocation of Firm Energy among months for all other Purchasers using the same assumption as that used by Bonneville to constrain its loads to its resources in subsection (d) below to determine the firm capability of the Federal base system resources.

Bonneville shall determine the Purchaser's final allocation of Firm Capacity and Firm Energy as soon as practicable after August 15 of each Operating Year. Such allocation shall be based on the best available estimates of loads and resource capabilities and include any allocations to the Purchaser of Firm Capacity and Firm Energy under subsection (g) below. Such final allocation shall specify the Purchaser's allocations and billing factors for the remainder of the Operating Year with the billing factors determined in the same manner as specified above under the estimated allocation.

§7(b) Notwithstanding any allocations of Firm Capacity or Firm Energy established in this section by a notice of restriction, Bonneville shall use its best efforts to acquire sufficient resources to supply in full its obligations to the Purchaser pursuant to section 14 or section 17, as applicable, and its similar obligations to the Purchaser's class of Customers. Bonneville may suspend the limitations imposed by a notice of restriction during periods within the Operating Year such notice is effective. Any such suspension shall be made only after Bonneville consults with the Purchaser and Bonneville's other Customers.

§7 (c) Federal Base System Resources.

The firm capability of the Federal base system resources shall be calculated from:

(1) the firm capability of the Federal Columbia River Power System hydroelectric projects, existing or hereafter constructed;

(2) the firm capability of resources listed below acquired by Bonneville under long-term contracts in force on the effective date of P.L. 96-501:

		Installed Capability (MW)
(A)	Hanford	860
(B)	WNP No. 1	1250
(C)	WNP No. 2	1100
(D)	70% of WNP No. 3	1240
(E)	30% of Trojan	1130
(F)	Peak/Energy Exchange (PNW and PSW)	N/A
(G)	Wind turbines	7.5; and

(3) the firm capability of resources acquired by Bonneville to replace reductions in the capability of the hydroelectric projects in the event of loss of generation facilities at one or more hydroelectric projects, reductions in the capability of the hydroelectric projects due to constraints on the use of streamflows at such projects for the production of electric power and energy for such constraints which were not planned prior to December 5, 1980, or reductions in the firm capability of the contractual resources in (2) above.

(d) Determination of the Firm Capability of the Federal Base System Resources.

The firm capability for a future Operating Year of the Federal base system resources shall be determined by using streamflows to generate electric power and energy within the constraints on use of the rivers due to irrigation withdrawals, navigation, recreation needs, minimum streamflows, fisheries and wildlife operations and other authorized uses. Such capability shall be determined by using such resources' contribution to Bonneville's Firm Load Carrying Capability. Such contribution shall be determined in the same manner as specified in section 16(b)(1) for determining the contribution to Assured Capability of the Firm Resource of a Customer which is included by such Customer in Coordination Agreement planning. Such contribution may be further adjusted to provide other appropriate adjustments for reserves which are in accordance with Coordination Agreement procedures to recognize regional planning uncertainties.

§7(d) For purposes of this section 7, Bonneville shall determine the firm peak capability of the Federal base system resources by shaping all of Bonneville's firm resources to meet Bonneville's monthly obligations to supply all of the firm energy loads of its Customers. Such firm peak capability shall be such resources' proportional contribution to the monthly firm peak capability determined by shaping Bonneville's resources to meet its energy obligations.

If Bonneville has issued a notice of restriction to meet the energy loads of Customers, Bonneville shall, in determining the firm peak capability of the Federal base system resources for purposes of this section 7, develop the firm capability of its resources by constraining its loads to its resources based on the assumption that Bonneville's Customers to whom such notice applies will provide firm energy as a single class in equal amounts for each month in the Operating Year to meet the difference between Bonneville's Firm Energy obligation prior to restriction and Bonneville's limited Firm Energy obligations after restriction. Bonneville may change such assumption after consultation with its Customers.

The loads used to determine the contribution of resources to Bonneville's Firm Load Carrying Capability shall include the pumping loads of the U.S. Bureau of Reclamation which are authorized by law as obligations of the hydroelectric projects in (c)(1) above and the losses of electric energy resulting from delivery of electric power and energy to Bonneville's Customers in the Pacific Northwest. The firm capability of the Federal base system resources shall be reduced to meet such loads and the proportional share of such losses.

(e) Determination of Firm Capability of Acquired Resources.

The firm capability of a resource acquired by Bonneville under P.L. 96-501 from or on behalf of the Purchaser shall be such resource's contribution to Bonneville's Firm Load Carrying Capability using the estimated peak and energy capability of such resource specified in the resource purchase agreement. The contribution of a resource to firm peak capability and firm energy capability shall be determined using the same loads and in the same manner as the Federal base system resources. The firm capability of such resources shall not include amounts of peak and energy capability specified in the resource purchase agreement as a replacement for Federal base system resources or an amount purchased in lieu of an amount of electric power offered to Bonneville by another utility at such utility's average system cost.

Bonneville may rerate the peak and energy capability of a resource based on the actual performance of such resource by giving seven years' prior written notice of such adjustment. Such rerating shall be consistent with any terms of the resource purchase agreement and reflect actual operating experience.

§7 (f) Principles for Allocating Intra-Class Excess Entitlements.

Bonneville shall allocate amounts of Intra-Class Excess Entitlements under the formulas in the Allocation Formulas Exhibit for each Operating Year in a period of insufficiency based on the following principles:

(1) If the sum of the Intra-Class Excess Entitlements for a class of Customers is greater than Bonneville's estimate for such Operating Year of the amounts needed to supply the Firm Capacity or Firm Energy requirements of the Customers of such class after providing such Customers their entitlement to the Federal base system resources, if any, and their entitlement to any resources acquired by Bonneville under P.L. 96-501 from or on behalf of such Customers, Bonneville shall supply Firm Capacity or Firm Energy to all Customers of such class pursuant to subsection (b)(1) above.

(2) If the sum of the Intra-Class Excess Entitlements for the public body and cooperative class or Federal agency class of Customers is less than Bonneville's respective estimate for such Operating Year of the amounts needed to supply the Firm Capacity or Firm Energy requirements of the Customers of such class after providing such Customers their entitlement to the Federal base system resources and their entitlement to any resources acquired by Bonneville under P.L. 96-501 from or on behalf of such Customers, Bonneville shall use the Intra-Class Excess Entitlements for the public body and cooperative class or the Federal agency class to first meet its obligation to supply to each Customer of each class, respectively, which has executed a power sales contract offered pursuant to section 5(g) of P.L. 96-501, an amount of Firm Capacity and Firm Energy equal to the amounts actually supplied by Bonneville in the Year Preceding Insufficiency. The Purchaser shall not be entitled to an allocation of Intra-Class Excess Entitlements based upon this paragraph.

(3) Bonneville shall allocate the sum of the Intra-Class Excess Entitlements for the investor-owned utility class of Customers and any amounts for the public body and cooperative class or Federal agency class remaining after Bonneville meets its respective obligations for such classes specified in paragraph (2) above in a pro rata manner based on formula F of the Allocation Formulas Exhibit.

§7(f)(3) Intra-Class Excess Entitlements shall be allocated on the basis of an allocation factor which establishes each Customer's entitlement on a pro rata basis to the sum for such Customer's class of the Intra-Class Excess Entitlements. Such allocation factor shall be established by starting with a factor determined by comparing the resources actually developed by each Customer to that amount of Firm Capacity or Firm Energy which each Customer needed to develop in order to meet its load growth and load-resource deficits, if any, existing in the year prior to enactment of P.L. 96-501, squaring the resulting factor for each Customer to increase the allocation of those Customers which have been the most successful in developing resources and adjusting the resulting factor so that the sum of such factors for all Customers in a class equals one. The resulting factor shall establish each Customer's allocation factor in such class.

Subject to the reduction specified in paragraph (4) below, the Intra-Class Excess Entitlements shall be allocated to fully meet the deficiencies of the Customers in a class or until the Intra-Class Excess Entitlements for such class are exhausted. If the Intra-Class Excess Entitlements are not exhausted in meeting the deficiencies of the Customers in a class as reduced by paragraph (4) below, such remaining amount of Intra-Class Excess Entitlements, which are the amounts remaining, if any, due to paragraph (4) below, shall be allocated by multiplying such remaining amount by each Customer's allocation factor until the Intra-Class Excess Entitlements for such class are exhausted.

(4) Bonneville shall reduce its obligation to the Purchaser under paragraph (3) above by Bonneville's estimate of the Firm Capacity or Firm Energy necessary to serve the amount which the Purchaser's Actual Firm Peak Loads or Actual Firm Energy Loads would have been reduced by cost-effective Bonneville conservation programs which the Purchaser declined to implement. Such reduction shall not be made to the extent Bonneville determines the Purchaser has implemented similar measures which accomplished the same purpose and were sufficiently comparable to the Bonneville programs to permit evaluation of their degree of effectiveness. Cost-effective shall be as defined in P.L. 96-501.

(g) <u>Allocation of Additional Government Resources</u>.

Bonneville may allocate an additional amount of Firm Capacity or Firm Energy to the Purchaser from the Intra-Class Excess Entitlements of another class which are excess to the needs of such other class or from other resources available to Bonneville. Bonneville shall determine the methods for making such allocations after consultation with its Customers.

8. Determination of New Large Single Loads.

(a) Determination of a Facility.

Bonneville and the Purchaser shall make a reasonable determination of what constitutes a single facility, for the purpose of identifying a New Large Single Load, based upon the following criteria:

(1) whether the load is operated by a single Consumer;

(2) whether the load is in a single location;

(3) whether the load serves a manufacturing process which produces a single product or type of product;

(4) whether separable portions of the load are interdependent;

(5) whether the load is contracted for, served or billed as a single load under the individual Purchaser's customary billing and service policy;

(6) consistent application of the foregoing criteria in similar fact situations; and

(7) any other factors the parties determine to be relevant.

§8(a) Bonneville shall show an increase in load associated with a Consumer's facility which has been determined to be a New Large Single Load on Table 1 of the New Large Single Load Determinations Exhibit. Bonneville shall show loads associated with a Consumer's facility which Bonneville has determined were contracted for, or committed to prior to September 1, 1979, on Table 2 of the New Large Single Load Determinations Exhibit. Bonneville shall have the unilateral right to amend Table 1 or make additions to Table 2 of such exhibit to reflect such determinations when made.

(b) Determination of Ten Average Megawatt Increase.

An increase in load shall be considered a New Large Single Load if the energy consumption of the Consumer's load associated with a new facility, existing facility or expansion of an existing facility during the immediately past twelve-month period exceeds by ten average megawatts or more the Consumer's energy consumption for such new facility, existing facility or expansion of an existing facility for the consecutive twelve-month period one year earlier, or the amount of the contracted for, or committed to load of the Consumer as of September 1, 1979, whichever is greater.

§8(b) The contracted for, or committed to load as of September 1, 1979, shall be the maximum amount of energy specified in such contract or commitment, the maximum energy consumption of the load or the capacity limitation contained in such contract or commitment if energy is not specified or limited.

(c) Identification of Potential New Large Single Loads.

The Purchaser shall make reasonable efforts to identify potential New Large Single Loads, and shall report to Bonneville

(1) the addition of electrical equipment of ten MVA or more by a single Consumer;

(2) the installation of additional transformation capacity of ten MVA or more by the Purchaser or a Consumer which is designed to serve a single facility; or

(3) the potential change in operation of a facility which may result in an increase of ten average megawatts or more in a twelve-month period.

(d) Agreed Upon Monitored Loads.

All of this subsection (d) except for the last paragraph regarding consultation on billing of New Large Single Loads shall not apply if the Purchaser is an investor-owned utility.

Based upon the available information concerning an increase in load, Bonneville and the Purchaser may agree that an increase in load associated with a new facility, existing facility or expansion of an existing facility should be considered a New Large Single Load from the date of commencement of commercial operation of such increase in load. If Bonneville and the Purchaser cannot determine or agree that the increase in load should be considered a New Large Single Load, the energy used by the facility shall be monitored and reported monthly by the Purchaser to Bonneville following the commencement or the change in operation of the load. If requested, Bonneville and the Purchaser will agree to a Purchaser-specific monitoring procedure.

When Bonneville and the Purchaser cannot determine at the outset that an increase in load will become a New Large Single Load, the Purchaser shall have the option of backbilling or rebating during said load's first year of commercial operation. At the end of the first year of commercial operation a determination will be made whether or not the increase is a New Large Single Load. Whether the Purchaser chooses backbilling or rebating, the load shall be monitored for a twelve-month period. The energy used by the load during such period shall be compared to the energy used during the preceding twelve-month period one year earlier, or the amount of the contracted for, or committed to load as of September 1, 1979.

§8(d) Under backbilling the Purchaser shall be billed for the increase in load at the Priority Firm Power Rate Schedule or its successor rate schedule during any consecutive twelve-month monitoring period. If the energy consumption of the increase in load reaches 87,600,000 kWh within any consecutive twelve-month monitoring period, the increase in load becomes a New Large Single Load. The Purchaser shall be backbilled for the difference between the Priority Firm Power Rate Schedule actually charged and the New Resource Firm Power Rate Schedule in effect during the monitoring period with interest from the date the increase in load becomes a New Large Single Load; the Purchaser shall then be billed at the New Resource Firm Power Rate Schedule or its successor rate schedule for the New Large Single Load thereafter. If the increase in load does not reach 87,600,000 kWh within any consecutive twelve-month monitoring period, the Purchaser continues to be billed for the entire increase in load at the Priority Firm Power Rate Schedule or its successor.

Under rebating, the Purchaser shall be billed for the increase in load at the New Resource Firm Power Rate Schedule or its successor rate schedule during the monitoring period. If the increase in load reaches 87,600,000 kWh within any consecutive twelve-month monitoring period, the increase in load becomes a New Large Single Load and billing at the New Resource Firm Power Rate Schedule or its successor rate schedule for that load continues thereafter. If the increase does not reach 87,600,000 kWh during any consecutive twelve-month monitoring period, the load shall not be classified a New Large Single Load. The rate schedule applicable to such load becomes the Priority Firm Power Rate Schedule or its successor rate schedule. At the Purchaser's option, Bonneville shall

(1) rebate to the Purchaser the difference between the New Resource Firm Power Rate Schedule actually charged during the monitoring period and the Priority Firm Power Rate Schedule in effect during the monitoring period plus interest; or

(2) shall make such adjustment to the Purchaser's next wholesale power bill.

Bonneville shall establish billing procedures for New Large Single Loads in consultation with the Purchaser.

(e) <u>Service To New Large Single Loads</u>.

Subject to the limitations of section 9, Bonneville shall supply Firm Power to serve the Purchaser's New Large Single Loads unless the Purchaser agrees to serve all or a portion of a New Large Single Load either

§8(e) (1) prior to the execution of this contract, or

(2) at the time the Purchaser notifies Bonneville of such load pursuant to section 8(c) and 9(c), or to section 9 if the Purchaser wishes to serve all or a portion of such New Large Single Load with resources other than Firm Resources.

§8(e) That portion of such New Large Single Load which the Purchaser wishes to serve with resources other than Firm Resources shall be treated as a load which Bonneville is not obligated to serve and shall not be included in the Purchaser's Actual Firm Loads until the Purchaser requests Bonneville to supply Firm Power for that portion of such load and Bonneville agrees to supply the remaining portion of such power. Bonneville shall treat each request for additional power supply under section 9 as though the Purchaser had requested service for the entire New Large Single Load.

If a Consumer of a Purchaser provides a renewable or cogeneration resource to serve all or a portion of a load associated with a facility which would otherwise be a New Large Single Load, and thereby reduces the demand on the Purchaser, that portion of such load on the Purchaser, if any, shall not be a New Large Single Load, unless the load or portion thereof on the Purchaser is ten average megawatts or more; provided, however, that if a Consumer sells, displaces or removes a resource or portion thereof from service to the Consumer's load at such facility, all such load shall be a New Large Single Load unless Bonneville, after consultation with the Purchaser and the Consumer, determines that uncontrollable events prevent service to the Consumer's load by such resource.

(f) Normalization of Consumer's Load.

For the sole purpose of computing the increase in energy consumption between any two consecutive twelve-month periods of comparison under this section 8, reductions in the Consumer's load associated with a facility during the first twelve-month period of comparison due to unusual events reasonably beyond the control of the Consumer shall be determined, and the energy consumption shall be computed as if such reductions had not occurred.

(g) Changes in Load.

If an increase in load becomes a New Large Single Load, such increase shall, subject to the last paragraph of this subsection, remain a New Large Single Load and all subsequent increases in such load or portion therof shall also be considered a New Large Single Load.

Load reductions to a Consumer's load of a facility shall be on a last on, first off basis. Any load reductions made by a Consumer of a facility shall first reduce that portion of the Consumer's load of that facility which has been identified as a New Large Single Load.

§8(g) If a Consumer with a New Large Single Load physically and permanently removes equipment which imposes a load at a facility identified as a New Large Single Load, the Consumer's load may be reclassified as no longer being a New Large Single Load if Bonneville determines such equipment imposed a load equivalent to the original increase in load at such facility which caused such load to be classified as a New Large Single Load.

(h) Renewal, Relocation, and Transfer.

The following events shall not cause a load to be considered a New Large Single Load if such event does not result in an increase in power requirements of a Consumer on the Purchaser of ten average megawatts or more during any consecutive twelve-month period as herein above provided:

(1) renewal or replacement of a contract between the Purchaser and the Consumer based on the original commitment or contract if the capacity specified in the new contract does not exceed the capacity specified in the contract being renewed or replaced;

(2) relocation, replacement, or renovation of a Consumer's facility within the Purchaser's service area; and

(3) transfer of a facility to a successor in interest provided that the service or product associated with the facility is essentially unchanged.

(i) Compliance.

Bonneville and the Purchaser agree that should a Purchaser fail to report a New Large Single Load of which the Purchaser has, or reasonably should have had knowledge, such Purchaser shall be backbilled from the date the increase in load became a New Large Single Load. For this subsection only, such backbilling shall include the following costs:

(1) the difference between the Priority Firm Power Rate Schedule or its successor rate schedule and the New Resource Firm Power Rate Schedule or its successor rate schedule;

(2) interest charges on the backbilled amount determined at Bonneville's prevailing interest rate; and

(3) a late payment charge on the backbilled amount. This section 8(i) shall not apply if the Purchaser is an investor-owned utility."

9. Limitation on Increases of Single Loads.

(a) The limitations of this section shall apply only to industrial facilities of Consumers. Such facilities are defined as those facilities whose primary function falls into one of the following categories, as defined in the Standard Industrial Classification Manual (1972), U.S.O.M.B.:

§9(a)

(1) Agriculture, Forestry, and Fishing;
(2) Mining;
(3) Construction;
(4) Manufacturing;
(5) Transportation, Communications, Electric, Gas and Sanitary Services; and
(6) Wholesale Trade. Such facilities do not include those facilities whose primary function falls into one of the following categories:

(A) Finance, Insurance, and Real Estate;
(B) Retail Trade;
(C) Services; and
(D) Public Administration.

(b) The Purchaser shall notify Bonneville as soon as possible if service by the Purchaser to a new facility of a Consumer or additional service to an existing facility of a Consumer is reasonably expected to result in an increase of 35 average megawatts or more within any twelve-month period or an increase of 75 average megawatts or more within any sixty-month period in the Purchaser's Actual Firm Energy Loads for such period in what would otherwise be the Purchaser's Actual Firm Energy Loads for such period. Bonneville shall be obligated to supply the increased load with Firm Energy on the earlier of

(1) the date Bonneville determines and notifies the Purchaser that Firm Energy is available to supply such increase; or

(2) seven years from the date of the Purchaser's notice to Bonneville. The foregoing limitations notwithstanding, Bonneville shall use its best efforts to acquire Firm Energy to serve such increased load at the time requested by the Purchaser.

(c) The Purchaser shall notify Bonneville when service by the Purchaser to a new facility of a Consumer or additional service to an existing facility of a Consumer is reasonably expected to result in an increase of ten average megawatts or more within any twelve-month period in the Purchaser's Actual Firm Energy Loads for such period in what would otherwise be the Purchaser's Actual Firm Energy Loads for such period. Bonneville shall be obligated to supply the increased load with Firm Energy two years from the date of the Purchaser's notice to Bonneville subject to the limitations in subsection (b) above. Notice by the Purchaser to Bonneville that a monitoring plan needs to be established for the facility of a Consumer pursuant to section 8(d) shall be deemed to be notice under this subsection.

§9 (d) If the Purchaser has a resource other than a Firm Resource which it has identified to serve all or a portion of an increase in load, the portion served by such resource shall be excluded in determining whether the limitations of subsection (b) above apply to such increase in load. If the Purchaser identifies such a resource, Bonneville and the Purchaser shall agree on the portion of such load which such resource is capable of serving. If the Purchaser subsequently includes such resource in its Firm Resources Exhibit pursuant to section 12, the portion of such increase in load to be served by such resource as agreed pursuant to the preceding sentence shall not be treated as a load which Bonneville is not obligated to serve pursuant to section 8(e) and shall be included in the Purchaser's Actual Firm Load.

(e) The limitations of subsection (b) above shall not apply if the Purchaser has developed adequate resources to meet its load growth including the increase in load resulting from service to a new facility of a Consumer or additional service to an existing facility of a Consumer and replace reductions in its Firm Resources which are included as 5(b)(1)(A) resources in its Firm Resources Exhibit. The Purchaser shall be deemed to have developed adequate resources for Bonneville to supply such increase in load if, on an estimated basis, the Purchaser has provided resources, which were dedicated to its load as 5(b)(1)(B) resources or made available to Bonneville, equal to the sum of:

(1) reductions in 5(b)(1)(A) resources between the '79-80 Operating Year and the date specified in subsection (b)(2) above which either:

(A) resulted from factors reasonably within the control of the Purchaser; or
(B) the Purchaser could anticipate on the date it gave notice under subsection (b) above; and

(2) growth in Actual Firm Energy Load between:

(A) the first Operating Year for which Bonneville's notice under section 10(e) is effective and the date specified in (b)(2) above for public bodies, cooperatives and Federal agencies; or
(B) the '79-80 Operating Year and the date specified in (b)(2) above for investor-owned utilities."

(f) Bonneville shall reduce the notice period specified in subsection (c) above for 100 average megawatts of load for which the Purchaser or other Customers under similar contracts have requested service for loads from 10 to 35 average megawatts

§9(f) during any Operating Year. The notice period for such requests shall be the period necessary to include service to such loads in the New Resources Firm Power Rate. If Bonneville receives more than one request from the Purchaser and other Customers under similar contracts to serve increases in load which exceed the foregoing limitations, Bonneville shall allocate its available power supply among such competing requests in the order that written notice of request for service was first received.

(g) The foregoing limitations shall not apply to increases in load which were contracted for or committed to as of September 5, 1981. The determination whether a load was contracted for or committed to as of September 5, 1981, shall be made by Bonneville.

10. Planning and Operating Information.

(a) General Information Requests.

Bonneville and Purchaser agree to cooperate in the full exchange of such planning and operating information as may be reasonably necessary for the timely and efficient performance of the parties' obligations or the exercise of rights under this contract. Such information shall be provided pursuant to subsection (b) below on a timely basis and no reasonable request shall be refused, including requests to provide information or data in a specified manner or on a special form.

(b) Provision of Information.

To the extent such information can be provided at a nominal cost each party agrees to provide the information. Otherwise, a party may respond to a request for information

(1) by providing the information subject to reimbursement of reasonable expenses necessarily incurred; or

(2) to the extent the supplying party finds the timing or effort of meeting an information request burdensome, by offering the requesting party access to the sources from which the information can be obtained.

(c) Provision of Statistical Data.

Bonneville and the Purchaser agree to cooperate in the full exchange of data showing kilowatthours generated at each party's generating facilities as shown on Federal Energy Regulatory Commission reports Form 1 and 12, as may be subsequently amended or superseded, including purchases from generating facilities on the Purchaser's system, sales of energy, demands therefor if available, by class of Consumer and revenues derived therefrom,

§10(c) the Purchaser's annual report to its stockholders and Bonneville's annual report. If the Purchaser is not required by the Federal Energy Regulatory Commission to file Form 1 or Form 12 reports, the Purchaser shall provide such equivalent information as Bonneville requires on a form provided by Bonneville or on one provided by the Purchaser which is acceptable to Bonneville.

(d) Long-Range Planning.

Bonneville and the Purchaser agree to provide information necessary to develop their long range generation, transmission and distribution plans. Bonneville shall use its best efforts to supply annually to the Purchaser a load-resource document showing its load-resource balance, its program for acquisition of resources and the firm loads it expects to supply for at least ten years. Bonneville shall provide additional customer service facilities to supply electric power or energy to the Purchaser in accordance with the Customer Service Objectives Exhibit and applicable Customer Service Policy.

(e)

For purposes of sections 9(e), 11(b)(4), and Definition Z of Exhibit D only, prior to July 1 of any year Bonneville may notify the Purchaser that Bonneville needs to acquire additional resources to meet the Purchaser's load growth occurring after the start of the Operating Year specified in the notice. Such Operating Year shall not commence prior to the expiration of the fifth full Operating Year after Bonneville notifies the Purchaser hereunder.

11. Compensation Program for Regional Curtailment of Firm Loads.

(a) The parties agree to commence negotiations as soon as practicable to develop a comprehensive agreement among utilities in the Pacific Northwest to buy and sell electric energy made available due to curtailments in consumption or from resources on a party's system during a period when governmental bodies having the authority to do so have so ordered such curtailments or sales.

(b)

(1) If the Bonneville Power Administrator and the governor of the State encompassing the Purchaser's service area publicly appeal for curtailments of electric power consumption or if mandatory curtailments of electric power consumption in the Purchaser's service area are ordered by governmental bodies having the authority to so order, Bonneville shall compensate the Purchaser as provided in this section for any reduction in Bonneville's obligation to supply Firm Power to the Purchaser. If the Purchaser's service area extends into more than one State and all of such States do not

§11(b)(1) participate in the curtailments described above, the procedures of this section shall be applied only to those loads in service areas in the participating States.

Compensation under this section shall not be available to the Purchaser during any Operating Year that the Purchaser is purchasing Firm Power from Bonneville on a Planned Computed Requirements or Contracted Requirements basis. The compensation under this section may be reduced partially or in its entirety as described in paragraph (4) or paragraph (5) below. The reductions described in paragraph (4) below shall be made after the adjustments described in paragraph (5) below.

Compensation shall begin with the first full month following such appeal for curtailment or ordered curtailment. Compensation shall end with the month during which the Bonneville Power Administrator and the appropriate State political leaders publicly indicate that a need for curtailment no longer exists or such State officials rescind an order for curtailment.

(2) Bonneville shall pay the Purchaser each month an amount equal to the product of the rate set forth in this paragraph and the amount of load curtailment determined in paragraph (3) below unless such amount of load curtailment is reduced partially or in its entirety as set forth in paragraph (4) below. Such rate shall be the amount in mills per kilowatthour by which the Purchaser's average revenue from retail sales of electric energy exceeds the wholesale firm power rate the Purchaser would have paid Bonneville for the increment of energy determined pursuant to paragraph (3) below.

(3) The amount of regional load curtailment on the Purchaser's system during a month shall be deemed to be the amount, if any, by which the Purchaser's Estimated Firm Energy Load, after adjustment as specified below, exceeds the Purchaser's Actual Firm Energy Load for such month after adjustment, if any, as set forth below. If the Purchaser does not regularly publish an Estimated Firm Energy Load, such Purchaser's Estimated Firm Energy Load for purposes of this section shall be the Purchaser's component of Bonneville's latest published estimate of its firm energy loads.

§11(b)(3) The Purchaser's most recently published Estimated Firm Energy Load shall be used herein to determine amounts of regional load curtailment in conjunction with information submitted by the Purchaser to Bonneville as soon as possible following the end of each month in which a regional load curtailment program is in effect. Such information shall be provided for each such month and for the three most recent, but not necessarily consecutive, months in which a regional load curtailment program or a load curtailment program pursuant to section 17(e) was not in effect. Such information shall include:

(A) the Purchaser's Actual Firm Energy Load for such months; and

(B) detail on any separately identifiable significant changes in the Purchaser's Actual Firm Energy Load from its Estimated Firm Energy Load which were not the result of a regional load curtailment program, a load curtailment program pursuant to section 17(e), or an interruption of load for the purpose of providing economic operation of the Purchaser's system including its Firm Resources.

§11(b)(3) The Purchaser's Actual Firm Energy Loads for all months used for calculations herein shall be adjusted to reflect only those loads in the Purchaser's service area which are in States participating in the regional curtailment program. Such adjustments shall be made by subtracting the portion of the Purchaser's Actual Firm Energy Load in States which are not participating in the regional curtailment program from the Purchaser's Actual Firm Energy Load for such month. Such adjustment may be changed monthly to reflect changes in the States which are participating in the regional curtailment program.

The Purchaser's Estimated Firm Energy Load for all months for which information was requested above shall first be adjusted to reflect separately identifiable changes in load which were not the result of a regional load curtailment program, a load curtailment program pursuant to section 17(e), or an interruption of load for the purpose of providing economic operation of the Purchaser's system including its Firm Resources. The Estimated Firm Energy Load shall then be adjusted in the manner specified for Actual Firm Energy Loads above to reflect only those loads in the Purchaser's service area which are in States participating in the regional curtailment program. An adjusted Estimated Firm Energy Load for each month in which a regional load curtailment program is in effect shall then be determined by multiplying the Estimated

§11(b)(3) Firm Energy Load for such month, as adjusted above, by the ratios of the Purchaser's Actual Firm Energy Load, as adjusted above, to its Estimated Firm Energy Load, as adjusted above, for the three most recent, but not necessarily consecutive, months in which a regional load curtailment program or a load curtailment program pursuant to section 17(e) was not in effect.

(4) If regional curtailment has been requested after July 1, 1983, because Bonneville is unable to acquire sufficient resources to meet its firm obligations, Bonneville shall reduce the amount of load curtailment determined in paragraph (3) above during any month if the Purchaser's load growth as specified in subparagraph (A) below exceeds the amount of resources which the Purchaser dedicated to its own load or made available to Bonneville as specified in subparagraph (B) below. Such amount of load curtailment for each month shall be reduced partially or in its entirety by the amount which (A) exceeds (B) below:

(A) the excess of the Purchaser's Actual Firm Energy Load in average megawatts over the Purchaser's Actual Firm Energy Load in average megawatts for the same month during the Operating Year prior to the first Operating Year for which Bonneville's load growth notice provided in section 10(e) of this agreement is effective; and

(B) the annual firm energy capability in average megawatts of

(i) resources acquired by Bonneville from the Purchaser under P.L. 96-501; and

(ii) the portion of the Purchaser's Firm Resources which are included as 5(b)(1)(B) resources in its Firm Resources Exhibit.

§11(b)(4)(B) Such resources shall not include conservation programs to the extent such programs have been reflected in the Purchaser's Actual Firm Energy Load in subparagraph (A) above.

(5) If the Purchaser purchases Firm Power from Bonneville on an Actual Computed Requirements basis, the amount of load curtailment determined in paragraph (3) above for any month shall be determined after the following adjustments:

§11(b)(5)

(A) The amount of load curtailment determined in paragraph (3) above shall be reduced to provide compensation only for the portion of the Purchaser's Actual Firm Energy Load served by Bonneville. Such reduction shall be made by increasing the Purchasers' Actual Firm Energy Load used to determine the amount of load curtailment in paragraph (3) by the amount of load curtailment attributable to the Purchaser's Firm Resources. Such increase in the Purchaser's Actual Firm Energy Load shall be deemed to be the amount determined in the manner specified in section 17(e)(5) even if the Purchaser has not implemented a load curtailment program pursuant to section 17(e).

(B) If the Purchaser initially purchased Firm Power from Bonneville on a Metered Requirements basis, but is purchasing Firm Power from Bonneville on an Actual Computed Requirements basis at the time regional curtailment is requested hereunder, subparagraph (A) above will apply only if the Purchaser has implemented a load curtailment program pursuant to section 17(e). This subparagraph (B) shall no longer apply if the Purchaser was offered the opportunity to be a party to a comprehensive agreement among utilities in the Pacific Northwest described in subsection (a) above after it commenced purchasing on a Computed Requirements basis."

12. Purchaser's Firm Resources.

(a) Each of the Purchaser's Firm Resources which the Purchaser anticipates will be used during the initial seven Operating Years under this agreement either

(1) to calculate its Assured Peak Capability and Assured Energy Capability if the Purchaser is purchasing on a Computed Requirements basis; or

(2) to serve its Actual Firm Load if the Purchaser is purchasing on a Metered Requirements basis

shall be identified in the initial Firm Resources Exhibit attached hereto on the effective date of this contract. Contracts under which the Purchaser is obligated to deliver, transfer or exchange power with another utility and which either:

§12(a) (1) were in effect on or before December 5, 1980;

(2) have been approved for inclusion as Firm Resources in writing by Bonneville; or

(3) would not increase Bonneville's total firm obligations to supply power shall be treated as negative Firm Resources. The Firm Resources Exhibit shall separately show those Firm Resources described by section 5(b)(1)(A) and those described by section 5(b)(1)(B) of P.L. 96-501.

(b) Prior to January 1 of each year, the Purchaser shall prepare and submit to Bonneville a revised Firm Resources Exhibit. Each such exhibit shall delete the information applicable to the current Operating Year, show new information for the seventh succeeding Operating Year as permitted by this subsection, and show any changes for the first six Operating Years as are permitted by this subsection (b). Such new Firm Resources Exhibit shall be prepared in the same format as the initial Firm Resources Exhibit or such other format as Bonneville and the Purchaser may agree upon. Such new Firm Resources Exhibit will supersede the prior Firm Resources Exhibit on the following July 1.

Changes in the Purchaser's Firm Resources Exhibit shall be permitted only if specifically provided for as follows:

(1) The peak capability of any Firm Resource may be added for the fifth year of the Firm Resources Exhibit and the energy capability of any Firm Resource may be added for the seventh year of the Firm Resources Exhibit, upon designation of the Purchaser.

(2) Any Firm Resource may be added for any Operating Year to the extent that such resource is in accordance with Bonneville's annual program which implements the plan of the Pacific Northwest Electric Power and Conservation Planning Council or P.L. 96-501.

(3) Any Firm Resource may be added in any Operating Year to the extent that Bonneville reasonably determines that it can market or otherwise dispose of any of its resulting firm load-resource surplus without sustaining an adverse economic effect. In determining the amount of such surplus, purchases which Bonneville is not committed to make at the time of such determination shall not be considered.

§12(b)

(4) Any Firm Resource which is a renewable or cogeneration resource and which has a planned capability for the generating facility of 50 average megawatts or less may be added beginning with the Operating Year for which the Purchaser had notice of the availability of such resource, but in no event earlier than the Operating Year commencing 30 months from the January 1 on which the Firm Resources Exhibit showing such addition is submitted. If the owner or developer of a generating facility which is a qualifying facility requires the Purchaser to acquire the output of such facility pursuant to the provisions of P.L. 95-617 (PURPA), the planned capability of such generating facility may be added as a Firm Resource pursuant to this paragraph at the beginning of the Operating Year for which the Purchaser had notice of the availability of such resource; provided, however, that the Purchaser shall use its best efforts to provide the minimum notice of availability specified in this paragraph.

(5) Any Firm Resource in regard to which an irrevocable option to purchase has been granted in favor of Bonneville pursuant to a written, executed agreement may be added in any revised Firm Resources Exhibit submitted within 2 years after Bonneville declines for any reason to exercise its option to purchase pursuant to that agreement. Such Firm Resource may be included in such Firm Resources Exhibit for any Operating Year or Years up to the amounts offered to Bonneville in the agreement granting the option to Bonneville.

(6) Irrespective of whether or not an option had been granted in favor of Bonneville, any Firm Resource which has been offered to Bonneville pursuant to section 9(i)(3) of P.L. 96-501 and which is not accepted by Bonneville under the terms of the offer may be added effective on the date of commercial operation in any revised Firm Resources Exhibit upon a minimum of 2 years' written notice.

(7) Any Firm Resource may be added if and to the extent that Bonneville is expected to have an excess of firm load over its firm resources in the first Operating Year for which the Purchaser proposes to add such Firm Resource. Bonneville's expected firm load-resource balance will be determined from the then latest publication of Bonneville's firm loads and planned firm resources issued by Bonneville; provided, however, that purchases by Bonneville which are shown in such publication but which Bonneville has not at the time of such determination made a commitment to purchase shall be removed from Bonneville's resources

§12(b)(7) before such determination is made. Prior to the submittal of any Firm Resources Exhibit which includes such addition, the Purchaser shall notify Bonneville in writing of the times and amounts of Firm Resources it proposes to add pursuant to this paragraph. If the Purchaser and other Customers under similar contracts propose to add Firm Resources in excess of Bonneville's expected firm load-resource deficiency, Bonneville shall allocate the amount of Firm Resources which each such Purchaser may add giving priority among competing requests in the order that written notice of addition was first received. Bonneville shall notify the Purchaser in writing within 30 days after receipt of such notice of any limitation on the amount of Firm Resources which it may add.

(8) Any Firm Resource may be removed for any Operating Year if the use of such Firm Resource is permanently discontinued because of loss of resource or loss of contract rights resulting from factors beyond the reasonable control of the Purchaser and which the best efforts of the Purchaser are unable to remedy. Any Firm Resource may be removed if the use of such resource is permanently discontinued because of obsolescence or retirement to the extent and for the Operating Years that the Purchaser has consulted with Bonneville regarding such discontinuance and Bonneville has agreed in writing to such discontinuance. Lack of an adequate power supply to replace the discontinued resource shall not be sufficient reason for Bonneville to withhold its agreement to such discontinuance.

The peak capability of any Firm Resource to which the preceding portion of this paragraph (8) does not apply may be removed for the fifth Operating Year of the Firm Resources Exhibit and the energy capability of such resource may be removed for the seventh Operating Year.

Firm Resources which are returned to service subsequent to their removal pursuant to this paragraph (8) shall be treated as new resources for the purpose of this subsection (b).

(9) Any Firm Resource may be removed if and to the extent that Bonneville is expected to have an excess of firm resources over its firm load in the first Operating Year for which the Purchaser proposes to remove such Firm Resource. Bonneville's expected firm load-resource balance will be determined from the then latest publication of Bonneville's firm loads and planned firm resources issued by Bonneville. Prior to the submittal of any Firm Resources Exhibit which

§12(b)(9) includes such removal, the Purchaser shall notify Bonneville in writing of the times and amounts of Firm Resources it proposes to remove pursuant to this paragraph. If the Purchaser and other Customers under similar contracts propose to remove Firm Resources in excess of Bonneville's expected firm load-resource surplus, Bonneville shall allocate the amount of Firm Resources which each such Purchaser may remove giving priority among competing requests in the order that written notice of removal was first received. Bonneville shall notify the Purchaser in writing within 30 days after the receipt of such notice of any limitation on the amount of Firm Resources which it may remove.

(10) Any Firm Resource may be removed from the Purchaser's Firm Resources Exhibit for any Operating Year or Years to the extent that equivalent peak and energy capability from another firm resource is added to the Purchaser's Firm Resources Exhibit for such year or years. Such added resource shall be one which was not planned as of December 5, 1980, to meet the firm load growth in the Pacific Northwest or, if so planned, has been offered for sale to Bonneville and Bonneville has declined such offer.

(11) Any Firm Resource may be added or removed for any Operating Year to the extent that such Firm Resource is correspondingly removed from or added to the Firm Resources of other Bonneville Customers in such a manner that Bonneville's total firm obligations to supply power are not changed.

(12) Any Firm Resource may be removed for any Operating Year to the extent such resource was acquired by Bonneville from the Purchaser pursuant to a separate agreement or added for any Operating Year to the extent such resource was recovered from Bonneville by the Purchaser pursuant to a separate agreement.

(13) Any Firm Resource may be added or removed for any Operating Year to the extent that the Purchaser gains or loses the Firm Resource as the result of a withdrawal pursuant to agreements in existence on December 5, 1980, between the Purchaser and others and which provide for withdrawal of resources on shorter notice than the Purchaser must give Bonneville pursuant to the provisions of this section 12; <u>provided</u>, <u>however</u>, that the Purchaser shall not make any such addition or removal on any shorter notice pursuant to this paragraph (13) than the notice period provided for in the subject agreements.

(14) Any Firm Resource may be added or removed for any Operating Year if and to the extent that Bonneville has given prior written consent.

13. Designation of Basis for Purchasing Firm Power.

(a) If the Purchaser operates automatic generation control equipment and is thereby able to schedule amounts of power to be interchanged with Bonneville, it shall be designated to purchase Firm Power under this contract on the basis of Computed Requirements. Such Purchaser shall be subject to the definition of Measured Amounts for a Purchaser designated to purchase on the basis of Computed Requirements and which schedules amounts of power to be interchanged with Bonneville and to all of the provisions of this contract except sections 14 and 15. The Purchaser shall not discontinue the operation of automatic generation control equipment such that it is unable to schedule amounts of power to be interchanged with Bonneville unless it has requested that its designation for purchase under this contract be changed and Bonneville has determined that such change would not have a significant adverse effect on Bonneville and has agreed in writing to such change.

(b) If the Purchaser does not operate automatic generation control equipment but either:

(1) has sold generation from its Firm Resources in such a manner as to increase Bonneville's obligation to deliver Firm Power to the Purchaser in an amount in excess of Bonneville's obligation prior to such sale or has notified Bonneville that it intends to do so; or

(2) has Firm Resources in amounts set forth below which have the ability to redistribute generation among months in such a manner as to cause losses of power or revenue to Bonneville,

it shall be designated to purchase Firm Power under this contract on the basis of Computed Requirements unless the Purchaser requests that it be designated to purchase on the basis of Metered Requirements and Bonneville agrees to such designation. Such Purchaser designated to purchase on the basis of Computed Requirements pursuant to this subsection shall be subject to the definition of Measured Amounts for a Purchaser which is designated to purchase on the basis of Computed Requirements but which does not schedule amounts of power to be interchanged with Bonneville and to all of the provisions of this contract except sections 14(a) through (c), section 15 and section 18; provided, however, that section 2 of the Power Scheduling Procedures Exhibit shall apply to such Purchaser. The amounts of the Purchaser's Firm Resources referred to in (2) above are those which either:

(1) total 50 megawatts or more of peak capability or include one or more units of 15 megawatts or more of peak capability; or

§13(b) (2) include portions of a generating unit which the Purchaser and other Customers under similar power sales contracts with Bonneville have included as Firm Resources totaling 50 megawatts or more of peak capability for all such Customers.

In determining whether any of the Purchaser's Firm Resources have the ability to redistribute generation among months in such a manner as to cause losses of power or revenue to Bonneville, Bonneville shall exclude any Firm Resource in regard to which the Purchaser has entered into either:

(1) a separate agreement with Bonneville under which Bonneville assumes control of the generation of the Firm Resource and provides the Purchaser with an equivalent amount of Firm Power; or

(2) an agreement with another utility or joint operating agency which has been approved in writing by Bonneville for the purpose of this determination.

(c) If the Purchaser is not designated to purchase on the basis of Computed Requirements pursuant to subsections (a) or (b) above, the Purchaser shall be designated to purchase Firm Power under this contract on the basis of Metered Requirements. Such Purchaser shall be subject to the definition of Measured Demand and Measured Energy for a Purchaser designated to purchase on the basis of Metered Requirements and to all of the provisions of this contract except sections 16, 17, 18 and 19.

(d) If the Purchaser operates any Firm Resources or other resources within Bonneville's automatic generation control areas, Bonneville shall provide generation control services including planned outage reserves, forced outage reserves, spinning reserves and frequency control to the extent the Purchaser does not otherwise arrange to provide such services. The Purchaser shall pay Bonneville for such services at the charges set forth in Section II of the Service Charges Exhibit. Section II of the Service Charges Exhibit shall be revised upon determination by Bonneville that any charge contained therein must be changed to properly compensate Bonneville for reasonable costs incurred by Bonneville to provide such services. The charges set forth in Section II of the Service Charges Exhibit shall not be increased more frequently than once a year. Bonneville shall provide the Purchaser and other Customers with a reasonable opportunity of not less than 90 days to comment prior to the effective date of such proposed revised charges. Revised charges shall take effect on the date specified by Bonneville in its written notice to the Purchaser of its intention to revise these charges.

(e) If the Purchaser's electrical system is interconnected with the electrical system of one or more other utilities which are interconnected directly or indirectly with the Bonneville electrical system and if such Purchaser does not operate automatic generation control equipment, the Purchaser shall:

§13(e) (1) submit to Bonneville the amounts of power scheduled to be interchanged between the Purchaser and such other utilities in accordance with the provisions of section 1 of the Power Scheduling Procedures Exhibit; and

(2) install and operate at its expense at interconnections which are normally operated closed the equipment necessary to supply Bonneville with telemetered signals indicating:

(A) continuously the actual rate of power flowing on each of the interconnections between the Purchaser and such other utilities; and

(B) at the end of each hour the amount of power which has flowed on each such interconnection during each clock hour.

(f) If Bonneville determines that the Purchaser shall be designated to purchase on a Computed Requirements basis due to a sale of generation, Bonneville shall promptly notify the Purchaser in writing, and such change in designation shall be effective on the July 1 following such notice. If Bonneville determines that the Purchaser shall be designated to purchase on a Computed Requirements basis due to the Purchaser's notice to Bonneville of intent to sell generation, Bonneville shall promptly notify the Purchaser in writing, and such change in designation shall be effective on the July 1 preceding the date of such sale as specified in the Purchaser's notice.

Following January 1 of each year Bonneville shall review the revised Firm Resources Exhibit submitted by the Purchaser on such January 1 to determine whether any of the Firm Resources added or removed are sufficient to change the Purchaser's designation between subsections (b) and (c) above. If Bonneville determines a change in designation is indicated by the provisions of such subsections, Bonneville shall promptly notify the Purchaser in writing, and such change in designation shall be effective on the July 1 immediately preceeding the date that the Firm Resource addition or removal is indicated in the Purchaser's revised Firm Resources Exhibit. If the Purchaser would have been designated to purchase on a Computed Requirements basis due to its addition of Firm Resources in the amounts specified in section 13(b) above, but the Purchaser has requested and Bonneville has agreed not to make such designation, Bonneville shall not thereafter designate the Purchaser to purchase on a Computed Requirements basis due to such addition of such Firm Resources on less than two years' notice.

14. Purchaser's Metered Requirements and Amount of Power Sold.

(a) Bonneville shall make Firm Power available to the Purchaser and the Purchaser shall purchase from Bonneville in accordance with the provisions of this contract at the Points of Delivery, Firm Power to meet the Purchaser's Actual Firm Loads less the output, if any, from the Purchaser's Firm Resources unless Bonneville's obligation to make Firm Power available is limited under the terms of section 7. For the purpose of this subsection, the output from the Purchaser's Firm Resources means the amounts of power delivered to Bonneville for the Purchaser pursuant to contracts with entities other than Bonneville which are Firm Resources of the Purchaser, amounts of power which Bonneville is obligated to deliver to the Purchaser pursuant to contracts other than this contract which are Firm Resources of the Purchaser, and either

(1) the firm peak and energy capability of each of the Purchaser's Firm Resources in regard to which the Purchaser has a services agreement with Bonneville or another entity if such agreement is approved in writing by Bonneville; or

(2) the entire variable output, if any, of each of the Purchaser's Firm Resources in regard to which no such agreement exists with Bonneville or any other entity.

(b) The Purchaser may request and Bonneville shall provide services to ensure that the entire output of the Purchaser's Firm Resources does not exceed the Purchaser's Actual Firm Load in any hour of the Operating Year unless Bonneville determines such services cannot be furnished without substantial interference with its power marketing program, applicable operating limitations or existing contractural obligations. Such services shall include but not be limited to the following:

(1) transmission;
(2) load factoring;
(3) seasonal storage;
(4) scheduling and management; and
(5) services specified in section 13(d).

Bonneville shall enter into agreements to provide any or all of these services. Charges for such services shall be set forth in such agreements.

(c) The Purchaser may request and Bonneville shall provide services to establish a planning capability for any or all of the Purchaser's Firm Resources unless Bonneville determines such services cannot be furnished without substantial interference with its power marketing program, applicable operating limitations or existing contractural obligations. The planning capability of such resource or resources shall be the monthly amounts of peak capability and energy capability determined

§14(c) under the applicable services agreement. Such services shall be provided at the charges set forth in such agreement to recover the costs of such services less a credit established in such agreement to compensate the Purchaser for the output of such resources in excess of the firm planning capability.

(d) Bonneville may from time to time request that the Purchaser operate its Firm Resources or other resources which are within Bonneville's automatic generation control area or arrange to receive power available to it under contracts in such a manner as to assist Bonneville in meeting its total loads. If so requested the Purchaser shall fully comply with such request to the extent that the output of such resources or such contract rights are not otherwise committed and can be controlled by the Purchaser. If, as a result of such compliance the Purchaser reasonably and necessarily incurs any additional costs or loss of revenue, the Purchaser may submit to Bonneville an itemized statement of such additional costs or loss of revenue and Bonneville shall pay the Purchaser for such additional costs or loss of revenue. Additional costs may include, but shall not be limited to, fuel costs, operating and maintenance costs or costs of power it purchases from Bonneville under this contract less any billing amounts not incurred by the Purchaser under this contract which would have been payable to Bonneville if Bonneville had not made such request.

(e) Nothing in this Power Sales Contract shall be construed to create, or to preclude, adversely affect or otherwise limit in any manner, rights of the Purchaser to purchase nonfirm energy from Bonneville under appropriate terms and conditions in separate agreements at the rate specified in the Wholesale Nonfirm Energy Rate Schedule or its successor.

