

Close-Out Summary: Clarification on the Use of Customer Resource Amounts for High Water Mark Calculations

Background

On June 6, 2008, BPA sent a letter to interested parties regarding BPA's proposal to correct identified inaccuracies in the Subscription power sales contracts Exhibit C Fiscal Year (FY) 2010 resource numbers for its existing public agency customers. BPA enclosed several customer-specific proposed clarifications and corrections to the FY 2010 Existing Resources amounts that will be used in contract high water mark (CHWM) calculations. BPA invited public comment on the proposed corrections prior to finalizing the numbers on specific customer resources that will be used for CHWM determination purposes. The final numbers will be included as an attachment to the final Tiered Rate Methodology. The proposal laid out a set of criteria to correct the identified inaccuracies in the Exhibit C FY 2010 resource numbers. These clarifications and associated resource adjustments are limited to CHWM determination purposes only.

BPA also included a table of all customer resources and associated amounts for use in CHWM determinations, except for dedicated consumer-owned resource amounts that will not be known until Regional Dialogue contracts are signed, and Public Utility Regulatory Policies Act (PURPA) resource amounts that will not be known until 2011. This table reflected both the unadjusted resource numbers and the proposed adjusted resource numbers.

Opportunity to submit comment on BPA's proposal ended on June 27, 2008. BPA received a total of 31 comments.

In addition, on June 16, 2008, BPA sent another letter to interested parties informing them of Grays Harbor PUD's proposed purchase and use of the Weyerhaeuser Pulp Mill co-generation resource at Cosmopolis in Grays Harbor County, Washington and asking for public comments. The public comment period ended on June 20, 2008. BPA received a total of seven comments as a result of the Weyerhaeuser letter.

The list of commenters is attached as Appendix A. The comments are posted on BPA's web site at <http://www.bpa.gov/applications/publiccomments/CommentList.aspx?ID=35>, or are available from BPA.

BPA has reviewed and evaluated the comments submitted in response to the two letters. For purposes of correcting the FY 2010 resource numbers in customers' Exhibits C, the responses below articulate the specific allowances that BPA will make to correct errors or inaccuracies that exist in the individual customer contracts.

In making corrections and adjustments in the Exhibit C resource numbers, BPA applied the following reviewing criteria in deciding whether to make corrections to the identified errors and omissions in resource amounts.

1. If resource changes are known to have occurred and were not reflected in the September 30, 2006, Exhibit C, but there is contemporaneous written evidence of the resource changes prior to September 30, 2006, CHWMs will be determined using updated resource amounts.
2. Missing resource amounts will be determined using information that was available as of September 30, 2006.
 - a. Resources that are less than 1.0 megawatt in nameplate capacity will not be counted.
 - b. Where multiple customers have specific shares of the same resource, BPA will determine the FY 2010 resource amounts consistently for those customers.
3. BPA will not count the amount of a resource more than once in determining customers' non-Federal resource amounts for FY 2010 in the calculation of CHWMs.

BPA received some comments voicing concern over whether customers with resources would have additional opportunities for changing their resource amounts for CHWM calculations, thereby negating the "known and certainty" principle outlined in the Bonneville Power Administration Long-Term Regional Dialogue Final Policy, July 2007 (July 2007 Policy). In addition, these parties expressed a concern about potentially eroding the amount of Federal Base System available for Tier 1 rates power service (NRU, WMGT). Other parties commented that the criteria must be applied consistently.

BPA does not intend to change the 'known and certain' principle it expressed in using the September 30, 2006 resources and appreciates the concerns raised. The adjustments made are primarily corrections to include known changes, fill in known omissions and to provide equitable treatment of customers with the same resource. We believe the criteria of 'known and certain' are furthered by these changes and that they are reasonable. After applying the criteria, the corrections to customer resource amounts in Exhibit C total approximately 31 aMW of additional HWM to customers compared to the July 2007 Policy. The following briefly describes the individual customer Exhibit C corrections. The list of resource amounts for use in CHWMs is attached as Appendix B and C.

I. Corrections to reflect a loss in resource based on changes that were known to have occurred and were not reflected in the September 30, 2006 Exhibit C.

BPA corrected Exhibit C resource amounts for customers who received letters from BPA recognizing a full or partial loss of resource prior to September 30, 2006 to reflect the reduced resource amounts.

- **Cowlitz (Priest Rapids, Wanapum)** – letter from BPA dated September 19, 2005.
- **Flathead (PAC contract)** – letter from BPA dated March 9, 2006.
- **Kittitas (Priest Rapids)** – letter from BPA dated August 16, 2005.

BPA also received contemporaneous written evidence of other resource changes, including orders issued by the Federal Energy Regulatory Commission (FERC) and courts. If such orders resulted in the loss or reduction in the customer's resource amount and it occurred prior to September 30, 2006, then BPA corrected the affected customers' Exhibit C resource amount.

- **Clark (River Road)** - Clark submitted information requesting a change to the River Road resource amounts. Clark pointed out that its new Power Sales Contract with BPA was signed February 14, 2006, and included updated FY 2010 River Road generation amounts that should be used in its CHWM calculation. BPA agrees.
- **Okanogan (Wells)** – Okanogan notified BPA by letter on August 1, 2005 of the resource change due to a FERC approved settlement with the Colville Confederated Tribes.
- **Seattle (Article 49 obligation)** - Pend Oreille submitted a letter on March 26, 2004, to Seattle regarding their right to exercise an increase in the Article 49 obligation from 33.671 aMW to 43.801 aMW, effective August 2005. Seattle conveyed this information to BPA in a July 31, 2006 letter.
- **Seattle (Boundary Encroachment, Metro)** - Seattle requested corrections to the Boundary Encroachment on Box Canyon and to the Metro West Point methane generation. After reviewing the information, BPA determined that the Attachment 1 Resource List provided with BPA's June 6, 2008 letter contained a math error for the Boundary Encroachment on Box Canyon and has corrected it to a resource obligation of 7.870 aMW. Regarding Metro, BPA has determined that Metro is in fact a consumer-owned resource and hence will be subject to the CHWM provisions regarding consumer-owned resources.
- **Tacoma (Cushman)** - In June 2004 Tacoma received a FERC Order of Remand stating the minimum flow requirements for Tacoma's Cushman hydroelectric project. BPA calculated the reduced generation amount using the FERC requirements and notes the resource change in the table below.

Corrections requested but not made. The narrative, below describes requests for corrections to customers' Exhibit C resource amounts that were not made.

- **Consumers Power (Coffin Butte Phase 1)** – PNGC and Consumers Power requested a re-allocation of the Coffin Butte Phase 1 (Coffin Butte) resource to all of the Power Resources Cooperative (PRC) members (owners of the Coffin Butte resource) based on participant shares. Benton REA, a PRC member, commented that it should not be allocated any amount of Coffin Butte for calculating CHWM since Coffin Butte is not a resource Benton REA has used to serve its load and is not identified in Benton REA's Exhibit C. This request did not involve any loss of resource, error or omission in the Coffin Butte resource amount in Consumers Power's Exhibit C; nor is Coffin Butte a resource listed in Benton REA's Exhibit C.

Consequently, BPA will not make the requested re-allocation. The resource amounts for Coffin Butte listed in Consumers Power's Exhibit C will be used in calculating only Consumers Power's CHWM.