15. Metered Requirements Payment for Power Sold.

(a) The Purchaser shall pay Bonneville each Billing Month for the Firm Power delivered hereunder at the rate specified in subsection (b) below from the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit. Such payment shall be in accordance with the terms of such rate schedule and the General Contract Provisions Exhibit. The Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit shall be changed in accordance with the provisions of the Equitable Adjustment of Rates section of the General Contract Provisions Exhibit.

§15 (b) If the Purchaser is a public body, cooperative or Federal agency, payment shall be at the Priority Firm Power Rate for the Purchaser's Measured Demand and Measured Energy for such Billing Month; provided, however, that, after determining the billing factors for Firm Power delivered hereunder, the New Resource Firm Power Rate Schedule shall be substituted for the Priority Firm Power Rate Schedule for that portion of the Purchaser's billing demands, if any, identified pursuant to section 8 for service to New Large Single Loads. If the Purchaser is an investor-owned utility, payment shall be at the New Resource Firm Power Rate for the Purchaser's Measured Demand and Measured Energy. If the Purchaser's Measured Demand or Measured Energy exceed Bonneville's obligations, as set forth in section 14(a), to make Firm Power available to the Purchaser, such excess shall be treated as power that cannot be assigned to a class of power which Bonneville delivers on such hour pursuant to contracts between Bonneville and the Purchaser or to a type of power which the Purchaser acquires from sources other than Bonneville which Bonneville delivers during such hour.

(c) Bonneville shall pay the Purchaser amounts which reimburse the Purchaser for additional costs incurred pursuant to section 14(d). Such payments shall be net billed, if possible, pursuant to the Net Billing section of the General Contract Provisions Exhibit on the next power bill after the Purchaser submits an itemized statement of such costs.

(d) Bonneville shall pay the Purchaser amounts which compensate the Purchaser for reductions in Bonneville's obligation to supply Firm Power as set forth in section 11(b). Such payments shall be net billed, if possible, pursuant to the Net Billing section of the General Contract Provisions Exhibit on the next power bill after the Purchaser submits the information required by section 11(b)(3).

(e) The Purchaser shall pay Bonneville each month for any service charges assessed pursuant to section 13(d) at the applicable charge or charges, if any, specified in section II in the Service Charges Exhibit. Such payments shall be net billed, if possible, pursuant to the Net Billing section of the General Contract Provisions Exhibit.

16. Determination of Purchaser's Assured Capability.

(a) On or before the effective date of this contract, and thereafter, on or before July 1 of each year, the Purchaser shall submit an Assured Capability Exhibit showing its Assured Peak Capability and Assured Energy Capability for each month of such Operating Year, calculated in the manner described in this section. If the Purchaser is a party to the Coordination Agreement, such exhibit shall be an estimated exhibit until such time as the final regulation data are available under the Coordination Agreement. The Purchaser shall submit a final Assured Capability Exhibit based on such final data within 15 days of the date on which such final data are available under the Coordination Agreement.

§16(a) In the event the Assured Capabilities of the estimated and final exhibits differ, the Purchaser shall change its monthly Assured Capabilities to reflect such differences and may adjust its Flexibility Account up to the limits permitted in section 17(d). To the extent that the Purchaser is unable to make such adjustments because of the limits of section 17(d), the Purchaser shall not be liable for any payment at the rates for reserve power or unauthorized increase. Notwithstanding the provisions of section 19(b)(1)(B), the provisions of the Relief from Overrun Exhibit shall not be applied if the Purchaser does not adjust its Flexibility Account to reflect such differences up to the limits permitted by section 17(d).

(b) For the purpose of determining Assured Capability, the Purchaser shall use its best efforts to plan the use of its Firm Resources shown in the Firm Resources Exhibit with the objective of placing on Bonneville the least monthly requirements for energy, and, to the extent consistent with such objective, the least monthly requirements for capacity, except as otherwise permitted in this subsection (b) and in subsection (c) below. For the purpose of determining Assured Capability, the Purchaser shall allocate its Assured Energy Capability among months and years in a manner consistent with subsection (c) below. The Purchaser's Assured Peak Capability and Assured Energy Capability shall be the sum of the amounts determined in paragraphs (1) and (2) below.

(1) The Purchaser's Assured Capabilities shall equal the amounts determined by adjusting the Purchaser's Firm Load Carrying Capability for all Firm Resources or portions of Firm Resources of the Purchaser developed in accordance with Coordination Agreement planning for each month for the subject Operating Year in the manner described below.

(A) The Purchaser's Firm Peak Load Carrying Capability shall be reduced by the peak capabilities of those generating resources or portions of generating resources which are included in Coordination Agreement planning but which are not included in the Purchaser's Firm Resources Exhibit. Further adjustment shall be made by adding to the Firm Peak Load Carrying Capability any reserves attributable to such resources under Coordination Agreement planning. The Purchaser's Firm Energy Load Carrying Capability shall be reduced by the energy capabilities of those generating resources which are included in Coordination Agreement planning but which are not included in the Purchaser's Firm Resources Exhibit. Further adjustments shall be made to accommodate restoration and reserves attributable to

§16(b)(1)(A) such resources under Coordination Agreement Planning. The Purchaser may provide a procedure for calculating sustained peaking adjustment in conformance with subsection (d) below. Upon Bonneville's agreement with such procedure the Firm Peak Load Carrying Capability shall be further reduced to reflect loss of peak capabilities due to sustained peak requirements to the extent that such loss is not accounted for in Coordination Agreement planning.

(B) In determining the Purchaser's Assured Capabilities the monthly peak and energy which the Purchaser plans to obtain on a firm basis under each contract set forth in the Purchaser's Firm Resources Exhibit and which is not included in the Purchaser's Firm Load Carrying Capability shall be added to the Purchaser's Firm Peak Load Carrying Capability and Firm Energy Load Carrying Capability, respectively.

(C) In determining the Purchaser's Assured Capabilities the monthly peak and energy which the Purchaser is obligated to deliver pursuant to each contract set forth in the Purchaser's Firm Resources Exhibit shall be subtracted from the Purchaser's Firm Peak Load Carrying Capability and Firm Energy Load Carrying Capability, respectively.

§16(b)(1) The Purchaser's Assured Capabilities determined under this paragraph (1) shall equal the amounts determined in subparagraphs (A) plus (B) minus (C).

(2) The Purchaser's Assured Capabilities for all Firm Resources or portions of Firm Resources of the Purchaser which are not included in Coordination Agreement planning for each month for the subject Operating Year shall equal the amounts determined in the manner described below.

(A) The contribution of hydroelectric generating resources to the Purchaser's Assured Energy Capability in the months of the Operating Year which are within the Critical Period shall be the energy capability which can be produced by such resources by combining the release of all of the Purchaser's Seasonal Storage with Critical Period streamflow conditions. In the months in the Operating Year which are outside the Critical Period, such contribution shall be the lesser of

§16(b)(2)(A)

(i) the energy capability of such resources during each such month; or

(ii) the product of the Purchaser's Estimated Firm Energy Load in each such month and the ratio of the energy capability of such resources during the months of the Operating Year which are within the Critical Period to the Purchaser's Estimated Firm Energy Load in such months.

§16(b)(2)(A)

Such energy capabilities shall be reduced for an energy reserve for generating unit forced outages equal to 5 percent of the energy capability of each hydroelectric generating resource during each month in which the energy capability of such resource is greater than 85 percent of its peak capability as shown on the Purchaser's Firm Resources Exhibit.

(B) The contribution of generating resources other than hydroelectric generating resources to the Purchaser's Assured Energy Capability shall be the energy capabilities distributed among months of the Operating Year in a manner which takes into account planned and unplanned outages and which equals the product of the peak capability and the annual plant factor shown in the Firm Resources Exhibit for such Firm Resource. In preparing the Firm Resources Exhibit the Purchaser shall use reasonable estimates based on adverse availability of fuel (fossil, wind, solar, etc.), and the effects of planned and unplanned outages on the energy capabilities of such resources.

(C) The contribution of hydroelectric resources to the Purchaser's Assured Peak Capability shall be the peak capability of each Firm Resource as set forth in the Firm Resources Exhibit after appropriate reduction in each month of the Operating Year to reflect the operation of such resources to produce the energy capability determined pursuant to (A) above. The contribution of generating resources other than hydroelectric resources to the Purchaser's Assured Peak Capability

§16(b)(2)(C) shall be the peak capability of each Firm Resource as set forth in the Firm Resources Exhibit after appropriate reduction in each month of the Operating Year in which an outage is planned to reflect such planned outages. The sum of such contribution from all generating resources of the Purchaser shall be reduced by the amount of reserves necessary to result in a 5 percent probability of loss of load in the Operating Year due to generator forced outages. Individual unit forced outage rates, peak load probabilities, and other information needed to make the loss of load probability computation will be the same as is used in the Coordination Agreement or such other information as is agreed upon by the Purchaser and Bonneville.

(D) The contribution of each of the Purchaser's contractual resources to the Purchaser's Assured Capability in each month of the Operating Year shall be the monthly peak and energy which the Purchaser plans to obtain on a firm basis under each contract set forth on the Purchaser's Firm Resources Exhibit.

(E) The contribution of each of the Purchaser's contractual obligations to the Purchaser's Assured Capability in each month of the Operating Year shall be the monthly peak and energy which the Purchaser is obligated to deliver under each contract set forth on the Purchaser's Firm Resources Exhibit.

§16(b)(2) The Purchaser's Assured Energy Capability determined under this paragraph (2) shall equal the amounts determined in subparagraphs (A) plus (B) plus (D) minus (E). The Purchaser's Assured Peak Capability shall equal the amounts determined in subparagraphs (C) plus (D) minus (E).

(c) If and to the extent that the Purchaser has Seasonal Storage, the Purchaser shall, for the purpose of determining Assured Capability, allocate its Assured Energy Capability among months and years in accordance with the following limitations:

(1) The Purchaser shall allocate its Assured Energy Capability among years in the Critical Period in a manner which results in annual energy requirements on Bonneville which increase between such years in amounts not greater than the amount by which the Purchaser's Estimated Firm Energy Load increases between such years plus the amount by which the total

§16(c)(1) energy capability of the Purchaser's Firm Resources decreases between such years as a result of resource removals pursuant to section 12. Annual average amounts for years in which the Critical Period begins or ends shall be the average of the appropriate amounts in the months which are within the Critical Period.

(2) The Purchaser shall allocate its annual Assured Energy Capability among months of each Operating Year in a manner which results in a requirement on Bonneville each month equal to or between the amounts determined by (A) or (B):

(A) One-twelfth of the Purchaser's total annual energy requirement on Bonneville for that Operating Year; and

(B) a fraction of the Purchaser's total annual energy requirement on Bonneville obtained by dividing the Estimated Firm Energy Load for that month by the total of the twelve Estimated Firm Energy Loads for that Operating Year; provided, however, for years in which the Critical Period begins or ends, such monthly and annual Estimated Firm Loads shall be only for the months within the Critical Period.

§16(c)(2) If requested by the Purchaser and if Bonneville agrees, the Purchaser may allocate its annual Assured Energy Capability so as to place monthly requirements on Bonneville other than those determined by (A) or (B) above to reflect a period of planned thermal maintenance or other causes. The Purchaser's annual energy requirement on Bonneville shall not be changed by such reallocation.

(d) Methods used for calculating peak and energy capabilities of Firm Resources shall be the usual methods used by the Purchaser, Bonneville, and other Pacific Northwest utilities for such purpose. Operating constraints, including but not limited to such nonpower constraints as irrigation, navigation, flood control, recreation, and fish and wildlife obligations, and data relating water flow, head, energy, peak capability, usable peak capability and other variables to each other shall be supplied by the Purchaser for each of its Firm Resources when such data are first needed pursuant to this contract and may be revised by the Purchaser from time to time but such revisions shall not include reductions amounting to discontinued use unless permitted by section 12(b)(8). Such constraints and data shall be reasonable and in conformance with the usual practices used by the Purchaser, Bonneville, and other Pacific Northwest utilities for resource planning.

§16 (e) Bonneville may require that the capabilities of any of the Purchaser's Firm Resources be verified by test or other substantiating data acceptable to Bonneville. Such verification shall not be required more often than once each year.

(f) The Purchaser shall provide and demonstrate to Bonneville at its request that the Purchaser has firm transmission capacity, either through its own facilities or through contracts, in amounts sufficient to transmit to its firm load or the firm load of others through contractual exchanges of resource capabilities the peak capability of each Firm Resource claimed in the Purchaser's Firm Resources Exhibit.

17. Purchaser's Computed Requirements and Amount of Power Sold.

(a) Prior to May 15 of each year, the Purchaser may request in writing that Bonneville sell to it during the Operating Year beginning on the next July 1 on a Planned Computed Requirements basis as provided for in this subsection (a). The Purchaser shall also submit with such request its Estimated Firm Load for such Operating Year. If the Purchaser submits such a request, Bonneville shall approve such request by July 1 unless Bonneville determines that the Purchaser's Estimated Firm Load does not conform to the definition in this agreement. In the event such a request has been made by the Purchaser prior to February 1, Bonneville shall notify the Purchaser of its approval or disapproval of such request prior to March 15. If such request is not approved by Bonneville, it shall identify specific deficiencies in the Purchaser's Estimated Firm Load and the Purchaser may submit a revised request, including revised Estimated Firm Load. If the Purchaser's request or revised request is approved by Bonneville, the Purchaser shall, prior to July 1, prepare an addendum to its Assured Capability Exhibit setting forth for each month of the Operating Year:

(1) the Estimated Firm Load which has been agreed upon by Bonneville and the Purchaser;

(2) the Purchaser's Computed Average Energy Requirements; and

(3) the Purchaser's Computed Peak Requirements.

§17(a) The Estimated Firm Load set forth in such addendum shall be deemed to be the Purchaser's Actual Firm Load during such Operating Year for the purpose of determining the Purchaser's Computed Peak Requirements and Computed Average Energy Requirements and for the purpose of determining whether the Purchaser is using its purchase from Bonneville for resale.

§17 (b) On or before the effective date of this contract, and thereafter, as provided in paragraph (1) below, the Purchaser may request in writing to purchase on the basis of Contracted Requirements by submitting the data and proposed schedule of Contracted Requirements purchases of peak and energy pursuant to paragraph (2) below.

(1) The Purchaser may request that it begin to purchase on a Contracted Requirements basis at the time of submittal of any revised Firm Resources Exhibit. Such request shall become effective, in accordance with this subsection (b), for the seventh Operating Year of such exhibit, or for an earlier Operating Year if Bonneville is expected to have an excess of firm load over its firm resources in the first Operating Year for which the Purchaser requests to purchase on a Contracted Requirements basis. Bonneville's expected firm load-resource balance and the priority of competing requests for purposes of allocating the availability of this subparagraph of paragraph (1) shall be determined in the manner described in section 12(b)(7) above.

The Purchaser may elect to cease purchasing on a Contracted Requirements basis at the time of submittal of any revised Firm Resources Exhibit. Such election shall become effective for the seventh Operating Year of such exhibit, or for an earlier Operating Year if Bonneville is expected to have an excess of firm resources over its firm load in the first Operating Year for which the Purchaser proposes to cease purchasing on a Contracted Requirements basis. Bonneville's expected firm load-resource balance and the priority of competing requests for purposes of allocating the availabiity of this subparagraph of paragraph (1) shall be determined in the manner described in section 12(b)(9) above.

(2) If the Purchaser requests to purchase on the basis of Contracted Requirements, it shall submit to Bonneville in the Purchaser's initial Firm Resources Exhibit in addition to data required in section 12(a), the Purchaser's annual Estimated Firm Peak Load, the annual average of Purchaser's Estimated Firm Energy Load, the estimated Assured Capabilities of the Purchaser's Firm Resources corresponding to the time period of such loads, and a schedule of annual Contracted Requirements purchases of peak and energy for each of the first seven Operating Years. If the Purchaser's Contracted Requirements peak purchase amount for any such Operating Year is based on its Estimated Firm Peak Load for the months June through November, such amount shall be the Purchaser's Contracted Requirements peak purchase amounts for June

§17(b)(2)

through November and the Purchaser shall also submit a lower amount which is based on its Estimated Peak Load for the months December through May. With each revised Firm Resources Exhibit submitted in accordance with section 12(b), such Purchaser shall submit a new schedule deleting the amounts of Contracted Requirements peak and energy purchases for the current Operating Year and adding the amounts to be purchased in the seventh succeeding Operating Year together with Purchaser's annual Estimated Firm Peak Load and annual average Estimated Firm Energy Load in the seventh Operating Year, and new information on the estimated Assured Capability of all Firm Resources and Estimated Firm Loads for which information is provided for under paragraphs (4), (5), and (6) below. Such revised Firm Resources Exhibit shall be prepared in the same format as the initial Firm Resources Exhibit or such other format as Bonneville and the Purchaser may agree upon. Submission of the data specified in this paragraph (2) shall be in lieu of preparation of an Assured Capability Exhibit as provided for in section 16 above.

If Bonneville determines that the Purchaser's Estimated Firm Loads do not conform to the definitions in this contract, Bonneville shall notify the Purchaser, as soon as practicable, of the specific deficiencies and the Purchaser may submit revised data or revised schedule of Contracted Requirements purchases. If Bonneville expects to approve a reduced quantity of peak or energy in any period of time included in a schedule of Contracted Requirements purchases and Bonneville determines that such reduction under this paragraph (2) or paragraph (6) below is in any way affected by the Purchaser's Estimated Firm Loads, Bonneville shall notify the Purchaser in the manner specified above of specific deficiencies in the Purchaser's Estimated Firm Load data submission and shall determine any reduction described in this paragraph (2) on Bonneville's determination of the Purchaser's Estimated Firm Loads unless the Purchaser submits revised data or revised schedule of Contracted Requirements purchases prior to the start of the Operating Year following initial submission of the data and such data or schedule are approved by Bonneville.

Bonneville shall approve either each requested schedule of Contracted Requirements purchases or a reduced schedule of Contracted Requirements purchases in any period of time included in such schedule; <u>provided</u>, <u>however</u>, that such reduced schedule shall not be reduced below the lesser of the following:

§17(b)(2)

(A) the amount by which the Purchaser's Estimated Firm Load exceeds its estimated Assured Capability in such period of time; or

(B) the minimum amount of peak or energy which Bonneville would be obligated to make available to the Purchaser under the following assumptions:

(1) such amount shall be determined as though a notice of restriction issued under section 7(a) was in effect during such period of time for the Purchaser and its class of Customers;

(2) such amount shall be limited to the amounts that Bonneville would be obligated to make available to the Purchaser as determined under section 7(e), section 7(f), and Exhibit D for amounts of resources acquired by Bonneville under P.L. 96-501 from or on behalf of the Purchaser or its class of Customers with the amounts calculated under section 7(f) determined as though section 7(f)(1) and 7(f)(2) did not apply; and

(3) such amount shall be deemed to be equal to the amount specified in (A) above, unless Bonneville has issued a notice of restriction under section 7(a) to such class applicable to such period of time or has reasonable expectation of issuing such notice, pursuant to the provisions of section 7, either with, or in the absence of, this reduction.

(3) The amounts of power shown in Purchaser's schedule of Contracted Requirements purchases, as submitted with the Firm Resources Exhibit for an Operating Year and approved by Bonneville, shall not be revised thereafter except for changes as specifically provided for by paragraphs (4), (5), and (6) below. The Estimated Firm Load on which the Purchaser's Contracted Requirements purchases for each Operating Year were based shall be deemed to be the Purchaser's Actual Firm Load during such Operating Year for the purpose of determining whether the Purchaser is using its purchase from Bonneville for resale.

§17(b)

(4) If the Purchaser makes a change in its Firm Resources as permitted by section 12(b), the Purchaser shall, at the time such change is submitted to Bonneville, make a change in its schedule of Contracted Requirements purchases shown in its Firm Resources Exhibit. Such change shall be equal and opposite to the change in the Purchaser's Assured Capability resulting from such change in Firm Resources.

(5) If the Purchaser's Estimated Firm Loads change for any Operating Year for which the Purchaser is purchasing on a Contracted Requirements basis, and if such change corresponds to changes in Purchaser's Firm Resources which are permitted by sections 12(b)(7), (9), and (11) (as though an increase in Estimated Firm Loads corresponds to a removal of Firm Resource and a decrease in Estimated Firm Loads corresponds to an addition to Firm Resource) the Purchaser may submit such changed loads to Bonneville at the time it submits a revised Firm Resources Exhibit and may, at such time, make an equivalent change in its schedule of Contracted Requirements purchases shown in its Firm Resources Exhibit.

(6) If prior to any Operating Year Bonneville determines that it would be required to acquire a resource under P.L. 93-454 or Section 6(a)(2) of P.L. 96-501 to meet Bonneville's firm loads including the Purchaser's previously approved schedule of Contracted Requirements purchases for such Operating Year, Bonneville may request the Purchaser to submit revised Estimated Firm Loads for such Operating Year for Bonneville's approval in the manner specified in section 17(b)(2) above. Such request shall be made not less than 30 days prior to the date for submission of data for the modified regulation under the Coordination Agreement. Such revised Estimated Firm Loads shall be the Purchaser's most current estimate and shall include power savings for such Operating Year from all conservation measures and direct application renewable resources including those funded by Bonneville either directly or through billing credits. If due to the Purchaser's revised Estimated Firm Loads, the Purchaser's schedule of Contracted Requirements purchases are in excess of the amount specified in section 17(b)(2)(A) above, Bonneville may reduce the Purchaser's schedule of Contracted Requirements purchases to the amount specified in section 17(b)(2)(A) above. Bonneville shall notify the Purchaser of such reduction prior to the submission of data for the modified regulation.

In addition the schedule of Contracted Requirements purchases shown in the Purchaser's Firm Resource Exhibit may be changed for any Operating Year if and to the extent that Bonneville has given prior written consent.

§17(b) (7) Within 7 days after receipt of the preliminary regulation under the Coordination Agreement prior to each Operating Year, the Purchaser shall allocate its annual Contracted Requirements energy purchase among months of such Operating Year in a manner which results in a requirement on Bonneville each month equal to or between the amounts determined by (A) or (B):

(A) one-twelfth of the Purchaser's annual Contracted Requirements energy purchase from Bonneville for that Operating Year; and

(B) a fraction of such annual Contracted Requirements energy purchase obtained by dividing the Estimated Firm Energy Load for that month by the total of the twelve Estimated Firm Energy Loads for that Operating Year.

§17(b)(7) If requested by the Purchaser and if Bonneville agrees, the Purchaser may allocate its annual Contracted Requirements energy purchase among months so as to place monthly requirements on Bonneville other than those determined by (A) or (B) above to reflect a period of planned thermal maintenance or other causes. The Purchaser's total Contracted Requirements purchase shall not be changed by such reallocation.

(8) For the purpose of determining the amount of power Bonneville shall make available to the Purchaser under this contract, the Purchaser's Contracted Requirements peak purchases shown in its schedule of such purchases submitted pursuant to paragraph (2) above shall be deemed to be the Purchaser's Computed Peak Requirement in each month of the Operating Year as specified in such schedule and the 12 monthly amounts of energy determined pursuant to paragraph (7) above shall be deemed to be the Purchaser's Computed Average Energy Requirement for each such month of the Operating Year.

(9) Before requesting implementation on its behalf of a regional load curtailment program affecting loads besides its own or a regional shortage-sharing mechanism affecting such loads, the Purchaser shall purchase all energy, to the extent necessary to make up its resource deficiency, from resources available to the Purchaser as documented by Bonneville at a cost equal to or less than the sum of 115 percent of the incremental operating cost of oil-fired generation from simple cycle combustion turbines and the cost for transmission and transmission losses not to exceed 15 percent of the cost of such generation.

§17(b)(9) For the purpose of this paragraph (9) a Purchaser's resource deficiency shall be the amount, if any, by which the Purchaser's most current estimate of its annual average Estimated Firm Energy Load for such Operating Year exceeds the sum of:

(A) The estimated Assured Energy Capability of the Purchaser's Firm Resources for such Operating Year, determined in the manner provided in paragraph (2) above;

(B) The assured energy capability, determined in the manner provided in section 16 and paragraph (2) above, of resources acquired by the Purchaser on a firm basis in addition to the Purchaser's Firm Resources for such Operating Year; and

(C) The amounts of energy shown in the Purchaser's schedule of Contracted Requirements purchases for such Operating Year.

(c) If the Purchaser does not request that Bonneville sell to it on the basis of Planned Computed Requirements or Contracted Requirements or if Bonneville disapproves the Purchaser's request to purchase on the basis of Planned Computed Requirements, the Purchaser shall purchase on the basis of Actual Computed Requirements and its Computed Peak Requirement and Computed Average Energy Requirement shall be determined after the end of each month based on the Purchaser's Actual Firm Load.

(d) If the Purchaser purchases on the basis of Actual Computed Requirements and has Seasonal Storage, it may adjust its monthly Assured Energy Capability subject to the limitations of this subsection (d). The Purchaser shall keep a Flexibility Account which shall show as of the end of each month of the Operating Year the accumulated balance of adjustments made by the Purchaser to its Assured Energy Capability. The Flexibility Account balance shall initially be zero on July 1 of each Operating Year; provided, however, that if a Purchaser begins to purchase on the basis of Actual Computed Requirements under this contract other than at the beginning of an Operating Year, the initial balance in the Flexibility Account shall be the same as if the Purchaser had been purchasing on the basis of Actual Computed Requirements from the beginning of such Operating Year. A reduction in the Assured Energy Capability in any month shall be accumulated as a positive number in the Flexibility Account and an increase in the Assured Energy Capability in any month shall be accumulated as a negative number in the Flexibility Account.

§17(d) (1) The Purchaser shall make all adjustments to the Purchaser's Assured Energy Capability in accordance with the following:

(A) The Flexibility Account balance shall be brought to zero at the end of each Operating Year and at the end of the Critical Period if the Critical Period ends within the Operating Year.

(B) Except for the Flexibility Account balance previously retained in subparagraph (D) below, the amount of change in the Flexibility Account for any month of the Operating Year shall be limited to the sum of the following:

(i) For Firm Resources which the Purchaser includes in Coordination Agreement planning, such monthly change shall not exceed the limit allowed pursuant to section 9(m)(3) of the Coordination Agreement; and

(ii) For Firm Resources which the Purchaser does not include in Coordination Agreement planning, such monthly change shall not exceed the sum of the following:

(I) The algebraic difference for such month between the Purchaser's Estimated Firm Energy Load less the Estimated Firm Energy Load, if any, submitted under Coordination Agreement planning and the Purchaser's Actual Firm Energy Load less the Actual Firm Energy Load, if any, submitted under the Coordination Agreement; and

(II) The algebraic difference in energy capability between the actual maintenance outages of such resources for such month and the scheduled maintenance outages of

such resources used in the calculation of the Purchaser's Assured Capability for such month; and

(III) For specific other purposes as mutually agreed by Bonneville and the Purchaser.

(C) The Flexibility Account balance shall at no time have a larger negative balance than the sum of the following:

(i) For those Firm Resources which the Purchaser includes in Coordination Agreement planning, five percent of that portion of the Purchaser's Firm Energy Load Carrying Capability attributable to such Firm Resources as determined pursuant to section 16(b)(1)(A) remaining between the date of such balance and the date the Flexibility Account balance is required to be zero pursuant to subparagraph (A) above and;

(ii) For those Firm Resources which the Purchaser does not include in Coordination Agreement planning, five percent of the energy capability of the hydroelectric resources and other than hydroelectric resources, as computed in section 16(b)(2)(A), (B), remaining between the date of such balance and the date the Flexibility Account balance is required to be zero pursuant to subparagraph (A) above.

(D) The Flexibility Account shall at no time have a larger positive balance than the amount by which the Purchaser's Firm Resources and other arrangements are capable of supporting an increase in the Purchaser's Assured Energy Capability in the month or months in which the Purchaser intends to use such increased capability. At the end of each month for which the Purchaser's Flexibility Account has a positive balance, the Purchaser shall submit in writing to Bonneville documentation substantiating such increased capability.

(E) To the extent that the adjustments to the Flexibility Account are attributable to Firm Resources which the Purchaser includes in Coordination Agreement planning, such adjustments shall be the same as the adjustments which are reported monthly to Coordination Agreement parties pursuant to section 9(m) of the Coordination Agreement.

(2) If the Purchaser intends to adjust its Assured Energy Capability for any month, the Purchaser shall submit written notice to Bonneville within ten days of the last day of such month showing the Purchaser's best estimate of its Actual Firm Energy Load and a tentative adjusted Assured Energy Capability for such month. If no such notice is given within ten days after the end of such month, the Assured Energy Capability determined for such month prior to the Operating Year shall be applied to such month and shall not be changed thereafter. If such notice has been submitted, the Purchaser shall submit a final adjusted Assured Energy Capability within 30 days of the last day of such month or such later date approved by Bonneville which shall not differ from the tentative adjusted Assured Energy Capability by more than the difference between the Purchaser's Actual Firm Energy Load for such month and the estimate of that load shown in such notice.

(e) If the Purchaser purchases on the basis of Actual Computed Requirements and the Purchaser's Firm Resources are unable to produce their Assured Capability, such Purchaser may implement a load curtailment program as provided in this subsection (e) to support the Assured Capability of its Firm Resources. The Purchaser shall notify Bonneville prior to implementing such a program and shall provide documentation to Bonneville of its actual implementation of the program at the end of each month such program is in effect. Such documentation shall be in the form of contracts, regulatory orders, filed tariffs, newspaper copy, media coverage, public information brochures, or other form sufficient to demonstrate to Bonneville the actual implementation of a load curtailment program. If Bonneville determines on the basis of such documentation that the Purchaser has implemented a load curtailment program, such program shall be reflected in the Purchaser's billing for each month such program is in effect in the following manner:

(1) If the Purchaser implements a load curtailment program to support its Assured Energy Capability, the Purchaser shall submit to Bonneville as soon as possible following the end of each such month:

(A) its Actual Firm Energy Load for such month;

(B) detail on any separately identifiable significant changes in the Purchaser's Actual Firm Energy Load by which it is appropriate to adjust its Actual Firm Energy Load for such month pursuant to paragraph (2)(A) below; and

(C) detail sufficient to verify the amount of each load curtailment.

(2) If the Purchaser implements a load curtailment program to support its Assured Energy Capability and such program is implemented by means other than provided for in paragraph (4) below, the Purchaser's Estimated Firm Energy Load for each month in which a load curtailment program is in effect shall be adjusted in the following manner:

(A) The Purchaser's Estimated Firm Energy Load for all months pertinent to computation pursuant to this paragraph (2) shall be adjusted to reflect any separately identifiable significant changes in the Purchaser's Actual Firm Energy Load which were not a result of the Purchaser's load curtailment program.

(B) The Purchaser's Estimated Firm Energy Load, after adjustment pursuant to subparagraph (A) above, shall be further adjusted by deducting the amount of any load curtailment in the current month pursuant to paragraph (4) below from such adjusted Estimated Firm Energy Load for all months pertinent to computation pursuant to this paragraph (2). The amount deducted shall include any portion offered to and purchased by Bonneville.

(C) A further adjustment to Estimated Firm Energy Load for each month in which a load curtailment program is in effect shall be made by multiplying the Estimated Firm Energy Load for such month by the average of the ratios of the Purchaser's Actual Firm Energy Load to Estimated Firm Energy Load for the three most recent, but not necessarily consecutive, months in which no load curtailment program was in effect. Computations pursuant to this subparagraph (C) shall use Estimated Firm Energy Loads after adjustment pursuant to subparagraphs (A) and (B) above.

§17(e)

(3) If the Purchaser implements a load curtailment program to support its Assured Peak Capability and such program is implemented by means other than provided in paragraph (4) below, the amount of any load curtailment resulting from such program shall be determined by a reasonable method agreed to by Bonneville and the Purchaser prior to the implementation of such program.

(4) If the Purchaser implements load curtailment measures with specific Consumers or wholesale purchasers which result in determinable reductions in its obligations to supply peak or energy, the Purchaser shall provide a method for documenting the amount of any load curtailment resulting from such arrangements. Such method shall be agreed upon by Bonneville, the Purchaser, and the Consumer or wholesale purchaser prior to the implementation of such measures. If the Purchaser implements such measures it:

(A) shall offer Bonneville the opportunity to purchase any amount of such load curtailment which exceeds the Purchaser's estimate of the amount of the Purchaser's Assured Capability which the Purchaser's Firm Resources are unable to produce; and

(B) may offer Bonneville the opportunity to purchase an additional portion of such load curtailment specified by the Purchaser. The Purchaser shall offer such opportunity to purchase and Bonneville shall accept or reject such offer prior to each month such program is in effect. If Bonneville accepts such offer, it shall pay the Purchaser an amount equal to the Purchaser's payment to the Consumer or wholesale purchaser for such month multiplied by the percentage of such arrangement offered to and accepted by Bonneville.

(5) The amount of the Purchaser's firm load curtailment to support the Purchaser's Assured Energy Capability which is attributable to such load curtailment program shall be deemed to be the sum of:

(A) the product of

(i) the amount, if any, by which the Purchaser's Estimated Firm Energy Load for such month, after adjustment pursuant to paragraph (2) above, exceeds the Purchaser's Actual Firm Energy Load for such month, and

(ii) a fraction the numerator of which is the amount by which the Purchaser's Actual Firm Energy Load for such month exceeds its Measured Energy for such month and the denominator of which is the Purchaser's Actual Firm Energy Load for such month; and

(B) the amount, if any, of load curtailment pursuant to paragraph (4) above less the portion, if any, offered to and purchased by Bonneville.

(6) The amount of the Purchaser's firm load curtailment to support the Purchaser's Assured Peak Capability which is attributable to such load curtailment program shall be deemed to be the sum of:

(A) the amount, if any, of load curtailment pursuant to paragraph (3) above, and

(B) the amount, if any, of load curtailment pursuant to paragraph (4) above less the portion, if any, offered to and purchased by Bonneville.

(7) For the purpose of determining the Purchaser's Computed Average Energy Requirement or Computed Peak Requirement during any month in which the Purchaser has implemented a load curtailment program, the Purchaser's Actual Firm Energy Load and Actual Firm Peak Load for such month shall be increased by the amount of load curtailment attributable to such program as determined pursuant to paragraph (5) and paragraph (6), above, respectively.

(f) The Purchaser's Computed Average Energy Requirement in each month of the Operating Year shall be the amount, if any, by which the Purchaser's Actual Firm Energy Load for such month after adjustment, if any, pursuant to subsection (e) above exceeds the Purchaser's Assured Energy Capability for such month after adjustment, if any, pursuant to subsection (d) above, and the Purchaser's Computed Peak Requirement in each month of the Operating Year shall be the amount, if any, by which the Purchaser's Actual Firm Peak Load for such month after adjustment, if any, pursuant to subsection (e) above exceeds the Purchaser's Assured Peak Capability for such month.

(g) Unless Bonneville's obligation to make Firm Power available is limited under the terms of section 7 above, Bonneville shall, subject to the conditions in the General Contract Provisions Exhibit, make available to the Purchaser hourly amounts of power as requested by the Purchaser up to the amounts specified in paragraphs (1), (2) and (3) below. If the Purchaser operates automatic generation control equipment and is thereby able to schedule amounts of power to be interchanged with Bonneville,

§17(g) Bonneville shall schedule such amounts to the Purchaser in accordance with the provisions of section 18. If the Purchaser does not operate automatic generation control equipment, Bonneville shall deliver the amounts which the Purchaser takes from Bonneville at the Purchaser's Points of Delivery, and the Purchaser shall prepare a tabulation pursuant to section 17(h) showing the amount of Firm Power taken from Bonneville under this contract.

(1) During Heavy Load Hours: the larger of the Purchaser's Computed Peak Requirement or its Computed Average Energy Requirement; provided, however, that after June 30, 1987, Bonneville may limit the amounts of power it makes available during up to six Heavy Load Hours of each day designated by Bonneville to amounts less than the Purchaser's Computed Average Energy Requirement but not less than the Purchaser's Computed Peak Requirement. Bonneville shall not so limit the amounts of power it makes available unless:

(A) Bonneville has informed the Purchaser's representative by the time specified in the Power Scheduling Provisions Exhibit that Bonneville will make such limitation;

(B) Bonneville has limited all other Customers having contracts which permit this limitation approximately in proportion to the amount by which each such Customer's Computed Average Energy Requirement exceeds its Computed Peak Requirement for such month; and

(C) Bonneville has determined that such limitation is reasonably necessary either

(1) to enable Bonneville to meet loads which Bonneville serves from firm load carrying capability as defined in the Coordination Agreement or

(2) to serve other loads in the Pacific Northwest which Bonneville has previously committed to serve provided that the Purchaser, using its best efforts, is able to comply with such request on an operating basis.

§17(g)(1) Bonneville shall demonstrate to the Purchaser and to other Customers having similar contracts that Bonneville has sufficient firm capacity resources to meet its firm capacity obligations without invoking the limitations of this paragraph (1) before Bonneville renews any existing contracts or enters into any new contracts to deliver capacity to entities outside the Pacific Northwest.

(2) During Light Load Hours: the product of the Purchaser's Computed Average Energy Requirement and a percentage sufficiently in excess of 100 percent to permit the Purchaser to request during Light Load Hours all of the energy to which it has a right during the month and which it did not request or receive during Heavy Load Hours during such month, as limited by the percentage determined pursuant to the Power Scheduling Procedures Exhibit.

(3) During each month: the Purchaser's Computed Energy Maximum.

(h) If the Purchaser has been designated to purchase on the basis of Computed Requirements but does not operate automatic generation control equipment, such Purchaser shall prepare and submit to Bonneville within ten days of the last day of each month a preliminary tabulation assigning the net hourly amounts of power taken from Bonneville during such month to classes of power received from or delivered to Bonneville on such hour pursuant to contracts between Bonneville and the Purchaser or to a type of power which the Purchaser acquired from sources other than Bonneville which Bonneville delivered to the Purchaser during such hour. The Purchaser shall submit a final tabulation of such amounts within the later of 30 days of the last day of such month or ten days of the date on which all final metered data which the Purchaser needs to determine its load are available.

(i) Prior to January 15 of each year the Purchaser shall advise Bonneville in writing of its best estimate of its monthly Computed Peak Requirements and Computed Average Energy Requirements for the 48-month period beginning on the next July 1. Information so obtained will be used by Bonneville in its operational planning. Information submitted pursuant to this subsection (i) shall be as accurate as possible, but shall not be binding on the Purchaser.

(j)

(1) Upon request of the Purchaser, Bonneville shall use its best efforts to acquire on behalf of the Purchaser replacement power in amounts up to 50 percent of the amount specified in the Purchaser's Firm Resources Exhibit for a resource of the type specified in subsection (2) below, under the following conditions:

§17(j)(1)

(A) The date of commercial operation of such resource is delayed due to uncontrollable events by at least three months from the date of resource addition specified in the Purchaser's Firm Resources Exhibit;

(B) The Purchaser is unable to remove such Firm Resource to the extent of the delay according to the provisions of section 12;

(C) Bonneville has sufficient time to include any excess cost of such acquisition not paid by the Purchaser pursuant to this subsection (j) in its wholesale power rates for the Operating Year for which such replacement has been requested.

§17(j)(1)

Such replacement acquisition shall be for the period beginning 3 months after the resource addition date specified in the Purchaser's Firm Resources Exhibit and ending either 21 months later, or on the date of commercial operation, whichever is earlier.

(2) This subsection (j) shall be applicable for a delayed Firm Resource which meets the following conditions:

(A) The firm resource is a renewable or cogeneration resource, and;

(B) The delayed portion of such resource has not been included as a 5(b)(1)(A) resource in the Purchaser's Firm Resources Exhibit or in the Firm Resources Exhibit of any other Customer with a similar power sales agreement.

(3) If the Purchaser operates automatic generation control equipment and is thereby able to schedule amounts of power to be interchanged with Bonneville, Bonneville shall schedule the hourly amounts of power Bonneville acquires on behalf of the Purchaser pursuant to paragraph (1) above to the Purchaser in accordance with the provisions of section 18. If the Purchaser does not operate automatic generation control equipment, Bonneville shall deliver such hourly amounts to the Purchaser at the Purchaser's Points of Delivery, and the Purchaser shall include such amounts in the tabulation it prepares pursuant to section 17(h).

(4) Nothing in this section 17(j) shall be construed to limit, affect or otherwise modify Bonneville's obligation to acquire power for the Purchaser as provided in section 9(i) of P.L. 96-501.

18. Power Scheduling.

(a) All schedules between Bonneville and the Purchaser shall be submitted according to the provisions of this section and of the Power Scheduling Procedures Exhibit, as follows:

(1) All schedules of Firm Power to be made available pursuant to section 17 of this contract shall be subject to the provisions of the Power Scheduling Procedures Exhibit.

(2) All schedules of power made available under other agreements which refer to the Purchaser's power sales contract for scheduling provisions or power to be made available under this contract other than Firm Power to be made available pursuant to section 17 shall be subject to the times for submissions set out in section 1 of the Power Scheduling Procedures Exhibit.

(b) Bonneville and the Purchaser shall endeavor to avoid requesting changes in schedules hereunder. The parties shall hold deviations from schedules to a minimum and shall correct therefor as promptly as possible under conditions approximately equivalent to the conditions under which the deviation occurred. The amounts scheduled for delivery shall be deemed delivered.

(c) The Power Scheduling Procedures Exhibit may be revised from time to time as provided in this subsection. Revised exhibits shall be effective upon written agreement by Bonneville and at least 80 percent of the number of Customers operating automatic generation control equipment and designated to purchase on a Computed Requirements basis at the time of such revision. The Power Scheduling Procedures Exhibit shall be revised only in such a manner as to better effectuate the following principles:

(1) To achieve an operation of all the power generating resources of Bonneville, the Purchaser and other Customers which meets the total loads of such parties through the use of all such resources in the most efficient manner possible, as if all of such resources were operated as a single system. Assessment of most efficient operation shall include, but not be limited to, providing the required generation at the least economic and environmental costs, in the long run. To achieve this goal, the Power Scheduling Procedures Exhibit may under abnormal conditions place certain requirements on Bonneville or the Purchaser to change preschedules for the benefit of the other, but not without reasonable compensation for additional costs necessarily incurred by the party responding to such requirements.

(2) To provide both Bonneville and the Purchaser with a workable procedure which enables them to accomplish all of the complex tasks of arranging power sales, power purchases and power generation in an efficient and timely fashion.

(d) Bonneville shall separately schedule for delivery to the Purchaser during each hour in each month:

(1) The electric power and energy that the Purchaser requests Bonneville make available pursuant to section 17.

(2) The nonfirm energy and emergency and breakdown relief power requested for such hour by the Purchaser which Bonneville determines can be made available pursuant to the Nonfirm Deliveries section and the Emergency or Breakdown Relief section of the General Contract Provisions Exhibit.

(3) The electric power and energy which Bonneville is obligated to make available to the Purchaser for such hour pursuant to agreements which refer to this contract for purposes of scheduling.

(e) The Purchaser shall separately schedule for delivery to Bonneville during each hour in each month:

(1) The energy which the Purchaser is obligated to return to Bonneville pursuant to the Relief from Overrun Exhibit.

(2) The nonfirm energy and emergency and breakdown relief power requested for such hour by Bonneville which the Purchaser determines can be made available pursuant to the Nonfirm Deliveries section and the Emergency or Breakdown Relief section of the General Contract Provisions Exhibit.

(3) The electric power and energy which the Purchaser is obligated to make available to Bonneville for such hour pursuant to agreements which refer to this contract for purposes of scheduling.

19. Computed Requirements Payment for Power Sold.

(a) The determination of amounts due to Bonneville by the Purchaser and amounts due to the Purchaser by Bonneville shall be made according to the provisions of this section, the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit, the General Contract Provisions Exhibit, the Relief from Overrun Exhibit, and the Service Charges Exhibit, as such exhibits may

§19(a) be amended or replaced. The Wholesale Power Rate Schedules and the General Rate Schedule Provisions Exhibit shall be changed in accordance with the provisions of the Equitable Adjustment of Rates section of the General Contract Provisions Exhibit. The Relief from Overrun Exhibit shall be changed upon written agreement of Bonneville and at least 80 percent of the Purchasers to whom it is then applicable. Section I of the Service Charges Exhibit shall apply only to charges assessed pursuant to the Relief from Overrun Exhibit. Section I of the Service Charges Exhibit shall be revised upon determination by Bonneville that any charge contained therein must be changed to properly compensate Bonneville for reasonable costs incurred by Bonneville to provide such services. Bonneville shall provide the Purchaser and other Customers with a reasonable opportunity of not less than 90 days to comment prior to the effective date of such proposed revised charges. Revised charges shall take effect on the date specified by Bonneville in its written notice to the Purchaser of its intention to revise these charges. The charges set forth in section I of the Service Charges Exhibit shall not be increased more frequently than once a year.

(b) The Purchaser shall pay Bonneville each Billing Month for all amounts described in the following paragraphs in accordance with the terms of the rate schedules specified below, the payment provisions of the General Contract Provisions Exhibit and of the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit.

(1) For Firm Power delivered hereunder in accordance with the following:

(A) If the Purchaser is a public body, cooperative or Federal Agency, payment shall be at the rate specified in the Priority Firm Power Rate Schedule for the Purchaser's Measured Demand and Measured Energy; <u>provided</u>, <u>however</u>, that, after determining the billing factors for the Firm Power delivered hereunder, the New Resource Firm Power Rate shall be substituted for the Priority Firm Power Rate Schedule for that portion of the Purchaser's billing demands, if any, identified pursuant to section 8 for service to New Large Single Loads. If the Purchaser is an investor-owned utility, payment shall be at the rate specified in the New Resources Firm Power Rate Schedule for the Purchaser's Measured Demand and Measured Energy.

§19(b)(1)

(B) If the Purchaser purchases on the basis of Actual Computed Requirements, and if the Purchaser would, due to load estimating errors, otherwise be billed for an unauthorized increase in accordance with the provisions of the Priority Firm Power Rate Schedule or New Resource Firm Power Rate Schedule, the procedures set forth in the Relief from Overrun Exhibit shall, except as provided in section 16(a), be applied for the purpose of reducing or possibly eliminating amounts due for unauthorized increases before amounts due are computed pursuant to paragraph (1)(A) above.

(C) If a portion of a Purchaser's Measured Demand for a Billing Month is being billed at the Reserve Power Rate pursuant to the Relief from Overrun Exhibit and if the billing demand for such month as specified in the applicable firm power rate is determined by a billing factor established in a previous month ("ratcheted demand"), then such billing demand shall be reduced by the lesser of the portion of the Measured Demand billed at the Reserve Power Rate or the excess of the Measured Demand over the Computed Maximum Requirement which applies to the same hour as such Measured Demand.

(D) If the Purchaser adds to its Firm Resources in the manner specified in section 12, all billing factors which are based on previous billing periods ("ratcheted demands") shall be correspondingly decreased effective on the date of resource addition as shown in the Firm Resources Exhibit in the amount by which the Purchaser's Assured Capability is increased.

(2) For any nonfirm energy delivered by Bonneville to the Purchaser hereunder at the rate specified in the Wholesale Nonfirm Energy Rate Schedule.

(3) For any Measured Demand converted to reserve power pursuant to the Relief from Overrun Exhibit at the rate specified in the Reserve Power Rate Schedule.

(4) For any service charges assessed pursuant to the Relief from Overrun Exhibit at the applicable charge specified in Section I of the Service Charges Exhibit.

(5) For any service charge assessed pursuant to section 13(d) at the applicable charge or charges, if any, specified in Section II of the Service Charges Exhibit.

§19(b)

(6) For any emergency and breakdown relief power delivered pursuant to the Emergency or Breakdown Relief section of the General Contract Provisions Exhibit at the rate agreed upon in advance of delivery by representatives of Bonneville and the Purchaser. Bonneville shall furnish a statement to the Purchaser showing such rate for the energy or power so delivered.

(7) For replacement power delivered to the Purchaser by Bonneville pursuant to section 17(j) at the rate specified in the New Resource Firm Power Rate Schedule.

(c) Bonneville shall pay the Purchaser each Billing Month for all amounts described in the following paragraphs by net billing, if possible, pursuant to the Net Billing section of the General Contract Provisions Exhibit.

(1) For any nonfirm energy delivered by the Purchaser to Bonneville pursuant to the Nonfirm Deliveries section of the General Contract Provisions Exhibit, or any emergency and breakdown relief power delivered by the Purchaser to Bonneville pursuant to the Emergency or Breakdown Relief section of the General Contract Provisions Exhibit at the rate agreed upon in advance of delivery by representatives of the Purchaser and Bonneville. The Purchaser shall furnish a statement to Bonneville showing such rate for the energy or power so delivered.

(2) For any amounts due as payment for load curtailments as determined pursuant to section 17(e)(4).

(3) For any amounts due as compensation for reductions in Bonneville's obligation to supply Firm Power as set forth in section 11(b).

20. Miscellaneous.

(a) Any determinations, estimates, consents, agreements or approvals under this agreement by either party shall be reasonable.

(b) Except as otherwise expressly provided to the contrary in this contract with regard to specific exhibits, the provisions of this contract may be amended only by the mutual written agreement of the parties hereto subsequent to the date of this contract. This subsection (b) shall not prevent oral waiver of performance on a temporary basis by either party or temporary, informal arrangements between the parties in response to operational conditions on the system of either party not specifically provided for in this contract.