- **Eugene Water and Electric Board (EWEB) (Hydro resources, Foote Creek)** - EWEB requested a change in the critical water year currently in the Exhibit C for all hydro resources except Smith Creek. In addition, EWEB requested a change to the Exhibit C resource amounts for Foote Creek to reflect actual worst generation. In reviewing EWEB's request, BPA finds that there is no error or omission in the resource amounts listed in EWEB's Exhibit C. The resource amounts as listed in EWEB's Exhibit C will be used in calculating the CHWM.
- **Pend Oreille (Box Canyon)** - Pend Oreille requested a change to its Box Canyon resource amounts. Pend Oreille provided to BPA a PUD memo, dated September 15, 2006, describing a possible financial arrangement with the Kalispel Tribe resulting from the recently relicensed Box Canyon hydroelectric project. BPA does not find that it definitively demonstrates a permanent loss of resource. Therefore, the resource amounts shown in Pend Oreille's Exhibit C will be used in calculating the CHWM.
- **Springfield Utility Board (negative resource)** - Springfield Utility Board (SUB) requested a negative resource for calculating its CHWM. BPA finds that there is no error or omission to the resources for calculating SUB's CHWM. The resource amounts listed in SUB's Exhibit C will be used in calculating the CHWM.
- **U.S. Bureau of Indian Affairs Wapato Irrigation Project (Wapato)** – The Exhibit C for Wapato showed no energy amounts for its three irrigation project resources. Using Criterion 2 BPA calculated a resource amount for calculating Wapato's CHWM. Following BPA's publication of its June 6, 2008 letter Wapato requested a change to its irrigation project hydro resource amounts. It was brought to BPA's attention that BPA staff visits in August 2006 had noted that the generating units were not operating. BPA has reviewed the supporting materials and does not find that it demonstrated a permanent loss of resource. Therefore, the resource amounts calculated for Wapato's hydro resources and shown in Attachment 1 to the June 6, 2008, letter will be used in calculating the CHWM.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Clark, River Road	227.799	227.799	224.932
Consumers Power, Coffin Butte	2.460	2.460	2.460
Cowlitz, Priest Rapids/Wanapum ¹	15.811	12.043	12.043
EWEB, Foote Creek	2.764	2.764	2.764
Flathead, PAC contract	69.872	0	0
Kittitas, Priest Rapids	0.969	0.892	0.892
Okanogan, Wells	26.836	25.628	25.628
Pend Oreille, Box Canyon ²	32.203	32.203	32.203
Seattle, Article 49	(33.671)	(43.801)	(43.801)
Seattle, Encroachment on Box	(6.664)	(6.664)	(7.870)
Seattle, Metro	1.200	1.200	0
Tacoma, Cushman	32.671	28.748	28.748
USBIA, Wapato	0	0.207	0.207

II. Corrections made for Omitted or Missing Resource Amounts in the September 30, 2006 Exhibit C.

BPA corrected resource amounts for several customers whose Exhibits C were missing FY 2010 resource amounts for known resources. These omissions were related to hydro resources that were updated on a 1-year forward-looking basis, original 5-year Power Sales Contracts that when extended, did not include resource information post-FY 2006 and resources for which energy generation information was not included in the customer's Exhibit C.

- **Bonnors Ferry (Moyie), Centralia (Yelm), Emerald (Short Mountain), Lower Valley (Strawberry) and BIA (Wapato)** were calculated using a 5-year average (FYs 2001-2005) of historical generation.
- **Forest Grove (Priest Rapids, Wanapum), McMinnville (Priest Rapids, Wanapum) and Milton Freewater (Priest Rapids, Wanapum)** were calculated using the 2005-2006 Final Pacific Northwest Coordination Agreement (PNCA) regulations.

¹ The sum of Cowlitz's Priest Rapids and Wanapum amounts, less offsetting Canadian Entitlement Allocation Extension Agreement (CEAEA) obligations. The aMW values for the June 6, 2008 Proposed Amount and the Adjusted Amount would be the CHWM resource amounts absent the Grant County PUD recall of Priest Rapids Project power, discussed under "Priest Rapids/Wanapum Hydroelectric Resources", below.

² Pend Oreille's Box Canyon resources serving Pend Oreille Total Retail Load.; not Box Canyon resources serving New Large Single Load.

- **Northern Wasco (McNary Fishway)** was calculated using the same information from Klickitat’s Exhibit C, whose ownership share is equal to Northern Wasco’s.
- **Snohomish (Jackson)** was calculated using the FY 2006 Exhibit C resource amounts.

Bonnors Ferry submitted historical data for the Moyie hydro resource that completed BPA’s calculation on the resource amount that was omitted from the Exhibit C.

BPA’s June 6, 2008, letter proposed re-constructed resource amounts using information that would have been available on September 30, 2006. This approach produced resource values for affected resources at amounts consistent with resources for which values were shown in the September 30, 2006, Exhibits C. By doing this, BPA is correcting for resources that otherwise (through a literal reading of the July 2007 Policy) would have been counted as “zero” in the customers’ CHWM calculations.

BPA reviewed the data provided for Moyie hydro and accepted the additional information. For purposes of calculating Bonnors Ferry’s CHWM, BPA will use the amount of 2.729 aMW for Moyie.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Bonnors Ferry, Moyie	0	2.952	2.729
Centralia, Yelm	0	7.835	7.835
Emerald, Short Mountain	0	1.938	1.938
Forest Grove, Priest Rapids/ Wanapum	0	2.725	2.725
Lower Valley, Strawberry	0	1.029	1.029
McMinnville, Priest Rapids/ Wanapum	0	2.725	2.725
Milton-Freewater, Priest Rapids/ Wanapum	0	2.725	2.725
Northern Wasco, McNary	0	4.222	4.222
Snohomish, Jackson	0	29.476	29.476
US BIA, Wapato	0	0.207	0.207

- **The Packwood Hydroelectric Project**

The Packwood Hydro Project (Packwood) was built in 1961 by the Washington Public Power Supply System, which is now Energy Northwest. Twelve participants own the project generation, and from year-to-year Packwood participants assign their shares to one or more participants, or to other parties. Following the release of the July 2007 Policy, BPA reviewed the Exhibits C of Packwood participants and found there was inconsistent treatment among the participants in accounting for their respective shares of

the resource. Mainly, the firm energy capability of Packwood was omitted and not accounted for and the resource's firm energy amounts for FY 2010 were missing and not shown in any Packwood participants' Exhibit C.

Due to the multiple participant ownership of Packwood output, and the unusual year-by-year assignment of its generation, the sharing of the Packwood capability among all owners of the project according to the ownership shares of each is a fair and reasonable recognition of the contributions to Northwest energy supply provided by that resource. Over the life of the Packwood resource its generation has been distributed among the participants and others in various arrangements, and may continue to be so-distributed in the future. The historical record of changing distributions of generation supports the proposition that Packwood's capabilities for CHWM purposes should be shared among all its participants. This differs from the treatment of the Coffin Butte resource because that resource's capability has never been shared among the PRC owners, but instead has been used only by Consumers Power to serve its load.

Information was available to BPA on September 30, 2006, demonstrating use by participants of a critical water year specific to the Packwood resource. That information obviates the need to use recent historical generation (2001-2005) as a basis for firm Packwood generation. Therefore, for CHWM purposes, BPA adopts the use of 1940-1941 water year generation for calculating the CWHM resource shares of Packwood participants. BPA calculates that annual amount of generation to be 6.567 average megawatts, and will use that value in calculating the CHWM resources of all 12 project participants.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Benton PUD, Packwood	0	1.305	0.919
Clallam, Packwood	0	0.652	0.460
Clark, Packwood	0	1.677	1.182
Ferry, Packwood	0	0.093	0.066
Franklin, Packwood	0	0.978	0.690
Kittitas, Packwood	0	0.023	0.016
Klickitat, Packwood	0	0.280	0.197
Lewis, Packwood	0	1.328	0.936
Mason 3, Packwood	0	0.932	0.657
Skamania, Packwood	0	0.093	0.066
Snohomish, Packwood	0	1.864	1.313
Wahkiakum, Packwood	0	0.093	0.066

- Corrections for resources that are less than 1.0 megawatt in nameplate capacity.