§20 (c) If Bonneville offers to enter into a written amendment of any other similar long-term power sales contract other than informal arrangements between the parties referred to in subsection (b) above, Bonneville shall offer to the Purchaser a corresponding amendment of this contract, to the extent such a corresponding amendment would be applicable to the Purchaser under this contract. Bonneville shall advise and use reasonable efforts to consult with the Purchaser during the development or consideration of any offer to enter into such amendments. This contract is offered pursuant to section 5(b) of P.L. 96-501, and amendments hereto shall not be construed to represent the offer of a new contract.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By _____
Administrator

COMPANY NAME

By _____

Title _____

Date _____

ATTEST: (Optional)

By _____

Title _____

Date _____

(WP-PKL-3010c)
(2/7/84)

Customer Service Objectives Exhibit

Table 1 of the Customer Service Objectives Exhibit is applicable to the Purchaser if the Purchaser is a public body, cooperative or Federal agency. The provisions of Table 1 are subject to the provisions of Bonneville's Customer Service Policy, which Bonneville may amend from time to time.

Bonneville will provide service to its Customers by constructing transmission lines (115 kV or higher) and stepdown substations to the Customers utilization voltage (12.5 kV or higher), (Customer Service Facilities), which are necessary to provide the widest possible, diversified and efficient use of electric power. To accomplish this objective, construction of new Customer Service Facilities will be undertaken following studies conducted jointly by Bonneville and the Customer to determine the best engineering, economic, and environmental plan of service based on a one utility concept of evaluation.

Bonneville's primary transmission responsibility is to provide a stable and reliable transmission system for the integration and delivery of the bulk power requirements in the Pacific Northwest. It is intended that the Customer will assume the primary role for distribution of this power to the Consumer. In recognition of this basic division of responsibility, Bonneville will construct the necessary Customer Service Facilities, providing that capital recovery is reasonably assured, until such time that the load density in the area under consideration reaches a point that requires construction of customer service substations in relatively close proximity. At this point, the Customer will assume as part of its distribution utility responsibility, construction of the transmission lines and stepdown substations required to serve the loads within this high load density area. Therefore, the scope of Bonneville's participation will be narrowed to providing the required high voltage transmission facilities into the load area and stepdown substations to the local transmission level while conforming with Bonneville's published reliability standards, which may be amended by Bonneville from time to time. It is the intent that the dividing line between Bonneville's transmission responsibility and the Customer's distribution responsibility be a dynamic relationship which will shift from Bonneville to the Customer as the load density in a particular area increases.

Joint utility planning and one utility concept of evaluation will be the foundation for all Bonneville customer service planning efforts. These concepts have become more important in recent years to insure maximum electrical system efficiencies, and minimize impact on the environment in addition to meeting other economic and engineering criteria.

Bonneville's Customer Service Policy will encourage additional joint utility planning including

(1) better long-range planning;

(2) energy loss reduction studies, including common standards of conductor economics, and distribution voltage levels;

(3) voltage regulation on the transmission and distribution system; and

(4) elimination of duplicate facilities such as may result from separate substations and low voltage circuit breakers.

At the request of Purchaser, which has not specified an amount of residential load or has specified an amount of zero under Exhibit D of the Residential Purchase and Sale Agreement, Bonneville shall enter into a transmission services agreement which shall provide benefits to such Purchaser for its transmission system which the Purchaser would have received under a Residential Purchase and Sale Agreement and the Average System Cost methodology.

(WP-PKL-3010c)

Customer Service Objectives Exhibit

Table 2 of the Customer Service Objectives Exhibit is applicable to the Purchaser if the Purchaser is an investor-owned utility. Bonneville and the Purchaser have not agreed on objectives for the provision of new Customer Service Facilities by Bonneville. Bonneville shall not have any obligation to provide Customer Service Facilities to the Purchaser until Bonneville and the Purchaser mutually agree upon a set of objectives for the provision of such facilities.

At the request of Purchaser, which has not specified an amount of residential load or has specified an amount of zero under Exhibit D of the Residential Purchase and Sale Agreement, Bonneville shall enter into a transmission services agreement which shall provide benefits to such Purchaser for its transmission system which the Purchaser would have received under a Residential Purchase and Sale Agreement and the Average System Cost methodology.

(WP-PKL-3010c)

Allocation Formulas Exhibit

The Purchaser's contractual entitlement to and allocation of Firm Capacity or Firm Energy shall be based on the following formulas. Bonneville's obligation to supply Firm Power to the Purchaser shall not be increased by any formula beyond Bonneville's obligation prior to issuing a notice of restriction.

1. General Allocation Formulas for Firm Energy Capability (Formula A).

   The respective formulas below shall be used

   (a) for determining the allocation of Firm Energy to public body, cooperative and Federal agency Customers during a combined allocation of the Federal base system resources including the Montana reservation; and

   (b) for determining the allocation of Firm Energy to investor-owned utilities.

   (a) $\frac{A}{B}$ times C + (R + S + W) (b) R + W

2. Montana Determination Formula (Formula B).

   This formula shall be used to determine whether Montana public body, cooperative and Federal agency Customers as a class would receive a greater allocation of Firm Energy from the combined Federal base system resources including the Montana reservation than the allocation they would receive solely from the Montana reservation.

   If $\frac{D}{B}$ times C is greater than M, use formula A for determining

   the allocation of Firm Energy of all public body, cooperative and Federal agency customers. If not, use formulas C and D.

3. Montana Reservation Allocation Formula (Formula C).

   This formula shall be used for determining the allocation of Firm Energy to Montana public body, cooperative and Federal agency Customers when such Customers receive a greater allocation of Firm Energy solely from the Montana reservation.

   $\frac{A}{D}$ times M + (R + S + W)

4. Allocation Formula For All Other Public Body, Cooperative, and Federal Agency Customers During A Montana Reservation Allocation (Formula D).

This formula shall be used for determining the allocation of Firm Energy to public body, cooperative and Federal agency Customers other than Montana Customers when Montana Customers receive an allocation solely from the Montana reservation.

$$\frac{A}{B-D} \text{ times } (C-M) + (R + S + W)$$

5. General Allocation Formula for Firm Peak Capability (Formula E).

These formulas shall be used for determining the allocation of Firm Capacity for each month of an Operating Year for (a) public body, cooperative, and Federal agency Customers; and (b) investor-owned utilities.

(a) $\frac{G}{H}$ times $C + (R + S + W)$ (b) $R + W$

6. Pro Rata Formula Based on Resources Developed (Formula F).

These formulae shall be used for the allocation of Intra-Class Excess Entitlements for investor-owned utilities and any amounts of Intra-Class Excess Entitlements remaining for the public body and cooperative class or Federal agency class after Bonneville reduces the Intra-Class Excess Entitlements of such classes as specified in section 7(f)(2).

The initial allocation factor "I" is established as the ratio of resources the Customer developed "Q" compared to what it should have developed "Z." The initial allocation factor "I" is then squared to establish the value "J" for determining the Customer's allocation ordinal. The "J" values for each Customer in each class are then scaled to a per unit value by dividing "J" for each Customer by the sum of all "J"'s to express the final allocation factor "K" (the sum of "K" for each class equals one).

$$I = \frac{Q}{Z}$$

$$J = I^2$$

$$K = \frac{J}{L}$$

The allocation of the sum of such Intra-Class Excess Entitlements for each Customer is calculated by multiplying the final allocation factor "K" times the sum for such Customer's class of the Intra-Class Excess Entitlements or the remaining amount of such sum, as the case may be. This process shall be repeated until the Intra-Class Excess Entitlements are exhausted or the deficiencies of all Customers in that class as reduced by section 7(f)(4) are fully met. The final allocation factor "K" may be recalculated, if necessary, for allocations of the remaining amounts of such sum by excluding the "J" values of those Customers in a class whose deficiencies as reduced by section 7(f)(4) have been fully met.

P = [K times (E-T) for Customers where X is greater than zero] + [K times (the remaining amount of (E-T) from Customers in a class which have exceeded the limit specified below after the allocation in the previous bracket) for such Customers which did not exceed the limit specified below in the allocation in the previous bracket] with such allocation process continuing until (E-T) is exhausted. P may not exceed (X-U) for each Customer in a class.

If the sum for such Customer's class of the Intra-Class Excess Entitlements has not been exhausted after fully meeting the deficiencies of the Customers in that class as reduced by section 7(f)(4), such remaining amount of Intra-Class Excess Entitlements, which are the amounts remaining, if any, due to section 7(f)(4), shall be allocated to the Customers of each class whose deficiencies in the first series of iterations were reduced pursuant to section 7(f)(4). Such allocation shall be made in the same manner used in the first series of iterations by multiplying the final allocation factor "K" by such remaining amount of Intra-Class Excess Entitlements or amounts remaining after previous allocations of such remaining amounts, as the case may be. This process shall be repeated until such remaining amount of Intra-Class Excess Entitlements is exhausted. The final allocation factor "K" may again be recalculated, if necessary, for allocation of the amounts remaining after previous allocations of such remaining amount by excluding the "J" values of those Customers in a class whose deficiencies have been fully met.

O = [K times N for Customers where (U) is greater than zero] + [K times (the remaining amount of N from Customers in a class which have exceeded the limit specified below after the allocation in the prior bracket) for such Customers which did not exceed the limit specified below in the allocation in the prior bracket] with such allocation process continuing until N is exhausted. O may not exceed (U) for each Customer in a class.

7. Definitions.

A = The larger of

(a) the sum of Purchaser's Actual Firm Energy Loads, exclusive of its New Large Single Loads, in the Year Preceding Insufficiency; or

(b) the arithmetic average of such loads for the Year Preceding Insufficiency and the two Operating Years immediately preceding such year, less either the contribution of the Purchaser's Firm Resources as limited below to the sum of the Purchaser's Assured Energy Capability for such year or the planning capability of the energy output of such resources for a Purchaser on Metered Requirements.

The Purchaser's Firm Resources to be considered above shall be limited to those resources which are included as 5(b)(1)(A) resources in the Purchaser's Firm Resource Exhibit.

B = The total of A for all public body, cooperative and Federal agency Customers.

C = The firm energy capability for the Operating Year or the firm peak capability for each month of such year of the Federal base system resources described in section 7(c) and 7(d).

D = The total of A for all Montana public body, cooperative and Federal agency Customers.

E = The respective sum of the Intra-Class Excess Entitlements for each class of Customers.

G = The larger of the Purchaser's Actual Firm Peak Load, exclusive of its New Large Single Loads, for each month in the Year Preceding Insufficiency or the arithmetic average of such load for such months in the Year Preceding Insufficiency and the two Operating Years immediately preceding such year, less either the contribution of the Purchaser's Firm Resources as limited below to the Purchaser's Assured Peak Capability for such months or the planning capability of the peak output of such resources for such months for a Purchaser on Metered Requirements.

The Purchaser's Firm Resources to be considered above shall be limited to those resources which are included as 5(b)(1)(A) resources in the Purchaser's Firm Resource Exhibit.

H = The total of "G" for each month of the Operating Year for all public body, cooperative and Federal agency Customers.

I = The initial allocation factor which is determined by comparing what the Purchaser developed "Q" to what it should have developed "Z." "I" shall be deemed to be 0.01 for Customers where "I" is less than 0.01 but greater than zero.

J = The value which is used to establish the final allocation factor for determining the Purchaser's share of the sum for such Customer's class of the Intra-Class Excess Entitlements.

K = The final allocation factor for members of each Customer class.

L = The respective sum of "J" for all Customers in each class of Customers.

M = The firm energy capability as determined by Bonneville of the reservation under law of electric power primarily for use in the State of Montana.

N = The remaining amount of Intra-Class Excess Entitlements for a class after the deficiencies of the Customers in a class, as reduced by section 7(f)(4), have been fully met as specified in section 7(f)(3).

O = The allocation of the remaining amounts of Intra-Class Excess Entitlements to Customers in each respective class whose entitlements under section 7(f)(3) have been reduced pursuant to section 7(f)(4) after meeting the deficiencies of all Customers in such class as reduced by section 7(f)(4). "O" may be zero for the Purchaser.

P = The initial allocation for each Customer from the sum for such Customer's class of the Intra-Class Excess Entitlements as specified in section 7(f)(3).

Q = The best estimate of the sum of the firm energy capability for the Operating Year at the time of the determination of the estimated allocation prior to such Operating Year or the firm peak capability for each month of such year of

(1) resources (including conservation) acquired from or on behalf of the Purchaser as specified in section 7(e);

(2) conservation and direct application renewable resources of the Purchaser which have reduced the Purchaser's Actual Firm Load in an amount which the Purchaser has documented and that Bonneville has agreed was accomplished, and

(3) the portion of the Purchaser's Firm Resources which are included as 5(b)(1)(B) resources in its Firm Resource Exhibit.

R = The best estimate of the sum of the firm energy capability for the Operating Year for which the determination of each estimated or final allocation is made or the firm peak capability for each month of such year of resources (including conservation) acquired from or on behalf of the Purchaser as specified in section 7(e).

S = An additional allocation of firm peak and firm energy capability necessary to ensure that the Purchaser's allocation is not less than the amount of Firm Power actually supplied by Bonneville to meet its obligation under section 14 or section 17, as applicable, to supply Firm Capacity in each month and Firm Energy in the Year Preceding Insufficiency. "S" shall be zero for the Purchaser which did not execute a power sales contract offered pursuant to section 5(g)(1) of P.L. 96-501.

T = The respective sum of "S" for all Customers in the public body and cooperative or Federal agency class. "T" is zero for the investor-owned utility class.

U = The firm peak and firm energy capability necessary to serve the amount which the Purchaser's Actual Firm Peak Loads or Actual Firm Energy Loads would have been reduced by any cost-effective conservation programs which Bonneville offers to the Purchaser and the Purchaser declines to implement. Such amount of firm peak capability and firm energy capability shall be determined based on such programs' standards for measuring load reductions but shall not include amounts of firm peak capability or firm energy capability to the extent the Purchaser implemented similar measures which accomplished the same purposes and were comparable to Bonneville programs in enough ways to evaluate their degree of effectiveness. In the event the Purchaser implemented equivalent conservation programs which Bonneville determines resulted in reductions less than would have resulted from the Bonneville conservation programs, Bonneville shall reduce the Purchaser's allocation by the difference between the reductions which would have resulted from the Bonneville conservation programs and the reductions resulting from the Purchaser's conservation programs. "U" shall not exceed "X" for determining the Purchaser's entitlement to Intra-Class Excess Entitlements.

W = The Purchaser's allocation of the sum for the Purchaser's class of the Intra-Class Excess Entitlements based on the following formulas:

(1) W = X for all Customers in a class, if (E-T) is equal to or greater than Y.

(2) W = P - U + O for all Customers in a class, if (E-T) is less than Y.

X = The remaining deficiency of firm peak capability or firm energy capability between the Purchaser's allocation prior to the Purchaser receiving an entitlement of Intra-Class Excess Entitlements for its class and the amount of Firm Power necessary to meet Bonneville's obligations pursuant to section 14 or section 17, as applicable, to supply Firm Capacity for each month or Firm Energy for an Operating Year. Such remaining deficiency for an Operating Year shall be the difference between the Purchaser's Estimated Firm Load, if provided, or Bonneville's estimate of the Purchaser's Actual Firm Load and the sum of either the Assured Capabilities for a Purchaser on Computed Requirements or the planning capability of its Firm Resources for a Purchaser on Metered Requirements and the Purchaser's allocation of "C", "S" and "R."

Y = The respective sum of "X" for all Customers in each class.

Z = The load growth of the Purchaser since passage of P.L. 96-501, and any deficits of investor-owned utilities, determined by subtracting from Bonneville's estimate of the Purchaser's Actual Firm Load for the Operating Year for which the allocation will apply either

(1) the Purchaser's Actual Firm Load in the first Operating Year for which Bonneville's load growth notice provided in section 10(e) of this agreement is effective for public body, cooperative and Federal agency Customers; or

(2) the contribution to the Purchaser's Assured Capabilities for such Operating Year for a Purchaser on Computed Requirements or the planning capability for a Purchaser on Metered Requirements of any Firm Resources which were included as 5(b)(1)(A) resources in the Purchaser's Firm Resource Exhibit for investor-owned utilities.

"Z" shall be deemed to be one for Customers where "Z" is less than one.

Power Scheduling Procedures Exhibit

1. Submission of Prescheduled Amounts.

   (a) Preschedules shall be completed by Bonneville and the Purchaser on each day which both Bonneville and the Purchaser observe as a regular workday (Workday) for each hour of the following day or days through the following Workday unless otherwise agreed.

   (b) The Purchaser shall submit estimates of prescheduled amounts on such Workdays by 1100 hours Pacific Time (PT) or 2 hours after Bonneville issues its report of the Chief Joseph Project uncoordinated discharge, whichever is later.

   (c) Final prescheduled amounts shall be submitted on such day by 1400 hours PT or 2 hours after the estimated preschedules provided pursuant to subsection (b) above have been submitted, whichever is later.

   (d) Final prescheduled amounts shall be submitted no later than 1000 hours PT on such day when both Bonneville and the Purchaser are offering energy for sale under the Exportable Energy Agreement (Bonneville Contract No. 14-03-73155).

   (e) If Bonneville limits the amounts of power it makes available during Heavy Load Hours pursuant to section 17(g)(1), it shall inform the Purchaser's representative of its intention to make such limitation by 1200 hours PT of the day prior to the effective date of such limitation.

   (f) Bonneville may request by 1200 hours PT on any Wednesday estimates of energy that the Purchaser anticipates it will schedule with Bonneville for each day for the ensuing ten days, and the Purchaser shall submit such estimates to Bonneville by 1200 hours PT on the Workday following the request.

2. Hourly Distribution of Scheduled Amounts.

   (a) This subsection (a) applies to all Computed Requirements Purchasers, except as provided in subsections (b) and (c) below.

      (1) The Purchaser may preschedule during Heavy Load Hours up to the amounts Bonneville is obligated to make available pursuant to section 17(g)(1).

      (2) The Purchaser may preschedule during Light Load Hours on any day, Monday through Saturday, not more than 160 percent of the sum of :

         (A) The Purchaser's Computed Average Energy Requirement and

§2(a)(2)

(B) The amount, if any, by which the Purchaser's Computed Average Energy Requirement (CAER) exceeds the average amount of energy which the Purchaser preschedules from Bonneville under this agreement during Heavy Load Hours of the same calendar day (AAE during HLH).

(This Light Load Hour (LLH) limit can be expressed mathematically as:

MON-SAT LLH SCHEDULE LIMIT = 160% [CAER + (CAER - AAE during HLH)]

This formula will allow approximately 120 percent of the monthly Computed Average Energy Requirement to be taken on any week day having 15 Heavy and 9 Light Load Hours. It will also allow a higher limit on Light Load Hours to the extent the Purchaser chooses to move energy from Heavy Load Hours into Light Load Hours or Bonneville exercises its right to limit deliveries during Heavy Load Hours pursuant to section 17(g)(1).)

(3) The Purchaser may preschedule during all hours on Sunday as follows: not more than 120 percent of the Purchaser's Computed Average Energy Requirement between 0700 and 2200 hours PT and not more than 320 percent of the Purchaser's Computed Average Energy Requirement on all other hours; provided, however, the total amount of energy prescheduled during each seven day period ending on 2400 hours PT Sunday shall be limited to the product of 168 hours and 120 percent of the Purchaser's Computed Average Energy Requirement.

(4) Except as provided in section 2(c)(2)above, the Purchaser may preschedule in any day up to the greater of the product of 8 hours and the Purchaser's Computed Peak Requirement or the product of 24 hours and 120 percent of the Purchaser's Computed Average Energy Requirement. If the Purchaser preschedules energy on any day using this rule which exceeds the product of 24 hours and 120 percent of the Purchaser's Computed Average Energy Requirement, the Purchaser shall return such excess within the calendar day following the taking of such energy or later if agreed by Bonneville and the Purchaser, at a rate no greater than 100 percent of the Computed Peak Requirement. An adjustment will be made in the billing process to reflect the obligation to return energy associated with capacity taken on the last day of the billing period.

§2(a) (5) In the event the Purchaser is unable to preschedule energy up to the amounts otherwise allowed in this section on certain hours due to minimum generation limitations of the Purchaser's Firm Resources, Purchaser may, by prior agreement of Bonneville, preschedule energy during other hours up to levels that may exceed the preschedule limits otherwise available to the Purchaser in this section. If such inability is due to limitations imposed by Bonneville pursuant to section 17(g)(1), Bonneville shall agree to the Purchaser's request unless Bonneville determines that operating conditions on its system prevent it from making such delivery without spilling water which it would not otherwise have spilled, purchasing power which it would not otherwise have purchased, or restricting deliveries of power to its own firm loads, which for the purpose of this paragraph (1) shall include deliveries which Bonneville would otherwise have made to its direct-service industrial purchasers. If needed by Bonneville, such preschedule will be reducible at Bonneville's option down to the scheduling limits otherwise available to the Purchaser in this section at any time prior to the actual delivery. If scheduled amounts arranged under this paragraph exceed the limits otherwise allowed in this section, the amounts in excess of such limits will not be used in determining any unauthorized increase or Measured Demand of the Purchaser.

(b) In addition to and not in limitation of subsection (a) above, Computed Requirements Purchasers shall arrange schedules according to this subsection (b). Since the determination of the Purchaser's Computed Peak Requirement and Computed Average Energy Requirement depends on the relationship of the Purchaser's Assured Capabilities and Actual Firm Loads, such requirements for any month cannot be determined until after the end of that month. As each Purchaser must estimate its own firm load, and is in the best position to follow the load development from day to day, it will be the Purchaser's responsibility to request preschedules of Firm Power, including any increase over previously established demands, on the basis estimated by the Purchaser to result in the most advantageous purchase of the power to be billed at the end of the month. When used in this section 2 with respect to Computed Requirements Purchasers, the terms Computed Peak Requirement and Computed Average Energy Requirement mean the Purchaser's best estimate of such quantities. The Purchaser shall have the right to change its estimate of its Computed Peak Requirement and Computed Average Energy Requirement at any time based on corresponding changes in the Purchaser's estimate of its firm loads or to reflect changes

§2(b) in its Assured Energy Capability allowed by the provisions of section 17(d). Changes in prescheduled amounts shall be as permitted in section 3 below.

(c) In addition to subsection (a) above, Customers purchasing on the basis of Planned Computed Requirements or Contracted Requirements shall schedule according to this subsection (c).

(1) Except as otherwise provided in this exhibit the Purchaser shall not schedule Firm Power under this contract in any month in excess of its Computed Average Energy Requirement times the number of hours in such month.

(2) If during a month, a Planned Computed Requirements or Contracted Requirements Purchaser which has a Computed Average Energy Requirement greater than 20 percent of its Computed Peak Requirement for such month reaches the limit for scheduling Firm Power specified in paragraph (1) above, such Purchaser shall thereafter during such month be subject to the provisions of section 2(a)(4) above, except:

(1) the Purchaser's Computed Average Energy Requirement as used in section 2(a)(4) shall be zero; and

(2) that, under adverse operating conditions, Bonneville may request that the Purchaser return energy delivered pursuant to section 2(a)(4) by the later of six hours from delivery or the end of the current Heavy Load Hour period and the Purchaser shall use its best efforts to comply with such request, <u>provided</u>, <u>however</u>, that, in any event, the Purchaser shall return such energy prior to 0700 hours of the following day.

For purposes of this paragraph (2), adverse operating conditions shall mean an inability of the Government's generating system to increase its generation to produce such energy without subsequent spillage of water on the Government's generating system, without requiring a subsequent purchase of power by Bonneville, or without subsequently causing Bonneville to violate any operating restriction on the Government's generating system.

3. Changes from Preschedules.

(a) In the application of the procedures controlling changes from preschedules, it is Bonneville's intention to comply with the Purchaser's requests for schedule changes to the maximum extent practicable, so as to maximize the power production of the region's resources in the most efficient manner possible. Bonneville shall comply with requests for schedule changes to the extent such changes are within the capability of the Federal system unless, due to the lateness of the request for change, Bonneville would suffer energy, capability, or economic loss (not including any economic loss resulting from making the requested change instead of making secondary sale) that would have been avoided if this request had been made at the preschedule time. If Bonneville would suffer such loss and if the Purchaser agrees prior to delivery to reimburse Bonneville for the estimated loss in order to make the change, Bonneville shall make such change. The Purchaser shall endeavor to avoid requesting schedule changes.

(b) Except under emergency conditions, requests for schedule changes shall be submitted no later than 20 minutes before the beginning of the automatic generation control process ramp time used by Bonneville. This ramp time now begins 10 minutes before the hour.

(c) With prior agreement of Bonneville, the Purchaser may increase its schedules of capacity up to the amounts the Purchaser had a right to preschedule in a manner which is not otherwise provided for, if the Purchaser agrees to return the energy associated with such increase within 6 hours.

(d) When requested by Bonneville, the Purchaser shall make schedule changes in blocks of 6 hours at one time, subject to subsequent changes permitted by this exhibit, to enable Bonneville to develop a revised operational plan in an efficient manner. Such schedule changes shall incorporate the Purchaser's latest and best information about its future operation.

(e) In addition to the schedule changes allowed pursuant to subsections (a) through (d) above, if the Purchaser has been designated to purchase on the basis of Actual Computed Requirements, it may make schedule changes without limitation by Bonneville subject to the following conditions:

(1) The Purchaser is not delivering energy for sale under the Exportable Energy Agreement concurrently with Bonneville;

§3(e)

(2) The Purchaser is making full use of the capability of its Firm Resources up to the Assured Capability levels of such resources or such capability is being replaced with other purchases or resources, and the Purchaser is making full use of its rights to change schedules under other contracts; provided, however, that hydroelectric resources need be used only to the maximum extent possible within the limits of normal pondage and available streamflows; and

(3) The schedule change is necessary in order to meet the Purchaser's Actual Firm Loads; or the changed schedule would serve to conserve energy which would otherwise be lost to the region.

(WP-PKL-3010c)

Relief from Overrun Exhibit

The following procedures are available pursuant to section 19(b)(1)(B) for use by Purchasers to avoid certain unauthorized increase charges which would otherwise occur due to load estimating errors. If used, such procedure shall be followed in its entirety in the order set forth below. These procedures are available only to Purchasers which purchase on the basis of Actual Computed Requirements.

1. Conversion of Measured Amounts to Nonfirm Energy.

   If any of the Purchaser's Measured Amounts during Heavy Load Hours during the month exceed the Purchaser's Computed Maximum Requirement for the corresponding hour, Bonneville shall convert such excess to nonfirm energy to the extent that Bonneville determines it would have had additional nonfirm energy available for the Purchaser during such hours. The amounts so converted shall be billed as nonfirm energy pursuant to section 19(b)(2). The Purchaser's Measured Amounts for such hours and the Purchaser's Measured Energy for the month shall be reduced by the amounts so converted to nonfirm energy. If the Purchaser's Measured Demand is based on a Measured Amount which is reduced pursuant to this section, such Measured Demand shall be reduced by the amount converted to nonfirm energy for such hour.

2. Mandatory Adjustment of Assured Capability.

   If the Purchaser's Measured Energy for the month, after reduction pursuant to section 1 above, exceeds the Purchaser's Computed Energy Maximum for such month, the Purchaser shall, to the extent permitted by section 17(d), reduce its Assured Energy Capability for such month, to the extent necessary to increase its Computed Energy Maximum so that it equals its Measured Energy, after reduction of such Measured Energy pursuant to section 1 above, for such month. The Purchaser's Computed Average Energy Requirement and Computed Maximum Requirement for such month shall be increased as appropriate to reflect the decrease, if any, in the Purchaser's Assured Energy Capability made pursuant to this subsection 2.

3. Conversion of Measured Energy to Nonfirm Energy.

   If the Purchaser's Measured Energy for the month, after reduction pursuant to section 1 above, exceeds its Computed Energy Maximum for such month, after adjustment pursuant to section 2 above, Bonneville shall convert a portion of such excess to nonfirm energy. Such portion shall be equal to the product of such excess and the ratio of the number of Light Load Hours during such month that Bonneville determines it would have had additional nonfirm energy available for the Purchaser to the total number of Light Load Hours in such month. The amounts so converted shall be billed as nonfirm energy pursuant to section 19(b)(2). The Purchaser's Measured Energy for the month shall be further reduced by the amounts so converted to nonfirm energy.

4. Disposition of Demand Overrun.

If any of the Purchaser's Measured Amounts during Heavy Load Hours during the month, after reduction pursuant to section 1 above, exceed the Purchaser's Computed Maximum Requirement for the corresponding hour, after adjustment pursuant to section 2 above, but none of such Measured Amounts are greater than 110 percent of such Computed Maximum Requirement for the corresponding hour, the largest of the amounts by which the Purchaser's reduced Measured Amounts during such hours exceed the Purchaser's adjusted Computed Maximum Requirement for the corresponding hour shall, subject to adjustment pursuant to section 6 below, be billed at the demand charge for reserve power pursuant to section 19(b)(3) and a service charge for the portions of such Measured Amounts which exceed such Computed Maximum Requirements for corresponding hours shall, subject to adjustment pursuant to section 6 below, be billed at the charge for energy advanced during Heavy Load Hours pursuant to section 19(b)(4). If any of the Purchaser's Measured Amounts during Heavy Load Hours during the month, after reduction pursuant to section 1 above, exceed 110 percent of the Computed Maximum Requirement for the corresponding hour, after adjustment pursuant to section 2 above, a charge for the portions of such Measured Amounts which exceed such Computed Maximum Requirements for corresponding hours shall be billed as unauthorized increase pursuant to section 19(b)(1)(A). The Purchaser's Measured Energy for the month shall be further reduced by the amounts billed as unauthorized increase.

5. Relief from Energy Overrun.

If the Purchaser's Measured Energy for the month, after reduction pursuant to sections 1, 3 and 4 above, is less than the relief margin set forth below, the Purchaser shall return the portion of such Measured Energy in excess of the Purchaser's Computed Energy Maximum, after adjustment pursuant to section 2 above, at mutually agreeable times and rates within 30 days after Bonneville notifies the Purchaser that such return is required or at times and rates otherwise mutually agreed upon. A service charge for the excess energy so returned shall be billed at the charge for energy advanced during unspecified Heavy or Light Load Hours pursuant to section 19(b)(4). To the extent such excess is not so returned it shall be billed as unauthorized increase pursuant to section 19(b)(1)(A). The Purchaser's Measured Energy for the month shall be further reduced by the excess amounts returned to Bonneville or billed as unauthorized increase. The relief margin is 101 percent of the Purchaser's Computed Energy Maximum for each month, after adjustment pursuant to section 2 above, except that in the month before the month in which the Purchaser's Flexibility Account balance must be brought to zero pursuant to section 17(d)(1)(A) the relief

§5 margin is 103 percent and in the month that the Purchaser's Flexibility Account must be so brought to zero the relief margin is 105 percent. If the Purchaser's Measured Energy for such month, after reduction pursuant to sections 1, 3 and 4 above, exceeds the relief margin set forth above, the entire excess over its Computed Energy Maximum, after adjustment pursuant to section 2 above, shall be billed as unauthorized increase pursuant to section 19(b)(1)(A). The Purchaser's Measured Energy for the month shall be further reduced by the amounts billed as unauthorized increase.

6. Adjustment of Demand Overrun.

If any of the Purchaser's Measured Energy for the month is billed at the unauthorized increase rate pursuant to section 5 above and if any demand has been billed at the demand charge for reserve power and if any energy has been billed at the service charge pursuant to section 4, the amount of demand so billed and the amount of energy so billed shall be reduced by amounts obtained by multiplying the amounts billed pursuant to section 4 by the ratio of the amount billed at the unauthorized increase rate pursuant to section 5 to the amount of energy billed at the service charge pursuant to section 4. If such ratio is greater than one, the amount of demand billed at the demand charge for reserve power and the amount of energy billed at the service charge pursuant to section 4 shall be reduced to zero.

7. Disposition of Remainder.

The Purchaser's Measured Amounts, Measured Demand, and Measured Energy for the month, after reduction and adjustment pursuant to section 1 through 6 above, shall be billed pursuant to section 19(b)(1)(A).

(WP-PKL-3010c)

Service Charges Exhibit

Section I. Service charges arising from the Relief from Overrun Exhibit.

The following charges shall be applied to services provided by Bonneville pursuant to this agreement.

1. For energy advanced during Heavy Load Hours – 3.0 mills per kilowatthour.

2. For energy advanced during unspecified Heavy or Light Load Hours – 2.0 mills per kilowatthour.

3. Heavy Load Hours and Light Load Hours mean the same herein as in the body of this agreement.

Section II. Service charges arising from services provided by Bonneville to Purchaser's Firm Resources or other resources which are within Bonneville's automatic generation control area.

No Charges have been established as of the date of execution of this agreement.

(WP-PKL-3010c)

October 16, 1989
8262b

DSI CONTRACT OUTLINE
By Section and Subject

1. TERMINATION OF PRIOR CONTRACTS

- Prior K are terminated effective June 30, 1981. Liabilities preserved until satisfied.

2. TERM OF CONTRACT

2(a) - Effective Date: June 30, 1981;
K term: 20 yrs unless terminated earlier by the DSI.

2(b) - DSI to give 1 yr written notice for whole/partial K termination.
2(b)(1) - DSI to pay BPA for unrecoverable costs incurred through 2001; BPA to try to mitigate.
2(b)(2) - DSI can't subsequently buy from utility unless BPA determines that there is no material adverse impact on Federal system.

2(c) - Liabilities under this K are preserved until satisfied.

3. EXHIBITS

A - Rates, GRSPs
B - GCPs; GCP form PSC-1
C - Purchaser's Ds (KD, OD, Aux D)
D - PODs and Special Provisions

4. SALE AND PURCHASE OF POWER

4(a) - Can buy up to KD as specified by the OD, RD, Crtld D (whichever D is in effect).

4(b) - Aux Pwr to be provided up to Aux D.

4(c) - DSI to pay at rate specified in Ex.A (the IP rate); Billing factors to be as specified in the rate schedule.

4(d) - New DSI facilities may be served by a utility or another source, but new facilities can be interconnected with BPA only with permission.

4(e) - Billing to be based on average of Daily Measured Ds during restoration pursuant to schedules submitted under §7(j)(4) following restn or §9(f) following crtlmnt.

4(f) - Uncontrollable Forces or Continuity of Service problems excuse performance under the K; use Daily D billing.

5. AMOUNT OF POWER

5(a) - Contract Demand. KD is as specified in Ex.C.

5(b) - Operating Demand

5(b)(1) - OD is as specified in Ex.C until increased pursuant to §5(b)(3), but OD is never to exceed KD.

5(b)(2) - On 30 days' notice, BPA can reduce OD if DSI can't or doesn't operate there for 2 yrs or more.

5(b)(3) - DSI to give 90 day notice of increase in OD; BPA may waive.

5(b)(4) - 90 days before K yr, DSI can request reduction in OD (requires mutual agmnt); DSI to reimburse unrecoverable costs & BPA to mitigate.

5(c) - Auxiliary Demand. Aux D to be as specified in Ex.C.

5(d) - Technological Allowances. DSI can request increase or decrease in KD, OD, & Aux D for reasons other than plant expansion.

5(d)(1) - Definition of TA.

5(d)(2) - DSI to provide written request for TA.

5(d)(3) - TA request due on 12/1/81 for request effective 7/1/81. Later requests due by 2/1/XX for next yr. BPA to make determination in 60 days.

5(d)(4) - If TA ok, BPA to increase/decrease KD and OD subject to §5(d)(5) through §5(d)(8).

5(d)(5) - Max amt of pwr to be given as TA to all DSIs ea K yr:

5(d)(5)(A) - TA pool = 1% of max KD in ea yr 1978-81 under IF K plus

5(d)(5)(B) - 1% of KD under Reg Act K for ea yr minus

5(d)(5)(C) - TA's then committed to being served by BPA.

5(d)(5) cont TA pool is to be carried forward if not used in a K yr.

5(d)(6) - Distrib of TA btwn DSIs over K term; TA pool; BPA to serve TAs on tentative basis if request exceeds entitlement.

5(d)(7) - Description of allocation of TA btwn DSIs in given K yr if requests exceed size of TA pool.

5(d)(8) - How & when BPA would serve large TA:
5(d)(8)(A) - If TA rqst by single DSI expected to exceed:
5(d)(8)(A)(i) - 13.3-46.7 MW in 12 mos, BPA can wait 2 yrs to serve.
5(d)(8)(A)(ii) - 46.7+ MW in 12 mos or 100 MW in subsequent 5 yrs, BPA can wait 7 yrs to serve the TA.
5(d)(8)(B) - BPA shall serve TA w Aux Pwr until able or contractually required to use IP. If TA is required to meet govt or judicial order, BPA must try to use IP immediately.

5(d)(9) - Only use expected TAs in power forecasts.

5(e) - Wheel Turning Load. Electrical load not integral to industrial process and not TA. May be served:

5(e)(1) - By a utility, if currently so served;
5(e)(2) - By BPA as IF pwr;
5(e)(3) - By a utility in the future; If so, KD & OD to be reduced.

5(f) - Revision of Demands. Revise Ds in Ex.C as appropriate.

6. PROVISIONS RELATING TO DELIVERY

- Pwr to be made available directly over Federal system at approximate voltage in Ex.D. Amt of pwr to be metered.

7. RESTRICTION OF DELIVERIES

7(a) - Restns are independent of each other (see §14(h) exception) and are retained as provided in §8(a)(2). Except for §7(b) restn, restn right limited to 75% OD.

7(b) - Forced Outage and Stability Reserves. BPA may restrict to prevent or minimize restn of Firm Obligation:

7(b)(1) - when necessary to preserve stability of Federal system;

7(b)(2) - when necessary to preserve stability of other systems directly or indirectly connected to the Federal system which could affect operation of the Federal system;

7(b)(3) - when Forced Outage affects operation of Federal system.

7(b)(3)(1) - 100% of OD for 15 minutes (other constraints);
7(b)(3)(2) - 50% of then-operating load for up to 2 hrs/day (other constraints);
7(b)(3)(3) - up to 25% of OD (other constraints).

7(b)(3) cont - Serve D overruns with Aux Pwr; bill for energy used. A DSI can ask BPA to find another DSI to accept their restn if restn would cause abnormal harm to the Plant; BPA will try, but BPA determines if feasible & prudent to do so.

7(c) - First Quartile Restriction Rights. BPA may restrict 25% of OD at any time, for any reason to protect Firm Loads; BPA may restrict to displace resources if legal & consistent w policy; no restn allowed for sale at NF rate to others; BPA is only obligated to plan or acquire resources for 1Q if BPA has shifted.

7(c)(1) - Tl of restns & crtlmnts under §8(b)(3), §8(b)(4), & §9(c) not to exceed 25% OD.

7(c)(2) - Prior to exercising 1Q restn right, BPA must recall or acquire energy at Reasonable Cost if BPA has shifted.

7(c)(3) - BPA to conserve (to extent prudent) to serve 1Q.

7(c)(4) - If DSI shuts down all/part of plant as result of restn, restn to stay in effect until BPA foresees 90 days of continuous service. If BPA makes peak hour restns, a DSI may shut down (restricted) until resumption date specified by BPA if one of following occurs:
7(c)(4)(A) - 25% of OD restricted for 14 days
7(c)(4)(B) - 25% of OD restricted for 5 hrs in any 24 hr period or more than 10 hrs in any 72 hrs
7(c)(4)(C) - Tl kWh restricted greater than "2% * OD * 366"
7(c)(4)(D) - In 24 hrs more than 15% OD restricted for over 10 hrs or more than 20% OD restricted for more than 5 hrs.

7(d) - Second Quartile Restriction Rights

7(d)(1) - May restrict to meet Firm Obligations consistent w provisions of §7(f)(3), §7(f)(4), and §7(j)(3). 2Q restn not to exceed the lesser of:

7(d)(1)(i) - 25% of OD or

7(d)(1)(ii) - Purchaser's share (based on OD) of deficiency due to:

7(d)(1)(ii)(A) - Delay from initial planned date of commercial operation.

7(d)(1)(ii)(B) - Unexpected Poor Performance for technological reasons relating to:

7(d)(1)(ii)(B)(i) - a planned generation unit or CIR;

7(d)(1)(ii)(B)(ii) - an existing or new unit or CIR.

7(d)(1)(ii)(C) - Governmental Order if govt agency has jurisdiction, but excluding ordinances and ballot measures.

7(d)(1) - T1 2Q restn + crtlmnt not to exceed 25% OD.

7(d)(2) - Federal System Operating Reserve. To protect firm loads, BPA has restn rights in K yr of occurrence for unexpected poor performance (§7(d)(1)(B)(i) and (ii)) subject to limitations in §7(d)(4), §7(d)(5), and §7(d)(6).

7(d)(2)(A) - For planned resources, restn right limited to the lesser of 25% of the DSI's 2Q or 50% of DSI's share of the deficit. In later yrs BPA entitled to 100% of deficit & BPA to reflect restn right in §7(f)(3) notice.

7(d)(2)(B) - For existing resources, restn right is the same as for planned resources, but in later yrs BPA entitlement remains at 50% of DSI's share of the deficit & BPA to reflect restn right in §7(f)(3) notice.

7(d)(2)(C) - BPA to give as much notice as possible, but at least enough to allow orderly reduction in load. DSI to be allowed to submit plan for providing energy per §7(f)(4)(D).

7(d)(2)(D) - BPA to appeal for voluntary crtlmnt while restricting 2Q.

7(d)(3) - N/A

7(d)(3)(A) - Before determining planned capabilities & completion dates, BPA to allow DSIs to comment on:

7(d)(3)(A)(i) - preliminary determination of capabilities & dates;

7(d)(3)(A)(ii) - methodology.

7(d)(3)(A) cont - Purpose of comment is to assist BPA.

7(d)(3)(B) - By June 1 each yr, BPA to provide DSIs with list of Fed system resources & CIR for which 2Q is a reserve.

7(d)(4) - N/A

7(d)(4)(A) - Resource delays due to lack of funding not a basis for 2Q restn.

7(d)(4)(B) - BPA to use best efforts to avoid need for 2Q restn.

7(d)(5) - Before restricting 2Q, BPA must first acquire or recall power available at Reasonable Cost.

7(d)(6) - Restriction right limited to 7 yrs; following resource loss, BPA must try to acquire replacement resources ASAP.

7(d)(7) - Delays due to estimated lack of Firm Obligations not a basis for restn; limitation period from §7(d)(6) to be adjusted.

7(d)(8) - Conservation Investment Resources

7(d)(8)(A) - 2Q restn right to protect BPA's ability to meet Firm Obligations if CIR delayed or has poor performance.

7(d)(8)(B) - Definition of CIR; 2Q restn rights not for unanticipated load growth.

7(d)(8)(C) - CIR to be included in June 1 list.

7(d)(8)(D) - Formula for determining amt of conservation savings.

7(d)(8)(E) - Determination of values for conservation savings formula.

7(d)(8)(F) - Delay or unexpected poor performance of CIR occurs if actual savings less than planned savings.

7(d)(8)(G) - If actual savings less than planned savings, BPA to replace the resource capability.

7(e) - Third Quartile Restriction Rights

7(e)(1) - BPA may restrict the 3Q subject to §7(e)(5) in an amt up to:

7(e)(1)(A) - greater of debits in Delivered acct or applicable Shift acct if last yr of CP is established, or

7(e)(1)(B) - lesser of debits in Delivered or applicable Shift acct if other than last yr of CP is established.

7(e)(2) - If last yr of CP is established pursuant to §7(e)(1)(A), BPA must call for voluntary crtlmnt simultaneously with restn.

7(e)(3) - If BPA uses Flex, BPA may restrict later in the yr up to 25% of OD, not to exceed:

7(e)(3)(A) - amt of Flex delivered,

7(e)(3)(B) - amt of energy by which BPA is unable to meet Firm Obligations by virtue of Flex deliveries.

7(e)(4) - BPA to store & conserve water to minimize exposure to 3Q restn attributable to previous use of Shift or Flex.

7(e)(5) - Total Shift + Flex restns limited to the lesser of:

7(e)(5)(A) - 25% of OD minus load crtlmnt into the 3Q,

7(e)(5)(B) - DSI's share of BPA's energy deficit caused by use of Shift & Flex after use of full FELCC including operation or replacement of all resources included therein.

7(e)(6) - BPA not to restrict 3Q for purpose of selling NF. BPA not required to plan or acquire resources to alleviate 3Q restn, but must treat load as firm for resource operation.

7(f) - Notices and Purchaser Proposals

7(f)(1) - Auxiliary Demand and First Quartile. BPA to give as much notice as possible for 1Q or Aux D restn.

7(f)(2) - Forced Outage and Stability. No notice required.

7(f)(3) - Annual Notice - Second and Third Quartiles

7(f)(3)(A) - By June 1, BPA to notify DSIs of potential restn due to resources (2Q) or previously borrowed Shift (3Q) + estimate of FELCC for next K yr. If possible restn, include supporting data in notice.

7(f)(3)(B) - Reqmts if restn needed btwn June 1 and Aug 31.

7(f)(3)(C) - Aug 15 notice to include revisions to June 1 notice + actual FELCC established.

7(f)(4) - Notice of Actual Restriction - Second and Third Quartiles

7(f)(4)(A) - Second Quartile. Amts of restrictable energy.

7(f)(4)(B) - FELCC - Third Quartile. Amt of restn = amt needed per §7(e)(1).

7(f)(4)(C) - Flexibility - Third Quartile. Amt of restn = amt required per §8(d)(3). BPA to determine date for return of Flexibility Replacement energy.

7(f)(4)(D) - Notice and Proposal. Details of implementation of 2Q or 3Q restn. DSI to provide a "plan." BPA is to determine if it's acceptable.

7(g) - Revision of Quartile Restrictions. BPA to give as much notice as possible for revision of restn. T1 restn amt limited to lesser of amts permitted by §7(c), §7(d), or §7(e) and amts stated in notice pursuant to §7(f)(3) and §7(f)(4).

7(h) - Restriction for Advance Replacement Energy. Restriction if DSI doesn't provide satisfactory proposal for Adv Repl energy.

7(i) - Auxiliary Demand Restriction Rights. BPA may restrict Aux D in whole or in part for any reason.

7(j) - General Provisions Regarding Restrictions

7(j)(1) - If possible, BPA to apportion among DSI's facilities as rqsted.

7(j)(2) - PSC can be amended to reflect changes wrt restn & need for reserves.

7(j)(3) - 1Q, 2Q, & Aux D restns to be proportional among DSIs but Aux D to be restricted first and previous crtlmnt counts as restn. (Billed as restn next billing period.)

7(j)(4) - Up to 3 mos to restore load following restn or crtlmnt.

7(j)(5) - Contractual oversight provisions to be included in resource K to minimize need for restn.

7(j)(6) - 2Q restns not for load growth or for failure to plan adequate resources.

7(j)(7) - BPA to allow non-recurring D overruns (w/out D charges or unauthorized increase charges) before and after 1Q, 2Q, or 3Q restn. Overruns limited in duration.

8. OPERATIONS

8(a) - Principles

8(a)(1) - 75% OD is firm for resource planning and operation and 25% firm for resource operation only.

8(a)(2) - BPA retains restn rights but won't sell under NF rate if energy could be prudently conserved for 1Q use.

8(a)(3) - BPA to conserve (§7(c)) and borrow energy consistent w prudent operation, law, and operating limitations (including PNCA).

8(a)(3)(A) - Purpose to achieve highest possibility of 1Q srvc while protecting Firm Obligations against worst streamflows.

8(a)(3)(B) - Techniques include but not limited to:

8(a)(3)(B)(i) - Shift from 1 yr of CP to another;

8(a)(3)(B)(ii) - Borrow within a yr (Flex);

8(a)(3)(B)(iii) - Use available FELCC in early months of K Yr;

8(a)(3)(B)(iv) - Adv and other provisional drafts.

8(a)(3)(C) - If BPA allocates §8(a)(3)(B) energy, must follow Op Agt or op plan. K terms and conditions apply unless parties agree to something different.

8(a)(3)(D) - §8(a)(3)(B) techniques independent of each other and may be used separately or in any combination.

8(a)(4) - Op Agts or op plans are contemplated. August 14, 1981 Op Agt is incorporated in K.

8(a)(4)(A) - Op agts/plans to differentiate btwn 1Q srvc and operations providing srvc in lieu of restn.

8(a)(4)(B) - Best efforts to develop agt or plan before beginning of K yr.

8(a)(4)(C) - Use plan w comparable risks and benefits as 1981 Op Agt if can't reach an Op Agt in a given yr.

8(a)(4)(D) - Op Agts can alter reqmnts of §7, 8 or 9 of K if agreed.

8(a)(4)(E) - Unless prudent, no Shift after Jan 10. No limitation wrt Adv or Flex.

8(a)(4)(F) - BPA to consult w DSIs to develop energy acctng system to reflect impact of operations and adjust DSI oblig accordingly.

8(a)(4)(G) - Before agreeing to actions that would reduce expected avg availablility of IP, BPA to consult w DSIs to try to preserve availability. K to be amended if necessary.

8(b) - <u>Shift of FELCC</u>

8(b)(1) - BPA to shift non-surplus FELCC (Shifted FELCC) and surplus FELCC into 1st K yr of CP to serve 1Q and other firm loads pursuant to §8(b)(1) and 8(d).

8(b)(1)(A) - BPA to decide how Shift to be made available, whether:
8(b)(1)(A)(i) - Limited periods or amts;
8(b)(1)(A)(ii) - Allocated proportionately based on 1Q load.