In reviewing the customers' Exhibit C, it was discovered that the listing of resources less than 1.0 MW in nameplate capacity was inconsistent between customers. Some

resources were listed and included expected energy generation; some resources were listed but without expected energy generation; and other resources were completely omitted from the Exhibit C. To further complicate matters, many of these resources are “behind the meter,” meaning BPA does not have access to actual metered generation data, or the resources generate intermittently. As such, BPA proposed to not count these resources in customers’ CHWM calculation.

PNGC commented that the proposed treatment be applied across all resources, regardless of whether or not the resource was listed in the Exhibit C. Springfield Utility Board (SUB) commented that the criterion should be eliminated because all resources should be used to in the CHWM calculation. SUB added that eliminating the resources having less than 1.0 MW in nameplate capacity would hurt non-generating utilities.

The benefits of attempting to identify and calculate a number for each of these less than 1.0 MW resources do not outweigh the administrative burden that would be required to calculate a proxy for each resource. Because BPA did not require resources that were less than 1.0 MW in capacity to be listed in the Exhibit C, BPA cannot ensure that all such resources have been or would be accounted for, and that all customers with such resources are treated consistently for CHWM calculations. Therefore, in calculating customers’ CHWMs BPA will not count resources that have nameplate capacities less than 1.0 MW, regardless of whether or not they were listed in the customer’s Exhibit C.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Ashland, Reeder	0	0	0
Fall River, Buffalo	0.210	0.210	0
Lewis, Burton Creek	0	0	0
Lewis, Mill Creek	0	0	0
Mission Valley, Boulder Creek	0	0	0
Mission Valley, Hellroaring Creek	0	0	0
Oregon Trail, City of Cove hydro (Mill Creek)	0	0	0
Pend Oreille, Calispel Creek	0	0	0
Port Angeles, Morse Creek	0	0	0
Snohomish, Ebey Hill	0	0	0
Snohomish, Woods Creek	0	0	0
Soda Springs, Hooper	0	0	0
Soda Springs, Max Snell	0	0	0
Tacoma, Hood Street	0	0	0
Tillamook, Hooley Digester	0	0	0

III. Other Corrections

Finally, BPA found it necessary to address a few additional matters that relate to customer resources and the calculation of CHWMs.

- New Renewables Exception

In the July 2007 Policy, BPA stated it would make an exception in the calculation of customers' CHWMs for New Renewable resources reflected in a customer's Exhibit C FY 2010 resource amounts in effect on September 30, 2006. The New Renewables exception was intended for customers who took advantage of a provision in the Subscription contracts to develop and serve load with New Renewable resources. This provision assured customers that the rate treatment for loads returned to BPA Priority Firm service would be the same as if the customer had never served its load with the New Renewable Resource. The July 2007 Policy named three customers that used this provision, and who therefore are eligible for the exception.

PNGC and Emerald PUD suggested an expansion of the July 2007 Policy's New Renewables exception to include landfill gas resources that served load outside (prior to) the Exhibit C New Renewables exception. The commenters support such an expansion because of the similar or superior environmental benefits of landfill gas resources compared to other renewable resources.

While there is no doubt of the environmental benefits related to landfill gas resources, BPA proposed only to correct for errors and omissions in Exhibit C for purposes of calculating customer CHWMs. BPA did not propose to enlarge the scope of the July 2007 Policy's New Renewable exception. Indeed, the landfill gas resources in question were developed prior to the development of the Subscription contracts and are not New Renewable resources. As a result, BPA will not expand the July 2007 Policy's New Renewables exception for calculating CHWM to include landfill gas resources.