8(b)(1)(B) - Shifted FELCC acct. Before K yr, BPA to establish Shift accts for ea yr of CP. T1 amt in Shift acct not to exceed amt in June 1/August 15 notices.
8(b)(1)(B)(i) - Adjust for Shift assigned to/from another DSI;
8(b)(1)(B)(ii) - 1 for 1 kWh credit during restn for:
8(b)(1)(B)(ii)(I) - Undelivered Shift due to 1Q restn or Uncontrollable Force;
8(b)(1)(B)(ii)(II) - Shift returned to BPA through §7(e)(1) restn.
8(b)(1)(B)(iii) - Debit Head Losses associated with outstanding debits in Shift Acct. (To be based on actual deliveries or last month in which Shift available per §8(b)(1)(B).)

8(b)(1)(C) - Delivered FELCC Account. To be incremented at the end of ea month.
8(b)(1)(C)(i) - 1 for 1 kWh credit of:
8(b)(1)(C)(i)(I) - Undelivered Shift due to 1Q restn or Uncontrollable Force;
8(b)(1)(C)(i)(II) - Shift returned to BPA through §7(e)(1) restn.
8(b)(1)(C)(ii) - Debit Head Losses associated with outstanding debits in Delivered Acct.
8(b)(1)(C)(iii) - Debit 1 for 1 kWh of Shift to be made available to the DSI by BPA during the following month.
8(b)(1)(C) - To calculate §7(e)(1)(a) amts, total debits for all DSIs not to exceed amt by which the reservoirs' contents were below what they would have been w/out Shift.

8(b)(1)(D) - Cancellation of the Shifted FELCC acct:
8(b)(1)(D)(i) - For current (just finished) K Yr on June 30.
8(b)(1)(D)(ii) - On July 31, all previously established FELCC's for the new K yr if a different CP plan was established.
8(b)(1)(D)(iii) - If 1CP is not established, cancel newly created Shift accts for forthcoming K yrs.

8(b)(1)(E) - Cancel the Delivered FELCC Account if 1CP established.

8(b)(2) - If established FELCC includes service to 1Q, BPA to support FELCC up to the amount of the Shift by using all of its firm resources including rights to secure energy to support FELCC.

8(b)(3) - Rejection of Proposed First Quartile FELCC Shift

8(b)(3)(A) - BPA to notify DSI of amt of Shift; DSI may reject within 2 weeks.

8(b)(3)(B) - If DSI rejects Shift but keeps load up, BPA may serve the load with Aux Power & DSI can't use non-Federal power. If BPA doesn't serve load, but could have served it with Shift, DSI must pay crtlmnt charge.

8(b)(3)(C) - Condits apply in 8(b)(3)(B) apply unless:

8(b)(3)(C)(i) - BPA says in August 15 notice that there was no non-surplus Shift, or

8(b)(3)(C)(ii) - Another DSI will take the Shift and certain conditions are met.

8(b)(4) - Rejection After First Quartile FELCC Shift. At least 24 hrs before 1st of month, DSI can reject Shift w/out reducing load. Must be for 30+ days. Doesn't affect 3Q restn obligation unless another DSI will accept it. DSI can later increase load, & BPA to try to operate if firm to extent possible using rejected Shift. Otherwise use Aux Pwr or non-Federal energy.

8(b)(5) - If Shift rejected after original Shift, DSI liable for full D charges for portion of OD not served because of rejected FELCC. BPA must try to mitigate.

8(c) Advance Energy

8(c)(1) - BPA may use Adv and must account for it.

8(c)(2) - BPA to decide how Adv is to be made available:

8(c)(2)(A) - Adv to be made available for limited periods/amts.

8(c)(2)(B) - Adv can be used in conjunction w other energy.

8(c)(2)(C) - Adv available to serve only a portion of DSI's OD.

8(c)(2) cont Adv can be rejected like Shift.

8(c)(3) - BPA to decide if Adv to be allocated or used first come first served. Allocation methodologies described.

8(c)(4) - BPA to decide terms of availability of Adv by Aug 15 as well as Replacement Correction Factor; other notice reqmnts.

8(c)(5) - BPA may, but normally won't, make Adv available when:

8(c)(5)(A) - T1 Adv debits equal/exceed 3.4 billion kWh * Replacement Correction Factor,

8(c)(5)(B) - Volume forecast shows substantial failure to refill, or

8(c)(5)(C) - The amt exceeds what the DSI could replace.

8(c)(6) - BPA to give the DSI:

8(c)(6)(A) - Proposed Operating Plans, and

8(c)(6)(B) - Date for termination of Adv replacement oblig., but no more than 2 yrs after end of CP beginning with such K yr (i.e., max of 6 yrs given a 4 yr CP).

8(c)(7) - BPA to maintain Adv Energy account to be incremented each month:

8(c)(7)(A) - 1 kWh debit for each kWh of Adv delivered,

8(c)(7)(B) - 1 kWh credit for each kWh of Adv Replacement Energy,

8(c)(7)(C) - debit for head losses based on outstanding debits in acct.

8(c)(8) - Cancel all Adv Energy acct debits when:

8(c)(8)(A) - Adv E reservoirs full or above flood control,

8(c)(8)(B) - water is released from Adv Energy reservoirs primarily to provide space for flood control, or

8(c)(8)(C) - BPA can meet firm obligations without Adv replacement energy (partial acct cancellation ok).

8(c)(8) cont Cancel accts to the extent of energy equivalent of refill above a defined Maximum Level. BPA may cancel accts before the cancellation date required by §8(c)(6)(B).

8(c)(9) - BPA to acquire or recall energy before requiring Adv Replacement Energy if BPA sold NF that could have been saved to avoid/reduce Adv Replacement Energy obligation.

8(c)(10) - N/A

8(c)(10)(A) - If Adv Replacement energy reqd, BPA to tell DSIs of amt of shortage and date reqd.

8(c)(10)(B) - DSI to provide proposal for providing Adv Replacement Energy. BPA to respond. If proposal not ok, BPA restricts per §7(h). Can't require load to drop below 25% of OD (i.e., down 75% of OD).

8(c)(10)(C) - BPA not to enter Firm Oblig if must be served on planning basis with recall of Adv Energy.

8(c)(11) - Existing Adv obligs as of 8/25/81 continue to exist.

8(d) - <u>Borrowed FELCC (Flexibility Energy)</u>

8(d)(1) - BPA may use Flex as allowed by PNCA.

8(d)(2) - BPA to keep Flex acct to be incremented monthly:

8(d)(2)(A) - 1 kWh debit per kWh of Flex delivered;

8(d)(2)(B) - 1 kWh credit per kWh of Flex Replacement obtained by:

8(d)(2)(B)(i) - Flex Replacement Energy scheduled but not reqd,

8(d)(2)(B)(ii) - Restns pursuant to §7(e);

8(d)(2)(B)(iii) - Other returns BPA accepts as reducing Flex acct.

8(d)(3) - BPA can require return of Flex in K yr from which it was borrowed.

8(d)(4) - BPA to avoid requiring Flex Replacement energy. If return scheduled but not req'd, treat as if return took place.

8(d)(5) - Cancel flex acct no later than end of the K yr.

8(e) - <u>Surplus FELCC</u>. BPA to use surplus whether from current K yr or shifted before Shift/Adv/Flex. No 3Q restn right applies to use of such surplus.

9. CURTAILMENT BY THE PURCHASER

9(a) - Curtailment of Auxiliary Power. At least 24 hrs before 1st of month, DSI may notify BPA of intent to crtl Aux Pwr next month. Curtailment to last 30+ days.

9(b) - Curtailment Above Level of First Quartile FELCC Shift. Before 1st of the month, DSI can notify BPA of intent to crtl 1Q (unless served by Shift) next month. Crtlmnt to last 30+ days.

9(c) - Curtailment Below First Quartile. 30+ days before crtlmnt, DSI to notify BPA of intent to crtl below 1Q. DSI to give BPA 60+ days' notice of subsequent increase in load.

9(c)(1) - K-kW-months determined by multiplying KD * # months that the KD is in effect.

9(c)(2) - Each month that power is crtled, DSI to pay for pwr delivered plus an amt equal to:

9(c)(2)(A) - the difference in Billing D * the applicable D charge

9(c)(2)(B) - multiplied by:

9(c)(2)(B)(i) - 0.4 if all accrued crtlmnts under this K tl less than 3.75 * K-kW-months;

9(c)(2)(B)(ii) - 0.9 if all accrued crtlmnts under this K tl btwn 3.75 and (including) 7.5 * K-kW-months;

9(c)(2)(B)(iii) - 1.0 when tl crtlmnts under this K exceed 7.5 * K-kW-months.

9(c)(3) - Difference in Billing D is the lesser of difference calculated by subtracting requested Crtld D from:

9(c)(3)(A) - 75% OD, and

9(c)(3)(B) - RD (if lower than Crtld D, the difference = 0).

9(d) - Crtlmnts below 1Q (i.e. when charges apply) require load below 75% OD or below 75% OD + non-surplus FELCC or Adv.

9(e) - DSI can shut plant down, but liable for crtlmnt chgs after any applicable billing adjustments.

9(f) - If plant shut down due to crtlmnt or restn, DSI to give BPA 2 weeks' notice for resumption of power deliveries & give BPA a schedule of requested power deliveries for up to 3 months during restoration of plant operations.

9(g) - DSI limited to 3 levels of crtlmnt/month.

9(h) - If DSI must reduce plant load below restricted amt because of plant operations, such reduction not treated as crtlmnt. (Crtlmnt charges don't apply.)

10. USE OF POWER.

- Only for _____ and related products.

11. FISH AND WILDLIFE RESPONSIBILITIES

- K not to impair compliance with NW Power Act requiremnts.

12. MID-TERM CONTRACT REVIEW

- Parties to review on 5th, 10th, and 12th yr:

12(a) - the status of BPA's planned and existing resources;

12(b) - forecasts of BPA's need for such resources to serve firm load and other obligs;

12(c) - each party's then-current expectations regarding intent wrt new K.

12 cont - DSI to request new PSC by end of 12th yr; BPA to plan for load; DSI to pay unmitigated unrecoverable costs of planned resources if it doesn't sign a new K.

13. MISCELLANEOUS

13(a) - Any determinations under this K to be reasonable.

13(b) - Exhibits to be amended only in writing except for temporary informal arrangements.

13(c) - Any amendment to be offered to all DSIs if applicable; BPA to try to consult w DSIs during development of amendment.

13(d) - DSI to have 1 yr to accept this K.

13(e) - If necessary, BPA may make special deals that conflict w §7 & §8 in order to implement the NW Power Act.

14. DEFINITIONS

14(a) Advance Head Losses. Energy cost of supplying Adv to DSIs. Replacement Correction Factor = 1.008.

14(b) Auxiliary Power. Amt of pwr used on intermittent basis.

14(c) Contract Year. July 1 - June 30.

14(d) Coordination Agreement. PNCA.

14(e) Curtailed Demand. Amt of power requested by DSI if less than OD. Determined pursuant to §8 and §9.

14(f) Customer. Anyone who contracts to buy power from BPA.

14(g) FELCC Head Losses. Amt of head loss due to Shift. No head losses for use of surplus, Flex, or Shift that's restricted.

14(h) Firm Obligations. 75% of OD = Firm Obligation. 1Q to be restricted first. BPA to pay for reserves provided by DSIs. Compensation to be adjusted as appropriate. DSIs retain rights to protest restns. BPA's Firm Obligations are those firm commitments:

14(h)(1) - Existing on Effective Date;
14(h)(2) - In Region incurred on or after Effective Date;
14(h)(3) - Other Firm Commitments supported by resources when incurred.

14(i) Industrial Firm Power. Class of power made available to DSIs:

14(i)(1) - Subject to Uncontrollable Forces and Continuity of Srvc provisions.
14(i)(2) - Subject to §7 restn rights.
14(i)(3) - Subject to restn if necessary to allow service to PF and NR loads in event of Uncontrollable Force, emergencies or maintenance of transmission facilities.

14(j) Integrated Demand. The kW D associated with 1 hrs' worth of kWh deliveries.

14(k) Reasonable Cost. Amt that BPA would prudently pay to avoid restn of a Firm Obligation. If BPA acquires a resource but differs use or operation of the resource by shifting or other similar technique, that resource cost is a 'Reasonable Cost.'

14(l) Region. The PNW as defined by the NW Power Act.

14(m) Replacement Correction Factor. A factor which is multiplied by Adv deliveries to arrive at the quantity of energy reqd to restore reservoirs to condition they would have been absent Adv deliveries.

14(n) Restricted Demand. Amt of kW resulting from restn of 1 hr or more.

14(o) Quartile; First Quartile. 25% of OD; 1Q is the 25% of OD not treated as firm load for resoure acquisition purposes.

ABBREVIATIONS

Contract Vocabulary

Adv	Advance energy
Aux Pwr	Auxiliary power
Aux D	Auxiliary Demand
CIR	Conservation investment resources
CP	Critical Period
crtl	Curtail (as in Crtl D; crtlmnt)
D	Demand (as in Billing D, Crtl D, RD ...)
DSI	Direct service industry
Ex	Exhibit
FELCC	Firm Energy Load Carrying Capability
Flex	Flexibility energy
IF	Industrial Firm (as in IF contract or IF power)
IP	Industrial Firm Power
K	contract
KD	Contract Demand
K Yr	Contract Year
NF	Nonfirm Rate
OD	Operating Demand
op agt/plan	Operating Agreement or Operating Plan
PNCA	Pacific Northwest Coordination Agreement
Q	Quartile as in 1Q (First Quartile), 2Q (Second Quartile...)
Reg Act	Regional Act; now known as the NW Power Act; PL 96-501
restn	Restriction
RD	Restricted Demand
TA	Technological Allowance

General Vocabulary

acct	account
agt	agreement
amt	amount
avg	average
btwn	between
distrib	distribution
ea	each
fr	from
govt	government
max	maximum
mo	month
oblig	obligation
pwr	power
reqd; reqmnt	required/requirement
rqst	request
srvc	service
tl	total
w; w/out	with; without
wrt	with respect to
yr	year

* REFORMATTED CONTRACT *

The intent of reformatting was to preserve the meaning of the contract while making it easier to read. This version is not a facsimile copy (thus it is not "legal" since the form is different from that of the signed contracts), but the text in the contract is unchanged. However, the signature page has been modified to reflect the signature page as it is currently prepared and the page numbers in the index have been changed to comport with the reformatted contract.

(WP-PKL-3011c)

Contract No. _____

8-25-81

POWER SALES CONTRACT
executed by the
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
acting by and through the
BONNEVILLE POWER ADMINISTRATION
and

_____

Index to Sections

This POWER SALES CONTRACT, executed _____, 198__, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and _____ (Purchaser), a corporation incorporated under the laws of the State of _____,

W I T N E S S E T H :

WHEREAS, pursuant to the Pacific Northwest Electric Power Planning and Conservation Act, P. L. 96-501 (Regional Act), Bonneville is obligated to offer an initial long-term contract for the sale of electric power and energy to each direct-service industrial customer [Industrial Purchaser(s)] which was a party to a direct-service contract with Bonneville on December 5, 1980; and

WHEREAS, the Purchaser is a direct-service industrial customer of Bonneville, and is a party to power sales contracts with Bonneville (Contract No. 14-03-_____, which as amended is called MF Contract, and Contract No. 14-03-_____, which as amended is called IF Contract) which were each in existence on December 5, 1980, and is a party to an agreement with Bonneville relating to principles of operation of Bonneville's power system (Contract No._____), all of which are referred to as "Prior Contracts"; and

WHEREAS, Bonneville is obligated to offer the Purchaser this contract which provides for an amount of power equivalent to that which the Purchaser is entitled to under its IF Contract providing for the sale of Industrial Firm Power, a portion of which may be restricted to provide a portion of Bonneville's reserves for its Firm Obligations; and

WHEREAS, Bonneville is obligated to implement and acquire sufficient resources, including cost-effective conservation measures throughout the region, to meet its Firm Obligations with the goal of achieving and maintaining load/resource balance, so as to assure its Customers an adequate, efficient, economic and reliable power supply; and

WHEREAS, the parties have executed Contract No. _____ (IRE Agreement) which provides that Bonneville, as agent for the Purchaser and at the Purchaser's request and expense, will acquire non-Federal electric power and energy for the Purchaser from time to time in order to replace electric power and energy that is or may be restricted hereunder, and the parties intend to amend said IRE Agreement concurrently with the execution of this contract or as soon thereafter as possible; and

WHEREAS, the Purchaser desires to purchase electric power and energy for use at its production facility, or facilities, within the Region (Plant); and WHEREAS, Bonneville is required under section 4(g)(1) of the Regional Act to maintain comprehensive programs to insure widespread public involvement in the formulation of major regional power policies; and

WHEREAS, Bonneville is authorized pursuant to law to market electric power and energy generated at various Federal hydroelectric projects in the Region or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Termination of Prior Contracts.

The Prior Contracts shall be terminated, upon this contract being effective, as of 2400 hours on June 30, 1981, but all liabilities accrued thereunder are hereby preserved until satisfied.

2. Term of Contract.

(a) Unless earlier terminated pursuant to other provisions herein, this contract shall be effective for a term of 20 years commencing at 2400 hours on June 30, 1981 (Effective Date).

(b) The Purchaser may for any reason terminate service hereunder, in part or in whole, by giving Bonneville a one-year prior written notice. If all or a portion of service to the Purchaser is so terminated,

(1) the Purchaser shall reimburse Bonneville for any otherwise unrecoverable costs incurred by Bonneville through June 30, 2001 by reason of such termination; provided, however, that Bonneville shall use its best efforts to mitigate such costs; and

(2) the Purchaser shall not subsequently purchase during the term hereof the electric power and energy associated with the amount of service so terminated from a utility served by Bonneville unless Bonneville at its sole discretion determines there is no material adverse impact on the Federal System. Termination shall not be considered curtailment for purposes of this contract.

(c) If this contract is terminated or expires pursuant to this section, all liabilities accrued hereunder shall be preserved until satisfied.

3. Exhibits.

Exhibits A through D, attached hereto, are by this reference incorporated herein and made part of this contract.

4. Sale and Purchase of Power.

(a) Subject to the other provisions of this contract, Bonneville shall sell to the Purchaser, and the Purchaser shall purchase from Bonneville, Industrial Firm Power in an amount up to and including the Purchaser's Contract Demand, as specified by the Purchaser's Operating Demand, Curtailed Demand or Restricted Demand, each as in effect from time to time.

§4 (b) Subject to the other provisions of this contract, Bonneville shall sell to the Purchaser, and the Purchaser shall purchase from Bonneville, Auxiliary Power in the amount up to the Purchaser's Auxiliary Demand in effect from time to time.

(c) The Purchaser shall pay Bonneville for Industrial Firm Power and Auxiliary Power sold hereunder at the rate specified in Exhibit A, and in accordance with the provisions of Exhibit A, including section 4 of the Wholesale Power Rate Schedule for Industrial Firm Power of Exhibit A.

(d) The Purchaser may arrange to have new facilities, that are not served by Bonneville under this contract, served by a utility whether or not a Bonneville Customer, or by another source; provided, however, that such new facilities may be electrically interconnected with facilities served by Bonneville only upon mutual agreement.

(e) If the Purchaser's Plant is shut down in whole or in part because of a restriction pursuant to section 7, or a curtailment pursuant to section 9, or a combination thereof, payment pursuant to subsection (c) above shall be computed using the average of the daily measured demands from the beginning of restoration of Plant operation through the end of the period covered by the schedules submitted pursuant to sections 7(j)(4) or 9(f).

(f) If an Uncontrollable Force or event described in the Continuity of Service section of the General Contract Provisions (Event) prevents or interrupts either party from performing hereunder, both parties shall be excused from performance to the extent, that the Uncontrollable Force or Event prevents or interrupts such performance for the duration of such Uncontrollable Force or Event, and for the period required to restore the affected party's operations to the condition existing prior to the occurrence thereof. Each month during the period of the Uncontrollable Force ~~or~~ Event and for the period required to restore the affected party's operation to the condition existing prior to the occurence of the Uncontrollable Force or Event, payment pursuant to subsection (c) above shall be computed using the average of the daily measured demands for each such month.

5. Amount of Power.

(a) Contract Demand.

Subject to the other provisions of this section, the Purchaser's Contract Demand for Industrial Firm Power shall be as specified in Exhibit C.

§5 (b) Operating Demand.

(1) Subject to the other provisions of this section, the Purchaser's Operating Demand for Industrial Firm Power shall be as specified in Exhibit C until the Purchaser gives notice of an increase thereof pursuant to paragraph (3) below. No notice of an increase in Operating Demand shall be necessary with respect to increases in Operating Demand specifically set forth in Exhibit C. The Operating Demand shall at no time exceed the Contract Demand.

(2) If the Purchaser cannot operate, or does not operate for a period of two years, substantially at the level of, or at the time indicated for, an Operating Demand specified or requested hereunder, exclusive of curtailments, restrictions, Uncontrollable Forces or Events, Bonneville may amend Exhibit C to decrease said Operating Demand to the operating level upon 30 days' notice. In the event of a decrease, the Purchaser shall reimburse Bonneville for any otherwise unrecoverable costs incurred by Bonneville through June 30, 2001, because of such decrease. Bonneville shall use its best efforts to mitigate such costs.

(3) The Purchaser may alter the schedule of increases in Operating Demand set forth in Exhibit C, and otherwise may increase its Operating Demand, upon a 90-day notice to Bonneville; provided, however, that Bonneville may agree to waive all or any part of such notice. Notwithstanding such 90-day notice, the Purchaser shall give Bonneville as much advance notice as possible of any increase.

(4) In addition to the Purchaser's rights concerning curtailment as set forth in section 9, upon mutual agreement by the parties hereto, the Purchaser may reduce its Operating Demand in whole or in part to the level, for the period, and effective on the date, as specified in a notice provided to Bonneville not less than 90 days prior to the beginning of any Contract Year. If the Purchaser so reduces its Operating Demand, the Purchaser shall reimburse Bonneville for any otherwise unrecoverable costs incurred by Bonneville because of such reduction; provided, however, that Bonneville shall use its best efforts to mitigate such costs. Such reduction shall not be considered a curtailment for purposes of this contract.

(c) Auxiliary Demand.

The Purchaser's Auxiliary Demand for Auxiliary Power shall be as specified in Exhibit C.

§5 (d) Technological Allowances.

Subject to the conditions listed below, the Purchaser's Contract Demand, Operating Demand and/or Auxiliary Demand shall be changed by an amount equal to the Purchaser's request for increases or decreases in service for technological reasons other than Plant expansion.

(1) As used in this subsection, ". . . service for technological reasons other than Plant expansion . . ." means electric power and energy for improvement in the operation of the equipment installed in the Purchaser's Plant, modification of such equipment, installation of additional equipment auxiliary thereto, and installation of additional environmental protection equipment (hereinafter called "Technological Allowance").

(2) From time to time during the term of this contract, the Purchaser may submit written requests to Bonneville for Technological Allowances, which shall state that electric power and energy is required for technological reasons other than Plant expansion, and which shall specify the contemplated use for the energy, the quantity required, and the period for which it is required.

(3) The Purchaser shall give notice to Bonneville on or before December 1, 1981 of any change in Technological Allowances desired to begin in the Contract Year beginning July 1, 1981. The Purchaser shall give Bonneville written notice of any change in Technological Allowances desired in any succeeding Contract Year prior to the February 1 preceding such Contract Year. Bonneville shall respond in writing within 60 days after receipt of such notice from the Purchaser of its determination whether such request qualifies, in whole or in part, as a Technological Allowance.

(4) If Bonneville determines that all or a portion of the Purchaser's request qualifies as a Technological Allowance, then such Technological Allowance shall be served by Industrial Firm Power, and the Purchaser's Contract Demand and Operating Demand under subsections (a) and (b) above each shall be increased or decreased by such amount, subject to paragraphs (5) through (8) below.

(5) The maximum amount of electric power and energy that Bonneville will make available for Technological Allowances during each Contract Year to all Industrial Purchasers in the aggregate (Technological Allowance Pool) shall be equal to the following:

§5(d)(5)

(A) one percent of the maximum contract demands for Industrial Firm Power for each Contract Year for the period July 1, 1978, through June 30, 1981, for all of the Industrial Purchasers under their respective IF Contracts; plus

(B) one percent of the contract demands as of the Effective Date for Industrial Firm Power for each Contract Year for all of the Industrial Purchasers under power sales contracts entered into pursuant to sections 5(d) and 5(g) of the Regional Act (DSI Contracts) for the period July 1, 1981, through the end of the Contract Year for which the computation is made; provided, however, that if such contract demands are reduced to a level below the initial contract demands, subsequent additions to the Technological Allowance Pool shall be based on the reduced contract demands; minus

(C) the Technological Allowances then committed to being served by Bonneville.

§5(d)(5)

To the extent that the Technological Allowance Pool is not fully committed in any Contract Year, it shall be carried forward and shall be available for Technological Allowances in subsequent Contract Years.

(6) The maximum amount in kilowatts of Technological Allowances which each Industrial Purchaser may receive during the term of this contract which is not subject to recall under this paragraph shall be the total amount of kilowatts that will be in the Technological Allowance Pool during the term of this contract because of such Industrial Purchaser's IF Contract and DSI Contract. To the extent such Industrial Purchaser's requests exceed the aggregate amount in the Technological Allowance Pool because of such Industrial Purchaser's IF Contract and DSI Contract as of the end of the Contract Year in which the service requested is to begin, Bonneville shall serve such excess on a tentative basis to the extent electric power and energy is available in the Technological Allowance Pool. The amount served on a tentative basis shall remain available in the Technological Allowance Pool to serve requests of any other Industrial Purchaser which has first priority status pursuant to paragraph (7) below, to the extent such requests do not cause the Technological Allowances of such Industrial Purchaser to exceed the aggregate amount then in the Technological Allowance Pool

§5(d)(6) because of such Industrial Purchaser's IF Contract and DSI Contract, and to the extent that there otherwise would be an insufficiency of electric power and energy in the Technological Allowance Pool to serve such requests. Amounts served on a tentative basis which are necessary to serve such requests of other Industrial Purchasers shall be recalled by Bonneville pro rata from the Industrial Purchasers which then are being served on a tentative basis.

(7) If Bonneville receives requests for Technological Allowances to begin in any Contract Year in excess of the amount which will be in the Technological Allowance Pool during such Contract Year, Bonneville shall give first priority status to each Industrial Purchaser whose fulfilled requests prior to the beginning of the Contract Year do not exceed the aggregate amount that is in the Technological Allowance Pool as of such date because of such Industrial Purchaser's IF Contract and DSI Contract. The date on which a request is made for a Technological Allowance shall not affect the determination of priority status. As between requests of equal priority, the Technological Allowance Pool available during each Contract Year shall be allocated in the ratio that the amount requested by each such Industrial Purchaser bears to the total amount requested by all Industrial Purchasers entitled to the same priority. If the Technological Allowance Pool for a Contract Year exceeds the sum of the requests of Industrial Purchasers with first priority status for Technological Allowances to begin in such Contract Year, the balance in the Technological Allowance Pool, after allocation to completely serve the requests of Industrial Purchasers with first priority status, shall be allocated among the requesting Industrial Purchasers which do not have first priority status in the ratio that the amount requested by each such Industrial Purchaser bears to the total amount requested by all Industrial Purchasers not entitled to first priority status. In the event any allocation causes an Industrial Purchaser to be allocated less than its request, such Industrial Purchaser may reduce, withdraw, or defer its request. Allocations in accordance with this paragraph shall be recomputed if any Industrial Purchaser reduces, withdraws, or defers its request.

(8)

(A) If requests for Technological Allowances hereunder by the Purchaser for its production facility or for each of its production facilities, as the case may be, are reasonably expected to result in an increase in load over the immediate past 12-month period:

§5(d)(8)(A)

(i) of 13,300 kilowatts to 46,699 kilowatts during the subsequent 12-month period, Bonneville shall not be obligated to serve any portion of such increase with Industrial Firm Power until the start of the Contract Year commencing two years after the date the Purchaser has notified Bonneville in writing of the proposed request; and

(ii) of 46,700 kilowatts or more during the subsequent 12-month period, or 100,000 kilowatts during the subsequent 60-month period, Bonneville shall not be obligated to serve any portion of such increase with Industrial Firm Power until the start of the Contract Year commencing seven years after the date the Purchaser has notified Bonneville in writing of the proposed request, or such earlier date specified by Bonneville.

(B) Bonneville shall serve the Technological Allowances requested under subparagraph (A) above with Auxiliary Power, to the extent Bonneville determines it is available for such purpose, until the earlier of the date that sufficient Industrial Firm Power is available to serve it or Bonneville becomes obligated to serve the Technological Allowances with Industrial Firm Power pursuant to subparagraph (A) above. At such time service shall convert to Industrial Firm Power, and the Purchaser's Contract Demand and Operating Demand shall be increased by such amount. If such service is required because of a Governmental or judicial order, Bonneville shall make every effort to provide such service with Industrial Firm Power on the date such service is required.

(9) For purposes of forecasting regional energy needs pursuant to discharging its obligations under the Regional Act, Bonneville shall make provision for only those Technological Allowances that, at the time of the forecast, have been identified by an Industrial Purchaser and are reasonably likely to meet the requirements of Technological Allowances.

§5 (e) Wheel Turning Load.

From time to time the Purchaser may have electrical load which is not integral to its industrial process and is not a part of a Technological Allowance (Wheel Turning Load). The parties contemplate that such Wheel Turning Load, whether existing on the Effective Date or in the future, may be served under the following methods:

(1) Wheel Turning Loads currently served by a local utility, and additions to those loads, shall continue to be so served.

(2) Other Wheel Turning Loads may be served as a portion of the demand for Industrial Firm Power.

(3) If any Wheel Turning Loads are properly documented for Bonneville's approval and can be or are metered separately at the Purchaser's or a local utility's expense, the Purchaser may make an arrangement with the local utility for service to such load. Bonneville contemplates that if such Wheel Turning Loads are to be served by a local utility, joint feasibility studies will be conducted by Bonneville, the Purchaser, and the local utility to determine the manner of service. For such Wheel Turning Loads which are in existence on the Effective Date and which are transferred from Bonneville to a local utility for service after the Effective Date, the Contract Demand and the Operating Demand will be reduced by the amount of the load transferred.

(f) Revision of Demands.

The parties shall execute a revised Exhibit C to reflect changes in Contract Demand, Operating Demand and Auxiliary Demand hereunder from time to time as appropriate.

6. Provisions Relating to Delivery.

Electric power and energy shall be made available hereunder by Bonneville at the point(s) of delivery hereinafter described in Exhibit D directly over the Federal System at all times during the term of this contract and at the approximate voltage specified therefor. Amounts of electric energy, Integrated Demands therefor, and varhours delivered at such point(s) during each month shall be determined from measurements made by meters installed at the location(s) and in the circuit(s) specified in Exhibit D.

7. Restriction of Deliveries.

(a) The restrictions provided for in this section are independent of each other and may be made separately or in any combination, and shall be retained as indicated in section 8(a)(2). Except as provided in subsection (b) below, for the purposes of this section Bonneville may not restrict in total more than 75 percent of the Purchaser's Operating Demand.

(b) Forced Outage and Stability Reserves.

Bonneville may restrict delivery of Industrial Firm Power to the Purchaser in the proportions and for the durations specified below to the extent necessary to prevent, if possible, or to minimize restriction of any Bonneville Firm Obligation

(1) when such restriction is necessary to insure stability of the Federal System;

(2) when such restriction is necessary to insure stability of any system directly or indirectly connected with the Federal System which could affect operation of the Federal System; or

(3) when a forced outage suspends, interrupts, interferes with, or curtails the operation of the Federal System Facilities:

(1) up to 100 percent of the Operating Demand not to exceed 15 minutes; provided, however, that one such restriction in any 24-hour period may be followed by a 30-minute restriction of up to 50 percent of the load operating at the time of the initial restriction; provided, further, that a restriction under this paragraph shall not apply to the amount of power reasonably required by the Purchaser to maintain Plant security and safety; provided, further, that if such restriction equals or exceeds 50 percent of the load operating at the time of the initial restriction and is immediately followed by a restriction pursuant to paragraph (2) below, the resulting, combined restriction period shall not exceed 2 hours; provided, further, that when a restriction under this paragraph ends, Bonneville shall permit, without additional demand or unauthorized increase charges, short-term, nonrecurring demand overruns of the prior operating level as provided in section 7(j)(7);

§7(b)(3)

(2) up to 50 percent of the load then operating for not more than two hours in any one day; provided, however, that the accumulation of all restrictions under this paragraph during any calendar year shall not exceed in kilowatthours the Contract Demand multiplied by 50; provided, further, that when a restriction under this paragraph ends, Bonneville shall permit, without additional demand or unauthorized increase charges, short-term, nonrecurring demand overruns of the prior operating level as provided in section 7(j)(7); and

(3) up to 25 percent of the Operating Demand; provided, however, that the accumulation of all restrictions under this paragraph during any calendar year shall not exceed in kilowatthours the Contract Demand multiplied by 375; provided, further, that such restriction shall apply only to that portion of the Operating Demand which is in excess of 50 percent of such Operating Demand; provided, further, that when a restriction under this paragraph ends, Bonneville shall permit, without additional demand or unauthorized increase charges, short-term nonrecurring demand overruns of the prior operating level as provided in section 7(j)(7).

§7(b) Bonneville shall serve demand overruns pursuant to paragraphs (1), (2) and (3) above with Auxiliary Power, if available, and will bill the Purchaser at the energy charge associated with the overrun.

If the Purchaser is operating its Plant or portion thereof in other than the normal manner because of a prior restriction imposed by Bonneville under this section or because of an Uncontrollable Force or an Event, and believes that restriction of its Operating Demand pursuant to this subsection would therefore entail the risk of abnormal harm to the Plant facilities, the Purchaser may request Bonneville to determine whether another Industrial Purchaser is willing to take the Purchaser's place in any plan for restrictions under this subsection if such plan involves sequential restriction of the Industrial Purchasers' Operating Demands rather than simultaneous restrictions. If another Industrial Purchaser is so willing, Bonneville will attempt to alter the sequence of restrictions to accommodate the Purchaser's request during all or a specified portion of such operation by the Purchaser, to the extent that such alteration is, in Bonneville's sole determination, feasible and prudent.

§7 (c) First Quartile Restriction Rights.

Bonneville may restrict deliveries of Industrial Firm Power in amounts up to 25 percent of the Purchaser's Operating Demand, at any time and for any reason in order to protect Bonneville's ability to meet its Firm Obligations, subject to the provisions of this subsection. Bonneville may also restrict deliveries in such amounts for the purpose of displacing the operation or use of Federal System resources, if and to the extent that displacement is consistent with Bonneville's legal rights, legal obligations, and policies concerning displacement. Such restriction shall not be made for the purpose of selling nonfirm energy under the NF-1 rate schedule, its successor, or any other rate schedule. Except as provided in paragraph (2) below, Bonneville shall not be obligated to plan for or acquire resources for the purpose of serving the Purchaser's First Quartile load, but Bonneville will treat the Purchaser's First Quartile as a firm load for purposes of resource operation, which firm load shall be subject to the restriction rights provided by this subsection.

(1) The total of such restrictions and the amount of curtailment by the Purchaser pursuant to sections 8(b)(3), 8(b)(4) and 9(b) shall not at any time exceed 25 percent of the Purchaser's Operating Demand.

(2) During any portion of a Contract Year into which Bonneville shifts FELCC pursuant to section 8 to serve all or a portion of the Purchaser's First Quartile load, Bonneville shall retain its First Quartile restriction rights but shall acquire or recall any electric energy which it is legally authorized to acquire or recall, and which is available at a Reasonable Cost, before restricting or continuing to restrict that portion of the Purchaser's First Quartile.

(3) During each Contract Year, Bonneville shall conserve (including by storage) electric power and energy in excess of amounts required to serve its Firm Obligations, including for purposes of this paragraph the Industrial Purchasers' total Operating Demands, for service to the Industrial Purchasers' First Quartile loads; provided, however, that such conservation will, in Bonneville's sole determination, be prudent under the circumstances.

(4) If the Purchaser shuts down all or a portion of its Plant as a result of a restriction under this subsection, the restriction shall remain in effect, unless the parties otherwise agree, until a date specified by Bonneville in a notice to the Purchaser,

§7(c)(4) in which notice Bonneville states that it expects to be able to resume deliveries on the specified date and to continue them for at least 90 days thereafter; provided, however, that if Bonneville elects to make such restrictions over only the peak load hours of a day, and if one of the following occurs, the Purchaser may elect to shut down all or a portion of its Plant until the resumption date specified by Bonneville in a subsequent notice given pursuant to this paragraph:

(A) one-fourth of the Operating Demand is restricted for one or more hours each day over a period of 14 consecutive days;

(B) one-fourth of the Operating Demand is restricted for five hours in any 24-hour period or more than ten hours in any 72-hour period;

(C) the total number of kilowatthours restricted in any 14-day period exceeds two percent of a number obtained by multiplying the Operating Demand by 336; or

(D) in any 24-hour period more than 15 percent of the Operating Demand is restricted for more than 10 hours or more than 20 percent of the Operating Demand is restricted for more than 5 hours.

(d) Second Quartile Restriction Rights.

(1) In order to meet its Firm Obligations, Bonneville may restrict deliveries of Industrial Firm Power to the Purchaser consistent with subsections (f)(3), (f)(4) and (j)(3) below in amounts up to the lesser of:

(i) 25 percent of the Purchaser's Operating Demand, or

(ii) the Purchaser's share, based on Operating Demand, of the amount by which Bonneville is unable to meet its Firm Obligations by reason of power and energy unavailable due to:

Delay.

(A) a delay from the initially planned date of commercial operation of a Federal System generating unit or Conservation Investment Resource, subject to subparagraph (C) below;

§7(d)(1)(ii) Unexpected Poor Performance.

(B)

(i) unexpected poor performance of a planned Federal System generating unit or Conservation Investment Resource which fails to attain initially its design capability for technological reasons including, but not limited to, design error or equipment failure, subject to subparagraph (C) below;

(ii) the inability of an existing, or a new, Federal System generating unit or Conservation Investment Resource that has attained commercial operation to perform at its expected capability for technological reasons including, but not limited to, design error or equipment failure, as determined by Bonneville or an appropriate regulatory agency having jurisdiction; or

Governmental Order.

(C) a delay or failure to attain capability pursuant to subparagraphs (A) and (B)(i) above, but not subparagraph (B)(ii) above, if such conditions are due to the order or orders of any governmental agency having jurisdiction over such matters; provided, however, that laws or ordinances enacted by legislative bodies or through ballot measures shall not be considered orders of governmental agencies.

§7(d)(1) The total of restrictions pursuant to this subsection and the amount of curtailment of the Second Quartile pursuant to section 9(c) shall not at any time exceed 25 percent of the Purchaser's Operating Demand.

§7(d) (2) Federal System Operating Reserve.

In order to protect Bonneville's Firm Obligations from occurrences that otherwise might require Bonneville to restrict such Firm Obligations during the Contract Year of such occurrences, Bonneville shall have the right to make restrictions during such Contract Year pursuant to paragraphs (1)(B)(i) and (ii) above, subject to the limitations contained herein and in paragraphs (4), (5) and (6) below.

(A) Restrictions pursuant to paragraph (1)(B)(i) above shall be limited, in the Contract Year of occurrence, to the lesser of 25 percent of the Purchaser's Operating Demand or the Purchaser's share, based on Operating Demand, of one-half the amount of energy by which Bonneville estimates, after such occurrence, but prior to acquiring or recalling additional resources and prior to an actual restriction or region-wide appeal hereunder, that it will be unable to meet its Firm Obligations during the remainder of such Contract Year because of such occurrence. If the occurrence continues in subsequent Contract Years, such limitation to the Purchaser's share of one-half the amount of energy shall not apply during such subsequent Contract Years, and Bonneville shall give notice of potential restriction, if necessary, pursuant to subsection (f)(3) below, and subject to the limitations contained in subsection (f) and this subsection.

(B) Restrictions pursuant to paragraph (1)(B)(ii) above shall be limited to the lesser of 25 percent of the Purchaser's Operating Demand or the Purchaser's share, based on Operating Demand, of one-half the amount of energy by which Bonneville estimates that it will be unable to meet its Firm Obligations because of such occurrence. In the case of such restrictions during the Contract Year of occurrence, such limitation shall be calculated for the remainder of the Contract Year, prior to and excluding the effects of the acquisition or recall of additional resources after such occurrence, and of any actual restriction or region-wide appeal hereunder. In the case of such restrictions for each subsequent Contract Year, such limitation shall continue and shall be reflected in any notice pursuant to subsection (f)(3) below.

§7(d)(2)

(C) Bonneville shall give as much notice of an actual restriction hereunder as is practicable under the circumstances, but in no event less notice than that required to permit an orderly reduction of any portion of the Purchaser's operation that may be reduced as a result of such restriction. In the event of an actual restriction, the Purchaser may submit a proposal under which the Purchaser will provide Bonneville the energy associated with the actual restriction, in accordance with subsection (f)(4)(D) below.

(D) Simultaneously with any actual restriction pursuant to paragraphs (1)(B)(i) and/or (1)(B)(ii) above, Bonneville shall publicly call for a region-wide voluntary curtailment of non-essential uses of electric energy, and shall include in its region-wide appeal the information that Bonneville's ability to continue to meet its Firm Obligations depends on such voluntary curtailment as well as on actual restrictions of the Purchaser's load hereunder. In the case of actual restrictions imposed in Contract Years subsequent to the year of occurrence, such appeal shall be made simultaneously with such actual restrictions. All such appeals shall be repeated at regular intervals during any period when actual restrictions hereunder remain in effect.

(3)

(A) Prior to its determination of the planned capabilities and planned completion dates of Federal System resources or Conservation Investment Resources that Bonneville plans to use to meet its Firm Obligations, other than Federal System resources committed to prior to the Effective Date, Bonneville shall afford to the Purchaser a reasonable opportunity to review and comment upon:

(i) the preliminary determinations of such capabilities and dates, and

(ii) the methodology used by Bonneville as the basis for such determinations.

§7(d)(3)(A) Such opportunity shall be afforded only for the purpose of assisting Bonneville in assembling information, including but not limited to technical data, that may be useful to Bonneville in making its final determinations as accurate and realistic as possible. The same opportunity shall be afforded by Bonneville prior to any significant adjustment in such capabilities or completion schedules if adjustments in previously planned capabilities or completion dates are proposed for resources to be included in future final lists furnished pursuant to subparagraph (B) below. In the case of non-major resource programs involving more than one individual resource, Bonneville may to the extent necessary and appropriate determine the planned capability and planned completion date of the program as a whole, rather than specify individual resource capabilities and completion dates, and in such a case Bonneville shall also specify the average planned capability per individual unit, the planned number of units, and the planned schedule of implementation.

(B) Bonneville shall furnish the Purchaser by each June 1 a list of Federal System resources and Conservation Investment Resources for which the Purchaser's Second Quartile provides a reserve for the following Contract Year, listing initially planned completion dates and capabilities determined after the opportunity to comment pursuant to subparagraph (A) above. Such annual list shall be deemed a part of this contract. Such list shall be final for purposes of determining potential restrictions in such Contract Year in the case of restrictions for which notice is required prior to such Contract Year.

(4)

(A) Delays in the construction of generating units to the extent caused by insufficient appropriated funds, or delays in the implementation of Conservation Investment Resources to the extent caused by a demonstrable insufficiency of funding, shall not be a cause for restriction of Industrial Firm Power under this subsection.

(B) Bonneville shall use its best efforts consistent with its legal obligations to avoid any delays, unexpected poor performance, or other reductions in resource capability to which it is entitled, including but not limited to delays or other reductions required by order of any governmental agency having jurisdiction, if such resource capability is needed to serve Bonneville's Firm Obligations.

(5) In order to avoid making or continuing a restriction of Industrial Firm Power under this subsection, Bonneville shall acquire or recall any electric power and energy which it is legally authorized to acquire or recall from any source, including the Industrial Purchasers, and which is available at a Reasonable Cost.

(6) No restriction or right to restrict pursuant to this subsection shall be effective for more than seven years from the date of the event described in paragraph (1) above which gave Bonneville the right to restrict. Following loss or other reduction of resource capability for any cause, Bonneville shall use its best efforts, consistent with prudent utility practice and its obligations under the Regional Act and other applicable provisions of law, to plan for and to acquire resources sufficient to meet any resource deficiency caused by resource capability which is delayed or otherwise reduced for any reason to the extent such capability is required to enable Bonneville to meet its Firm Obligations.

(7) Delay from the initially planned date of commercial operation of a planned Federal System resource, which in Bonneville's sole determination is due to an estimated lack of Firm Obligations to support the need for a resource (Resource Slowdown), shall not be a cause for restriction under paragraph (1)(A) above. In the event of such a determination, the limitation period specified in paragraph (6) above shall be suspended for the duration of such Resource Slowdown due to lack of Firm Obligations, and the initially planned date of commercial operation of the resource shall (for the purpose of measuring delay) be changed to the new date selected after the Resource Slowdown has ended.

§7(d) (8) Conservation Investment Resources.

(A) The restriction rights provided in paragraph (1) above shall be available to protect Bonneville's ability to meet its Firm Obligations in the event of the delayed completion or unexpected poor performance of planned Conservation Investment Resources that are implemented or acquired by Bonneville or, if implemented or acquired by another entity, relied upon by Bonneville in the calculation of its ability to meet its Firm Obligations.

(B) The term "Conservation Investment Resource" shall mean a conservation measure or resource for which power is (or is planned to be) saved by means of physical improvements, alterations, devices or other installations measurable in units, as distinct from conservation efforts that rely upon or promote changes in Consumer behavior. The restriction rights provided by this subsection (d) are not intended to, and do not, provide a reserve for unanticipated load growth, including unanticipated load growth caused by the failure of Consumers to behave in a manner that saves energy.

(C) Bonneville shall include in the list of resources to be made available to the Purchaser pursuant to paragraph (3)(B) above those Conservation Investment Resources to which this subsection applies. A description of the Conservation Investment Resource, its planned schedule of implementation, and the planned savings it is expected to achieve for each Contract Year during such schedule, shall also be included for the purpose of determining planned completion dates and planned performance. Such list shall also include the available information on the actual rate of implementation of such resource in the case of lists made available to the Purchaser after the planned date on which implementation of the resource was to have begun.

§7(d)(8)

(D) For purposes of determining the amount of electric power and energy to have been saved but not saved in fact by any such Conservation Investment Resource, the following formula shall be used to compute actual savings achieved in each Contract Year, and such savings shall be deemed to have been achieved in the absence of reliable evidence to the contrary:

$$A_s = \frac{A_u}{P_u} \times P_s, \text{ or } A_s = A_u \times \text{planned savings per unit}$$

where:

A_s = actual savings deemed achieved;

A_u = actual physical units improved, altered, installed or otherwise appropriately implemented;

P_u = physical units planned to have been improved, altered, installed or otherwise implemented; and

P_s = planned savings (to be determined by multiplying planned savings per unit times P_u).

(E) The determination of P_u, P_s and planned savings per unit in the foregoing formula shall be made independently by Bonneville for all Conservation Investment Resources, on the basis of historical experience and realization factors, and other available information likely to help produce realistic values for these variables; provided, however, that in the case of Conservation Investment Resources relied upon by Bonneville in the calculation of its ability to meet its Firm Obligations but planned to be implemented or acquired by another party, such determination may be made through a process selected by Bonneville and available for review and comment by the Purchaser as contemplated in paragraph (d)(3) above. Such determination shall give particular weight to the appropriate historical

experience, if any, with similar resources, which shall be the starting point in determining the estimated amount of power those types of resources may produce, with the goal of arriving at values for P_u and P_s that are likely to equal A_u and A_s, respectively. The parties agree that the objective of a Conservation Investment Resource program is that P_u should not exceed A_u, and P_s should not exceed A_s, except for unforeseeable reasons, and that the values adopted for P_u and P_s should be readily achievable in actual practice.

(F) In accordance with the foregoing provisions, a Conservation Investment Resource shall be deemed to have been delayed in completion or to have had unexpected poor performance if, and to the extent, that A_s is less than P_s, each determined as set forth above. Bonneville shall make such determination of A_s prior to each June 1, based on A_u for the prior calendar year.

(G) If and when Bonneville learns that A_s is less than P_s for any given Conservation Investment Resource, at any point during the implementation of such resource, subject to the provisions of paragraph (6) above, Bonneville shall take appropriate steps to replace the capability unavailable to it, as if a planned generating resource had been delayed in completion or had failed to achieve its designed capability.

(e) <u>Third Quartile Restriction Rights</u>.

(1) Bonneville may restrict deliveries of Industrial Firm Power to the Purchaser to serve its Third Quartile load during a Contract Year, subject to the provisions of paragraph (5) below, up to the amount of electric energy evidenced by:

(A) the greater of the outstanding debits in the Purchaser's Delivered FELCC Account or the Purchaser's applicable Shifted FELCC Account, if, for such Contract Year, the FELCC is established from the last Contract Year of a Critical Period; or

(B) the lesser of the outstanding debits in the Purchaser's Delivered FELCC Account or the Purchaser's applicable Shifted FELCC Account, if, for such Contract Year, the FELCC is established from other than a last Contract Year of a Critical Period.

§7(e)

(2) Simultaneously with any actual restriction in a Contract Year for which FELCC is established from the last Contract Year of a Critical Period Regulation pursuant to paragraph (1)(A) above, Bonneville shall publicly call for a region-wide voluntary curtailment of non-essential uses of electric energy, and shall include in its region-wide appeal the information that Bonneville's ability to continue to meet its Firm Obligations depends on such voluntary curtailment as well as on actual restrictions of the Purchaser's load hereunder. All such appeals shall be repeated at regular intervals during any period when actual restrictions hereunder remain in effect.