- Priest Rapids/Wanapum Hydroelectric Resources

The Priest Rapids and Wanapum hydroelectric developments (the Priest Rapids Project) are two non-Federal dams and powerhouses on the Columbia River, both licensed to and operated by Grant County PUD (Grant). Four large publicly owned utility customers of BPA currently purchase shares of the output from one or both of the developments.

In public comment during preparation of the July 2007 Policy, Grant notified BPA that it would recall the shares of Priest Rapids Project power from Cowlitz Public Utility District, the Eugene Water and Electric Board, Seattle City Light, and Tacoma Public Utilities to serve its own loads, starting in Fiscal Year 2012. In response to this information the July 2007 Policy specified a CHWM exception stating, "To calculate the contract HWM, BPA will adjust the FY 2010 non-Federal resources of Grant and the affected public utilities as proposed by Grant PUD."

The July 2007 Policy anticipated that Grant would receive no CHWM, save for a small portion of Grant load (Grand Coulee load area) in the BPA Balancing Authority.

Because of the Grand Coulee load's geographic location (at the base of Grand Coulee dam) BPA and Grant historically have agreed to serve the load as a full requirements customer and under Grant's Subscription power sales contract the load is provided full requirements service, even though the remainder of service provided to Grant is under a Block contract. This load is isolated from the remainder of the Grant electrical system.

Except for the Grand Coulee load, Grant would therefore forego a CHWM for the remainder of its Net Requirements. Grant's Block purchase for FYs 2002 through 2006 was 162 aMW, and its FY 2007-2011 purchase is 188 aMW. The net result of following the direction given in the July 2007 Policy would be to free up Federal resources available for sale to, and increase CHWM amounts for, all other public utility customers.

BPA proposed to zero-out the Priest Rapids Project shares for Cowlitz, EWEB, Seattle and Tacoma, resulting in a net reduction of about 86 aMWs from the shares originally appearing in the four customers' Subscription Contracts. At the same time, BPA left open the amount of Priest Rapids and Wanapum resources to be reflected in Grant's HWM resources.

SUB expressed concern that Grant appeared to be backing away from its position of recalling Priest Rapids Project power from the other utilities. SUB opined that if Grant were not to recall the power from Cowlitz, EWEB, Seattle and Tacoma, then the Priest Rapids Project resource amounts should be used to calculate those customers CHWMs.

BPA received a letter from Grant dated August 13, 2008, in which Grant affirmed that it would not request service for its load or establish a CHWM for the main (Block) part of its load, and would request service and only establish a CHWM for its Grand Coulee load area. BPA will rely upon this affirmation by Grant that it will not request service except for the Grand Coulee load, and this letter should assuage the concern expressed by SUB. In light of Grant's decision, BPA will zero-out the shares of Priest Rapids Project power for Cowlitz, EWEB, Seattle, and Tacoma. For Grant, BPA will not calculate a CHWM for the Block part of its load, and the value of its CHWM resources is of no relevance. Therefore, the amount of Grant's (Block) resources will be recognized as Not Applicable (N/A).

BPA will calculate a CHWM based on the metered load of the Grand Coulee load area, for which no CHWM resources identified.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)³	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Cowlitz, Priest Rapids/Wanapum	17.167	0	0
EWEB, Priest Rapids/Wanapum	18.216	0	0
Grant, Priest Rapids/Wanapum	239.475	TBD	N/A
Seattle, Priest Rapids/Wanapum	26.777	0	0
Tacoma, Priest Rapids/Wanapum	26.770	0	0

- Grays Harbor PUD Weyerhaeuser Pulp Mill (Cosmopolis) Resource

In its June 6, 2008 letter, BPA proposed to assign the Cosmopolis resource a value of 14.355 aMW for purposes of calculating Grays Harbor’s CHWM. This resource capability was derived from a 5-year average of historical generation. At the time it was BPA’s understanding that as of September 30, 2006, Grays Harbor had a contractual right to the output of the Cosmopolis resource and had designated the resource in its Subscription contract as potentially serving its retail load.