(3) If during a Contract Year Bonneville borrows FELCC from later months of such Contract Year and uses such borrowed FELCC to serve the Purchaser's First Quartile load, Bonneville may restrict deliveries of Industrial Firm Power later in such Contract Year up to 25 percent of the Purchaser's Operating Demand. Such restriction shall not exceed the lesser of

(A) the amount of energy delivered to the Purchaser as borrowed FELCC, or

(B) the Purchaser's share of the amount of energy by which Bonneville is otherwise unable to meet its Firm Obligations during such Contract Year by reason of the borrowed FELCC during such Contract Year.

(4) Bonneville shall use its best efforts to store and conserve water and energy associated therewith in order to avoid or to reduce the Purchaser's exposure to restriction pursuant to paragraphs (1) and (3) above.

(5) The total of restrictions pursuant to this subsection shall not exceed in any case the lesser of:

(A) 25 percent of the Purchaser's Operating Demand less the amount of the Purchaser's Third Quartile load curtailment pursuant to section 9(c); or

(B) the Purchaser's share of the amount of energy by which Bonneville is otherwise unable to meet its Firm Obligations, by reason of the borrowed or Shifted FELCC, after using its full FELCC, including the operation or replacement of all the resources included therein.

§7(e) (6) Bonneville shall not restrict the Purchaser's Third Quartile load for the purpose of selling nonfirm energy under the NF-1 rate schedule, its successor, or any other rate schedule. Bonneville shall not be obligated to plan for or acquire resources to alleviate a Third Quartile restriction pursuant to this subsection, but Bonneville will treat the Purchaser's Third Quartile load as a firm load for purposes of resource operation.

(f) Notices and Purchaser Proposals.

(1) Auxiliary Demand and First Quartile.

Bonneville shall give as much advance notice as possible for a restriction pursuant to subsection (c) above, or subsection (i) below.

(2) Forced Outage and Stability.

Bonneville may impose a restriction pursuant to subsection (b) above without notice.

(3) Annual Notice - Second and Third Quartiles.

(A) By June 1, Bonneville shall give written notice to the Purchaser of any potential restriction pursuant to subsections (d) and/or (e)(1) above, except for a restriction made during the Contract Year of occurrence pursuant to subsection (d)(2) above, that Critical Period Regulations indicate may be required during the next Contract Year, including anticipated delays. The notice shall inform the Purchaser of the potential amount and period of potential restriction applicable in each such Critical Period Regulation pursuant to each such subsection. Such notice shall also inform the Purchaser of Bonneville's estimate of the FELCC which will be established for the next Contract Year.

If any of the possible Critical Period Regulations indicate a possible need for a restriction pursuant to subsection (d) above, Bonneville will specify the unit(s), resource(s), or measure(s), initially planned capability(s), and initially planned date(s) of commercial operation involved, along with the amount of reduction(s) from initially planned capability and/or estimated delay(s).

§7(f)(3)

(B) If Bonneville expects that it will need to impose a restriction pursuant to subsections (d) and/or (e)(1) above between July 1 and August 31 of the next Contract Year, it shall so state in the June 1 notice, indicating the subsections pursuant to which it expects to restrict and its estimate of the amounts and periods of restriction for each such subsection.

If between June 1 and August 31, Bonneville revises the estimated amount or period of any such restriction, it shall notify the Purchaser as soon as possible. Bonneville may begin imposing such restrictions on the date and in the amount specified in the latest notice to the Purchaser.

(C) Not later than August 15, Bonneville shall notify the Purchaser of the FELCC established for that Contract Year, and of any revisions of the information provided in notices since June 1. Bonneville may begin a restriction pursuant to such notice at 2400 hours on August 31.

(4) Notice of Actual Restriction - Second and Third Quartiles.

(A) Second Quartile.

Bonneville will determine actual restrictions of energy under subsection (d) above for the Purchaser by multiplying the actual amount of restriction in kilowatthours for all Industrial Purchasers by the ratio of the amount of Operating Demand subject to restriction in subsection (d) above for the Purchaser to the total amount of Operating Demands subject to the same restriction for all Industrial Purchasers. Such actual restriction shall not exceed the amount of potential restriction indicated in the applicable notice given to the Purchaser pursuant to paragraph (3) above.

(B) FELCC - Third Quartile.

Bonneville shall determine the amount of energy needed for an actual restriction pursuant to subsection (e)(1) above.

§7(f)(4)

(C) Flexibility - Third Quartile.

Pursuant to section 8(d)(3), Bonneville will determine the amount of Flexibility Replacement Energy required, if any, for a restriction pursuant to subsection (e)(3) above, and the date by which the Purchaser and other Industrial Purchasers shall deliver their respective shares of Flexibility Replacement Energy.

(D) Notice and Proposal.

Bonneville will notify the Purchaser as soon as possible of any actual restriction necessary under subsections (d) and/or (e) above, including any restriction pursuant to subsection (d)(2) above. The notice shall state the date by which the restriction will be implemented. Upon receipt of the notice, the Purchaser shall as soon as practicable submit a proposal which will provide delivery to Bonneville, prior to the date specified in the notice, of the energy associated with the actual restriction in the amounts determined in this paragraph (4), under conditions which enable Bonneville to use such energy to supply its Firm Obligations. The Purchaser shall supply such energy by any method including, but not limited to, reductions of its load on the Federal System. The Purchaser shall not be required to reduce its load on the Federal System to less than 25 percent of its Operating Demand but will have the option of doing so. Bonneville will notify the Purchaser in a timely manner whether or not the proposal is acceptable. If the Purchaser does not submit a timely proposal which Bonneville accepts, Bonneville will implement the restriction pursuant to subsections (d) and/or (e) above, as the case may be.

(g) Revision of Quartile Restrictions.

Bonneville may revise the amount and estimated duration of any actual restrictions imposed in accordance with subsections (c), (d), and (e) above. If so revised, Bonneville shall give the Purchaser as much advance notice as possible. The total amount of such revised restriction(s) may not exceed the lesser of the maximum amounts permitted in accordance with said subsections or the amounts set forth in the notices submitted pursuant to subsections (f)(3) and (f)(4) above.

§7 (h) Restriction for Advance Replacement Energy.

If the Purchaser fails to submit a satisfactory proposal for delivery of Advance Replacement Energy in accordance with section 8(c)(10), Bonneville shall impose a restriction of deliveries to the Purchaser. Said restriction will be in the amount and for the duration of the period estimated by Bonneville in its notice to deliver Advance Replacement Energy pursuant to section 8(c)(10), unless Bonneville notifies the Purchaser of a different amount and period of restriction prior to imposing the restriction.

(i) Auxiliary Demand Restriction Rights.

Bonneville may restrict deliveries of Auxiliary Power in whole or in part for any reason.

(j) General Provisions Regarding Restrictions.

(1) Bonneville shall to the extent practicable apportion restrictions among the Purchaser's production facilities in the region as requested by the Purchaser.

(2) Upon mutual agreement of the parties, this contract may be amended to adjust the provisions whereby Bonneville restricts the delivery of Industrial Firm Power to the Purchaser in order to reflect changed operating conditions, or to use means other than restrictions of the Purchaser's demands to provide more cost-effective reserves for Bonneville's Firm Obligations.

(3) Unless otherwise agreed, restrictions of deliveries under subsections (c), (d), and (i) above shall be made proportionately among all Industrial Purchasers on the basis of their respective Operating Demands and/or Auxiliary Demands subject to such restrictions; provided, however, that restrictions pursuant to subsection (i) above shall be made before restrictions pursuant to subsections (c), (d) and (e) above; provided, further, that an Industrial Purchaser which has voluntarily curtailed deliveries pursuant to sections 9(a), 9(b), and/or 9(c) shall not be further restricted until all other Industrial Purchasers have been restricted to the same percentage of Auxiliary Demand and/or Operating Demand, as applicable. Commencing with the billing period next following the imposition of such restrictions, the nondelivery of electric power and energy shall be treated for all purposes as a restriction, and not a curtailment, up to the amount of the restriction.

§7(j)

(4) If the Purchaser's Plant is shut down in whole or in part because of a restriction pursuant to this section, whether alone or in combination with the exercise of the Purchaser's option under sections 9(e) and/or (f), prior to the resumption of deliveries of power under this contract, the Purchaser shall supply Bonneville with a schedule of requested deliveries for a period, not in excess of three months, during which the Purchaser's Plant will return to full operation, or, if deliveries are only partially restored during such period, the optimum operation possible with such partial restoration. The Purchaser shall use its best efforts to restore Plant operation in accordance with such schedule. The three months' period may be extended at Bonneville's discretion for such additional time as is justified by the requirements of resumption of full operation.

(5) Bonneville shall use its best efforts to include contractual oversight provisions in its resource acquisition contracts with resource owners and operators to assure prudent construction and operation of their resources in order to minimize restrictions hereunder.

(6) The restriction rights provided in subsection (d) above do not provide a reserve for the purpose of meeting unanticipated load growth or because the Region has failed to plan adequate resources.

(7) Prior to a restriction under subsections (c), (d), or (e) above, Bonneville shall permit, without additional demand or unauthorized increase charges, nonrecurring demand overruns of the existing operating level necessary for the Purchaser to adequately prepare for such restriction. When any such restriction ends, Bonneville shall also permit, without additional demand or unauthorized increase charges, nonrecurring demand overruns of the resumed scheduled operating level. Such overruns shall not exceed a period of four hours; provided, however, that overruns occasioned by peak restrictions pursuant to subsection (c)(4) above, or forced outage and stability restrictions pursuant to subsection (b) above shall not exceed a period of 24 hours. Bonneville shall serve such overruns with Auxiliary Power, if available, and will bill the Purchaser at the energy charge associated with the overrun.

8. Operations.

(a) Principles.

(1) Bonneville is obligated to and will treat 75 percent of the Industrial Purchasers' Operating Demands as a firm load for purposes of both resource planning and operation, and the remainder of such Operating Demands as a firm load for purposes of resource operation only.

(2) Bonneville will meet the foregoing obligation while retaining the restriction rights set forth in this contract. Nonfirm energy will not be sold under the NF-1 rate schedule, its successor, or any other rate schedule if, in Bonneville's sole determination, such energy could be prudently conserved for service to the Industrial Purchasers' First Quartile loads.

(3) In addition to conserving energy, consistent with section 7(c), for service to the First Quartile, Bonneville will provide First Quartile service through use of techniques and rights enabling Bonneville to move firm load and/or firm power between and among periods of time, subject to prudent operation, to the extent permitted by law and other operating limitations, including but not limited to the Coordination Agreement.

(A) The purpose of these efforts by Bonneville is to achieve the highest possible availability of Industrial Firm Power, consistent with the treatment of the First Quartile as a firm load for purposes of resource operation, to the extent this load can be met without diminishing the level of protection of all of Bonneville's Firm Obligations against the worst historical streamflows and maintaining an ability to exercise the restriction rights pursuant to section 7, and other rights provided hereunder.

(B) The techniques that Bonneville will or may use to achieve this purpose include, but are not necessarily limited to:

(i) the shifting of FELCC from one year of the Critical Period to another;

(ii) the borrowing of FELCC within given years of the Critical Period;

(iii) the use of FELCC available to Bonneville prior to the beginning of the Critical Period in the early months of given Contract Years; and

(iv) the use of Advance Energy and other provisional reservoir drafts.

(C) The terms and conditions applicable to such techniques when used to provide First Quartile service shall be those described in this section, unless otherwise mutually agreed. In the event that Bonneville allocates energy associated with any of the techniques in subparagraph (B) above, Bonneville will deliver such energy to the Purchaser in the order, if any, and during the periods, if any, specified in the operating agreements or annual operating plans described in paragraph (4) below, or such longer period as determined by Bonneville.

(D) The techniques in subparagraph (B) above are independent of one another and may be used by Bonneville either separately or in any combination.

(4) Operating agreements between Bonneville and the Industrial Purchasers exist as of the Effective Date of this contract. Operating agreements or annual operating plans are contemplated to exist from time to time during the term of this contract. The annual operating agreement for the 1981-82 Contract Year presented in the letter dated August 14, 1981, from Bonneville to the Industrial Purchasers is hereby incorporated herein.

(A) Such operating agreements or annual operating plans may, and ordinarily will, differentiate between operations providing service for the First Quartile and operations providing service in lieu of restriction for other Quartiles, reflecting the distinctions set forth in paragraph (1) above.

(B) The parties shall use their best efforts to arrive at an operating agreement or annual operating plan prior to each Contract Year.

§8(a)(4)

(C) If an operating agreement or annual operating plan for First Quartile service is not agreed upon by the parties, Bonneville will use its best efforts under this section to provide First Quartile service in accordance with the annual operating agreement for the 1981-82 Contract Year, or under an annual operating plan that would provide comparable service for the first half of the Contract Year with comparable risks and benefits for the Industrial Purchasers and Bonneville.

(D) Operating agreements or annual operating plans may by agreement alter the provisions that would otherwise apply pursuant to sections 7, 8, and 9 of this contract.

(E) Unless Bonneville determines, upon agreement with the Industrial Purchasers, that a larger or longer shift of FELCC would be prudent under the circumstances, Bonneville shall not shift non-surplus FELCC for service to the Purchaser's First Quartile load into that portion of the Contract Year following the date of availability of the forecast, determined by Bonneville to be the first reliable forecast, of the Columbia River Basin volume runoff. This limitation shall not apply to Advance Energy or Flexibility Energy.

(F) Bonneville shall consult with the Industrial Purchasers in order to attempt to develop an energy accounting system for the purpose of reflecting the impact of operations under this section on Bonneville's ability to meet its Firm Obligations, and adjusting the obligation of the Industrial Purchasers for replacement of energy accordingly.

(G) Prior to agreeing to any modification of the Coordination Agreement or taking any other action that would reduce the expected average availability of Industrial Firm Power under this contract by altering Bonneville's ability to operate the resources available to it, or by altering the bases on which Bonneville plans its acquisition or operation of resources, Bonneville will consult with the Industrial Purchasers as to any amendments to the DSI Contracts that may be possible to preserve

§8(a)(4)(G) for the Industrial Purchasers such expected average availability. In the event of any such modification or action, Bonneville will use its best efforts to continue to provide the Industrial Purchasers with Industrial Firm Power in the average amounts expected to be available pursuant to the DSI Contracts, and both parties will negotiate in good faith any such contract amendment.

(b) Shift of FELCC.

(1) During the period February through July of each year, the Firm Energy Load Carrying Capability (FELCC) of the Federal Columbia River Power System is determined for the next Critical Period according to the terms of the Coordination Agreement. Subject to the terms and conditions of this section, the Coordination Agreement and prudent utility practice, Bonneville shall shift non-surplus FELCC (Shifted FELCC) and Surplus FELCC into the first Contract Year, or portion thereof, of the Critical Period to serve the Industrial Purchasers' First Quartile loads in addition to Bonneville's other Firm Obligations. Bonneville shall make available and deliver such energy subject to the provisions of this subsection and subsection (d) below.

(A) Bonneville shall determine in its sole discretion how Shifted FELCC shall be made available. Bonneville will specify whether:

(i) Shifted FELCC shall be made available for limited periods or amounts, or

(ii) Shifted FELCC shall be allocated. If it is to be allocated, Bonneville shall allocate such energy proportionately among all Industrial Purchasers on the basis of each Industrial Purchaser's projected operating level in excess of 75 percent of its Operating Demand unless otherwise agreed by the parties.

(B) For each Contract Year of a Critical Period Bonneville will maintain an account and will record therein in kilowatthours the resulting debits and credits to be made to the Purchaser hereunder based on FELCC shifted from such year for the purpose of making Shifted FELCC available to the Purchaser by Bonneville pursuant to this subsection (Shifted FELCC Account).

§8(b)(1)(B)

Prior to the first Contract Year of each Critical Period during the term hereof, the Purchaser will receive for each succeeding Contract Year of such Critical Period a debit of one kilowatthour for each kilowatthour of FELCC shifted from such succeeding Contract Year to be made available during the first Contract Year of such Critical Period pursuant to this subparagraph; provided, however, that the total of all such debits shall not be greater than the amount of Shifted FELCC indicated for the Purchaser in the most recent notice given pursuant to section 7(f)(3). Monthly amounts of outstanding debits used for purposes of subparagraph (B)(iii) below shall be determined based on the actual deliveries of Shifted FELCC or the last month in which Bonneville determines such Shifted FELCC was made available.

At the beginning of each Contract Year during the term hereof, the Purchaser will receive for each month of the previous Contract Year:

(i) a credit or debit, as the case may be, of one kilowatthour for each kilowatthour of Shifted FELCC reassigned pursuant to paragraph (b)(4) below;

(ii) a credit to the Shifted FELCC Account for the Contract Year, determined by Bonneville at the time of the restriction, of one kilowatthour for each kilowatthour of

(I) Shifted FELCC which was not delivered because of a restriction pursuant to section 7(c) or Uncontrollable Force or an Event during such month, and

(II) Shifted FELCC returned to Bonneville through a restriction pursuant to section 7(e)(1) during such month; and

§8(b)(1)(B)

(iii) a debit of kilowatthours in the amount of FELCC Head Losses associated with the net outstanding debits in the Shifted FELCC Account for such month.

(C) Bonneville will maintain an account and will record therein in kilowatthours the debits and credits to be made to the Purchaser based upon Shifted FELCC made available to the Purchaser by Bonneville hereunder (Delivered FELCC Account). At the end of each month in the term hereof, the Purchaser will receive:

(i) a credit of one kilowatthour for each kilowatthour of

(I) Shifted FELCC which was not delivered because of a restriction pursuant to section 7(c) or Uncontrollable Force or an Event during such month, and

(II) Shifted FELCC returned to Bonneville through a restriction pursuant to section 7(e)(1) during such month;

(ii) a debit of kilowatthours in the amount of FELCC Head Losses associated with the net outstanding debits in the Delivered FELCC Account for such month; and

(iii) a debit of one kilowatthour for each kilowatthour of Shifted FELCC to be made available to the Purchaser by Bonneville during the following month;

§8(b)(1)(C)

provided, however, that for the purpose of section 7(e)(1)(A) the total of outstanding debits for all the Industrial Purchasers shall not exceed at any time the amount by which Bonneville determines that the appropriate Reservoirs' contents were below the contents they would have attained had Bonneville not actually delivered such Shifted FELCC to the Industrial Purchasers.

§8(b)(1)

(D) The outstanding debits in the Purchaser's Shifted FELCC Account shall be cancelled and no credits or debits shall accrue to such account thereafter:

(i) for the current Contract Year of any Critical Period at 2400 hours on June 30 of such Contract Year;

(ii) for a Contract Year for all Critical Periods other than the Critical Period from which such Contract Year's FELCC is established, at 2400 hours on July 31 of such Contract Year; and

(iii) for each Contract Year of a Critical Period at such time as the FELCC for the first Contract Year of such Critical Period is established from a Contract Year other than the first Contract Year of such Critical Period.

(E) The Outstanding debits in the Purchaser's Delivered FELCC Account shall be cancelled as of the beginning of a Contract Year if, for such Contract Year, the FELCC is established from a first Contract Year of a Critical Period.

(2) If the FELCC which is established for the Contract Year includes service to part or all of the Industrial Purchasers' First Quartile loads, Bonneville shall use all of its firm resources, including its rights to secure energy to support FELCC, to serve such portions of the Operating Demands so included up to the amount of energy shifted therefor in paragraph (1) above.

(3) <u>Rejection of Proposed First Quartile FELCC Shift</u>.

(A) Upon receipt of Preliminary Regulation results, Bonneville shall notify the Industrial Purchasers of the anticipated amount of Shifted FELCC to be made available for the succeeding Contract Year and the portion of such year in which it is anticipated to be made available (First Quartile FELCC Shift). Within two weeks thereof, the Purchaser may by written notice reject all or any portion of its share of a First Quartile FELCC Shift for the following Contract Year, and Bonneville shall not

§8(b)(3)(A)

shift for the Purchaser the amount so rejected. Such notice shall specify the amount of First Quartile FELCC Shift rejected and the period covered by the rejection (a minimum of 30 consecutive days unless waived by Bonneville).

(B) For the period specified in the notice or the period of First Quartile FELCC Shift, whichever is shorter (Prior Notice Period), Bonneville may, but will not be obligated to, serve the portion of the First Quartile that could have been served with rejected FELCC. The Purchaser may curtail its Plant load, but if it does not or if it restores Plant load during the Prior Notice Period after a curtailment, and if Bonneville is able to serve such portion of the First Quartile, such service will be provided with Auxiliary Power, which may not be displaced by the Purchaser's use of non-Federal energy. With respect to the demand associated with any portion of the load not served by Bonneville during the Prior Notice Period and which is not curtailed and could have been served with the rejected FELCC, the Purchaser shall pay Bonneville the partial demand charge specified in section 9(c)(2), subject to the conditions specified therein.

(C) The conditions in subparagraph (B) above shall apply unless:

(i) Bonneville indicates in its notice by August 15, pursuant to section 7(f)(3)(C), the established FELCC did not include a non-surplus FELCC shift for the First Quartile; or

(ii) Bonneville is able to find another Industrial Purchaser(s) who will agree to accept within the same Prior Notice Period the rejected FELCC shift; <u>provided</u>, <u>however</u>, that deliveries of Industrial Firm Power to such other Industrial Purchaser(s) shall not in total exceed 100 percent of each such other Industrial Purchaser's Operating Demand, nor exceed the amount of energy that can be returned through Third Quartile restriction rights pursuant to section 7(e) in years from which FELCC was shifted.

§8(b) (4) Rejection After First Quartile FELCC Shift.

By written notice to Bonneville at least 24 hours before the first day of any month, the Purchaser may reject all or a portion of deliveries of First Quartile FELCC Shift without reducing its Plant load, but it may elect to do so under the same or a separate notice. Such written notice shall specify the amount of First Quartile FELCC Shift rejected and the period covered by the rejection. Each such rejection shall be in force in the amount, and for the period of time, specified in the Purchaser's notice (but at least 30 consecutive days unless waived by Bonneville), unless subsequently changed by the Purchaser giving similar notice. For the period specified in the notice or the period of First Quartile FELCC Shift, whichever is shorter (Post Notice Period), such rejection shall not reduce the Purchaser's Third Quartile restriction obligations unless Bonneville is able to find another Industrial Purchaser(s) who will agree to accept within the same Post Notice Period (unless otherwise agreed by Bonneville) the energy associated with the rejected FELCC shift and the subsequent return obligation; provided, however, that deliveries of Industrial Firm Power to such other Industrial Purchaser(s) shall not in total exceed 100 percent of each such other Industrial Purchaser's Operating Demand, nor exceed the amount of energy that such Industrial Purchaser(s) can return through Third Quartile restriction rights pursuant to section 7(e) in years from which FELCC was shifted. Bonneville shall not be obligated to treat as a firm load for the purpose of resource operation that portion of the Purchaser's First Quartile load that could have been served with the energy associated with the rejected FELCC shift.

If the Purchaser has reduced its Plant load, it may, after a minimum period of 30 days from the initial date of the Post Notice Period, unless waived by Bonneville, increase its Plant load prior to the end of the Post Notice Period. In such event, Bonneville shall operate to serve the increased portion of the Purchaser's First Quartile load as though it were firm to the extent that it is possible to do so with any previously rejected FELCC, and to the extent that Bonneville at that time is providing similar service to the other Industrial Purchasers. If insufficient rejected FELCC is available, Bonneville may serve the increase with Auxiliary Power, if it is available, or the Purchaser may serve such increase with non-Federal energy.

§8(b) (5) For the duration of the Post Notice Period, the Purchaser shall pay Bonneville the full charges pursuant to Exhibit A for the portion of its Operating Demand not directly served by Bonneville because of rejected FELCC. Bonneville will endeavor to mitigate such charges. Energy shall be determined on the basis of the average Plant load factor experienced over the three months prior to such notice period.

(c) Advance Energy.

(1) Bonneville at its sole discretion may make available to its Industrial Purchasers such Advance Energy as it determines can be made available by making releases from Federally controlled and Canadian reservoirs (hereinafter called "Reservoirs"), in addition to those releases it would otherwise make. Advance Energy so made available will be accounted for in the Advance Energy Account as provided in paragraph (8) below.

(2) Bonneville shall determine in its sole discretion how Advance Energy shall be made available. Bonneville will specify whether:

(A) Advance Energy shall be made available for limited periods or amounts to minimize restriction by Bonneville;

(B) Advance Energy may be used by the Purchaser in conjunction with other supplies of energy within a time specified by Bonneville; and

(C) Advance Energy will be made available only to serve a portion of the Purchaser's Operating Demand.

The Purchaser may reject all or a portion of the Advance Energy under the same conditions provided for rejection of FELCC pursuant to subsection (b)(3) above; provided, however, that use of FELCC may be extended as provided in subsections (a)(3)(C), (a)(4), and (b)(4) above.

(3) Prior to each delivery of Advance Energy Bonneville shall determine, and notify the Purchaser, whether it shall be used as it is made available to the Industrial Purchasers or be allocated among the Industrial Purchasers. If it is to be allocated, such allocation shall be in proportion to the Industrial Purchasers' respective Operating Demands at the time Advance Energy is first made available, unless Bonneville determines that such allocation would not treat the Industrial Purchasers equitably; in such

§8(c)(3)

event, Bonneville shall allocate in proportion to the Industrial Purchasers' respective Plant operating levels, supplied by Bonneville, at the time Advance Energy is first made available, or to some previous respective Plant operating levels, supplied by Bonneville, of the Industrial Purchasers. Any allocation of Advance Energy in such Contract Year shall be made in the manner specified in the notice pursuant to paragraph (4) below. Bonneville reserves the right to exclude allocations of Advance Energy to load supplied with Auxiliary Power.

(4) On or before August 15 of each Contract Year, if possible, or in any event prior to the delivery of Advance Energy in such Contract Year, Bonneville will notify the Purchaser of the terms of availability and of allocation, if any, pursuant to paragraph (3) above, of such Advance Energy and the Replacement Correction Factor to be in effect for such Contract Year. Such notification will request any information required of the Purchaser by Bonneville with respect to the Purchaser's method of use of Advance Energy. As soon as any additional amount of Advance Energy is available or the period of availability is extended, Bonneville will as soon as practicable notify the Purchaser.

(5) Bonneville may, but under ordinary conditions will not, make Advance Energy available to the Purchaser hereunder:

(A) during any period in which the total number of debits in the Advance Energy Account of this and similar contracts with the Industrial Purchasers equals or exceeds the product obtained by multiplying 3.4 billion kilowatthours by the appropriate Replacement Correction Factor, provided in the notice pursuant to paragraph (4) above, in effect during the period in which such debits were entered;

(B) during any period in which forecasts of future loads and resources, including forecasts of Columbia River Basin volume runoff based on reliable indices such as snowpack, indicate a substantial failure to refill the Reservoirs before the next August 15; or

(C) in an amount which, including the application of the Replacement Correction Factor, is in excess of the amount which the Purchaser could replace in the manner described in paragraph (10) below over the period which in Bonneville's judgment is the minimum period in which such replacement can be effected.

(6) As soon as the following information is available for each Contract Year, Bonneville will furnish to the Purchaser:

(A) at the Purchaser's request, Bonneville's proposed operating plans, based on the latest load and resource estimates available, for the Reservoirs for such year under both critical year streamflow conditions and median month streamflow conditions; and

(B) a date when the Purchaser's uncancelled obligation to replace Advance Energy delivered during such Contract Year will terminate; provided, however, that such date shall not be later than two years after the end of the Critical Period which begins with such Contract Year.

(7) Bonneville will maintain an account and will record therein in kilowatthours the debits and credits to be made to the Purchaser hereunder ("Advance Energy Account"). At the end of each month in the term hereof the Purchaser will receive:

(A) a debit of one kilowatthour for each kilowatthour of Advance Energy delivered to the Purchaser by Bonneville during such month;

(B) a credit of one kilowatthour for each kilowatthour of Advance Replacement Energy, delivered to Bonneville pursuant to paragraph (10) below; and

(C) a debit of kilowatthours in the amount of Advance Head Losses associated with the net outstanding debits in the Advance Energy Account.

(8) All outstanding debits in the Advance Energy Account will be cancelled at any time when

§8(c)(8)

(A) the Reservoirs from which water was released to make the Advance Energy available, or to which such a release is, or can be considered as having been, transferred, are completely full or at or above the maximum elevations permitted by flood control requirements;

(B) water is released from such Reservoirs for the primary purpose of providing space for flood control; or

(C) Bonneville determines that it has sufficient electric energy to meet its Firm Obligations, without requiring the return of Advance Replacement Energy pursuant to paragraph (10) below.

§8(c)(8)

The elevations of the Reservoirs will be examined periodically. If such Reservoirs do not refill or reach the maximum level required by flood control or other appropriate constraints, but do refill at any time above the highest level, adjusted for non-Federal storage, at which the Reservoirs could hold the return of all the Advance Energy released from such Reservoirs, plus any release of Advance Energy from another reservoir which is, or can be considered as having been, transferred to such Reservoirs (Maximum Level), outstanding debits will be cancelled at that time to the extent of the energy equivalent of refill above the Maximum Level. Outstanding debits entered for a particular Contract Year will be cancelled on the date specified for that Contract Year pursuant to paragraph (6)(B) above; provided, however, that Bonneville may cancel all or any portion of the outstanding debit at any earlier time.

(9) To the extent that Bonneville sells nonfirm energy in accordance with the provisions of this contract using water which could have been stored or conserved for purpose of avoiding or reducing the Purchaser's Advance Replacement Energy obligation, Bonneville shall acquire or recall any electric energy which it is legally authorized to acquire or recall, and which is available at a Reasonable Cost, before requiring delivery of Advance Replacement Energy.

(A) At any time Bonneville determines that, as a result of prior deliveries of Advance Energy hereunder, there will be a shortage of energy to supply its Firm Obligations, Bonneville may require the Purchaser to replace all or any portion of the electric energy evidenced by outstanding debits in the Purchaser's Advance Energy Account ("Advance Replacement Energy"). If Bonneville so determines that such shortage of energy exists or is anticipated, it shall promptly notify the Purchaser in writing of the amount of such shortage and the date by which the Purchaser and other Industrial Purchasers shall deliver their respective shares of Advance Replacement Energy, based on the then outstanding debits of the Advance Energy Accounts for all Industrial Purchasers.

(B) Upon receipt of the notice, the Purchaser shall as soon as practicable submit a proposal which will provide delivery to Bonneville of the required amount of Advance Replacement Energy, prior to the date specified in the notice, under conditions which will enable Bonneville to use such energy to supply its Firm Obligations. The Purchaser shall supply such Advance Replacement Energy by any method, including but not limited to, reduction of its load on the Federal System. The Purchaser shall not be required to reduce its load on the Federal System to less than 25 percent of its Operating Demand but shall have the option of doing so. Bonneville will notify the Purchaser on a timely basis whether the proposal is acceptable. If the Purchaser does not submit a timely proposal which Bonneville accepts, Bonneville will implement a restriction pursuant to section 7(h). Except as provided in section 7(h), Advance Replacement Energy supplied by reduction of load on the Federal System shall not include any energy associated with a restriction, pursuant to section 7, in effect at the time of such reduction.

(C) Bonneville shall not enter into any Firm Obligations, subsequent to delivery of Advance Energy, which on a planning basis can be served only by recall of such Advance Energy.

§8(c) (11) Any outstanding debits in the Advance Energy Account as accrued under the Prior Contracts are hereby transferred to the Advance Energy Account established under this agreement as of the Effective Date.

(d) Borrowed FELCC (Flexibility Energy).

(1) Bonneville may provide service to the Purchaser's First Quartile loads during a Contract Year using FELCC borrowed from later months of such Contract Year (borrowed FELCC or Flexibility Energy) as permitted under the Coordination Agreement.

(2) Bonneville will maintain an account and will record therein in kilowatthours the debits and credits to be made to the Purchaser hereunder (Flexibility Account). At the end of each month in the term hereof the Purchaser will receive:

(A) a debit in the amount of the kilowatthours of Flexibility Energy delivered to the Purchaser by Bonneville during such month; and

(B) a credit of one kilowatthour for each kilowatthour of Flexibility Replacement Energy obtained by:

(i) minimizing deliveries of Flexibility Replacement Energy pursuant to paragraph (4) below;
(ii) restrictions of energy pursuant to section 7(e)(3); and
(iii) other returns of energy approved by Bonneville for the purpose of reducing the Flexibility Account.

(3) To the extent that Bonneville determines at any time that there will be a shortage of FELCC to meet its Firm Obligations in the Contract Year in which the FELCC was borrowed, Bonneville may require the Purchaser to return all or any portion of the electric energy evidenced by outstanding debits in the Purchaser's Flexibility Account (Flexibility Replacement Energy).

(4) Bonneville will use its best efforts, including use of water previously stored in reservoirs for this purpose, to avoid the need for return of Flexibility Energy. To the extent that returns are not required in any month in which such returns had been originally indicated pursuant to paragraph (3) above, Bonneville will credit the Purchaser's Flexibility Account equal to the difference between the return originally required for such month and the actual return.

§8(d) (5) At the end of each Contract Year any remaining balance in the Flexibility Account shall be cancelled, and the account reduced to zero; provided, however, that Bonneville may cancel all or any portion of the outstanding debit at any earlier time.

(e) Surplus FELCC.

To the extent possible, as permitted under the Coordination Agreement, Bonneville shall use FELCC in excess of its Firm Obligations, whether from the current Contract Year or shifted from other periods of the Critical Period into such Contract Year (Surplus FELCC), to serve the Industrial Purchasers' First Quartile loads, and shall do so prior to proceeding under subsections (b), (c), and (d) above. The Purchaser shall not be obligated to provide Third Quartile restriction rights for such use of Surplus FELCC.

9. Curtailment by the Purchaser.

(a) Curtailment of Auxiliary Power.

By written notice to Bonneville given at least 24 hours prior to the first day of any month, the Purchaser may curtail deliveries of Auxiliary Power, beginning on or after the first day of such month. Each such curtailment shall be in force in the amount(s), and for the period of time specified in the Purchaser's notice (but at least 30 consecutive days unless waived by Bonneville), unless subsequently changed by the Purchaser giving a similar notice.

(b) Curtailment Above Level of First Quartile FELCC Shift.

By written notice to Bonneville given at least 24 hours prior to the first day of any month, the Purchaser may curtail deliveries of Industrial Firm Power, beginning on or after the first day of such month, in amounts not greater than the lesser of 25 percent of its Operating Demand or the amount by which the Purchaser's First Quartile load exceeds the non-surplus FELCC shifted to meet the Purchaser's First Quartile load at any time during the period of such curtailment (First Quartile FELCC). Such written notice shall specify the level of curtailment and probable duration thereof. Each such curtailment shall be in force in the amount(s), and for the period of time specified in the Purchaser's notice (but at least 30 consecutive days unless waived by Bonneville), unless subsequently changed by the Purchaser giving a similar notice.

§9 (c) Curtailment Below First Quartile.

By written notice to Bonneville at least 30 days prior to the beginning of curtailment, the Purchaser may curtail deliveries of Industrial Firm Power below the First Quartile in amounts up to and including the remaining 75 percent of its Operating Demand. Each such curtailment shall be in force in the amount(s), and for the period of time specified in the Purchaser's notice (but at least 30 consecutive days unless waived by Bonneville), unless subsequently changed by the Purchaser giving similar notice; provided, however, that in any sequence of notices, the Purchaser shall give Bonneville 60 days' notice prior to partial or complete revocation of curtailment under this subsection.

(1) The "contract kilowatt-months" on any date in the term hereof shall be the sum of products computed by multiplying each Contract Demand for Industrial Firm Power specified in this contract by the number of months or fractions thereof during which each such Contract Demand has been and is to be in effect. In making such computation such Contract Demand shall not be reduced as the result of any curtailment in Operating Demand made, or which could be made, under this section, section 8, or as the result of any restriction in Operating Demand made or which could be made, pursuant to section 7.

(2) For each month during periods of curtailment of deliveries in accordance with this subsection, the Purchaser shall pay Bonneville, in addition to the payment for electric power and energy provided under this contract, the product obtained by

(A) multiplying the difference in the billing demand for Industrial Firm Power, determined as provided in paragraph (3) below, by the appropriate demand charge in Exhibit A, and

(B) multiplying the product so obtained by whichever of the following factors is applicable:

(i) 0.4, during the period when such curtailments (expressed in kilowatt-months) total not more than 3.75 percent of such contract kilowatt-months;

(ii) 0.9, during the period when such curtailments total more than 3.75 percent, but not more than 7.5 percent of the contract kilowatt-months; or

§9(c)(2)(B) (iii) 1.0, during the period when such curtailments total more than 7.5 percent of the contract kilowatt-months.

§9(c)(2) If a curtailment is in effect under this subsection during a portion of a month, the charge computed as provided in this subsection shall be reduced by multiplying it by the ratio of the number of days in such month that the curtailment was in effect to the total number of days in such month.

(3) The "difference in the billing demand" shall be the lesser of the difference calculated by subtracting the requested Curtailed Demand from

(A) 75 percent of the Operating Demand, and from

(B) the Restricted Demand in effect at the time of request or any subsequent lower Restricted Demand; provided, however, that if Bonneville imposes a Restricted Demand less than the Curtailed Demand said "difference in the billing demand" shall be zero.

(d) The curtailments provided in this section are independent of one another and may be made separately or together; provided, however, that curtailment pursuant to subsection (c) above may be made only if and to the extent that the Purchaser's First Quartile load is restricted pursuant to section 7, curtailed pursuant to this section or section 8, or served with non-surplus FELCC or Advance Energy. The total curtailments pursuant to subsection (b) and sections 8(b)(3), and 8(b)(4), and restrictions pursuant to section 7(c) in effect from time to time may not exceed 25 percent of the then effective Operating Demand.

(e) The Purchaser may completely shut down the Plant (including in response to any restriction by Bonneville hereunder), but will remain liable for amounts due under this contract after giving effect to all billing adjustments for curtailments and/or restrictions made or permitted pursuant to this contract.

(f) If the Purchaser's Plant is shut down in part because of a curtailment pursuant to this section, or in whole pursuant to subsection (e) above, at least two weeks prior to the resumption of deliveries of power under this contract the Purchaser shall supply Bonneville a schedule of requested deliveries for a period, not in excess of three months, during which the Purchaser's Plant will return to full operation or, if deliveries are only partially restored during such period, the

§9(f) optimum operation possible with such partial restoration. The Purchaser shall use its best efforts to restore Plant operation in accordance with such schedule. The three-month's period may be extended at Bonneville's discretion for such additional time as is justified by the requirements of resumption of full operation.

(g) The Purchaser shall not submit more than three levels of Curtailed Demand for any month if notices of curtailment are given under this section.

(h) If Bonneville restricts all or any portion of the Purchaser's Operating Demand and the Purchaser is physically unable to reduce its Plant load to the Restricted Demand level, the Purchaser may make additional load reduction to achieve a practical operating level. Such additional reduction shall not be treated as a curtailment. Bonneville will not assess any demand charge against the portion of the Purchaser's Operating Demand not served because of such additional reduction.

10. Use of Power.

The power to be delivered to the Purchaser hereunder shall be used by the Purchaser only for the production of _____ and related products.

11. Fish and Wildlife Responsibilities.

In meeting its obligations under this contract, Bonneville affirms its obligations under sections 4 and 6 of the Regional Act and other applicable law with respect to implementation of measures and objectives for the protection, mitigation, and enhancement of fish and wildlife, while assuring the Pacific Northwest an adequate, efficient, economical, and reliable power supply. This contract shall not impair compliance with such obligations.

12. Mid-Term Contract Review.

To facilitate mutual planning, the parties agree that on the 5th, 10th, and 12th year of this contract, and at other mutually agreed times, the parties shall review:

(a) the status of Bonneville's planned and existing resources;
(b) forecasts of Bonneville's need for such resources to serve firm load and other obligations; and
(c) each party's then current expectations regarding their ability and intent to negotiate new contract service for later time periods.

§12 If the Purchaser desires service from Bonneville beyond the term of this contract, the Purchaser shall request a new power sales contract not later than the end of the 12th Contract Year. Bonneville shall not be obligated to offer the Purchaser a new power sales contract because of any request, but shall promptly proceed to attempt to acquire sufficient resources to enable it to grant such request. If, as a result of such request, Bonneville acquires resources or makes other expenditures to serve the Purchaser under a new power sales contract and offers to negotiate in good faith a new power sales contract with the Purchaser, the Purchaser shall reimburse Bonneville for all otherwise unrecoverable costs incurred as a result of said acquisitions or other expenditures should the Purchaser fail to sign such contract. Bonneville shall use its best efforts to mitigate such costs.

13. Miscellaneous.

(a) Any determinations, estimates, consents, agreements, or approvals under this contract by either party shall be reasonable.

(b) Except as otherwise expressly provided to the contrary in this contract with regard to specific exhibits, the provisions of this contract may be amended only by the mutual written agreement of the parties hereto subsequent to the date of execution of this contract. This subsection (b) shall not prevent oral waiver of performance on a temporary basis by either party, or temporary, informal arrangements between the parties in response to operational conditions on the system of either party not specifically provided for in this contract.

(c) If Bonneville offers to enter into a written amendment of any other Industrial Purchaser's power sales contract, other than informal arrangements between the parties referred to in subsection (b) above, Bonneville shall offer to the Purchaser a corresponding amendment of this contract, to the extent such a corresponding amendment would be applicable to the Purchaser under this contract. Bonneville shall advise and use reasonable efforts to consult with the Purchaser during the development or consideration of any offer to enter into such amendments. This contract is offered pursuant to sections 5(d) and 5(g), including, but not limited to, section 5(g)(7), of the Regional Act, and amendments hereto shall not be construed to represent the offer of a new contract.

(d) The Purchaser shall have one year from the date it receives a signed copy of this contract from Bonneville to accept the contract. Bonneville's offer to make Industrial Firm Power available hereunder shall expire unless Bonneville has received a signed contract from the Purchaser by the end of such year.

§13 (e) Provisions of sections 7 and 8 notwithstanding, Bonneville reserves the right to enter into separate arrangements, with certain Industrial Purchasers, that Bonneville determines are appropriate to fulfill the intention of the Regional Act, including section 7(d)(2) thereof. Such separate arrangements may contain provisions relative to operations and restrictions of deliveries that differ significantly from the operation and restriction provisions of this contract and that affect the operations and restrictions among Industrial Purchasers as provided in this contract.

14. Definitions.

(a) "Advance Head Losses" means the quantity of energy, in addition to the amount of Advance Energy delivered, which is required to restore Bonneville's reservoirs to the same condition they would have been if no Advance Energy had been delivered. (For example, if the Replacement Correction Factor was "1.008 per month," such quantity of energy would be determined monthly as the product of 0.008 and the outstanding balance in the Advance Energy Account.)

(b) "Auxiliary Power" means an amount of electric power associated with the Auxiliary Demand specified in Exhibit C or an amount of electric energy used on an intermittent basis.

(c) "Contract Year" means the period commencing each July 1 and ending the following June 30.

(d) "Coordination Agreement" means that contract among Bonneville and Northwest generating entities, providing for coordinated operation of regional resources, designated as Contract No. 14-03-48221, as amended or replaced.

(e) "Curtailed Demand" means the number of kilowatts of Industrial Firm Power which results from the Purchaser's request for such power in amounts less than the Operating Demand specified therefor in Exhibit C, determined pursuant to sections 8 and 9.

(f) "Customer" means anyone who contracts for the purchase of electric power or energy from Bonneville.

(g) "FELCC Head Losses" means the quantity of energy, in addition to the energy shifted, required to restore the Federal reservoirs to the same condition they would have been had FELCC not been shifted. FELCC Head Losses are computed in the same manner as Advance Head Losses, using the Replacement Correction Factor, or such smaller factor as may be determined by Bonneville. The Industrial Purchasers shall not be assessed any FELCC Head Losses associated with Surplus FELCC, Flexibility Energy or FELCC shifted but subsequently restricted.

§14 (h) "Firm Obligations" means all of Bonneville's firm commitments to supply electric power and/or energy (Firm Commitments):

(1) existing on the Effective Date,
(2) in the Region incurred on or after the Effective Date,
(3) other Firm Commitments that Bonneville may incur that are supported by Bonneville's firm resources when incurred.

Seventy-five percent of the Industrial Purchasers' Operating Demands shall be a Firm Obligation for purposes of both resource planning and operation, and, in addition, 25 percent of such Operating Demands (the Industrial Purchasers' First Quartiles) shall be a Firm Obligation for the purpose of resource operation only, subject to restriction provisions pursuant to section 7. In its application of restrictions pursuant to section 7, and in its operations pursuant to section 8, Bonneville shall first serve the remaining 75 percent of the Industrial Purchasers' loads before serving the Industrial Purchasers' First Quartiles.

Bonneville will compensate the Purchaser for the restriction rights provided in this contract in the determination of Bonneville's rate through the rate adjustment process. If in such process it is determined that such compensation is not already provided, and/or that Bonneville is relying on such restriction rights for use in circumstances in which the Purchaser is not required by the Regional Act to provide reserves, appropriate additional compensation shall be provided through such process. By accepting this contract, including this definition of the term "Firm Obligations," the Purchaser does not waive, and expressly preserves, any rights or claims the Purchaser may have or assert with respect to the acts or omissions of third parties that result in a restriction or restrictions of deliveries to the Purchaser under circumstances in which the Purchaser is not required by the Regional Act to provide reserves.

(i) "Industrial Firm Power" means a unified class of electric power which Bonneville will make continuously available to the Purchaser on a Contract Demand basis subject to:

(1) the restriction applicable to deliveries of all firm power pursuant to Uncontrollable Forces and Continuity of Service provisions of Exhibit B;

(2) the additional restrictions that apply to the Purchaser under section 7; and

(3) a restriction which is made necessary because the operation of generation or transmission facilities used by Bonneville to serve the Purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed,

§14(i)(3) or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service provisions of Exhibit B, at which time Bonneville shall restrict the Purchaser's Operating Demand for Industrial Firm Power to the extent necessary to prevent, if possible, or minimize restriction of priority and new resource firm power; the extent of such restrictions shall be limited for Industrial Firm Power by section 7 of this contract.

(j) "Integrated Demand" means the number of kilowatts which is equal to the number of kilowatthours delivered to any point during a clock hour.

(k) "Reasonable Cost" means that cost of electric power and energy up to a level fixed by power supply circumstances based on the price that Bonneville would prudently pay for a resource at a given time to prevent restriction of a Firm Obligation. The cost of a resource acquired by Bonneville, the use or operation of which is deferred until a later period in the Coordination Agreement Critical Period by means of shifting FELCC for the benefit of firm loads or by other similar techniques, is a Reasonable Cost for the amount so deferred.

(l) "Region" means the Pacific Northwest region as defined in the Regional Act.

(m) "Replacement Correction Factor" means Bonneville's determination of a factor which, when multiplied by the Advance Energy delivered, would result in the quantity of energy required to restore the Reservoirs to the same condition they would have been had no Advance Energy been delivered. (For example, if the Replacement Correction Factor was "1.008 per month," such quantity of energy would increase each month by the amount of energy determined as the product of 0.008 and the outstanding balance in the Advance Energy Account.)

(n) "Restricted Demand" means the number of kilowatts of Industrial Firm Power which results when Bonneville has restricted delivery of such power below the Operating Demand specified therefor in Exhibit C for one clock-hour or more pursuant to section 7.

§14 (o) "Quartile" means 25 percent of the Purchaser's Operating Demand. "First Quartile" means the 25 percent of the Purchaser's Operating Demand which is not treated as a firm load for Bonneville's resources acquisition planning purposes.

IN WITNESS WHEREOF, the parties hereto have executed this contract in several counterparts.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By _____
Administrator

COMPANY NAME

By _____

Title _____

Date _____

ATTEST: (Optional)

By _____

Title _____

Date _____

(WP-PKL-3011c)
(8/25/81)

Contract No. DE-MS79-81BP9_____

8/22/81

RESIDENTIAL PURCHASE AND SALE AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

_____

Index to Sections

- -

This AGREEMENT, executed _____, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and _____ (Utility), a corporation of the State of _____,

W I T N E S S E T H :

WHEREAS the 96th Congress of the United States of America at the Second Session enacted the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, as amended (Regional Act); and

WHEREAS the Regional Act, among other matters, provides that a Pacific Northwest electric utility may sell electric power to Bonneville at the average system cost (ASC) of that utility's resources and that Bonneville shall sell in return an equivalent amount of electric power for resale to that utility's residential and farm users within the Pacific Northwest (Region); and

WHEREAS, Bonneville is required under Section 4(g)(1) of the Regional Act to maintain comprehensive programs to insure widespread public involvement in the formulation of regional power policies; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into related agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Term of Agreement. This agreement shall be effective on the later of (1) 2400 hours on the date of execution; or (2) 2400 hours on September 30, 1981, and shall terminate at 2400 hours on June 30, 2001, unless terminated pursuant to section 9 below. Notwithstanding termination of this agreement, all liabilities incurred hereunder shall continue until satisfied.

2. Purchase by Bonneville. Subject to the provisions of section 4 below and subject to the per centum limitations specified in section 5(c)(2) of the Regional Act which shall apply separately to each Jurisdiction, as defined in Exhibit C, in which the Utility provides service, the Utility shall sell and Bonneville shall purchase each month an amount of electric power not in excess of the Utility's Residential Load, as defined in Exhibit D, for such month. The amount of power to be sold by the Utility under this section shall be determined pursuant to Exhibit D at the ASC determined pursuant to Exhibit C. The Utility may sell power hereunder only for Residential Load that is associated with its retail service areas. An exception to this is that the Utility may also sell power for the Residential Loads of another utility as agent for the other utility in accordance with an agreement with the other utility that is approved by Bonneville and terminable at will by the other utility.

3. Purchase by the Utility. Subject to the per centum limitations in section 5(c)(2) of the Regional Act, Bonneville shall sell and the Utility shall purchase each month an amount of electric power not in excess of the

Utility's Residential Load for the month. The amount of energy purchased shall be determined pursuant to Exhibit D, and the purchase price shall be the rate determined pursuant to Exhibit A. Exhibit A shall be the then effective rate established pursuant to section 7(b) of the Regional Act. For billing purposes, the Utility's load factor shall be as determined pursuant to Exhibit E.

4. In Lieu Purchase by Bonneville.

(a) In lieu of purchasing all or a portion of the electric power referred to in section 2 above, Bonneville may acquire an equivalent amount of electric power from other sources if the cost of such acquisition is less than the cost of purchasing the electric power referred to in section 2. For the purpose of determining the cost of any such in lieu purchase, transmission and production costs, and transmission losses, as determined by Bonneville, shall be included. Bonneville shall give the Utility not less than seven years prior written notice of Bonneville's intent to use such acquisition in lieu of purchasing all or a portion of the electric power referred to in section 2 above. This notice shall state the amount, duration, source, estimated cost and estimated scheduling provisions of the intended acquisition. Any intended acquisition shall be at least five years in duration.

(b) The Utility shall elect upon receipt of such notice: (1) to reduce, in a manner determined by Bonneville pursuant to prudent utility practice, the amount of power purchased by Bonneville pursuant to section 2 above by the amount of the intended acquisition; or (2) to reduce to the cost of the intended acquisition the ASC applicable to a portion of the power purchased by Bonneville pursuant to section 2 above equal to the amount of the intended acquisition. A Utility shall have 60 working days from the receipt of the notice in subsection (a) above to elect (1) or (2).

(c) Bonneville shall not acquire power from a resource for an in lieu purchase hereunder if the Utility or another utility under a similar contract has reduced its ASC rate pursuant to section 4(b)(2) above. Such resource may be used for an in lieu purchase hereunder if such utility which reduced its ASC later terminates its purchase from Bonneville under this agreement or such similar agreement.

(d) Bonneville shall acquire power from a resource for an in lieu purchase hereunder only if such resource is not needed to meet Bonneville's obligations to supply firm power to customers in the Pegion, and such resource shall not be a resource the cost of which previously has been assigned to Bonneville's New Resource Firm Power rate under section 7(f) of the Regional Act. Bonneville shall not execute a resource purchase agreement to acquire power on behalf of the Utility in lieu of the electric power offered by the Utility hereunder during periods when Bonneville has issued a notice of restriction to any investor-owned utility, public body, cooperative, or Federal agency.

5. Provisions Relating to Delivery. The Utility shall submit to Bonneville no more frequently than once in any 30-day period an accounting invoice with supporting documentation for the Utility's Residential Load billed during the billing period selected by the Utility. Such documentation shall include the kilowatthours of energy which the Utility billed to its Residential Load in each Jurisdiction. This accounting invoice shall be deemed to be the receipt for the purchase and sale of power under this agreement.

6. Accounting, Review, and Budgeting. The Utility shall keep up-to-date records and documents showing all transactions and other arrangements made pertaining to the terms of this agreement. These records and documents shall

contain information supporting the Utility's ASC as determined pursuant to Exhibit C and the Utility's Residential Load. The Utility shall retain these records and documents on file for at least five years. At Bonneville's expense, Bonneville or its designee may, from time to time, conduct reviews or inspection of the Utility's records, accounts, and related documents pertaining to this agreement. The Utility shall fully cooperate in good faith with any such reviews or inspections.

7. Payment. Within 30 days after receipt of the invoice referred to in section 5 above, Bonneville shall verify the invoice, compute the amount due the Utility from the sale under section 2 and the amount due Bonneville from the sale under section 3, and either pay or bill the Utility for the difference, as appropriate.

8. Cost Benefits. The cost benefits to the Utility within each Jurisdiction attributable to Bonneville's providing electric power and energy to the Utility's Residential Load under this agreement shall be passed through directly to the Utility's Residential Load within such Jurisdiction. Cost benefits means the reduction in the Utility's wholesale power costs during the term of this agreement as a result of this agreement.

9. Termination of Agreement. The Utility may terminate or suspend this agreement for a period of at least one year if the supplemental rate charge provided for in section 7(b)(3) of the Regional Act is applied by Bonneville and the cost of electric power sold to the Utility under section 3 of this agreement exceeds the ASC of the power sold to Bonneville under section 2.

10. Election to Equalize Rates. The Utility may elect to have its Exhibit C rate for any Jurisdiction deemed equal to the Exhibit A rate. Such election shall be made in writing to Bonneville within 25 working days following confirmation and approval by the Federal Energy Regulatory

Commission or its successor agency (FERC), on an interim or final basis, of a change in the Exhibit A rate or in Exhibit C methodology, and will take effect as of the effective date of that change.

During any period that such election is in effect, Bonneville shall debit to a separate account the net exchange payment to Bonneville, if any, that would have been required of the Utility if the Utility had not made such election and shall credit to that account any exchange payments that would have been made. The net balance in such account shall accumulate interest at the rate specified in section IV.E. of Exhibit C.

During the period of any such election, any portion of the costs for terminated resources associated with section 7(g) of the Regional Act included in the Exhibit A rate which would have been charged to the Utility shall be payable by the Utility by means of a surcharge to the Utility's power sales contract payments pursuant to section 5(b) of the Regional Act or, if the Utility is not party to such a contract, monthly in cash as accrued. Such surcharge payments shall not exceed the total costs incurred by Bonneville during the same period and attributable to terminated resources which the Utility has sold to Bonneville and which total costs are not otherwise recovered currently through such section 7(g) allocations to any other rate or rates paid by the Utility. Such payment also shall not exceed the payments which the Utility would have made to Bonneville during each exchange period had it not made such election. Section 7(g) costs so paid shall be excluded from the separate account maintained pursuant to this section.

The Utility may rescind such election and resume full participation in the exchange provided at that (a) the debit balance of such separate account be less than or equal to zero; or (b) the Utility makes payments to Bonneville in agreed upon installments to bring the debit balance to zero. Such recission

may be either by notice in writing effective upon delivery to Bonneville within 25 working days following confirmation and approval by FERC, on an interim or final basis, of a change in Exhibit A, or by notice in writing effective on a date to be agreed upon by Bonneville and the Utility, which date shall be within 13 months following delivery to Bonneville of the notice of recission.

Upon termination of this agreement, any debit balance in such separate account shall not be a cash obligation of the Utility, but shall be carried forward to apply to any subsequent exchange by the Utility for the Jurisdiction under any new or succeeding agreement.

11. Relating Only to Residential Purchase and Sale Agreements. The Utility agrees to comply with the following statutes, Executive Orders, and regulations to the extent applicable:

(a) the Rehabilitation Act of 1973, Public Law 93-112, as amended, and 41 CFR 60-741 (affirmative action for handicapped workers);

(b) the Vietnam Era Veterans Readjustment Assistance Act of 1974, Public Law 92-540, as amended, and 41 CFR 60-250 (affirmative action for disabled veterans and veterans of the Vietnam era);

(c) Executive Order 11625 and 41 CFR 1-1.1310-2(a) (utilization of minority business enterprises);

(d) the Small Business Act, as amended,

(e) Certification of Nonsegregated Facilities, 41 CFR 1-12.803-10.

12. Exhibits. Exhibit A (Priority Firm Power Rate, Schedule PF-1, and General Rate Schedule Provisions), Exhibit B (General Contract Provisions [GCP Form PSC-1]), Exhibit C (Average System Cost Methodology), Exhibit D (Residential Load Definition), Exhibit E (Load Factor Specification), and Exhibit F (Determination of New Large Single Loads) are hereby made part of

this contract. Exhibit D shall be revised to incorporate additional qualifying tariff schedules, subject to Bonneville's determination that the loads served under these schedules are qualified under the Act. Each time Bonneville has a new rate adjustment date, the Utility shall submit a revised Exhibit E, prepared in the same manner as Exhibit E attached hereto, to Bonneville within 20 working days of such date. The revised Exhibit E shall become effective as of such date.

IN WITNESS WHEREOF, the parties have executed this Agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy

By _____
Bonneville Power Administrator

Utility

_____

By _____

Title _____

Date _____

ATTEST:

By _____

Title _____

Date _____

(WP-PCI-0054c)
(8/27/81)

EXHIBIT A

WHOLESALE POWER RATE SCHEDULES AND GENERAL RATE SCHEDULE PROVISIONS

SCHEDULE PF-1 - PRIORITY FIRM POWER RATE

SECTION 1. Availability: This schedule is available for the purchase of firm power to be used within the Pacific Northwest for resale or for direct consumption by public bodies, cooperatives, Federal agencies, and investor-owned utilities participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Regional Act). This schedule supersedes Schedule EC-8 which went into effect on an interim basis on December 20, 1979.

SECTION 2. Rate:

a. Demand Charge:

(1) for the billing months December through May, Monday through Saturday, 7 a.m. through 10 p.m.: $2.80 per kilowatt of billing demand.

(2) for the billing months June through November, Monday through Saturday, 7 a.m. through 10 p.m.: $1.44 per kilowatt of billing demand.

(3) all other hours: No demand charge.

b. Energy Charge:

(1) for the billing months September through March: 7.4 mills per kilowatthour of billing energy.

(2) for the billing months April through August: 6.9 mills per kilowatthour of billing energy.

SECTION 3. Billing Factors: The factors to be used in determining the billing for power purchased under this rate schedule are as follows:

a. For any purchaser not designated to purchase under subsection 3(b), 3(c), or 3(d):

(1) the contract demand as specified in the contract;

(2) the measured demand for the billing month adjusted for power factor;

(3) the measured energy for the billing month.

b. Designation of a purchaser to purchase on a computed demand basis will be according to this section unless the terms of an existing contract executed after December 5, 1980 provide otherwise. For any

purchaser designated by BPA to purchase on a computed demand basis because of such purchaser's potential ability either to sell generation from its resources in such a manner as to increase BPA's obligation to deliver firm power to such purchaser in an amount in excess of BPA's obligation prior to such sale, or to redistribute the generation from its resources over time in such a manner as to cause losses of power or revenue on the Federal System; provided, however, that when a purchaser operates two or more separate systems, only those systems designated by BPA will be covered by this subsection:

(1) the peak computed demand for the billing month;

(2) the average energy computed demand for the billing month;

(3) the lesser of the peak computed demand for the billing month or 60 percent of the highest peak computed demand during the previous 11 billing months;

(4) the measured demand for the billing month adjusted for power factor;

(5) the measured energy for the billing month;

(6) the contract demand as specified in an agreement between a purchaser and BPA for a specified period of time.

c. For any purchaser contractually limited to an allocation of capacity and/or energy as determined by BPA pursuant to the terms of a purchaser's power sales contract:

(1) the allocated demand for the billing month, as specified in the contract;

(2) the measured demand for the billing month adjusted for power factor;

(3) the allocated energy for the billing month, as specified in the contract;

(4) the measured energy for the billing month.

d. For any purchaser participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act:

(1) sixty percent of the energy associated with the utility's residential load as specified in the contract for each billing period;

(2) the demand calculated by applying the load factor, determined as specified in the contract, to the energy in 3(d)(1) for each billing period.

SECTION 4. Determination of Billing Demand and Billing Energy:

a. For a purchaser governed by subsection 3(a):

(1) the billing demand for the month shall be factor 3(a)(1) or 3(a)(2), as specified in the purchaser's power sales contract, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(a)(3) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3).

b. For a purchaser governed by subsection 3(b):

(1) the billing demand for the month shall be the largest of factors 3(b)(3), and 3(b)(4), or 3(b)(6) if applicable. Factor 3b(4), before adjustment for power factor, shall not exceed the largest of factors 3(b)(1), 3(b)(2), or 3(b)(6) if applicable, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(b)(5) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3). Factor 3(b)(5) shall not exceed factor 3(b)(2) times the number of hours during such month.

c. For purchaser governed by subsection 3(d):

(1) The billing demand for the month shall be factor 3(d)(2).

(2) The billing energy for the month shall be factor 3(d)(1).

SECTION 5. Adjustments:

a. Power Factor: The adjustment for power factor, when specified in this rate schedule or in the power sales contract, may be made by increasing the measured demand for each month by 1 percent for each 1 percent or major fraction thereof by which the average lagging power factor, or average leading power factor, at which energy is supplied during such month is less than 95 percent, such average power factor to be computed to the nearest whole percent from the formula given in Section 9.1 of the General Rate Schedule Provisions.

The adjustment for power factor may be waived in whole or in part by BPA. Unless specifically otherwise agreed, BPA may, if necessary to maintain acceptable operating conditions on the Federal System, restrict deliveries of power to a purchaser at a point of delivery or for a system at any time that the average power factor for all classes of power delivered to a purchaser at such point of delivery or for such system is below 75 percent lagging or 75 percent leading.

b. At-Site Power: At-site power purchased for consumption by a purchaser shall be used within 15 miles of the powerplant specified in the power sales contract. At least 90 percent of any at-site power purchased for resale shall be used within 15 miles of the specified powerplant.

The monthly demand charge for at-site firm power will be the monthly demand charge for priority firm power reduced by $0.257 per kilowatt of billing demand.

At-site priority firm power is made available only for those utility customers purchasing at-site firm power under existing contracts. At-site priority firm power may be purchased by such utility customers under new contracts only until a date certain specified in such new contracts. If deliveries are made from an interconnection with the Federal System other than at one of such designated points, the purchaser shall pay an amount adequate to cover the annual cost of the facilities which would have been required to deliver such power to such point from either the generator bus at the generating plant, or from the adjacent point as designated by BPA. This use-of-facilities charge shall be in addition to the charge determined by the application of Section 2 of the Rate Schedule as reduced by the provisions of this subsection.

c. Low-Density Discount: A predetermined discount will be applied each month of a calendar year to the charges for power purchased under contracts between BPA and its customers. The amount of such discount is based on the ratio of the total annual energy requirements of the purchaser's electric operations during the preceding calendar year to the purchaser's depreciated investment in electric plant in service (excluding generating plant) at the end of such year, or the purchaser's ratio of residential consumers per mile of line. This calculation of such ratio will be made using the customer's entire system. Provided that the purchaser's ratio of residential consumers per mile of line does not exceed ten, this discount shall be:

(1) Seven percent if such ratio is less than 15 kilowatthours per dollar of net investment or if the number of consumers per mile of line is two or less.

(2) Five percent if such ratio is equal to or greater than 15 and less than 25 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is four or less.

(3) Three percent if such ratio is equal to or greater than 25 and less than 35 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is six or less.

SECTION 6. Unauthorized Increase: That portion of (a) any 60-minute clock-hour integrated demand or scheduled demand (the total amount of power scheduled to the purchaser from BPA) that cannot be assigned to a class of power which BPA delivers on such hour pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such hour, or (b) the total of a purchaser's 60-minute clock-hour integrated or scheduled demands during a billing month which cannot be assigned to a class of power which BPA delivers during such month pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such month, may be considered an unauthorized increase. Each 60-minute clock-hour integrated or scheduled demand shall be considered separately in determining the amount which may be considered an unauthorized increase pursuant to (a) and the total of such amounts which are in fact considered unauthorized increases shall be excluded from the total of the integrated or scheduled demands for such month in determining the amount which may be considered an unauthorized increase under (b).

The charge for an unauthorized increase shall be $0.13 per kilowatthour.

SECTION 7. General Provisions: Sales of power under this schedule shall be subject to the provisions of the BPA Project Act, as amended, the Regional Preference Act, the Federal Columbia River Transmission System Act, the Pacific Northwest Electric Power Planning and Conservation Act, and the General Rate Schedule Provisions.

EXHIBIT A

GENERAL RATE SCHEDULE PROVISIONS

SECTION 1.1. Priority and New Resource Firm Power: Priority and new resource firm power is electric power which BPA will make continuously available to a purchaser to meet its net firm load requirements within the Pacific Northwest except when restricted because the operation of generation or transmission facilities used by BPA to service such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract. Such restriction of priority and new resource firm power shall not be made until industrial firm power has been restricted in accordance with Section 1.4 and until modified firm power has been restricted in accordance with Section 1.2.

SECTION 1.2. Modified Firm Power: Modified firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power, and (b) the following:

When a restriction is made necessary because the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract BPA shall restrict such purchaser's contract demand for modified firm power to the extent necessary to prevent, if possible, or miminize restriction of any priority and new resource firm power, provided, however that:

(1) such restriction of modified firm power shall not exceed at any time 25 percent of the contract demand therefore, and

(2) the accumulation of such restrictions of modified firm power during any calendar year, expressed in kilowatthours, shall not exceed 500 times the contract demand therefor. When possible, restrictions of modified firm power will be made ratably with restrictions of industrial firm power based on the proportion that the respective contract demands bear to one another. The extent of such restrictions shall be limited for modified firm power by this subsection and for industrial firm power by the Restriction of Deliveries Section of the General Contract Provisions of the contract.

SECTION 1.3. Firm Capacity: Firm capacity is capacity which BPA assures will be available to a purchaser on a contract demand basis except when operation of generation or transmission facilities used by BPA to serve such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the

Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 1.4. Industrial Firm Power: Industrial firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power; and (b) the following:

(1) the restrictions given in the Restriction of Deliveries Section of the Power Sales Provisions of the contract.

(2) when a restriction is made necessary because of the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract, BPA shall restrict such purchaser's operating demand for industrial firm power to the extent necessary to prevent, if possible, or minimize restriction of priority and new resource firm power. When possible, restrictions of industrial firm power will be made ratably with restrictions of modified firm power based on the proportion that the respective contract and operating demands bear to one another. The extent of such restrictions shall be limited for modified firm power by Section 1.2(b) of these General Rate Schedule Provisions and for industrial firm power by the Restrictions of Deliveries Section of the contract.

SECTION 1.5. Authorized Increase: An authorized increase is an amount of electric power specified in the contract in excess of the contract or operating demand for priority firm power, new resource firm power, modified firm power, or industrial firm power that BPA may be able to make available to the purchaser upon its request. The purchaser shall make such request in writing stating the amount of increase requested, the purpose for which it will be used, and the period for which it is needed. Such request shall be made prior to the first calendar month beginning such specified period. BPA will then determine whether such increase can be made available, but it shall retain the right to restrict the delivery of such increase if it determines at any subsequent time that such increase will no longer be available.

The purchaser may curtail an authorized increase, in whole or in part, at the end of any billing month within the period such authorized increase is to be made available.

SECTION 1.6. Firm Energy: Firm energy is energy which BPA assures will be available to a purchaser during the period or periods specified in the contract except during hours as may be specified in the contact and when the operation of the Government's facilities used to serve the purchaser are suspended, interrupted, interfered with, curtailed, or restricted by the occurrence of any condition described in the Uncontollable Forces or

Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 2.1. Contract Demand: The contract demand shall be the number of kilowatts that the purchaser agrees to purchase and BPA agrees to make available. BPA may agree to make deliveries at a rate in excess of the contract demand at the request of the purchaser (authorized increase), but shall not be obligated to continue such excess deliveries.

SECTION 2.2. Measured Demand:

a. The purchaser's measured demand will be determined according to this section unless the terms of a contract executed after December 5, 1980 provide otherwise.

b. Except where deliveries are scheduled as hereinafter provided, the measured demand in kilowatts shall be the largest of the 60-minute clock-hour integrated demands at which electric energy is delivered to a purchaser at each point of delivery during each time period specified in the applicable rate schedule during any billing period. Such largest 60-minute integrated demand shall be determined from measurements made as specified in the contract, or as determined in Section 3.2 herein. BPA, in determining the measured demand, will exclude any abnormal 60-minute integrated demands due to or resulting from (a) emergencies or breakdowns on, or maintenance of, the Federal System facilities; and (b) emergencies on the purchaser's facilities, provided that such facilities have been adequately maintained and prudently operated as determined by BPA. For those contracts to which BPA is a party and which provide for delivery of more than one class of electric power to the purchaser at any point of delivery, the portion of each 60-minute integrated demand assigned to any class of power shall be determined as specified in the contract. The portion of the total measured demand so assigned shall constitute the measured demand for each such class of power.

If the flow of electric energy to a purchaser's system through two or more points of delivery cannot be adequately controlled because such points are interconnected within the purchaser's system, or the purchaser's system is interconnected directly or indirectly with the Federal System, the purchaser's measured demand for each class of power for such system for any billing period shall be the largest of the hourly amounts of such class of power which are scheduled for delivery to the purchaser during each time period specified in the applicable rate schedule.

SECTION 2.3. Peak Computed Demand and Energy Computed Demand:

The purchaser's peak computed demand and energy computed demand will be determined according to this section unless terms of a contract executed after December 5, 1980 provide otherwise.

The purchaser's peak computed demand for each billing month shall be the largest amount during such month by which the purchaser's 60-minute system demand exceeds its assured peaking capability.

The purchaser's average energy computed demand for each billing month shall be the amount during such month by which the purchaser's actual system average load exceeds its assured average energy capability.

a. General Principles:

(1) The assured peaking and average energy capability of each of the purchaser's systems shall be determined and applied separately.

(2) As used in this section, "year" shall mean the 12-month period commencing July 1.

(3) The critical period is that period, determined for the purchaser's system under adverse streamflow conditions adjusted for current water uses, assured storage operation, and appropriate operating agreements, during which the purchaser would have the maximum requirement for peaking or energy after utilizing the firm capability of all resources available to its system in such a manner as to place the least requirement for capacity and energy on BPA.

(4) Critical water conditions are those conditions of streamflow based on historical records, adjusted for current water uses, assured storage operation, and appropriate operating agreements, for the year or years which would result in the minimum capability of the purchaser's firm resources during the critical period.

(5) Prior to the beginning of each year the purchaser shall determine the assured capability of each of the purchaser's systems in terms of peaking and average energy for each month of each year or years within the critical period. The firm capability of all resources available to the purchaser's system shall be utilized in such a manner as to place the least requirement for capacity and energy on BPA. Such assured capability shall be effective after review and approval by BPA.

(6) The purchaser's assured energy capability shall be determined by shaping its firm resources to its firm load in a manner which places a uniform requirement on BPA within each year of the critical period with such requirement increasing each year not in excess of the purchaser's annual load growth.

(7) As used herein, the capability of a firm resource shall include only that portion of the total capability of such resource which the purchaser can deliver on a firm basis to its load. The capabilities of all generating facilities which are claimed as part of the purchaser's assured capability shall be determined by test or other substantiating data acceptable to BPA. BPA may require verification of the capabilities of any or all of the purchaser's generating facilities. Such verification will not

be required more often than once each year for operating plants, or more often than once each third year for thermal plants in cold standby status, if BPA determines that adequate annual preventive maintenance is performed and the plant is capable of operating at its claimed capability.

(8) In determining assured capability, the aggregate capability of the purchaser's firm resources shall be appropriately reduced to provide adequate reserves.

b. Determination of Assured Capability: The purchaser's assured peaking and energy capabilities shall be the respective sums of the capabilities of its hydroelectric generating plants based on the most critical water conditions on the purchaser's system, the capabilities of its thermal generating plants based on the adverse fuel or other conditions reasonably to be anticipated; and the firm capabilities of other resources made available under contracts prior to the beginning of the year, after deduction of adequate reserves. Assured capabilities shall be determined for each month if the purchaser has seasonal storage. The capabilities of the purchaser's firm resources shall be determined as follows:

(1) Hydroelectric Generating Facilities: The capability of each of the purchaser's hydroelectric generating plants shall be determined in terms of both peaking and average energy using critical water conditions. The average energy capability shall be that capability which would be available under the storage operation necessary to produce the claimed peaking capability.

Seasonal storage shall mean storage sufficient to regulate all the purchaser's hydroelectric resources in such a manner that when combined with the purchaser's thermal generating facilities, if any, and with firm capacity and energy available to the purchaser under contracts, a uniform energy computed demand for a period of one (1) month or more would result.

A purchaser having seasonal storage shall, within 10 days after the end of each month in the critical period, notify BPA in writing of the assured energy capability to be applied tentatively to the preceding month; such notice shall also specify the purchaser's best estimate of its average system energy load for such month. If such notice is not submitted, or is submitted later than 10 days after the end of the month to which it applies, subject to the limitations stated herein, the assured energy capability determined for such month prior to the beginning of the year shall be applied to such month and may not be changed thereafter.

If notice has been submitted pursuant to the preceding paragraph, the purchaser shall, within 30 days after the end of the month, submit final specification of the assured energy capability to be applied to the preceding month; provided that the assured energy capability so specified shall not differ from the amount shown in the original notice by more than the amount by which the purchaser's actual average system energy load for such month differs from the estimate of that load shown in the original notice. If the assured energy capability for such month differs

from that determined prior to the beginning of the year for such month, the purchaser, if required by BPA, shall demonstrate by a suitable regulation study based on critical water conditions that such change could actually be accomplished, and that the remaining balance of its total critical period assured energy capability could be developed without adversely affecting the firm capability of other purchaser's resources. The algebraic sum of all such changes in the purchaser's assured energy capability shall be zero at the end of the critical period or year, whichever is earlier. Appropriate adjustments in the assured peaking capability shall be made if required by any change in reservoir operation indicated by such revisions in the monthly distribution of critical period energy capability.

(2) Thermal Generating Facilities: The capability of each of the purchaser's thermal generating plants shall be determined in terms of both peaking and average energy. Such capabilities shall be based on the adverse fuel or other conditions reasonably to be anticipated. The effect of limitations on fuel supply due to war or other extraordinary situations will be evaluated at the time of occurrence.

(3) Other Sources of Power: The assured capability of other resources available to the purchaser on a firm basis under contracts shall be determined prior to each year in terms of both peaking and average energy.

c. Determination of Computed Demand: The purchaser's computed demand for each billing month shall be the greater of:

(1) The largest amount during such month by which the purchaser's actual 60-minute system demand, excluding any loads otherwise provided for in the contract, exceeds its assured peaking capability for such month, or period within such month, or

(2) The largest amount for such month, or period within such month, by which the purchaser's actual system average energy load, excluding the average energy loads otherwise provided for in the contract, exceeds its assured average energy capability.

The use of computed demands as one of the alternatives in determining billing demand is intended to assure that each purchaser who purchases power from BPA to supplement its own firm resources will purchase amounts of power substantially equivalent to the additional capacity and energy which the purchaser would otherwise have to provide on the basis of normal and prudent operations, viz, sufficient capacity and energy to carry the load through the most critical water or other conditions reasonably to be anticipated, with an adequate reserve.

Since the computed demand depends on the relationship of capability of resources to system requirements, the computed demand for any month cannot be determined until after the end of the month. As each purchaser must estimate its own load, and is in the best position to follow its development from day to day, it will be the purchaser's responsibility to request scheduling of priority and new resource firm power, including any

increase over previously established demands, on the basis estimated by the purchaser to result in the most advantageous purchase of the power to be billed at the end of the month.

SECTION 2.4. Restricted Demand: A restricted demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results when BPA has restricted delivery of such power for one (1) clock-hour or more. Such restrictions by BPA are made pursuant to the power sales contract for industrial firm power and pursuant to Section 1.1 and 1.2 of the General Rate Schedule Provisions for priority and new resource firm power and modified firm power, respectively. Such restricted demand shall be determined by BPA after the purchaser has made its determination to accept such restriction or to curtail its contract demand for the month in accordance with Section 2.5 of the General Rate Schedule Provisions.

SECTION 2.5. Curtailed Demand: A curtailed demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results from the purchaser's request for such power in amounts less than the contract demand therefor. Each purchaser of industrial firm power or modified firm power may curtail its demand in accordance with the contract. Each purchaser of an authorized increase in excess of priority firm power, new resource firm power, modified firm power, or industrial firm power may curtail its demand in accordance with Section 1.5 of the General Rate Schedule Provisions.

SECTION 3.1. Billing: Unless otherwise provided in the contract, power made available to a purchaser at more than one point of delivery shall be billed separately under the applicable rate schedule or schedules. The contract may provide for combined billing under specified conditions and terms when (a) delivery at more than one point is beneficial to BPA; or (b) the flow of power at the several points of delivery is reasonably beyond the control of the purchaser.

If deliveries at more than one point of delivery are billed on a combined basis for the convenience of the customer, a charge will be made for the diversity between the measured demands at the several points of delivery. The charge for the diversity shall be determined in a uniform manner among purchasers and shall be specified in the contract.

SECTION 3.2. Determination of Estimated Billing Data: If the purchased amounts of capacity, energy, or the 60-minute integrated demands for energy must be estimated from data other than metered or scheduled quantities, BPA and the purchaser will agree on billing data to be used in preparing the bill. If the parties cannot agree on estimated billing quantities, a determination binding on both parties shall be made in accordance with the arbitration provisions of the contract.

SECTION 4.1 Application of Rates during Initial Operation Period: For an initial operating period, not in excess of 3 months, beginning with the commencement of operation of a new industrial plant, a major addition to an existing plant, or reactivation of an existing plant or important part thereof, BPA may agree (a) to bill for service to such new, additional, or reactivated plant facilities on the basis of the measured demand for each day, adjusted for power factor; or (b) if such facilities are served by a distributor purchasing power therefor from BPA to bill for that portion of such distributor's load which results from service to such facilities on the basis of the measured demand for each day, adjusted for power factor. Any rate schedule provisions regarding contract demand, billing demand, and minimum monthly charge which are inconsistent with this Section shall be inoperative during such initial operating period.

The initial operating period and the special billing provisions may, on approval by Bonnevillle, be extended beyond the initial 3-month period for such additional time as is justified by the developmental character of the operations.

SECTION 5.1. Energy Supplies for Emergency Use: A purchaser taking priority and/or new resource firm power shall pay in accordance with Wholesale Nonfirm Energy Rate Schedule NF-1 and Emergency Capacity Schedule CE-1 for any electric energy which has been supplied; (a) for use during an emergency on the purchaser's system; or (b) following an emergency to replace energy secured from sources other than BPA during such emergency, except that mutual emergency assistance may be provided and settled under exchange agreements.

SECTION 6.1. Billing Month: Meters will normally be read and bills computed at intervals of 1 month. A month is defined as the interval between meter-reading dates which normally will be approximately 30 days. If service is for less or more than the normal billing month, the monthly charges stated in the applicable rate schedule will be appropriately adjusted. Winter and summer periods identified in the rate schedules will begin and end with the beginning and ending of the purchaser's billing month having meter-reading dates closest to the periods so identified..

SECTION 7.1. Payment of Bills: Bills for power shall be rendered monthly and shall be payable at BPA's headquarters. Failure to receive a bill shall not release the purchaser from liability for payment. Demand and energy billings under each rate schedule application shall be rounded to whole dollar amounts, by elimination of any amount of less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

If BPA is unable to render the purchaser a timely monthly bill which includes a full disclosure of all billing factors, it may elect to render an estimated bill for that month to be followed at a subsequent billing date by a final bill. Such estimated bill, if so issued, shall have the validity of and be subject to the same repayment provisions as shall a final bill.

Bills not paid in full on or before the close of business of the 20th day after the date of the bill shall bear an additional charge which shall be the greater of one-fourth percent (0.25%) of the amount unpaid or $50. Thereafter a charge on one-twentieth percent (0.05%) of the sum of the initial amount remaining unpaid and the additional charge herein described shall be added on each succeeding day until the amount due is paid in full. The provisions of this paragraph shall not apply to bills rendered under contracts with other agencies of the United States.

Remittances received by mail will be accepted without assessment of the charges referred to in the preceding paragraph provided the postmark indicates the payment was mailed on or before the 20th day after the date of the bill. If the 20th day after the date of the bill is a Sunday or other nonbusiness day of the purchaser, the next following business day shall be the last day on which payment may be made to avoid such further charges. Payment made by metered mail and received subsequent to the 20th day must bear a postal department cancellation in order to avoid assessment of such further charges.

BPA may, whenever a power bill or a portion thereof remains unpaid subsequent to the 20th day after the date of the bill, and after giving 30 days advance notice in writing, cancel the contract for service to the purchaser, but such cancellation shall not affect the purchaser's liability for any charges accrued prior thereto.

SECTION 8.1. Approval of Rates: Schedules of rates and charges, or modifications thereof for electric power sold by BPA shall become effective on a final basis after confirmation and approval by the Federal Energy Regulatory Commission. Pending the establishment of procedures by the Commission to approve rates on a final basis, the entity or entities having been designated by the Secretary of Energy prior to December 5, 1980, shall have authority to confirm and approve schedules of rates and charges on an interim basis.

SECTION 9.1. Average Power Factor: The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

When deliveries to a purchaser at any point of delivery include more than one class of power or are under more than one rate schedule, and it is impracticable to separately meter the kilowatthours and reactive kilovoltamperehours for each class, the average power factor of the total deliveries for the month will be used, where applicable, as the power factor for each of the separate classes of power and rate schedules.

EXHIBIT A

SECTION 10.1. Temporary Curtailment of Contract Demand: The reduction of charges for power curtailed pursuant to the purchaser's contract and Section 1.5 and 2.5 hereof shall be applied in a uniform manner.

SECTION 11.1. General Provisions: The Wholesale Rate Schedules and General Rate Schedule Provisions of the BPA Power Administration effective July 1, 1981, supersede in their entirety BPA's Wholesale Power Rate Schedule Provisions effective December 20, 1979.

(WP-PCI-0405c)

Average System Cost Methodology

I. Summary

This exhibit sets forth the method for computation and payment of "average system cost" for the purpose of an exchange of power between Bonneville and a Utility pursuant to section 5(c) of Public Law 96-501 (Regional Act). The method provides that for an exchanging Utility the average system cost (ASC) is: the costs allowed or established for retail ratemaking that are eligible for exchange divided by the kilowatthours of load assumed for retail ratemaking, adjusted consistent with this methodology. Under this method, a separate ASC will be calculated for each exchanging Utility for each jurisdiction in which the Utility does business. Each ASC so calculated will be changed when revised retail rates go into effect.

This exhibit sets forth specific procedures for reporting cost items and recognition of those items in determining ASC, including procedures for the exclusion of particular costs as required by statute. The exhibit also sets forth the procedures for the filing of relevant data by the Utility and for the review of that data by Bonneville.

II. Definitions

The following definitions apply to all sections of Exhibit C.

A. "Average System Cost" or "ASC" means for each Jurisdiction and each Exchange Period the quotient obtained by dividing Contract System Costs by Contract System Load.

B. "Commission" means a State regulatory body, preference Utility governing body, or other entity authorized to establish retail electric rates in a Jurisdiction.

C. "Contract System Costs" means the Utility's costs for production and transmission resources, including power purchases and conservation measures, which costs are includable in, jurisdictionally allocated by, and subject to the provisions of Appendix 1. Contract System Costs do not include costs required to be excluded from ASC by section 5(c)(7) of the Regional Act; the exclusion of these costs is provided for in Footnote 15 to Appendix 1.

D. "Costs" means the aggregate dollar amount or any portion of the amount allowed or relied upon by the Commission to determine the Test Period revenue requirement for the Utility in a Jurisdiction.

E. "Exchange Period" means the period of time during which a Utility's Jurisdictional retail rate schedules are in effect, commencing with the effective date of these schedules and ending with the effective

date of new retail rate schedules in the Jurisdiction; provided that no Exchange Period shall commence prior to or extend beyond the term of the Utility's Residential Purchase and Sale Contract Agreement.

F. "Contract System Load" means the firm energy load used by the Commission for the purpose of establishing retail rates, adjusted pursuant to Appendix 1.

G. "Jurisdiction" means the service territory of the exchanging Utility within which a Commission has authority to approve the retail rates.

H. "New Large Single Load" means that load defined in section 3(13) of the Regional Act, and as determined by Bonneville as specified in power sales contracts with its customers.

I. "Regional Power Sales Customer" means any entity that contracts directly with Bonneville for the purchase of power for delivery in the region as defined by section 3(14) of the Regional Act.

J. "Test Period" means the time period, not to exceed 12 months, used by the Commission to determine Costs for retail ratemaking.

III. Procedures for Determining Average System Cost

The procedures set forth in this section will enable Bonneville to determine the ASC, in accord with the methodology in Appendix 1, for each exchanging Utility for each Jurisdiction within the region where the Utility provides service. The ASC so determined will be in effect during the Exchange Period and will apply to the amount of exchange power acquired by Bonneville from the Utility during the Exchange Period. The amount of exchange power will be equal to the Utility's eligible load within the Jurisdiction. Bonneville will determine and pay a separate ASC for the exchange power related to the Utility's eligible load in each Jurisdiction. The procedures are as follows:

A. Appendix 1 is a form that identifies Contract System Costs and Contract System Load and permits the calculation of ASC. Appendix 1 is an integral part of this document.

B. For each Exchange Period and for each regional Jurisdiction in which a Utility provides service, the Utility shall complete and file with Bonneville five copies of Appendix 1 as follows:

1. On or prior to the effective date of the Utility's residential exchange contract, the Utility shall file an Appendix 1 reflecting its existing Costs for each Jurisdiction for which it is participating in the exchange. Subject to the

provisions of Section IV, the ASC determined from each Appendix 1 shall be the rate applicable to exchange power from that Jurisdiction during the initial Exchange Period.

2. Thereafter, not later than five working days after filing for a Jurisdictional rate change or otherwise commencing a rate change proceeding, the Utility shall file with Bonneville a preliminary Appendix 1, setting forth the Costs proposed by the Utility. In addition, within five working days from the day a Utility files for a Jurisdictional rate change or otherwise commences a rate change proceeding, the Utility shall deliver to Bonneville all information initially provided to the Commission. The Utility also will provide to Bonneville within a reasonable period of time any other information reasonably requested by Bonneville.

3. Not later than five working days following the commencement date of a new Exchange Period, the Utility shall file with Bonneville a revised Appendix 1, reflecting its Costs as approved by the Commission. In addition, the Utility shall provide within 20 working days following the commencement date of a new Exchange Period a reconciliation of all differences between the preliminary Appendix 1 and the revised Appendix 1. Subject to the provisions of Section IV, the ASC included in the revised Appendix 1 will be the ASC applicable to exchange power for that Jurisdiction during the Exchange Period; provided, that if a Utility files a revised Appendix 1 after the five-day deadline Bonneville may make the new ASC payable only from the date the revised Appendix 1 was actually filed. However, Bonneville shall not delay as a result of a late filing of an Appendix 1 the effective date of any change in the ASC for power provided to it under this agreement if the late filing was the result of unavoidable delay or excusable neglect, and the Utility proceeded to correct the filing error in good faith and with diligence.

C. If Bonneville or any of its Regional Power Sales Customers have been denied the right to participate in a Jurisdictional rate review proceeding on the basis of standing as an intervenor or otherwise with rights equivalent to any retail customer of the Utility, no change in ASC based on a change of Costs authorized in that proceeding shall be effective until Bonneville has completed its review pursuant to Section IV.

IV. <u>Bonneville Review Process</u>

A. Each Appendix 1 shall be reviewed by Bonneville or its designate to determine whether the Costs are not inconsistent with generally accepted accounting principles for electric utilities, whether Contract System Costs contains only allowed Costs, and whether the Appendix 1 complies with the requirements of this Exhibit C including applicable definitions and requirements incorporated from

the FERC Uniform System of Accounts. If a retail rate change is authorized without substantive Commission findings as to Costs or if Bonneville or any of its Regional Power Sales Customers are denied the right to participate in a Jurisdictional rate review proceeding on the basis of standing as an intervenor or otherwise with rights equivalent to any retail customer of the Utility, the review by Bonneville or its designate also may consider whether Contract System Costs have changed by the amount of the retail rate change, and Bonneville shall not be obligated to pay an ASC different than the ASC based on Contract System Costs as determined by Bonneville.

B. The Appendix 1 described in Section III(B)(1) shall be subject to review for a period of 180 days following the effective date of the contract. A revised Appendix 1 described in Section III(B)(2) and (3) shall be subject to review for a period of 120 days from the start of the relevant Exchange Period.

C. Bonneville or its designate will conduct its review as promptly as reasonably possible, shall make a written report of its determinations, and shall make any resulting increase or decrease in the ASC for the relevant Exchange Period; provided, that if Bonneville has not issued a report as of the last date of the review period, then the ASC rate shown on the revised Appendix 1 described in Section III(B)(3) filed by the Utility shall be the ASC for the Exchange Period.

D. Bonneville will afford its Regional Power Sales Customers and other interested persons an opportunity to comment in writing on each Appendix 1 filed by a Utility. To facilitate this process, a Utility filing an Appendix 1 shall mail written notice thereof to each of Bonneville's Regional Power Sales Customers or their designates, in accordance with a list provided by Bonneville. This notice shall summarize the adjustment to costs proposed, make reference to the customers' right to comment thereon, and specify where materials relevant to the Cost adjustment process may be examined. The Utility and Bonneville shall permit Regional Power Sales Customers and interested parties to examine each Appendix 1 submitted to Bonneville. The utilities shall respond to reasonable information requests revelant to ASC from Bonneville and its Regional Power Sales Customers, provided that the furnishing of proprietary or confidential information to Bonneville or to a Regional Power Sales Customer may be made contingent on the granting of proper safeguards to prevent unauthorized use or disclosure. All comments from Bonneville's Power Sales Customers and interested parties must be received in writing by Bonneville no later than 20 days prior to the end of Bonneville's review period. All such comments will be included as part of the record supporting the ASC determined by Bonneville.

E. If Bonneville determines that the ASC computed by the Utility in Appendix 1 was excessive or inadequate, the injured party shall recover the excess or deficiency with interest which shall be computed from time to time on the outstanding balance at the rate or rates of interest charged to Bonneville by the U.S. Treasury during the period unless another form of refund is ordered by the Joint State Board, the FERC, or a reviewing court. If a final order of the Joint State Board, the FERC or a reviewing court revises Bonneville's ASC determination, the difference between this revised ASC and the ASC determined by Bonneville, together with the interest at the above rate, shall be paid to the party entitled thereto by the other party, unless another interest rate is so ordered.

F. If costs associated with a generating facility are included in ASC and that generating facility is later terminated prior to the date of initial commercial operation, Bonneville shall be entitled to recover revenues as follows.

For any exchange period in which Construction Work in Progress (CWIP) was included in the rate base:

1. If the CWIP included in the rate base was identified with a particular generating facility terminated prior to the date of initial commercial operation, Bonneville shall recover revenue based on the amount of CWIP identified with that terminated facility that was included in the ASC rate base.

2. If the terminated facility was among a group of facilities for which CWIP was allowed in the ASC rate base, Bonneville shall recover revenues based on the amount that the CWIP included in the ASC rate base exceeded the utility's total available jurisdictional CWIP for the same group of facilities, after exclusion of any CWIP for generating facilities subsequently terminated prior to the date of initial commercial operation.

When a generating plant is terminated prior to the date of initial commercial operation, the Utility will submit to Bonneville a calculation of the recoverable revenue attributable to the inclusion of the amount of CWIP specified above, if any, for each exchange period, including a reconciliation with the final Appendix 1 for that period. This calculation shall include the effect of any inclusion of Allowance For Funds During Construction (AFUDC) as an offset to test year revenue requirement and the impact on related taxes. The interest rate on revenue to be recovered shall be calculated as in Section IV(E). Bonneville shall bill the Utility in equal monthly installments over a period

of the same length as the period during which costs of the terminated facility were included in ASC unless another arrangement is mutually agreed upon.

V. FERC Procedure (Applicable Only to Utilities Subject to Part II of the Federal Power Act)

A. Each Utility that is subject to the FERC's jurisdiction under Part II of the Federal Power Act shall file Bonneville's written report, the ASC determined by Bonneville, and the Utility's Appendix 1 with the FERC, its delegate or successor, within 15 working days of Bonneville's determination of ASC according to Section IV(C) above. During the period between the date of Bonneville's determination of ASC and the date of the final order issued by the FERC, its delegate or successor, the ASC determined by Bonneville shall be in effect.

This filing with the FERC shall be deemed to be compliance by the Utility with Section 205(c) of the Federal Power Act. The ASC ordered by the FERC, its delegate or successor, shall be the lawful ASC in effect from the start of the relevant Exchange Period, and the FERC shall be deemed to have so ordered under Section 205(d) of the Federal Power Act. The Utility may contest any ASC adjustment made by Bonneville in any ASC review proceeding before the FERC, its delegate or successor, and may argue for an ASC to be effective from the start of the relevant Exchange Period calculated pursuant to the Appendix 1 described in Section III(B)(3) it filed with Bonneville.

B. The Utility shall notify all parties that made comment to Bonneville on the Utility's Appendix 1 of its ASC filing with the FERC. The FERC shall publish notice of the filing in the Federal Register. The notice shall specify that parties will be allowed an opportunity to comment in writing and to respond in writing to comments filed by any other party. If one or more members of the FERC, its delegate or successor, determine that a substantial issue of fact or law exists, an opportunity for oral presentation of arguments shall be provided.

C. The FERC's review of ASC shall ascertain whether Bonneville's ASC was determined in accord with the methodology described in this Exhibit C. If the FERC, its delegate or successor, should determine that Bonneville's ASC rate was not determined in accord with the methodology, it shall order that such ASC be changed, specifying in the order the necessary changes. The FERC shall publish its final order approving or disapproving the ASC in the Federal Register.

VI. Change in Average System Cost Methodology

The Administrator, at his or her discretion, or upon written request from three-quarters of the utilities who are parties to contracts pursuant to section 5(C) of the Regional Act, or from three-quarters of his preference customers, or from three-quarters of Bonneville's direct-service industry customers, shall initiate a consultation process as provided for in section 5(c) of the Regional Act. After completion of this process, the Administrator may propose a new ASC methodology, provided that any consultation process may not be initiated sooner than 1 year after the immediately previous ASC methodology has been adopted by Bonneville and approved by the FERC.

(WP-PLB-0016n)

Average System Cost Methodology

Exhibit C - Appendix 1 is the form on which a Utility participating in a Residential Purchase and Sale Agreement shall report its Contract System Costs and other necessary data for the calculation of ASC.

The form consists of six schedules that shall be completed by the Utility in accord with these instructions and the provisions of the footnotes following the schedules. Any items not applicable to the Utility shall be so identified.

The schedules are as follows:

Schedule 1 - Plant Investment/Rate Base/Rate-of-Return
2 - Capital Structure and Cost of Capital
3 - Expenses
4 - Income Taxes
5 - Average System Cost
6 - Total Utility and Jurisdictional Results of Operations

The filing Utility shall reference and attach workpapers that support Costs, including details of allocation and functionalization.

All references to the FERC accounts are to the FERC Uniform System of Accounts as of October 1, 1981. The Costs includable in the attached schedules are those includable by reason of the definitions in the FERC accounts. If the FERC accounts are later revised or renumbered, any changes shall be incorporated into this form by reference, except to the extent that Bonneville, upon a showing of good cause, demonstrates that a particular change results in a substantial change in the type of Costs allowable for exchange purposes. If the Utility does not follow the FERC accounts, its filing must include a reconciliation between its accounts and the items allowed as Contract System Costs.

Bonneville may require the Utility to account for purchase power transactions with affiliated entities as though the affiliated entities were owned in whole or in part by the utility, if necessary to properly determine and/or functionalize the utility's costs.

A Utility operating in more than one Jurisdiction shall allocate its total system costs among Jurisdictions in accord with the same allocation methods and procedures used by the Commission to establish jurisdictional Costs and resulting revenue requirements. Appendix 1 shall include details of the allocation. This allocation also accomplishes the exclusion of the Costs of additional resources to meet loads outside the region, as required by section 5(c)(7) of the Regional Act.

All schedule entries and supporting data shall be in accord with generally accepted accounting principles and practices as these principles and practices apply to the electric utility industry.

(WP-PLB-0016n)

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Plant Investment/Rate Base/Rate-of-Return
Jurisdiction -

Line No.	Items/FERC Accounts/Footnotes (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Plant-in-Service/310-373 1/ 7/ 8/							
2	General Plant/389-399 2/							
3	Intangible Plant/301-303 3/							
4	CWIP/107, 120.1 3/							
5	Acquisition Adjustment/114 1/							
6	Total Gross Plant							
7	Less:							
8	PIS Depreciation Reserve/108 1/ 4/							
9	General Plant Depreciation Reserve/108 4/							
10	Accumulated Amortization/111, 115 4/							
11	Total Plant Deductions							
12	Total Net Plant							
13	Plant Held for Future Use/105 3/							
14	Nuclear Fuel/120.2-120.4 Less 120.5 1/							
15	Accumulated Deferred Debits/186 3/							

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BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Plant Investment/Rate Base/Rate-of-Return
Jurisdiction -

Line No.	Items/FERC Accounts/Footnotes (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
16	Less:							
17	Customer Advances/252 19/							
18	Accumulated Deferred Investment Tax Credits/255 3/							
19	Accumulated Deferred Income Taxes/281-283 3/							
20	Other Accumulated Deferred Credits/253, 256-257 3/							
21	Total Net Accumulated Deferred Debits/Credits							
22	Cash Working Capital/Various 6/							
23	Materials and Supplies/151-157, 163 3/							
24	Other/106, 124, 184, Various 3/ 20/							
25	Total Rate Base							
26	Times Rate-of-Return @ _____% 16/ 23/							

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BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Rate Base Summary
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Utility Plant-in-Service							
2	Less: Accumulated Provision for Depreciation and Amortization							
3	Net Utility Plant-in-Service							
4	Construction Work in Progress							
5	Plant Held for Future Use							
6	Utility Plant Acquisition Adjustments							
7	Nuclear Fuel							
8	Customer Advances for Construction							
9	Materials and Supplies							
10	Cash Working Capital							
11	Unamortized Leasehold Improvements and Other Miscellaneous Deferred Items							
12	Weatherization-Interest Free Loans							
13	Extraordinary Property Losses							
14	Total Rate Base							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Plant-In-Service
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount (3)	15b & c/	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Intangible Plant								
	Production Plant:								
2	Steam Production Plant								
3	Nuclear Production Plant								
4	Hydraulic Production Plant								
5	Other Production Plant								
6	Total Production Plant								
7	Transmission Plant								
8	Distribution Plant								
9	General Plant								
10	Total Electric Plant-in-Service								

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Reserve for Depreciation and Amortization of Electric Plant-in-Service
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	Depreciation Reserve							
	Production Plant:							
1	Steam Production							
2	Nuclear Production							
3	Hydraulic Production							
4	Other Production							
5	Transmission							
6	Distribution							
7	General							
8	Total Depreciation Reserve							
9	Amortization Reserve							
10	Total Depreciation and Amortization Reserve							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 2

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Capital Structure and Cost of Capital
Jurisdiction -

Line No.	Items/Footnotes (1)	Amount (2)	Ratio (3)	Component Cost (4)	Weighted Cost (5)
1	Debt				
2	Preferred Stock				
3	Common Equity				
4	Deferred Income Taxes 10/				
	erred Investment Tax Credit 10/				
	Total Weighted Cost				

Exhibit C
Appendix 1
Schedule 2A

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Debt Summary 11/
Jurisdiction -

Line No.	Items	Date of Issue (1)	Date of Maturity (2)	Interest Rate (3)	Face Amount (4)	Premium (5)	Discount (6)	Issue Expense (7)	Net Proceeds (8)	Interest Expense (9)

Exhibit C
Appendix 1
Schedule 2B

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Preferred Stock Summary
Jurisdiction -

Line No.	Items	Shares Issued (1)	Dividend Rate (2)	Outstanding Balance (3)	Premium (4)	Issue Expense (5)	Net Proceeds (6)	Dividends (7)

Exhibit C
Appendix 1
Schedule 3

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Expenses
Jurisdiction -

Line No.	Items/FERC Accounts/Footnotes (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Production:							
2	Fuel/501, 518, 547 1/							
3	Purchased Power/555 1/							
4	Other/500, 502-517, 519-546, 548-577 1/							
5	Transmission/560-573 1/ 4/							
6	Distribution/580-598 1/ 4/							
7	Customer Accounting/901-905 19/							
8	Customer Assistance/907-910 21/							
9	Admin. & General/920-932 12/							
10	Total Operations & Main.							
11	Depreciation & Amortization/ 403-407 1/ 4/							
12	Taxes Other than Federal Income/ 408, 409.1 3/ 4/ 13/ 14/							
13	Federal Income Tax/409.1, 410.1, 411.1, 411.4 9/							
14	Other/411.6, 411.7 3/							
15	Less:							
16	Nonfirm Sales for Resale Rev./447 22/							
17	Other Operating Rev./450-456 3/ 25/							
18	Billing Credits 5/							
19	Total Operating Expenses							
20	Return from Schedule 1							
21	Less Subsidiary Income							
22	Total Cost 18/							

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Operating Expenses
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	POWER PRODUCTION EXPENSES							
	Steam Power Generation:							
1	Operation							
2	Fuel							
3	Other							
4	Maintenance							
5	Total Steam Power Generation							
	Nuclear Power Generation:							
6	Operation							
7	Fuel							
8	Other							
9	Maintenance							
10	Miscellaneous Nuclear Research							
11	Total Nuclear Power Generation							
	Hydraulic Power Generation:							
12	Operation							
13	Maintenance							
14	Total Hydraulic Power Generation							
	Other Power Generation:							
15	Operation							
16	Maintenance							
17	Total Other Power Generation							

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Operating Expenses
Jurisidiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount (3)	15b & c/	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	Other Power Supply Expenses:								
18	Purchased Power								
19	Other								
20	Total Other Power Supply Expenses								
21	Total Power Production Expenses								
	TRANSMISSION EXPENSES								
22	Operation								
23	Wheeling								
24	Other								
25	Maintenance								
26	Total Distribution Expenses								
	DISTRIBUTION EXPENSES								
27	Operation								
28	Maintenance								
29	Total Distribution Expenses								
30	CUSTOMER ACCOUNTS EXPENSES								
31	CUSTOMER SERVICE AND INFORMATION EXPENSES								
	ADMINISTRATIVE AND GENERAL EXPENSES								
32	Operation								
33	Maintenance								
34	Total Administrative and General Expenses								
35	TOTAL ELECTRIC OPFRATING EXPENSES								

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 3B

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Depreciation and Amortization Accrual
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount (3)	15b & c/	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	Depreciation:								
1	Steam Production Plant								
2	Nuclear Production Plant								
3	Hydraulic Production Plant								
4	Other Production Plant								
5	Transmission Plant								
6	Distribution Plant								
7	General Plant								
8	Total Depreciation								
9	Amortization of Limited-Term Plant								
10	Amortization of Utility Plant Acquisition Adjustments								
11	Amortization of Property Losses								
12	Total Depreciation and Amortization Accrual								

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 3C

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Taxes Other Than Federal Income Taxes
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	FEDERAL - Insurance Contributions							
2	- Unemployment							
	STATE							
3	California - Property							
4	- Unemployment							
5	Oregon - Property							
6	- Tri-Met							
7	- Lane County							
8	- Unemployment							
9	- Regulatory Commission							
10	Washington - Property							
11	- Unemployment							
12	- Generating Tax							
13	- Pollution Control Credit							
14	Idaho - Property							
15	Montana - Property							
16	- Unemployment							
17	Wyoming - Property							
18	- Unemployment							
19	Utah - Property							
20	LOCAL - Occupation and Franchise							
21	STATE INCOME TAXES							
22	IN-LIEU TAXES							
23	OTHER							
24	TOTAL							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 4

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Line No.	Items (1)	Income Taxes Jurisdiction - Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Federal Income Taxes							
2	Deferred Income Taxes							
3	Income Taxes Deferred in Prior Years							
4	Investment Tax Credit Adjustment							
5	Total Federal Taxes							

Exhibit C
Appendix 1
Schedule 4A

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Federal Taxes on Income
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount (3)	15b & c/	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	INCOME								
1	Operating Revenues								
	Deductions								
2	Operating and Maintenance Expense								
3	Depreciation Expense								
4	Amortization Expense								
5	Taxes Other Than Federal Income Taxes								
6	Interest Expense								
7	Total Deductions								
8	Net Income Before Federal Income Tax								
	TAX ADJUSTMENTS								
9	Book Depreciation								
10	Tax Depreciation								
11	Charges to Construction								
12	Coal Depletion								
13	Other Adjustments								
	1.								
	2.								
	.								
	.								
	.								
14	Total Tax Adjustments								
15	Taxable Income								
16	Preferred Dividends Paid - Credit								
17	Total Taxable Income								
18	Federal Income Tax								
19	Less Investment Credit								
20	Net Federal Income Tax								

Note: 1. Supporting work papers are to be attached.
2. Footnotes referenced on Schedule 4 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 4B

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Other Included Items
Jurisdiction -

Line No.	Items/FERC Account (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization: Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
	Operating Revenues:							
1	Nonfirm Sale for Resale/447							
2	1.							
3	2.							
4	3.							
	Other Operating Revenues/450-456							
5	Acct. 450							
6	Acct. 451							
7	Acct. 452							
8	Acct. 453							
9	Acct. 454							
10	Acct. 455							
11	Acct. 456							
12	Total Revenues							
	Other Items:							
13	Investment Tax Credit Adjustment/411.S							
14	Deferred Current Year							
15	Restored Current Year							
16	Restored from Prior Years							
17	Total ITC Adjustment							
18	Deferred Income Tax - Current/410.1							
19	Deferred Income Tax from prior years/411.1							
20	Other Accounts							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 4 will be relied upon in determining ASC.

Exhibit C
Appendix 1
Schedule 5

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Average System Cost
Jurisdiction -

Line	Items	Amount
1	Contract System Costs:	
2	Production Cost (from Schedule 3)	
3	Transmission Cost (from Schedule 3)	
4	Total Contract System Costs	
5	Contract System Load:	
6	Total Load (MWh)	
7	Less:	
8	Nonfirm Adjustment (MWh)	
9	Other Adjustments (MWh)	
10	Net Load (MWh)	
11	Plus:	
12	Distribution Losses (MWh) 17/	
13	Total Net Load (MWh)	
14	Less:	
15	Excluded Load (MWh)	
16	Excluded Load Distribution Losses (MWh)	
17	Total Contract System Load (MWh)	
18	Average System Cost (mills/kWh)	
	(Line 4 ÷ Line 17)	

Exhibit C
Appendix 1
Schedule 6A

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Plant-In-Service
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Intangible Plant			
	Production Plant:			
2	Steam Production Plant			
3	Nuclear Production Plant			
4	Hydraulic Production Plant			
5	Other Production Plant			
6	Total Production Plant			
7	Transmission Plant			
8	Distribution Plant			
9	General Plant			
10	Total Electric Plant-in-Service			

Exhibit C
Appendix 1
Schedule 6B

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Reserve for Depreciation and Amortization of Electric Plant-In-Service
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
	Depreciation Reserve			
	Production Plant:			
1	Steam Production			
2	Nuclear Production			
3	Hydraulic Production			
4	Other Production			
5	Transmission			
6	Distribution			
7	General			
8	Total Depreciation Reserve			
9	Amortization Reserve			
10	Total Depreciation and Amortization Reserve			

Exhibit C
Appendix 1
Schedule 6C

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Rate Base Summary
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Utility Plant-in-Service			
2	Less: Accumulated Provision for Depreciation and Amortization			
3	Net Utility Plant-in-Service			
4.	Construction Work in Progress			
5	Plant Held for Future Use			
6	Utility Plant Acquisition Adjustments			
7	Nuclear Fuel			
8	Customer Advances for Construction			
9	Materials and Supplies			
10	Cash Working Capital			
11	Unamortized Leasehold Improvements and Other Miscellaneous Deferred Items			
12	Weatherization-Interest Free Loans			
13	Extraordinary Property Losses			
14	Total Rate Base			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Operating Expenses
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
	POWER PRODUCTION EXPENSES			
	Steam Power Generation:			
1	Operation			
2	Fuel			
3	Other			
4	Maintenance			
5	Total Steam Power Generation			
	Nuclear Power Generation:			
6	Operation			
7	Fuel			
8	Other			
9	Maintenance			
10	Miscellaneous Nuclear Research			
11	Total Nuclear Power Generation			
	Hydraulic Power Generation:			
12	Operation			
13	Maintenance			
14	Total Hydraulic Power Generation			
	Other Power Generation:			
15	Operation			
16	Maintenance			
17	Total Other Power Generation			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Operating Expenses
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
	Other Power Supply Expenses:			
18	Purchased Power			
19	Other			
20	Total Other Power Supply Expenses			
21	Total Power Production Expenses			
	TRANSMISSION EXPENSES			
22	Operation			
23	Wheeling			
24	Other			
25	Maintenance			
26	Total Distribution Expenses			
	DISTRIBUTION EXPENSES			
27	Operation			
28	Maintenance			
29	Total Distribution Expenses			
20	CUSTOMER ACCOUNTS EXPENSES			
31	CUSTOMER SERVICE AND INFORMATION EXPENSES			
	ADMINISTRATIVE AND GENERAL EXPENSES			
32	Operation			
33	Maintenance			
34	Total Administrative and General Expenses			
35	TOTAL ELECTRIC OPERATING EXPENSES			

Exhibit C
Appendix 1
Schedule 6E

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Depreciation and Amortization Accrual
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Depreciation:			
2	Steam Production Plant			
3	Nuclear Production Plant			
4	Hydraulic Production Plant			
5	Other Production Plant			
6	Transmission Plant			
7	Distribution Plant			
8	General Plant			
9	Total Depreciation			
10	Amortization of Limited-Term Plant			
11	Amortization of Utility Plant Acquisition Adjustments			
12	Amortization of Property Losses			
13	Total Depreciation and Amortization Accrual			

Exhibit C
Appendix 1
Schedule 6F

BONNEVILLE POWER ADMINISTRATI
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Taxes Other Than Federal Income Taxes
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	FEDERAL - Insurance Contributions			
2	- Unemployment			
	STATE			
3	California - Property			
4	- Unemployment			
5	Oregon - Property			
6	- Tri-Met			
7	- Lane County			
8	- Unemployment			
9	- Regulatory Commission			
10	- Excise			
11	Washington - Property			
12	- Unemployment			
13	- Generating Tax			
14	- Pollution Control Credit			
15	Idaho - Property			
16	Montana - Property			
17	- Unemployment			
18	Wyoming - Property			
19	- Unemployment			
20	Utah - Property			
21	LOCAL - Occupation and Franchise			
22	IN-LIEU TAXES			
23	TOTAL			

Exhibit C
Appendix 1
Schedule 6G

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Federal Taxes on Income
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
	INCOME			
1	Operating Revenues			
	DEDUCTIONS			
2	Operating and Maintenance Expense			
3	Depreciation Expense			
4	Amortization Expense			
5	Taxes Other Than Federal Income Taxes			
6	Interest Expense			
7	Total Deductions			
8	Net Income Before Federal Income Tax			
	TAX ADJUSTMENTS			
9	Book Depreciation			
10	Tax Depreciation			
11	Charges to Construction			
12	Coal Depletion			
13	Other Adjustments			
	1.			
	2.			
	.			
	.			
	.			
14	Total Tax Adjustments			
15	Taxable Income			
16	Preferred Dividends Paid - Credit			
17	Total Taxable Income			
18	Gross Federal Income Tax			
19	Less Investment Credit			
20	Net Federal Income Tax			

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Exhibit C
Appendix 1
Schedule 6H

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Other Included Items
Jurisdiction -

Line No.	Items/FERC Accounts (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Operating Revenues:			
2	Nonfirm Sale for Resale/447			
3	1.			
4	2.			
5	3.			
6	Other Operating Revenues/450-456			
7	Acct. 450			
8	Acct. 451			
9	Acct. 452			
10	Acct. 453			
11	Acct. 454			
12	Acct. 455			
13	Acct. 456			
14	Total Revenues			
15	Other Items:			
16	Investment Tax Credit Adjustment/411.S			
17	Deferred Current Year			
18	Restored Current Year			
19	Restored from Prior Years			
20	Total ITC Adjustment			
21	Deferred Income Tax - Current/410.1			
22	Deferred Income Tax from prior years/411.1			
23	Other Accounts			

Average System Cost Methodology Footnotes

1/ Functionalized directly from the FERC Uniform System of Accounts.

2/ Unless it can be determined that a plant item or plant related item is associated directly with regional generation, transmission, distribution, customer or other directly functionalized category, the item shall be functionalized on the following basis in the following order:

(a) If the location codes of the plant item can be used to identify a principal generation, transmission, distribution or customer-related facility at that location, the plant item shall be functionalized based on the functionalization of such principal facility.

(b) For plant items not otherwise functionalized, the functionalization formula in footnote 24 shall apply.

3/ (a) The utility shall functionalize these items according to an analysis it performs that demonstrates the actual and/or intended functional use of the items, or the plant item related thereto, and include a detailed showing of the factors used to determine the functionalization as a supplement to Exhibit C, Appendix 1. Costs incurred only because the utility is engaged in the retail distribution of electricity shall be functionalized to Other. These items include, for example, retail revenue taxes and uncollectible amounts for retail sales.

(b) In cases where items included are not directly assigned to a particular function, these items shall be separately identified, and a statement shall be provided as to why the items are not directly functionalized by the 3(a) procedure. The functionalization formula described in footnote 24 herein shall apply to these items.

4/ Calculation of functionalized amount is to be consistent with property items included in functionalized Total Gross Plant.

5/ The offset against Contract System Costs for billing credit revenue arising from implementation of conservation measures and retail rate structures that induce conservation shall be limited to the costs included in Contract System Cost of the related conservation measures and retail rate structures. These billing credit revenues shall be functionalized on the same basis as the cost of the related conservation measure.

6/ Functionalization is to be directly related to the functional nature of the items included in the Working Capital calculation approved by the Commission. Should items included in the approved Working Capital calculation not be directly assignable to a function and should there be no footnote in this methodology directing the functionalization of the item, these items shall be separately identified and the functionalization formula in footnote 24 shall apply.

7/ Transmission plant means all land, conversion structures, and equipment employed at a primary source of supply (i.e., generating station or point of receipt in the case of purchased power) to change the voltage or frequency of electricity for the purpose of its more efficient or convenient transmission; all land, structures, lines, switching and conversion stations, high tension apparatus and their control in protection of equipment between a generating or receiving point and the entrance to a distribution center or wholesale point; and all lines and equipment whose primary purpose is to augment, integrate or tie together the sources of power supply. The entrance to a distribution center means all land, structures, conversion equipment, lines, line transformers and other facilities utilized to deliver power to specific customers or distribution substations.

8/ Distribution plant means all land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i.e, generating station, or point of receipt in the case of purchased power) and of delivery to customers, which are not includable in transmission system, as defined in footnote 7, whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system.

Note: Stations that change electricity from transmission to distribution voltage shall be classified as distribution stations.

Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights-of-way shall be classified as transmission system. The conductors, crossarms, braces, grounds, tiewire, insulators, etc., shall be classified as transmission or distribution facilities, according to the purpose for which they are used.

Where underground conduit contains both transmission and distribution conductors, the underground conduit and right-of-way shall be classified as distribution facilities. The conductors shall be classified as transmission or distribution facilities according to the purpose for which they are used.

Land (other than rights-of-way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to their major use.

9/ Functionalized as specified in Schedule 4.

10/ If these items are treated in Schedule 1 as deductions from gross plant investment in determining rate base, these items shall not be included in the capital structure.

11/ Should a Commission approve a method for determining debt costs by a means other than that shown here, Schedule 2A shall be modified in a manner that shows the approved method, including accompanying explanatory material.

12/ Expenses related to the FERC Accounts 920-932 shall be functionalized in accord with the following:

FERC Account	Functionalization Method
920	Footnote 3
921	3
922	3
923	3
924	3(a) or 24(a)
925	3
926	13
927	19
928	19
929	3
930.1	19
930.2	3
931	3
932	4

13/ Functionalization is to be determined on a pro rata percentage basis using the salary and wage data for production, transmission, and distribution/other functions included in the Test Period costs on which Appendix 1 is based. If, however, this information is unavailable, comparable data shall be used for the most recent calendar year as reported on the FERC Form 1 (at page 355), or similar document. Furthermore, a portion of this expense shall be included in Schedule 3, column 3, Excluded Amount, based on the amount of labor-related costs included therein.

14/ A tax-exempt Utility may include in-lieu taxes up to an amount that is comparable, for each unit of government paid in-lieu taxes, with taxes that would have been paid by a non-tax exempt Utility to that unit of government, but in no event shall the jurisdictional total in column 2 be greater than the actual amount paid.

15/ Excluded Resources

(a) The cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980, will be determined by utilizing allocation notes of multi-State utilities as assigned and utilized in State retail rate filings.

(b) The cost of additional resources sufficient to serve any New Large Single Load that was not contracted for, or committed to, prior to September 1, 1979, is to be determined as follows:

(1) To the extent that any New Large Single Loads are served by dedicated resources, at the cost of those resources, including applicable transmission;

(2) In the amount that New Large Single Loads are not served by dedicated resources, at Bonneville's New Resource rate as established from time to time pursuant to section 7(f) of the Regional Act and as applicable to the Utility, and applicable Bonneville transmission charges if transmission costs are excluded in the determination of Bonneville's New Resource rates, to the extent such costs are recovered by the Utility's retail rates in the applicable jurisdiction; and

(3) To the extent that New Large Single Loads are not served by dedicated resources plus the Utility's purchases at the New Resource rate, the costs of such excess load shall be determined by multiplying the kilowatthours not served under subsections (1) and (2) above by the cost (annual fixed plus variable cost, including an appropriate portion of general plant, administrative and general expense and other items not directly assignable) per kilowatthour of all baseload resources and long term power purchases (five years or more in duration), as allowed in the regulatory jurisdiction to establish retail rates during the Exchange Period, exclusive of the following resources and purchases: (a) purchases at the New Resources rate pursuant to section 7(f) of the Act; (b) purchases at the Federal Base System rate, pursuant to section 5(c) of the Act; (c) resources sold to Bonneville, pursuant to section 6(c)(1) of the Act; (d) dedicated resources specified in footnote 15(b)(1) of this agreement; (e) resources and purchases committed to the Utility's load as of September 1, 1979 under a power requirements contract or that would have been so committed had the Utility entered into such a contract; and (f) experimental or demonstration units or purchases therefrom. Transmission needed to carry

power from such generation resources or power purchases shall be priced at the average cost of transmission for the Jurisdiction during the Exchange Period.

(4) Any kilowatthours of New Large Single Loads not met under subsections (1), (2), or (3) above will be assumed to be supplied from the most recently completed or acquired baseload resource(s) or long term power purchase(s), exclusive of dedicated resources and experimental or demonstration resources or purchases therefrom, that are committed to the Utility's load as of September 1, 1979, under a power requirements contract with Bonneville or would have been so committed had the Utility entered into such a power requirements contract. The cost of these generation resources and long-term power purchases and the transmission cost associated with these resources or purchases will be calculated as specified in subsection (3) above.

(5) If the New Large Single Load is served on an energy or capacity interruptible basis, the Utility shall prepare a calculation subject to review by Bonneville of the fixed (if any) and variable costs of providing such service, except that the amount excluded from ASC for the New large Single Load shall not be less than the transmission and generation costs included in the retail rate charged the New Large Single Load.

(c) Any costs associated with a generation facility that is terminated prior to initial commercial operation shall be excluded if termination occurred after December 5, 1980.

16/ Authorized Jurisdictional rate of return as specified in Schedule 2.

17/ The losses shall be the distribution energy losses occurring between the transmission portion of the Utility's system and the meters measuring firm energy load used by the Commission for the purpose of establishing retail rates. Losses shall be established according to a study (engineering, statistical or other) that is submitted to Bonneville by the exchanging Utility subject to review by Bonneville. This study shall be in sufficient detail so as to accurately identify average distribution losses associated with the Utility's total load, excluded loads, and the Residential load. Distribution losses shall include losses associated with distribution substations, primary distribution facilities, distribution transformers, secondary distribution facilities and service drops.

18/ This amount is to be reduced by revenues from firm sales for resale (to the extent that these sales are included in the Jurisdictional allocation factors) to be determined by the firm resale revenue for the Test Period as used for retail ratemaking purposes.

19/ Functionalize entirely to distribution/other unless Utility demonstrates that other functionalization treatment is appropriate.

20/ "Other" rate base items may include Unclassified Plant-In-Service (106), Extraordinary Property Losses (182), Other Investments (124), or other investments approved for rate base treatment by a Commission consistent with the provisions of this Exhibit.

21/ Only the conservation-related portion is to be functionalized to production.

22/ These revenues shall be divided proportionally between Excluded Amount and Total To Be Functionalized based on the total expenses in those two categories shown on Schedule 3 (sum of lines 1 to 13, 19, and 20), less all terminated plant expenses excluded pursuant to footnote 15(c). The portion to be functionalized shall be functionalized to production.

23/ Public Agencies shall be allowed a total return (operating income) on Schedule 1, line 26, column 2, equal to their demonstrated need for revenues exceeding Total Operating Expenses shown on Schedule 3 to cover the cost of capital. These demonstrated capital costs generally will be in the form of coverage requirements or the need to maintain an equity ratio consistent with favorable bond ratings for that Utility. In order to receive an operating income in addition to interest expense the utility must submit evidence of the specific coverage or equity ratio needed by that utility and a calculation of the corresponding minimum operating income. Assignment to excluded resources and functionalization of the operating income shall be based on the assignment and functionalization of the rate base.

24/ Functionalization of these items shall be based on a formula that averages on an equal weighting basis the percentages for generation, transmission, distribution, and customer-related functions for (a) the gross plant in each function, including general plant and other plant items functionalized in step 1 of footnote 2 and, (b) the functionalized operations and maintenance (O&M) expenses shown in Schedule 3, except that the fuel cost included in O&M shall not include the cost of fuel acquired from non-Utility sources. Material detailing the application of this functionalization formula shall be included as a supplement to Appendix 1.

25/ Revenues from the transmission of electricity for others shall be functionalized to transmission.

(WP-PLB-0016n)

Residential Load Definition

I. The Utility's Residential Load means the sum of the Regional loads the Utility elects to use as a basis for the exchange under the tariff schedules described below adjusted for distribution losses as determined pursuant to Exhibit C, as the same may be amended, supplemented, or superseded. If Bonneville determines that any such action changes the Utility's general tariffs or service schedules in a manner which would allow loads other than residential loads, as defined in the Regional Act, to be included under these tariff schedules, such nonresidential loads shall, from the date the Utility is notified of Bonneville's determination, be excluded from the residential purchase and sale transaction hereunder.

Such tariff schedules, as presently effective include:

A. all schedules listed below, the following designated percentages, or _____ kilowatthours of the load supplied by the Utility under:

B. a portion of the load as determined pursuant to section II below supplied by the Utility under:

II. Any farm's monthly irrigation and pumping load qualifying hereunder for each billing period shall not exceed the amount of the energy determined by the following formula:

400 x 0.746 x days in billing period x 24, provided, however, that this amount shall not exceed that farm's measured energy for the same billing period.

where:

400 is equal to the horsepower limit defined in the Regional Act,

0.746 is the factor for converting horsepower to kW, days in billing period is determined in accordance with prudent and normal utility business practices, and 24 is the number of hours in a day.

III. When more than one farm is supplied from a common pumping installation, the irrigation and pumping load of the installation shall be allocated among the farms using the installation, based on the method (e.g., water shares, acreage) that the farms use to allocate the power costs among themselves. These allocated loads shall then be combined with any other irrigation and pumping loads attributed to the farms under section II above. In no instance shall any farm's total qualifying irrigation loads for any billing month exceed 222,000 kWh.

IV. For purposes of this contract, a farm is defined as a parcel or parcels of land owned or leased by one or more persons (person includes partnerships, corporations, or any legal entity capable of owning farm land) that is used primarily for agriculture. Agriculture is defined to include the raising and incidental primary processing of crops, pasturage, or livestock. Incidental primary processing means those activities necessarily undertaken to prepare agricultural products for safe and efficient storage or shipment. All electrical loads ordinarily associated with agriculture as defined above shall be considered as usual farm use.

Contiguous parcels of land under single-ownership or leasehold shall be considered to be one farm and noncontiguous parcels of land under single-ownership or leasehold shall be considered as one farm unit when operated as a single farm, unless demonstrated otherwise by the owner or lessee of the parcels.

A number of factors shall determine whether contiguous or noncontiguous parcels constitute one or more farms. These factors shall include but are not limited to:

- -- size
- -- use
- -- ownership
- -- control
- -- operating practices
- -- distance between parcels
- -- custom in the trade
- -- billing treatment by the utility.

V. Unused irrigation allocations may not be reallocated to other farms or to another billing period.

VI. The operator of a farm may be required to certify to the Utility all irrigation accounts, including horsepower rating, with the Utility for that farm, including all irrigation accounts commonly shared.

(WP-PCI-0054c)

Load Factor Specification

Using data from the 60 months prior to the last Bonneville rate filing, the monthly Load Factor of the Utility shall be averaged over each seasonal period in Bonneville's demand charge according to the formula below. The seasonal period is all months of the year that have the same demand charge in Exhibit A.

$$\text{Load Factor} = \frac{E}{D} \times \frac{N}{H} \text{ for each month;}$$

where,

E = the sum of monthly energy loads in the seasonal periods the Utility filed with the FERC or other appropriate body for the previous five years.

D = the sum of monthly peak demands in the seasonal periods the Utility filed with the FERC or other appropriate body for the previous five years.

N = the number of months in the seasonal period.

H = the sum of hours in the month for all months in the seasonal period.

If the Utility acts as an agent for another utility (Principal Utility) the Load Factor for the portion of the purchase equal to the Residential Load of the Principal utility shall be determined based on the Principal utility's own load data.

If Bonneville commences billing the majority of its public agency customers on a basis other than monthly noncoincidental demand, the Utility's Load Factor shall be computed from the 60 month historic data using a basis comparable to the billing criteria applied to the majority of public agencies.

The historic data used for Load Factor computation shall not be adjusted for normal temperature or streamflow. The historic data used for Load Factor computations shall not include surplus or special sales. The Utility shall provide, at Bonneville's request, the necessary information regarding the incidence and timing of such sales.

Determination of New Large Single Loads

(a) Determination of a Facility. Bonneville and the Utility shall make a reasonable determination of what constitutes a single facility, for the purpose of identifying a New Large Single Load, based upon the following criteria: (1) whether the load is operated by a single Consumer; (2) whether the load is in a single location; (3) whether the load serves a manufacturing process which produces a single product or type of product; (4) whether separable portions of the load are interdependent; (5) whether the load is contracted for, served, or billed as a single load under the individual Utility's customary billing and service policy; (6) consistent application of foregoing criteria in similar fact situations; and (7) any other factors the parties determine to be relevant.

(b) Determination of Ten Average Megawatt Increase. An increase in load shall be considered a New Large Single Load if the energy consumption of the consumer's load associated with a new facility, existing facility or expansion of an existing facility during the immediately past 12-month period exceeds by 10 average megawatts or more the consumer's energy consumption for such new facility, existing facility, or expansion of an existing facility for the consecutive 12-month period one year earlier, or the amount of the contracted for, or committed to load of the consumer as of September 1, 1979, whichever is greater.

The contracted for, or committed to load as of September 1, 1979, shall be the maximum amount of energy specified in such contract or commitment, or the maximum energy consumption of the load or the capacity limitation contained in such contract or commitment if energy is not specified or limited.

(c) Identification of Potential New Large Single Loads. The Utility shall make reasonable efforts to identify potential New Large Single Loads, and shall report to Bonneville (1) the addition of electrical equipment of ten MVA or more by a single consumer; (2) the installation of additional transformation capacity of ten MVA or more by the Utility or a consumer which is designed to serve a single facility; or (3) the potential change in operation of a facility which may result in an increase of 10 average megawatts or more in a 12-month period.

(d) Service to New Large Single Loads. If a consumer of a Purchaser provides a renewable or cogeneration resource to serve all or a portion of a load associated with a facility which would otherwise be a New Large Single Load, and thereby reduces the demand on the Utility, that portion of such load on the Utility, if any, shall not be a New Large Single Load, unless the load or portion thereof on the Utility is 10 average megawatts or more; provided, however,

that if a consumer sells, displaces or removes a resource or portion thereof, from service to the consumer's load at such facility, then all the load on the Utility shall be a New Large Single Load unless Bonneville, after consultation with the Utility and the consumer, determines that uncontrollable events prevent service to the consumer's load by such resource.

(e) Normalization of Consumer's Load. For the sole purpose of computing the increase in energy consumption between any two consecutive 12-month periods of comparison under this exhibit, reductions in the consumer's load associated with a facility during the first 12-month period of comparison due to unusual events reasonably beyond the control of the consumer shall be determined, and the energy consumption shall be computed as if such reductions had not occurred.

(f) Changes in Load. If an increase in load becomes a New Large Single Load, such increase shall, subject to the last paragraph of this subsection, remain a New Large Single Load and all subsequent increases in such load or portion thereof shall also be considered a New Large Single Load.

Load reductions to a consumer's load at a facility shall be on a last on, first off basis. Any load reductions made by a consumer at a facility shall first reduce that portion of the consumer's load at that facility which has been identified as a New Large Single Load.

If a consumer with a New Large Single Load physically and permanently removes equipment which imposes a load at a facility identified as a New Large Single Load the consumer's load may be reclassified as no longer being a New Large Single Load if Bonneville determines such equipment imposed a load equivalent to the original increase in load at each facility which caused such load to be classified as a New Large Single Load.

(g) Renewal, Relocation, and Transfer. The following events shall not cause a load to be considered a New Large Single Load, if such event does not result in an increase in power requirements of a consumer on the Utility of 10 average megawatts or more during any consecutive 12-month period: (1) renewal or replacement of a contract between the Utility and the consumer if the capacity specified in the new contract based on the original commitment or contract does not exceed the capacity specified in the contract being renewed or replaced; (2) relocation, replacement, or renovation of a consumer's facility within the Utility's service area; and (3) transfer of a facility to a successor-in-interest provided that the service or product associated with the facility is essentially unchanged.

Amendatory Agreement No. 1 to
Contract No. DE-MS79-81BP

8/10/82

AMENDATORY AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through

BONNEVILLE POWER ADMINISTRATION

and

_____

This AMENDATORY AGREEMENT, executed _____, 19__, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and _____ _____ (Utility), a _____,

W I T N E S S E T H :

WHEREAS Bonneville offered a residential purchase and sale agreement to the Utility on August 28, 1981, and the parties hereto have executed such residential purchase and sale agreement (Contract No. DE-MS79-81BP, which as amended is hereinafter referred to as "Residential Purchase and Sale Agreement") providing for the sale of electric power by the Utility to Bonneville at the Average System Cost (ASC) of the Utility's resources and, in return, the sale by Bonneville of an equivalent amount of power for resale to that Utility's residential and farm users within the Pacific Northwest (Region); and

WHEREAS the parties hereto have agreed that certain sections of such Residential Purchase and Sale Agreement should not be operative until certain conditions have occurred; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various Federal hydroelectric projects in the Pacific Northwest, or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Effective Date of Agreement. This amendatory agreement shall be effective on the later of 2400 hours on the date of execution or the effective date of the Residential Purchase and Sale Agreement.

2. Amendment of Residential Purchase and Sale Agreement. The Residential Purchase and Sale Agreement is hereby amended as follows:

(a) Exhibit D is deleted and replaced by a new Exhibit D attached hereto.

(b) Section 12 is deleted and the following substituted therefor.

"12. Exhibits. Exhibit A (Priority Firm Power Rate, Schedule PF-1, and General Rate Schedule Provisions), Exhibit B (General Contract Provisions), Exhibit C (Average System Cost Methodology), Exhibit D (Residential Load Definition), Exhibit E (Load Factor Specification), and Exhibit F (Determination of New Large Single Loads) are hereby made part of this contract. Exhibit D shall be revised to incorporate additional qualifying tariff schedules, subject to Bonneville's determination that the loads served under these schedules are qualified under the Act. If the Purchaser has not specified an amount of Residential Load in Exhibit D, the Utility may request and Bonneville shall revise Exhibit D at any time during the one year period following the occurrence of conditions (1) and (2) specified in section I. of

Exhibit D, to increase the amount of Residential Load sold to Bonneville under this agreement from zero. This provision does not preclude subsequent revision of the amount of residential load shown on Exhibit D based on changes in Residential Load. Each time Bonneville has a new rate adjustment date, the Utility shall submit a revised Exhibit E, prepared in the same manner as Exhibit E attached hereto, to Bonneville within 20 working days of such date. The revised Exhibit E shall become effective as of such date."

IN WITNESS WHEREOF, the parties hereto have executed this amendatory agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy

By _____
Bonneville Power Administrator

Utility _____

By _____

Title _____

Date _____

ATTEST:

By _____

Title _____

Date _____

(WP-PCI-1265c)

Residential Load Definition

I. The Utility's Residential Load means the sum of the Regional loads the Utility elects to use as a basis for the exchange under the tariff schedules described below adjusted for distribution losses as determined pursuant to Exhibit C, as the same may be amended, supplemented, or superseded. If Bonneville determines that any such action changes the Utility's general tariffs or service schedules in a manner which would allow loads other than residential loads, as defined in the Regional Act, to be included under these tariff schedules, such nonresidential loads shall, from the date the Utility is notified of Bonneville's determination, be excluded from the residential purchase and sale transaction hereunder.

The Utility's Residential Load shall be zero instead of the amount specified in A. and B. below until both of the following conditions have occurred:

(1) The Utility has resources being used to serve its firm load other than the resources specified in section 5(b)(1)(A) of the Regional Act and its purchase of Firm Power from Bonneville; and

(2) The Utility's Average System Cost exceeds the cost of Firm Power purchased by the Utility from Bonneville at the Priority Firm Power Rate Schedule or its successor rate schedule.

Such tariff schedules, as presently effective include:

A. all schedules listed below, the following designated percentages, or _____ kilowatthours of the load supplied by the Utility under:

B. a portion of the load as determined pursuant to section II below supplied by the Utility under:

II. Any farm's monthly irrigation and pumping load qualifying hereunder for each billing period shall not exceed the amount of the energy determined by the following formula:

400 x 0.746 x days in billing period x 24; provided, however, that this amount shall not exceed that farm's measured energy for the same billing period.

where:

400 is equal to the horsepower limit defined in the Regional Act, 0.746 is the factor for converting horsepower to kilowatts, days in

billing period is determined in accordance with prudent and normal utility business practices, and 24 is the number of hours in a day.

III. When more than one farm is supplied from a common pump installation, the irrigation and pumping load of the installation shall be allocated among the farms using the installation, based on the method (e.g., water shares, acreage) that the farms use to allocate the power costs among themselves. These allocated loads shall then be combined with any other irrigation and pumping loads attributed to the farms under section II above. In no instance shall any farm's total qualifying irrigation loads for any billing month exceed 222,000 kilowatthours.

IV. For purposes of this contract, a farm is defined as a parcel or parcels of land owned or leased by one or more persons (person includes partnerships, corporations, or any legal entity capable of owning farm land) that is used primarily for agriculture. Agriculture is defined to include the raising and incidental primary processing of crops, pasturage, or livestock. Incidental primary processing means those activities necessarily undertaken to prepare agricultural products for safe and efficient storage or shipment. All electrical loads ordinarily associated with agriculture as defined above shall be considered as usual farm use.

Contiguous parcels of land under single-ownership or leasehold shall be considered to be one farm and noncontiguous parcels of land under single-ownership or leasehold shall be considered as one farm unit when operated as a single farm, unless demonstrated otherwise by the owner or lessee of the parcels.

A number of factors shall determine whether contiguous or noncontiguous parcels constitute one or more farms. These factors shall include but are not limited to:

-- size
-- use
-- ownership
-- control
-- operating practices
-- distance between parcels
-- custom in the trade
-- billing treatment by the utility

V. Unused irrigation allocations may not be reallocated to other farms or to another billing period.

VI. The operator of a farm may be required to certify to the Utility all irrigation accounts, including horsepower rating, with the Utility for that farm, including all irrigation accounts commonly shared.

(WP-PKI-1265c)

GCP Form PSC-2

Exhibit B
2/7/84

GENERAL CONTRACT PROVISIONS

Detailed Index to Sections 1/

I. RELATING TO ALL PURCHASERS

A. IN REFERENCE TO MEANING

1. Definitions.
   - (a) Billing Month.
   - (b) Contractor.
   - (c) Direct Service Industrial Customer.
   - (d) Federal System/ Federal System Facilities.
   - (e) FERC.
   - (f) Measured Demand.
   - (g) Points of Delivery.
   - (h) P.L. 96-501.
   - (i) Transferor.
   - (j) Uncontrollable Forces.
   - (k) Utility.

2. Interpretation. (Contract text and GCP's supercede Rates & GRSP's, contract not to limit enforcement of remedies.)

B. IN REFERENCE TO COMPUTATION OF CHARGES

3. Measurements
4. Adjustment for Change of Conditions
5. Adjustment for Inaccurate Metering
6. Adjustment for Unbalanced Phase Demands
7. Reducing Charges for Interruptions

C. IN REFERENCE TO RATES

8. Equitable Adjustment of Rates.
   - (a) BPA shall establish rates.
   - (b) Rate Adjustment Rate. (obsolete)
   - (c) Purchaser shall pay in accordance with then-effective rate schedule. Must have at least interim FERC approval.
   - (d) Conservation surcharge:
     - (1) BPA reserves authority.
     - (2) Council will adopt cost-effective MCS. BPA will provide financial assistance as described in House Interior Com. Report p. 43 (difference between what's cost-effective for consumers vs. region).
     - (3) After methodology adopted, BPA will develop policy. Miscellaneous list of contents of policy.
   - (e) BPA rates consistent with NW Power Act Section 7b2 methodology

1/ This index was prepared for use in the PSC EIS. The sections which are detailed are only those that were considered to have some relevance to issues in that EIS.

shall be developed with customer consultation.

(f) Power Cost Allocations after 7/1/85. To be consistent with Appendix B of Senate Report S.885.

(g) Low density discount.

(h) Individual Customer rate limit under NW Power Act Section 7(f). Applies to customers from whom or on behalf of whom BPA has acquired a resource.

(i) Rates won't charge for power that P. not entitled to take over 12-month period. (See availability charge lawsuit.)

(j) Allocation of certain 7(g) (Northwest Power Act) costs -- termination costs, etc.

(k) Recovery of costs of resources acquired by BPA as replacement for customer resources under NW Power Act Section 17(j).

(l) Allocation of Exchange Resources -- principles.

(m) Allocation principles for revenue from recapture of terminated plant costs in average system costs, whatever that means.

(n) FBS replacement -- consultation, a few principles.

D. IN REFERENCE TO DELIVERY OF POWER

9. Character of Service
10. Point(s) of Delivery and Delivery Voltage
11. Metered Quantities
12. Where Additional Facilities Required
13. Uncontrollable Forces
14. Continuity of Service
15. Delivery by Transfer

E. IN REFERENCE TO PAYMENT FOR POWER (generally, technical spec's for billing matters)

16. Determination of and Assignment of Measured Demand
17. Billing of Multiple Points of Delivery
18. Payment of Bills
19. Determination of Estimated Billing data
20. Average Power Factor

F. IN REFERENCE TO USE OF POWER

21. Changes in Requirements or Characteristics
22. Electric Disturbance
23. Harmonic Control
24. Balancing Phase Demands

G. IN REFERENCE TO FACILITIES

25. Measurement and Installation of Meters
26. Tests of Metering Installations
27. Permits
28. Ownership of Facilities
29. Inspection of Facilities
30. Facilities for Maintenance of Voltage

H. MISCELLANEOUS PROVISIONS

31. General Environmental Provisions
   (a) Policy. Reference to NEPA.
   (b) Affirmative Obligations. Compliance with laws, cooperation, providing information.
   (c) Breach of Obligations. No breach of contract as to this section until after final determination by court or agency.
   (d) Remedy. BPA could restrict deliveries in extraordinary circumstances.
32. Dispute Resolution and Arbitration
33. Enforcement of Rights for Benefit of Transferors
34. Net Billing
35. Contract Work Hours and Safety Standards
36. Convict Labor
37. Equal Employment Opportunity
38. Additional Provisions
39. Assignment of Contract
40. Waiver of Default
41. Notices and Computation of Time
42. Interest of Member of Congress
43. Priority of Pacific Northwest Customers

44. Resource Acquisition and Management.
   (a) Principles of Resource Acquisition. BPA must maintain sufficient firm resources. BPA must use NW Power Act and Transmission System Act acquisition authorities.
   (b) Principles of Resource management -- BPA must meet customer loads at lowest possible expected cost to BPA.
   (c) Customer consultation.

45. Cooperation with Regional Council. (Parties will negotiate amendments as necessary)
46. Rights of the Purchaser (Preference and Priority)

II. RELATING ONLY TO PREFERENCE AGENCIES
   47. Separation of Electric Operations and Funds (All Public Agencies)
   48. Statement of General Policies and Practices (Cities)
   49. Approval of Contract
   50. Prior Demands

III. RELATING ONLY TO PUBLIC BODY, COOPERATIVE, FEDERAL AGENCY, AND INVESTOR-OWNED UTILITY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES
   51. Effect of Reduction of Contract Demand
   52. Combining Deliveries Coincidentally
   53. Combining Deliveries Noncoincidentally
   54. Power Factor Adjustment
B. IN REFERENCE TO PURCHASERS' OPERATING POLICIES
   55. Retail Rates
C. IN REFERENCE TO USE TO POWER
   56. Resale of Power. (P. cannot resell BPA firm power)

D. IN REFERENCE ONLY TO PURCHASERS WITH GENERATING FACILITIES

57. Nonfirm Deliveries (Permits but doesn't require)
58. Emergency or Breakdown Relief
59. Effect on Generating Utility by Direct Service Industrial Customer Power Sales Contract Provisions (DSI operating plans, etc.)

IV. RELATING ONLY TO DIRECT-SERVICE INDUSTRY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES

60. Demands

B. IN REFERENCE TO PURCHASE

61. Use and Resale of Power (no resale allowed)

MFlynn:pas (VS6-WP-PGC-5370K)

Exhibit B
2/7/84

GCP Form PSC - 2

GENERAL CONTRACT PROVISIONS

Index to Sections

Index to Sections (Continued)

Index to Sections (Continued)

Index to Sections (Continued)

Index to Sections (Continued)

- -

I. RELATING TO ALL PURCHASERS

A. IN REFERENCE TO MEANING

1. Definitions. The definitions in the body of this contract and the following additional definitions apply to this exhibit.

(a) "Billing Month," when used with respect to a Direct-Service Industrial Customer, means a calendar month.

(b) "Contractor" means the Purchaser.

(c) "Direct Service Industrial Customer" means a purchaser of industrial firm power, modified firm power, or similar classes of power under contracts providing for the purchase of any such class of power directly from Bonneville.

(d) "Federal System" or "Federal System Facilities" means the facilities of the Federal Columbia River Power System, which for the purposes of this contract shall be deemed to include the generating facilities of the Government in the Pacific Northwest for which Bonneville is designated as marketing agent; the facilities of the Government under the jurisdiction of Bonneville; and any other facilities:

(1) from which Bonneville receives all or a portion of the generating capability (other than station service) for use in meeting Bonneville's loads, such facilities being included only to the extent Bonneville has the right to receive such capability; provided, however, that "Bonneville's loads" shall not include that portion of the loads of any Bonneville customer which are served by a nonfederal generating resource purchased or owned directly by such customer which may be scheduled by Bonneville;

(2) which Bonneville may use under contract, or license; or

(3) to the extent of the rights acquired by Bonneville pursuant to the Treaty, between the Government and Canada, relating to the cooperative development of water resources of the Columbia River Basin, signed in Washington, D.C., on January 17, 1961.

(e) "Federal Energy Regulatory Commission" means the Federal Energy Regulatory Commission or its successor.

(f) "Measured Demand" when used with respect to a Direct Service Industrial Purchaser means the largest of the Integrated Demands, adjusted as appropriate to the Point of Delivery, for the time periods for which there is a demand charge specified in the applicable rate schedule in the Wholesale Power Rate Schedule and General Rate Schedule Provisions Exhibit during a Billing Month.

(g) "Point(s) of Delivery" means the point(s) of delivery listed either in the Points of Delivery Exhibit to this contract or in the body of this contract.

(h) "P.L. 96-501" means the Regional Act.

(i) "Transferor" means an entity which receives Bonneville's power or energy at one point on such entity's system and makes such power or energy available at another point on its system for the account of Bonneville.

(j) "Uncontrollable Forces" means:

(1) strikes or work stoppage affecting the operation of the Purchaser's works, system, or other physical facilities or of the Federal System Facilities or the physical facilities of any Transferor upon which such operation is completely dependent; the term "strikes or work stoppage" shall be deemed to include threats of imminent strikes or work stoppage which reasonably require a party or Transferor to restrict or terminate its

operations to prevent substantial loss or damage to its works, system, or other physical facilities; or

(2) such of the following events as the Purchaser or Bonneville or any Transferor by exercise of reasonable diligence and foresight, could not reasonably have been expected to avoid:

(A) events, reasonably beyond the control of either party or any Transferor, causing failure, damage, or destruction of any works, system or facilities of such party or Transferor; the word "failure" shall be deemed to include interruption of, or interference with, the actual operation of such works, system, or facilities;

(B) floods or other conditions caused by nature which limit or prevent the operation of, or which constitute an imminent threat of damage to, any such works, system, or facilities; and

(C) orders and temporary or permanent injunctions which prevent operation, in whole or in part, of the works, system, or facilities of either party or any Transferor, and which are issued in any bona fide proceeding by:

(i) any duly constituted court of general jurisdiction; or

(ii) any administrative agency or officer, other than Bonneville or its officers, provided by law (a) if said party or Transferor has no right to a review of the validity of such order by a court of competent jurisdiction; or (b) if such order is operative and effective unless suspended, set aside, or annulled by a court of competent jurisdiction and such order is not suspended, set aside, or annulled in a judicial proceeding

prosecuted by said party or Transferor in good faith; provided, however, that if such order is suspended, set aside, or annulled in such a judicial proceeding, it shall be deemed to be an "uncontrollable force" for the period during which it is in effect; provided, further, that said party or Transferor, shall not be required to prosecute such a proceeding, in order to have the benefits of this section, if the parties agree that there is no valid basis for contesting the order.

The term "operation" as used in this subsection shall be deemed to include construction, if construction is required to implement the contract and is specified therein.

(k) "Utility" means a party to a residential purchase and sale agreement offered pursuant to section 5(c) of P.L. 96-501 which shall also be referred to as the "Purchaser" for the purposes of this exhibit.

2. Interpretation.

(a) The provisions in this exhibit shall be deemed to be a part of the contract body to which they are an exhibit. If a provision in such contract body is in conflict with a provision contained in this exhibit, the former shall prevail.

(b) If a provision in the General Rate Schedule Provisions incorporated in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit is in conflict with a provision contained in this exhibit or the contract body, this exhibit or the contract body shall prevail.

(c) Nothing contained in this contract shall, in any manner, be construed to abridge, limit, or deprive any party hereto of any means of enforcing any

remedy, either at law or in equity, for the breach of any of the provisions of this contract which it would otherwise have.

B. IN REFERENCE TO COMPUTATION OF CHARGES

3. Measurements. Each measurement of each meter mentioned in this contract shall be the measurement automatically recorded by such meter or, at the request of either party, the measurement as mutually determined by the best available information.

If it is provided in this contract that measurements made by any of the meters specified therein are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating the meters, as agreed upon by the parties hereto. If changes in conditions occur which substantially affect any such loss factor or compensation, it will be changed in a manner which will conform to such change in conditions.

4. Adjustment for Change of Conditions. Changes in conditions may occur after the date of execution of this contract which substantially affect factors required by this contract to be used in determining (a) the charge for a service or for use of facilities provided by Bonneville other than charges for the sale of electric power and energy; or (b) the amount of losses from the transmission or transformation of electric power or energy. Such factors will then be changed in an equitable manner which will conform to such changes in conditions.

5. Adjustment for Inaccurate Metering. If any meter mentioned in this contract fails to register, if the measurement made by such meter during a test

made as provided in section 26 hereof varies by more than one percent from the measurement made by the standard meter used in such test or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made, if such period can be determined. If such period cannot be determined the adjustment shall be made for the period immediately preceding the test of such meter which is equal to the lesser of (a) one-half the time from the date of the last preceding test of such meter; or (b) 6 months. Such corrected measurements shall be used to recompute the amounts due from the Purchaser for the electric power and energy made available under this contract during such period and shall be used, when applicable, in future billings to the Purchaser. If the total amount due from the Purchaser for such period as recomputed varies from the total amount previously billed by Bonneville, Bonneville shall adjust the wholesale power bill(s) as soon as practicable.

6. Adjustment for Unbalanced Phase Demands. If the Purchaser fails to make promptly the changes mentioned in section 24 hereof, Bonneville may, after giving written notice one month in advance, determine that the Measured Demand of the Purchaser at the Point of Delivery in question during each month thereafter, until such changes are made, is equal to the product obtained by multiplying by three the largest of the Integrated Demands on any phase adjusted as appropriate to such point during such month.

7. Reducing Charges for Interruptions. If deliveries of electric power and energy to the Purchaser are suspended, interrupted, interfered with or curtailed due to Uncontrollable Forces on either the Purchaser's system, the Federal System or any Transferor's system, or if Bonneville or any Transferor

interrupts or reduces deliveries to the Purchaser for any of the reasons stated in section 14 hereof, the charges for power shall be appropriately reduced. Partial interruptions shall be converted to an equivalent outage of total Measured Demand. No total outage or equivalent outage of less than 30 minutes duration shall be considered for computation of such reduction in charges.

C. IN REFERENCE TO RATES

8. Equitable Adjustment of Rates.

(a) Bonneville shall establish, periodically review and revise rates for the sale and disposition of electric power, capacity or energy sold pursuant to the terms of this contract. Such rates shall be established in accordance with applicable law.

(b) As used in this section, the words "Rate Adjustment Date" mean any date as specified by Bonneville in a notice of intent to file revised rates as published in the Federal Register; provided, however, that such date shall not occur sooner than (1) nine months from the date that such notice of intent is published; or (2) twelve months from any previous Rate Adjustment Date. By giving written notice to the Purchaser 45 days prior to such Rate Adjustment Date, Bonneville may delay such Rate Adjustment Date for up to 90 days if Bonneville determines either that the revenue level of the proposed rates differs by more than five percent from the revenue requirements indicated by most recent repayment studies entered in the hearings record or that external events beyond Bonneville's control will prevent Bonneville from meeting such Rate Adjustment Date. Bonneville may cancel a notice of intent to file revised

rates at any time (1) by written notice to the Purchaser; or (2) by publishing in the Federal Register a new notice of intent to file revised rates which specifically cancels a previous notice.

(c) The Purchaser shall pay Bonneville for the electric power and energy made available under this contract during the period commencing on each Rate Adjustment Date and ending at the beginning of the next Rate Adjustment Date at the rate specified in any rate schedule available at the beginning of such period for service of the class, quality, and type provided for in this contract, and in accordance with the terms thereof, and of the General Rate Schedule Provisions as changed with, incorporated in or referred to in such rate schedule. New rates shall not be effective on any Rate Adjustment Date unless they have been approved on a final or interim basis by a governmental agency designated by law to approve Bonneville rates. Rates shall be applied in accordance with the terms thereof, the General Rate Schedule Provisions as changed with, incorporated in or referred to in such rate schedule and the terms of this contract.

(d) (1) Bonneville reserves the authority to impose a conservation surcharge as provided by section 4(f) and 7(h) of P.L. 96-501. The Purchaser shall pay the amount of any such surcharge so imposed as part of its payment to Bonneville for wholesale power.

(2) Bonneville and the Purchaser recognize that cost-effective model conservation standards are to be adopted by the Pacific Northwest Electric Power and Conservation Planning Council ("the Council") pursuant to P.L. 96-501, and that, in accordance with section 4(f) of P.L. 96-501, such standards are required to include, but are not limited to, standards

applicable to Customer and governmental conservation programs. Bonneville will make available financial assistance to implement such cost-effective standards pursuant to its obligations under section 6(a)(1) and 6(e)(1) of P.L. 96-501, and as described at page 43 of the Report of the Committee on Interior Affairs of the U.S. House of Representatives (Report No. 96-976, Part II) regarding section 4(f).

(3) Upon adoption of a methodology as provided in section 4(f)(2) and section 4(e)(3)(G) of P.L. 96-501, Bonneville will give notice of intent to adopt a policy, provide opportunity for public comment, and publish draft procedures in the Federal Register for imposing surcharges. Such proposed policy shall include:

(A) standards to be met before Bonneville will excuse surcharges which would otherwise be appropriate, consistent with Bonneville's obligations to implement cost-effective conservation measures to the maximum extent practicable;

(B) that Bonneville will impose surcharges to the extent not excused or suspended under the terms of the policy;

(C) an opportunity for interested persons to present views, data, questions, and arguments to Bonneville relevant to the imposition of surcharges in specific instances, and the adequacy of financial assistance made available by Bonneville;

(D) that surcharges imposed will be continued to the extent and for the period projected energy savings attributable to cost-effective model conservation standards are not achieved;

(E) for recovery from the Purchaser of the additional costs (including increases in the Utility's average system cost) that Bonneville will incur because the projected energy savings attributable to model conservation standards have not been achieved, subject to the limitations set forth in sections 4(f)(1) and 4(f)(2) of P.L. 96-501; provided, however, that surcharges will not be levied as a result of an increase in a Utility's average system cost except to the extent that the Utility failed to implement conservation measures that are designed to be cost-effective for its Consumers in terms of the electric rates its Consumers pay.

(4) Nothing in this section shall waive or prejudice the right of any person or Customer to assert any of its legal rights with respect to the model conservation standards, their application, or the imposition of any surcharges.

(e) Bonneville's wholesale power rates established on any Rate Adjustment Date shall be developed consistent with the provisions of section 7 of P.L. 96-501. Bonneville shall develop in consultation with its utility Customers and shall publish methodologies as required for implementing section 7(b)(2).

(f) Power Cost Allocations After July 1, 1985. Power cost allocations among Customer classes will follow the same methods set forth in Appendix B of the Senate Report S.885 (S. Rep. 272, 96 Cong., 1st Sess. 1979) for the period after July 1, 1985, and in the same general manner as further explained in the 1981 Bonneville wholesale power rate case by Exhibit U submitted in such rate case and the accompanying Bonneville testimony.

(g) Bonneville shall establish and apply a discount to the rate or rates of utility Customers with low system densities. The level of such discount and the standards for determining which Customers qualify for such discount shall be established pursuant to the rate adjustment process described in this section.

After five years of experience in the application of such discount, Bonneville shall review the level and standards of such discount. Such review will occur independent of the rate adjustment process, and at such time Bonneville and the Purchaser may consider an amendment to this contract to fix the level of the discount and the standards for Customer qualification for the balance of the term of this contract, or such other amendments as the parties deem appropriate. Any such amendments shall be by mutual agreement of Bonneville and the Purchaser.

(h) Individual Customer Rate Limit Under Section 7(f) of P.L. 96-501.

(1) The provisions of this subsection shall apply to any Customer from whom or on behalf of whom Bonneville has acquired a resource pursuant to section 6 of P.L. 96-501, if and to the extent such Customer purchases Firm Power from Bonneville at a rate established pursuant to section 7(f) of P.L. 96-501.

(2) The rate established pursuant to section 7(f) charged to any such Customer for an amount of Firm Power not exceeding that acquired by Bonneville from or on behalf of such Customer, exclusive of any costs allocated to such rate in accordance with sections 7(b)(3), 7(g), and 7(h) of P.L. 96-501, shall not exceed the average cost of the resources acquired by Bonneville from such Customer, exclusive of resources whose costs are

allocated by Bonneville pursuant to section 7(g) and any resources acquired under section 5(c). The average cost of such resources shall be adjusted for any additional costs such Customer would have incurred in order to provide itself the same quantity and quality of power from such resources if such resources had not been acquired by Bonneville.

(3) Bonneville shall develop a methodology for performing the adjustments required by paragraph (2) by procedures comparable to those employed in establishing the methodology referred to in subsection (e) above.

(4) Costs nct recovered from any Customer because of the provisions of paragraph (2) shall be recovered from other Customers through rates established pursuant to section 7(f), to the extent that such recovery can be made without exceeding the allowable section 7(f) rates for such other Customers pursuant to paragraph (2). To the extent such recovery cannot be made without exceeding the allowable section 7(f) rates established pursuant to paragraph (2), the unrecovered balance shall be spread on a pro rata kilowatt and kilowatthour basis among all Firm Power purchased by Customers under rates established pursuant to section 7(f) and not be borne by other Customer classes under rates established pursuant to sections 7(b) and 7(c) of P.L. 96-501. The pro rata recovery shall be limited to rates established pursuant to section 7(f) and shall not increase the cost of the "other resources" specified in section 7(b)(1) of P.L. 96-501.

(i) Rates for Firm Power sold pursuant to sections 14 and 17 of the utility power sales contract shall be established in such a fashion that the Purchaser shall not be billed for Firm Power during any twelve month rate

period in excess of the amount to which the Purchaser was entitled to take during such twelve-month period.

(j) Allocation of Certain Section 7(g) Costs. Costs of uncontrollable events, including but not limited to costs of a terminated generating facility, and costs of experimental resources, in excess of the cost of cost-effective resources, shall be allocated pursuant to section 7(g) of P.L. 96-501 and shall be allocated among Customers on a uniform per kilowatt or kilowatthour basis. Beginning on July 1, 1985, such costs and other costs allocated pursuant to section 7(g) of P.L. 96-501 will be reflected in the rates charged Direct-Service Industrial Customers only to the extent they modify Bonneville's wholesale power rates to public body and cooperative Customers for power that serves such Customers' retail industrial Consumers.

(k) Bonneville's wholesale power rates shall include the amount by which the cost of resources acquired either at the request of the Purchaser pursuant to section 17(j) of the utility power sales contract or at the request of other Customers under similar power sales contracts exceed the estimated revenues Bonneville expects to recover for sale of such power pursuant to section 19(b)(1)(E) of such contract or similar power sales contracts. Such costs shall be recovered from Bonneville's Customers pursuant to section 7(g) of P.L. 96-501, as the cost of an uncontrollable event.

(l) Allocation of Exchange Resources. The energy or capacity, or both, associated with resources acquired by Bonneville pursuant to section 5(c)(2) of P.L. 96-501 shall be allocated at the cost thereof to Customers purchasing Firm Power under rates established pursuant to section 7(b) of P.L. 96-501 to the extent that the load requirements of such Customers exceed the amount of

Federal base system resources, including replacements thereto, determined to be available for ratemaking purposes. Such energy and capacity allocated to Customers purchasing Firm Power under rates established pursuant to section 7(f) of P.L. 96-501 shall be allocated at the cost thereof. The total cost of resources acquired under section 5(c) of P.L. 96-501 allocated to Direct-Service Industrial Customers purchasing power under rates established pursuant to section 7(c)(1)(A) of P.L. 96-501 shall not exceed the average costs associated with the amount of such resources determined by Bonneville to be required to serve that portion of the firm load of Direct-Service Industrial Customers not served by other resources.

(m) Revenue obtained by Bonneville through the recapture of costs associated with section 5(c)(7)(C) of P.L. 96-501 shall be equitably allocated through Bonneville's wholesale power rates to Customer classes in proportion to the respective prior payment of such costs by such classes through Bonneville's wholesale power rates.

(n) Bonneville shall consult with the Purchaser and other Customers prior to making a determination to replace reductions in the capability of the Federal base system resources and shall make such replacements in an economically prudent manner. Resources acquired as a replacement shall not be from resources purchased by Bonneville under section 5(c) of P.L. 96-501. All or a portion of a resource acquired from or on behalf of the Purchaser may be used as a replacement according to the terms specified in the resource purchase agreement. Bonneville may replace reductions in the capability of the Federal base system resources for plant delays when and to the extent needed to meet the sum of (1) Bonneville's obligation to supply Firm Power during an Operating

Year to public bodies, cooperatives and Federal agencies; and (2) Bonneville's firm contractual obligations with its other Customers in place on the effective date of P.L. 96-501 and which contracts are or would have been effective during such Operating Year.

D. IN REFERENCE TO DELIVERY OF POWER

9. Character of Service. Unless otherwise specifically provided for in the contract, electric power or energy made available pursuant to this contract shall be in the form of three-phase current, alternating at a nominal frequency of 60 hertz.

10. Point(s) of Delivery and Delivery Voltage. Electric power and energy shall be delivered to each Purchaser at the Point(s) of Delivery and at such voltage(s) as specified. Unless otherwise agreed, delivery at more than one voltage shall constitute delivery at more than one point.

11. Metered Quantities. The amount(s) of energy, Integrated Demands therefor and amount(s) of reactive energy delivered to the Point(s) of Delivery during each month shall be determined from measurements made by meters installed for such Point(s) of Delivery in the circuit specified.

12. Where Additional Facilities Required. If additional delivery point facilities must be constructed or installed to enable Bonneville to supply any increase in the Purchaser's contract demand, or in the Purchaser's requirements if Bonneville agrees by this contract to supply such requirements, Bonneville shall not be required to provide such additional facilities unless the parties mutually agree: (a) that Bonneville's providing such facilities is in

accordance with its customer service policies; (b) that reasonable utilization has been made of existing facilities; and (c) that reasonable utilization of such additional facilities will be assured. If the parties so agree, Bonneville nevertheless shall not become obligated to supply such increase in such demand or requirements until such period of time has elapsed as may be reasonably necessary to complete the installation of such additional facilities.

13. Uncontrollable Forces. Each party shall notify the other as soon as possible of any Uncontrollable Forces which may in any way affect the delivery of power hereunder. In the event the operations of either party are interrupted or curtailed due to such Uncontrollable Forces, such party shall exercise due diligence to reinstate such operations with reasonable dispatch.

14. Continuity of Service. The Purchaser, Bonneville or a Transferor may temporarily interrupt or reduce deliveries of electric power or energy if the Purchaser, Bonneville or the Transferor determines that such interruption or reduction is necessary or desirable in case of system emergencies, or in order to install equipment in, make repairs to, make replacements within, make investigations and inspections of, or perform other maintenance work on, the Purchaser's facilities, the Federal System or the Transferor's system. Except in case of emergency and in order that the Purchaser's operations will not be unreasonably interfered with, Bonneville shall give notice to the Purchaser of any such interruption or reduction, the reason therefor, and the probable duration thereof to the extent Bonneville has knowledge thereof. The Purchaser or Bonneville shall effect the use of temporary facilities or equipment to minimize the effect of any such interruption or outage to the extent reasonable or appropriate.

15. Delivery by Transfer. If it is provided in this contract that delivery to the Purchaser at any Point of Delivery will be made by transfer over the facilities of a Transferor or Transferors:

(a) Bonneville shall be obligated to make available to the Purchaser at such point only such amounts of electric power and energy as are made available to the Purchaser by such Transferor or Transferors at such point, and the obligation of Bonneville to make electric power and energy available to the Purchaser at such point shall be in all respects subject to all provisions contained in the agreement or agreements executed, or to be executed, if not already in effect, by Bonneville and such Transferor or Transferors providing for such transfer;

(b) Bonneville shall use its best efforts to effect a quality of service to the Purchaser comparable to that provided under direct service from Bonneville; and

(c) Bonneville's right to terminate deliveries at such point, under the agreement or agreements providing for such transfer, shall not be exercised while such Transferor or Transferors meet their obligations to make such deliveries under such agreement or agreements unless (1) the Purchaser consents thereto; or (2) Bonneville determines that the Purchaser's requirements for electric power and energy at such point may be adequately supplied under reasonable conditions and circumstances at another point or points (A) directly from the Federal System (B) indirectly from the facilities of another Transferor or Transferors, or (C) both.

E. IN REFERENCE TO PAYMENT FOR POWER

16. Determination of and Assignment of Measured Demand. Bonneville in determining Measured Demand shall exclude any abnormal Integrated Demand or Measured Amount due to or resulting from (a) emergencies or breakdowns on, or maintenance of, the Federal System Facilities; and (b) emergencies on the Purchaser's facilities to the extent Bonneville determines that such facilities have been adequately maintained and prudently operated.

If timely determination of Measured Demand cannot be made, such determination shall be made in accordance with section 19 below.

Where Bonneville delivers, pursuant to this or other contracts, more than one class of electric power to the Purchaser at any Point of Delivery, the portion of the Measured Demand assigned to each such class of power shall be as specified in such contracts. Any portion of Measured Demand which is not assigned to other classes of power delivered pursuant to this or other contracts shall be deemed to be a Firm Power delivery under this contract.

17. Billing At Multiple Points of Delivery. For electric power or energy made available hereunder to the Purchaser at more than one Point of Delivery, the Purchaser shall be billed for each Point of Delivery separately on a non-coincidental basis under the applicable rate schedule in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit, unless otherwise provided herein. The Points of Delivery Exhibit may provide for combined billing on a coincidental basis under specified conditions and terms either when delivery at more than one point is beneficial to Bonneville or when

the flow of power at several Points of Delivery is reasonably beyond the control of the Purchaser.

If deliveries at more than one Point of Delivery are billed on a coincidental basis for the convenience of the Purchaser, a charge shall be made for the diversity among Measured Demands at such Points of Delivery. Charges for diversity shall be specified in the Special Provisions Exhibit and determined in a uniform manner among Customers.

At any rate adjustment date after January 1, 1982, Bonneville may establish its wholesale power rate schedules applicable to this contract using Customers' coincidental peak demands as the basis for proportioning its revenue recovery. In such event all diversity factors or charges applicable to Measured Demands determined on a coincidental basis shall be invalid and appropriate factors to reduce Measured Demands determined on a non-coincidental basis shall be developed and applied.

18. Payment of Bills. Bills for power shall be rendered monthly and shall be payable at Bonneville's headquarters. Failure to receive a bill shall not release the Purchaser from liability for payment. Each calculated monetary amount in a wholesale power bill shall be rounded to a whole dollar amount, by elimination of any amount of less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

If Bonneville is unable to render the Purchaser a timely monthly bill which includes a full disclosure of all billing factors, it may elect to render an estimated bill for that month to be followed by the final bill. Such estimated bill, if so issued, shall have the validity of and be subject to the same payment provisions as shall a final bill.

Bills not paid in full on or before the date specified in the Payment of Bills section, or its successor, of the General Rate Schedule Provisions incorporated in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit shall bear additional charges as specified therein.

Remittances received by mail will be accepted without assessment of the charges referred to in the preceding paragraph provided the postmark indicates the payment was mailed on or before the 20th day after the date of the bill. If the 20th day after the date of the bill is a Sunday or other nonbusiness day of the Purchaser, the next following business day shall be the last day on which payment may be made to avoid such further charges. Payment made by metered mail and received subsequent to the 20th day must bear a postal department cancellation in order to avoid assessment of such further charges.

Bonneville may, whenever a power bill or a portion thereof remains unpaid subsequent to the 20th day after the date of the bill, and after giving 30 days advance notice in writing, cancel the contract for service to the Purchaser, but such cancellation shall not affect the Purchaser's liability for any charges accrued prior thereto.

19. Determination of Estimated Billing Data. If the amounts of power or energy which have been delivered hereunder must be estimated from data other than metered quantities, scheduled quantities or tabulations of hourly interchange prepared by the Purchaser, Bonneville and the Purchaser shall agree on estimated billing data to be used in preparing the bill.

20. Average Power Factor. The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

When deliveries to a Purchaser at any Point of Delivery include more than one class of power or are under more than one rate schedule, and it is impracticable to separately meter the kilowatthours and reactive kilovolt-ampere-hours for each class, the average power factor of the total deliveries for the month shall be used, where applicable, as the power factor for each of the separate classes of power and rate schedules.

F. IN REFERENCE TO USE OF POWER

21. Changes in Requirements or Characteristics. The Purchaser will, whenever possible, give reasonable notice to Bonneville of any unusual increase or decrease of its demands for electric power and energy on the Federal System, or of any unusual change in the load factor or power factor at which the Purchaser will take delivery of electric power and energy under this contract.

22. Electric Disturbance.

(a) For the purposes of this section an electric disturbance is any sudden, unexpected, changed, or abnormal electric condition occurring in or on an electric system which causes damage.

(b) Each party shall design, construct, operate, maintain, and use its electric system in conformance with accepted electric utility practices:

(1) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may interfere with the electric system of

the other party or any electric system connected with such other party's electric system; and

(2) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

(c) If both parties to this contract are parties to the Western Interconnected Electric System Agreement, their relationship with respect to system damages shall be governed by that agreement.

(d) During such time as a party to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, its relations with the other party with respect to system damages shall be governed by the following sentence, notwithstanding the fact that the other party may be a party to said Agreement Limiting Liability Among Western Interconnected Systems. A party to this contract shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric disturbance is the result of negligence by the first party, if the other party has failed to fulfill its obligations under subsection (b)(2) above.

(e) If one of the parties to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, each party to this contract shall hold harmless and indemnify the other party, its officers and employees, from any claims for loss, injury, or damage suffered by those to whom the first party delivers power not for resale, which loss, injury, or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence

of such other party, if such first party has failed to fulfill its obligations under subsection (b)(2) above, and such failure contributed to the loss, injury, or damage.

(f) Nothing in this section shall be construed to create any duty to, any standard of care with reference to, or any liability to any persons not a party to this contract.

23. Harmonic Control. Each party shall design, construct, operate, maintain and use its electric facilities in accordance with good engineering practices to reduce to acceptable levels the harmonic currents and voltages which pass into the other party's facilities. Harmonic reductions shall be accomplished with equipment which is specifically designed and permanently operated and maintained as an integral part of the facilities of the party which owns the system on which harmonics are generated.

24. Balancing Phase Demands. If required by Bonneville at any time during the term of this contract, the Purchaser shall make such changes as are necessary on its system to balance the phase currents at any Point of Delivery so that the current of any one phase shall not exceed the current on any other phase at such point by more than 10 percent.

G. IN REFERENCE TO FACILITIES

25. Measurements and Installation of Meters. Bonneville may at any time install a meter or metering equipment to make the measurements for any Point of Delivery required for any computation or determination mentioned in this

contract, and if so installed, such measurements shall be used thereafter in such computation or determination.

26. Tests of Metering Installations. Each party to this contract shall, at its expense, test its metering installations associated with this contract at least once every two years, and, if requested to do so by the other party, shall make additional tests or inspections of such installations, the expense of which shall be paid by such other party unless such additional tests or inspections show the measurements of such installations to be inaccurate as specified in section 5 hereof. Each party shall give reasonable notice of the time when any such test or inspection is to be made to the other party who may have representatives present at such test or inspection. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired, or replaced to provide accurate metering.

27. Permits.

(a) If any equipment or facilities associated with any Point of Delivery and belonging to a party to this contract are or are to be located on the property of the other party, a permit to install, test, maintain, inspect, replace, repair, and operate during the term of this contract and to remove such equipment and facilities at the expiration of said term, together with the right of entry to said property at all reasonable times in such term, is hereby granted by the other party.

(b) Each party shall have the right at all reasonable times to enter the property of the other party for the purpose of reading any and all meters mentioned in this contract which are installed on such property.

(c) If either party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the property of the other, the owner of such property shall furnish the other party with accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other party of any subsequent modification which may affect the duties of the other party in regard to such equipment, and furnish the other party with accurate revised drawings, if possible.

28. Ownership of Facilities.

(a) Except as otherwise expressly provided, ownership of any and all equipment and all salvable facilities installed or previously installed by a party to this contract on the property of the other party shall be and remain in the installing party.

(b) Each party shall identify all movable equipment and all other salvable facilities which are installed by such party on the property of the other, by permanently affixing thereto suitable markers plainly stating the name of the owner of the equipment and facilities so identified. Within a reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the parties shall jointly prepare an itemized list of said movable equipment and salvable facilities so installed.

29. Inspection of Facilities. Each party may for any reasonable purpose under this contract inspect the other party's electric installation at any reasonable time. Such inspection, or failure to inspect, shall not render

such party, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this contract. The inspecting party shall observe written instructions and rules posted in facilities and such other necessary instructions or standards for inspection as the parties agree to. Only those electric installations used in complying with the terms of this contract shall be subject to inspection.

30. Facilities for Maintenance of Voltage. Bonneville shall design and construct Federal System Facilities to maintain, under normal conditions and in accordance with generally accepted operating practices, the voltage at each Point of Delivery from the Federal System within a range of 5 percent above or below the operating voltage agreed upon by the operators of the parties to this contract where such voltage is 25 kV or less. Where the delivery voltage is in excess of 25 kV, Bonneville will design and construct Federal System Facilities to maintain such operating voltage within a range of 10 percent above or below such voltages. The parties shall jointly plan and operate their interconnected electrical facilities so that the flow of reactive power accompanying or resulting from deliveries of electric power and energy under this contract will not adversely affect the system of either party.

H. MISCELLANEOUS PROVISIONS

31. General Environmental Provision.

(a) Policy. Bonneville in the performance of this contract shall comply with all of its obligations pursuant to the National Environmental Policy Act.

(b) Affirmative Obligations. The parties agree to:

(1) comply fully with all applicable Federal, State, and local environmental laws;

(2) to assist and to cooperate with each other in meeting each other's environmental obligations, to the fullest extent economically and technically practicable and mutually agreeable; and

(3) provide upon request of the other party a copy of pollution abatement plans as required by the Clean Air Act, by the Clean Water Act, by other Federal statutes, or by an agency having jurisdiction and within a reasonable time submit evidence that such plans have been approved or have not been objected to by agencies with jurisdiction.

(c) Breach of Obligations. A breach of this General Environmental Provision exists only if a final determination, including all appeals, has been entered by a court or pollution control agency or agencies having jurisdiction that the Purchaser's facility is not in compliance with applicable laws respecting the control and abatement of environmental pollution.

(d) Remedy. Bonneville, after consulting with state or local agencies having jurisdiction may restrict delivery of electric capacity or energy to the Purchaser pursuant to this contract, if Bonneville determines that:

(1) a breach of this General Environmental Provision exists;

(2) such breach is resulting in a significant adverse effect on the environment;

(3) no governmental agency has jurisdiction or authority to impose sanctions or to seek remedy for such significant adverse effect on the environment; and

(4) restriction of delivery is the only appropriate remedy and bears a reasonable relationship to the breach.

Before restricting delivery of capacity or energy pursuant to this section, Bonneville shall give the Purchaser written notice and a reasonable opportunity to cure the breach and to seek any legal recourse available to the Purchaser.

32. Dispute Resolution and Arbitration.

(a) Pending resolution of a disputed matter the parties will continue performance of their respective obligations pursuant to this contract. If the parties cannot reach timely mutual agreement on any matter in the administration of this contract Bonneville shall, unless otherwise specifically provided for in subsection (b) below and, to the extent necessary for its continued performance, make a determination of such matter without prejudice to the rights of the other party. Such determination shall not constitute a waiver of any other remedy belonging to the Purchaser.

(b) The questions of fact stated below shall be subject to arbitration. Other questions of fact under this contract may be submitted to arbitration upon written mutual agreement of the parties. The party calling for arbitration shall serve notice in writing upon the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within 10 days after the receipt of such notice, appoint a second arbitrator, and the two so appointed

shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said 10 days, or in case the two so appointed fail for 10 days to agree upon and appoint a third, the party calling for the arbitration, upon 5 days' written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second and third arbitrator, as the case may be.

The determination of the question or questions submitted for arbitration shall be made by a majority of the arbitrators and shall be binding on the parties. Each party shall pay for the services and expenses of the arbitrator appointed by or for it, for its own attorney fees, and for compensation for its witnesses or consultants. All other costs incurred in connection with the arbitration shall be shared equally by the parties thereto.

The questions of fact to be determined as provided in this section shall be limited to:

(1) the determination of the measurements to be made by the parties hereto pursuant to section 3 above;

(2) the occurrence of changes in conditions for purposes of section 4 above;

(3) the correction of the measurements to be made pursuant to section 5 above;

(4) whether the changes mentioned in section 6 hereof were made "promptly";

(5) the duration of the interruption or equivalent interruption mentioned in section 7 above;

(6) the occurrence of an abnormal nonrecurring demand and the amount and time thereof;

(7) any fact mentioned in section 21 above and in section 24 above;

(8) whether a party has complied with section 22(b) above; and

(9) the acceptable level of harmonics for purposes of section 23 above.

The questions of fact in the body of the Power Sales Contract with Public Agency, Cooperative, Federal Agency, and Investor-Owned Utility Purchasers to be determined as provided in this section shall be limited to:

(1) the order of receipt of written notices of addition of Firm Resources under section 12(b)(7);

(2) whether the Purchaser's electrical system is interconnected with electrical systems of other utilities directly or indirectly connected with Bonneville's electrical system for purposes of section 13(d);

(3) whether a Purchaser's documentation under section 17(e) demonstrates the actual implementation of a load curtailment program; and

(4) the level of base load under section 8.

33. Enforcement of Rights for Benefit of Transferors. If delivery of electric power and energy under this contract is to be made by transfer over the facilities of any Transferor or Transferors, Bonneville may enforce Government rights under the power factor clause of the Government's applicable rate schedule incorporated in this contract, and under sections 6, 13, 14, 21, 22, 23, 24, 27, 28, and 29 hereof, for the benefit of such Transferor or Transferors, and all references to the Federal System, property, or Facilities in said section shall be deemed to include the facilities of the Transferor or

Transferors being used to deliver electric power or energy for the account of Bonneville.

34. Net Billing. Upon mutual agreement of the parties, payments due one party may be offset against payments due the other party under all contracts between the Purchaser and Bonneville for the sale and exchange of electric power and energy, use of transmission facilities, operation and maintenance of electric facilities, lease of electric facilities, mutual supply of emergency and standby electric power and energy, and under such other contracts between such parties as the parties may agree unless otherwise provided in existing contracts between the parties. Under contracts included in this procedure all payments due one party in any month shall be offset against payments due the other party in such month, and the resulting net balance shall be paid to the party in whose favor such balance exists unless the latter elects to have such balance carried forward to be added to the payments due it in a succeeding month.

35. Contract Work Hours and Safety Standards. This contract, if and to the extent required by applicable law or if not otherwise exempted, is subject to the following provisions:

(a) Overtime Requirements. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which such worker is employed on such work to work in excess of 8 hours in any calendar day or in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times such worker's basic rate of pay for all such hours

worked in excess of eight hours in any calendar day or in excess of 4. hours in such workweek, as the case may be.

(b) Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for such employee's unpaid wages. In addition, such Contractor and subcontractor shall be liable to the Government for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a) in the sum of $10 for each calendar day on which such employee was required or permitted to be employed in such work in excess of eight hours or in excess of such employee's standard workweek of 40 hours without payment of the overtime wages required by subsection (a) above.

(c) Withholding for Unpaid Wages and Liquidated Damages. Bonneville may withhold, or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in subsection (b) above.

(d) Subcontracts. The Contractor shall insert in any subcontracts the clauses set forth in subsections (a) through (c) of this provision and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts which they may enter into, together with a clause requiring this insertion in any further subcontracts that may in turn be made.

36. Convict Labor. In connection with the performance of work under this contract, the Contractor agrees, if and to the extent required by applicable law or if not otherwise exempted, not to employ any person undergoing sentence of imprisonment except as provided by P.L. 89-176, September 10, 1965 (18 U.S.C. 4082(c)(2)) and Executive Order 11755, December 29, 1973.

37. Equal Employment Opportunity. During the performance of this contract, if and to the extent required by applicable law or if not otherwise exempted, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Bonneville setting forth the provisions of the Equal Opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which said Contractor has a collective bargaining agreement or other contract or understanding, a notice, to be provided by Bonneville, advising the labor union or workers' representative of the Contractor's commitments under the Equal Opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor, or pursuant thereto, and will permit access to said Contractor's books, records, and accounts by Bonneville and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the Equal Opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24,

1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of subsections (a) through (f) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisons will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as Bonneville may direct as a means of enforcing such provisions; including sanctions for noncompliance. In the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by Bonneville, the Contractor may request the Government to enter into such litigation to protect the interests of the Government.

38. Additional Provisions. The Contractor agrees to comply with the clauses for Government contracts contained in the following statutes, Executive Orders, and regulations to the extent applicable:

(a) the Rehabilitation Act of 1973, Public Law 93-112, as amended, and 41 CFR 60-741 (affirmative action for handicapped workers);

(b) the Vietnam Era Veterans Readjustment Assistance Act of 1974, Public Law 92-540, as amended, and 41 CFR 60-250 (affirmative action for disabled veterans and veterans of the Vietnam era);

(c) Executive Order 11625 and 41 CFR 1-1.1310-2 (utilization of minority business enterprises);

(d) The Small Business Act, as amended.

39. Assignment of Contract. This contract shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this contract. Such contract or any interest therein shall not be transferred or assigned by either party to any party other than the Government or an agency thereof without the written consent of the other except as specifically provided in this section. The consent of Bonneville is hereby given to any security assignment or other like financing instrument which may be required under terms of any mortgage, trust, security agreement or holder of such instrument of indebtedness made by and between the Purchaser and any mortgagee, trustee, secured party, subsidiary of the Purchaser or holder of such instrument of indebtedness, as security for bonds or other indebtedness of such Purchaser, present or future; such mortagagee, trustee, secured party, subsidiary, or holder may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title, and interests of such Purchaser.

40. Waiver of Default. Any waiver at any time by any party to this contract of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with such contract, shall not be considered a waiver with respect to any subsequent default or matter.

41. Notices and Computation of Time. Any notice required by this contract to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 2400 hours on the date of receipt of such notice.

42. Interest of Member of Congress. No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to such contract if made with a corporation for its general benefit.

43. Priority of Pacific Northwest Customers.

(a) The provisions of sections 9(c) and (d) of P.L. 96-501 and the provisions of P.L. 88-552 as amended by section 8(e) of P.L. 96-501 ("the Provisions") are by this reference incorporated herein.

(b) To further the policy of the Provisions, Bonneville agrees that the Purchaser, together with other Customers in the Pacific Northwest, shall have priority on electric power and energy Bonneville has available for sale, in conformity with the Provisions.

(c) Bonneville agrees that it will comply with all restrictions and requirements of the Provisions, and will perform all duties and obligations imposed on it by the Provisions, as the Provisions existed on the effective date of this contract, regardless of any subsequent modification, amendment or repeal of the Provisions.

(d) Bonneville further agrees that, to the extent and at such times as may be necessary to meet demands for energy or peaking capacity at any established rate for use within the Pacific Northwest, it will exercise its rights, under contractual provisions required by the Provisions to be included in contracts for the disposition of surplus energy or surplus peaking capacity for use outside of the Pacific Northwest, to require:

(1) the return of energy delivered in connection with its supplying peaking capacity for use outside the Pacific Northwest; and

(2) the delivery within the Pacific Northwest of energy, peaking capacity, or both, which Bonneville has the right to receive in any exchange for energy, capacity, or both, which it has delivered for use outside the Pacific Northwest.

44. Resource Acquisition and Management.

(a) Principles of Resource Acquisition:

(1) Bonneville is obligated under section 6(a)(2) of P.L. 96-501 to acquire sufficient firm resources to meet its firm loads after taking into account planned savings from conservation.

(2) Bonneville is obligated to attempt to meet its firm loads pursuant to section 6(a)(2) with resources, including conservation, implemented or acquired on a long-term basis pursuant to P.L. 96-501.

(3) To the extent Bonneville is unable to acquire, on a planning basis, sufficient resources on a long-term basis to meet its firm obligations, Bonneville is obligated to and will attempt to meet its remaining firm load obligations through the acquisition of additional resources pursuant to section 11(b)(6) of the Federal Columbia River Transmission System Act. The obligation contained in this subparagraph is a continuing one, and applies on both a planning basis and during the Pacific Northwest Coordination Agreement Critical Period.

(b) Principles of Resource Management. Bonneville will manage the resources of the Federal Columbia River Power System and resources acquired pursuant to P.L. 96-501 and the Federal Columbia River Transmission System Act

for the purpose of meeting the loads of its customers at the lowest possible expected cost to Bonneville, to the extent consistent with Bonneville's legal obligations, environmental responsibilities, and prudent operating criteria, particularly for firm loads, without reducing its obligation to acquire sufficient resources to meet its firm loads, and with due regard for the risks and expected reliability of such resources.

(c) Consultation with Customers. In the development of its plans and programs to effect the provisions of this section, including for ratemaking purposes, Bonneville will provide a timely opportunity for prior consultation with its customers.

45. Cooperation with Regional Council. The parties will negotiate amendments to this contract as may be necessary to permit the plan or program adopted by the Pacific Northwest Electric Power and Conservation Planning Council pursuant to P.L. 96-501, including but not limited to provisions pertaining to conservation, renewable resources, and fish and wildlife, to be effective in the manner and for the purposes set forth in sections 4 and 6 of P.L. 96-501.

46. Rights of the Purchaser. No provision of this contract nor any action or lack of action by the Purchaser pursuant to the terms of this contract shall be construed to abrogate, modify, limit or otherwise waive in any respect any right of the Purchaser including the right of the Purchaser to exercise its preference and priority as provided by law.

II. RELATING ONLY TO PREFERENCE AGENCIES

47. Separation of Electric Operations and Funds (All Public Agencies).

(a) The Purchaser shall operate its electric system as a separate department from other utility functions, if any, and shall establish and maintain a separate fund for the revenues derived from the operation of such system. Such revenues shall not be commingled with funds or accounts of other departments, if any.

48. Statement of General Policies and Practices (Cities).

(a) Publicly owned city electric systems should be operated and maintained:

(1) primarily for the benefit of the users of electricity;

(2) in accordance with reasonable standards of safety, reliability, quality, and efficiency; and

(3) to maintain the cost of electric power at the lowest level consistent with good service and proper maintenance.

(b) Revenue requirements shall insure a financially sound and self-supporting electrical system. This requires that revenues be sufficient for:

(1) Reasonable and necessary current maintenance and operating expenses, including salaries, wages, cost of power at wholesale, materials, supplies, insurance, necessary renewals and replacements of plant, and the establishment of reasonable funds for such purposes, contingencies, and other lawful charges.

(2) Interest and principal of indebtedness incurred for the electric plant and payments required to be made into any special bond funds.

(3) Depreciation of electric system property to the extent not adequately provided for by amortization of debt and by renewals and replacement.

(4) Payments made into a governmental entity general fund via taxes or payments in lieu of taxes. The percentage of gross electric revenues used for this purpose shall be an amount not exceeding the greater of the following:

(i) an amount which is equal to five percent of the gross electric revenues, unless a greater amount is provided pursuant to the city charter or agreements in effect as of December 5, 1980; or

(ii) the amount of State or local taxes levied upon the Purchaser's electric system or its operations.

(c) A local governmental entity, when acting in its governmental capacity, and receiving electric service, shall be a Consumer and be billed for such services consistent with the rates charged other Consumers in the same class. The Purchaser shall receive prompt payment for such electric services. Payments by the Purchaser for necessary services or materials received by the Purchaser from other governmental departments, shall be limited to a fair, reasonable and nondiscriminatory charge.

(d) Taxpayers' investments in the electric system, made through use of general government funds of the city, should be treated in the same manner as funds borrowed by the electric system from outside sources, and should receive a return approximating the market rate of interest on comparable securities.

Such market rate of interest shall not exceed 6 percent per annum unless a larger amount is approved by Bonneville.

(e) All surplus revenues from retail sales remaining after meeting the requirements of subsections (b), (c), and (d) above, where applicable, should be applied to reduction of rates. Surplus revenues earned in any year may properly be devoted to the purchase or retirement of system indebtedness before maturity, to the extent that such use thereof is consistent with the above principles and practices.

49. Approval of Contract. If the Purchaser borrows from the Rural Electrification Administration or any other entity under an indenture which requires the lender's approval of contracts, this contract and any amendment thereto shall not be binding on the parties thereto if they are not approved by the Rural Electrification Administration or such other entity. The Purchaser shall notify Bonneville of any such entity. If approval is given, such contracts or amendment shall be effective at the time stated in such contract or amendment.

50. Prior Demands.

(a) If Bonneville has delivered electric power or energy to the Purchaser at any Point of Delivery specified in this contract prior to the time this contract takes effect, the Purchaser's Measured Demands, if any, at such point or Measured Demands for its system for Purchasers on Computed Requirements prior to such time shall be considered for the purpose of determining the charges to the Purchaser for the electric power and energy delivered under this contract, during any month in the term hereof, in the same manner as if this contract had been in effect.

(b) If Bonneville has delivered electric power and energy to the Purchaser at any Point of Delivery specified in this contract or in any previous contract with the Purchaser, and such Point of Delivery is superseded by another Point of Delivery specified in this contract, the Purchaser's Measured Demands, if any, at such superseded point shall be considered for the purpose of determining the charges to the Purchaser for the electric power and energy delivered under this contract at such superseding point.

III. RELATING ONLY TO PUBLIC BODY, COOPERATIVE, FEDERAL AGENCY AND INVESTOR-OWNED UTILITY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES

51. Effect of Reduction of Contract Demand. If the Purchaser's contract demand is specified in this contract and is reduced after this contract is executed, the prior Measured Demands, if any, of the Purchaser shall, for the purpose of computing charges for electric power and energy delivered thereafter, be reduced by the amount of such reduction.

52. Combining Deliveries Coincidentally.

(a) If it is provided in this contract that charges for electric power and energy made available at two or more Points of Delivery will be made by combining deliveries at such points coincidentally:

(1) the total Measured Demand to be considered in determining the billing demand for each Billing Month shall be the largest sum obtained by adding for each demand interval of such month the corresponding Integrated

Demands of the Purchaser at all such points after adjusting said Integrated Demands as appropriate to such points;

(2) the number of kilowatthours to be used in determining the energy charge, if any, and the average power factor at which electric energy is delivered at such points under this contract, during such month, shall be the sum of the amounts of electric energy delivered at such points under this contract during such month; and

(3) the number of reactive kilovolt-ampere-hours to be used in determining such average monthly power factor shall be the sum of the reactive kilovolt-ampere-hours delivered at such points under this contract during such month.

(b) If electric power and energy is made available under this contract to the Purchaser at two or more Points of Delivery, Bonneville may, upon two years written notice, place the Purchaser on a coincidental billing demand basis pursuant to the terms of this section.

53. Combining Deliveries Noncoincidentally. If it is provided in this contract that charges for electric power and energy made available at two or more Points of Delivery will be made by combining deliveries at such points noncoincidentally:

(a) the total Measured Demand to be considered in determining the billing demand for each month in the period specified in such contract shall be the sum obtained by adding together the Measured Demands of the Purchaser for each of such points during such month;

(b) the number of kilowatthours to be used in determining the energy charge, if any, and the average monthly power factor at which electric

energy is delivered at such points under this contract, during such month, shall be the sum of the amounts of electric energy delivered at such points under this contract during such month; and

(c) the number of reactive kilovolt-ampere-hours to be used in determining such average monthly power factor shall be the sum of the reactive kilovolt-ampere-hours delivered at such points under this contract during such month.

54. Power Factor Adjustment. Except as it is otherwise specifically provided in this contract, no adjustment shall be made for power factor at any Point of Delivery for any period of time during which the reactive power delivered at such point is not measured.

B. IN REFERENCE TO PURCHASERS' OPERATING POLICIES

55. Retail Rates.

(a) Copies of the Purchaser's schedules of retail rates, including special contract rates, if any, in effect when this contract is executed, and those hereafter adopted, endorsed with the effective date thereof, shall be furnished to Bonneville, and Bonneville shall keep said rates on file. The Purchaser agrees to serve each of its Consumers at, and in accordance with, the rates, charges, and provisions set forth in the applicable rate schedules on file where and as required by law or on file in Bonneville's office. Notice of the intent to change retail rates shall be given to Bonneville either 45 days prior to their effective date or as soon as the regulatory process allows or shall be mailed to Bonneville on the same day as a notice of

a rate change given to a state regulatory authority by the Purchaser, whichever will result in the later receipt of such notice by Bonneville.

(b) The retail rates and charges shall be reasonable and nondiscriminatory, consistent with the principles of the Bonneville Project Act, subject to the right of the Purchaser to adopt retail rates designed to achieve cost-effective conservation or renewable resources; provided, however, that rates and charges which have been approved in accordance with the procedures of a state regulatory agency having jurisdiction shall be deemed prima facie reasonable and nondiscriminatory. The Purchaser shall maintain records containing the data, analyses, and other factors which are used to develop and form the basis for its proposed or final retail rates. At Bonneville's request, such records as are available for public inspection shall be supplied during the rate development process or after the rates have been adopted.

(c) At the Purchaser's request, Bonneville shall (1) provide assistance in analyzing and developing rate structures, including retail rate structures that will encourage cost-effective conservation and Consumer-owned renewable resources; (2) provide estimates of the probable power savings and the probable amount of billing credits under section 6(h) of P.L. 96-501 that might be realized by the Purchaser adopting and implementing such retail rate structures; and (3) solicit additional information and analytical assistance from appropriate state regulatory bodies and Bonneville's other Customers.

C. IN REFERENCE TO USE OF POWER

56. Resale of Power. The Purchaser shall not resell Firm Power delivered under this contract except to those Consumers and utilities within its service area in the Pacific Northwest to the extent such Consumers and utilities are normally dependent on the Purchaser for their firm power supplies. The Purchaser shall not sell power from its Firm Resources in such a manner as to increase the Purchaser's Computed Peak Requirement or Computed Average Energy Requirement on Bonneville in any month. These prohibitions on resale in this section shall not be interpreted as a general prohibition against the Purchaser simultaneously purchasing Firm Power from Bonneville and selling power generated at its own facilities to other utilities or entities, nor shall these prohibitions be interpreted to preclude the Purchaser from reflecting the cost of Firm Power delivered under this contract in pricing such sales to other utilities or entities.

D. IN REFERENCE ONLY TO PURCHASERS WITH GENERATING FACILITIES

57. Nonfirm Deliveries.

(a) At the request of either the Purchaser or Bonneville, the other party will make available on the terms stated herein, such thermal-generated energy or hydro-generated energy as the supplying party determines, when such request is made, that it has available for delivery to the requesting party.

(b) Neither party, by this contract, assures the other that it has, or will have available, any thermal-generated energy or hydro-generated energy

for delivery to such other party, and the determination made by the supplier, provided for in subsection (a) above, of the amount, if any, of such energy which it will supply to the other party shall be final and conclusive as to both parties.

(c) Nothing in this contract shall prohibit supply of nonfirm, emergency or breakdown relief energy under any other contract.

58. Emergency or Breakdown Relief.

(a) If a breakdown of, or emergency on, the system of either the Purchaser or Bonneville occurs, while such breakdown or emergency exists, the other party will make available upon request, all or such part of the electric energy required for such system as the supplier determines it can supply, consistent with its obligations to its other customers. The determination so made by the supplier shall be final and conclusive as to both parties.

(b) If either party supplies electric energy to the other party pursuant to the provisions of subsection (a) of this section and requests replacement thereof, the other party shall make an equivalent amount of electric energy available to such supplier at such times as may be agreed upon by the dispatchers of the parties hereto.

59. Effect on Generating Utility by Direct Service Industrial Customer Power Sales Contract Provisions. Bonneville will notify the Purchaser of the proposed adoption of an annual operating plan, annual operating agreement or energy accounting system in the Direct-Service Industrial Customers' power sales contracts. If, in Bonneville's sole determination, the system of a generating utility will be materially affected by a proposed annual operating plan, annual operating agreement, or energy accounting system provided in the

Direct Service Industrial Customers' power sales contracts, Bonneville will consult with such utility prior to adopting such proposed plan, agreement, or accounting system.

IV. RELATING ONLY TO DIRECT-SERVICE INDUSTRY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES

60. Demands. During periods when Bonneville is delivering to the Purchaser hourly amounts of electric power or energy under the terms of agreements other than this contract, such amounts shall be subtracted each hour from the Integrated Demand for deliveries hereunder for each such hour after adjusting such Integrated Demands as appropriate to the Point of Delivery.

B. IN REFERENCE TO PURCHASE

61. Use and Resale of Power. All electric power and energy delivered under this contract shall be used by the Purchaser in its own operations, and the Purchaser shall not resell such electric power and energy delivered under this contract, or any part thereof. If the Purchaser resells such electric power and energy, or any part thereof, Bonneville shall immediately terminate this contract.

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