In response to its proposal, Grays Harbor informed BPA that the Cosmopolis co-generation resource was no longer a PUD resource because it had lost the right to purchase the output after the resource ceased generating power following the closure by Weyerhaeuser of its Cosmopolis pulp and paper mill in October 2005. Grays Harbor also informed BPA that the utility was in the process of buying the generating facilities attached to the Cosmopolis plant as part of a purchase of the plant by a new owner. Grays Harbor requested BPA to determine the use of the resource and its application by the PUD. Grays Harbor believed the generating facilities should not be used for CHWM purposes since the Cosmopolis resource was a consumer-owned resource that was not dedicated to serve the PUD’s load and that it would be a New Resource for purposes of BPA’s proposed Regional Dialogue CHWM contracts.

After reviewing the contracts and circumstances regarding the Cosmopolis resource, BPA agreed that the resource should not be included as a resource amount in Grays Harbor’s Exhibit C for purposes of determining the PUD’s CHWM and will assign it no output value. See also Appendix D.

Customer, Resource	September 30, 2006 Exhibit C Amount (aMW)	June 6, 2008 Proposed Amount (aMW)	Adjusted Amount (aMW)
Grays Harbor, Cosmopolis	0	14.355	0

³ These resource amounts did not account for the associated CEAEA obligation (negative resource) amounts. Accounting for those obligations reduces the net impact of zeroing these resources to approximately 86 aMW.

IV. Data Requests and Other Comments

In addition to the comments submitted requesting changes in resources, BPA also received comments pertaining to information requests, clarification of footnotes and comments that were out of the scope of this process.

Both SUB and NRU requested a description of the process BPA used to compile the list of resource amounts for CHWM calculations. A cross-agency group of BPA staff compiled all the Subscription contracts in effect on September 30, 2006, to extract the FY 2010 resource information for use in CHWM calculations. If BPA staff had knowledge of the existence of resources that were not in the exhibits, they were added to the resource list. Based on this review, staff began applying the exceptions described in the Regional Dialogue Policy. To the extent resources/resource amounts were missing or seemed inconsistent with the contract record or staff knowledge, those resources and amounts were compiled into a separate, errors and omissions list. Based on the errors and omissions list, BPA developed its reviewing criteria and submitted it for management review before publishing the June 6, 2008, letter.

Both SUB and NRU requested a list of resources that will be excluded from CHWM calculations. Lower Valley requested consistency in how BPA lists the resources serving customer load. BPA has included the list of such known resource exclusions within Appendix B.

SUB also requested a footnote explaining the treatment of Wells Rural Electric Co-op resource, Trout Creek. In addition, PNGC has requested consistency in the use of footnotes applying to the Boardman resource and also additional detail in the footnote explaining the disposition of the Hungry Horse Reservation resource. BPA agrees with these comments and has updated the footnotes in the resource table accordingly.

SUB requested a list of loads excluded from the CHWM calculation. BPA has noted this comment and its applicability to the CHWM calculations. This issue currently is being discussed and eventually will be finalized in the Tiered Rates Methodology (TRM) rate case.

Snohomish commented that BPA should follow through on its commitment in the Regional Dialogue to remove the Centralia project from the resource exhibit. BPA notes that in terms of CHWM and the TRM, there has been no change to the July 2007 Policy direction regarding Centralia. BPA will make a section 9(c) determination that decrement to their net requirement is not required, contingent upon final review of the facts and successful implementation of the Regional Dialogue Policy for Service to Publics.

Jefferson County, Skagit County and D. Hittle & Associates submitted comments that requested that BPA not negatively impact the formation of new utilities via current Regional Dialogue processes. BPA has noted this comment and has submitted it for

consideration in the other processes, including the TRM process and contract template discussions.

Springfield Utility Board commented that allowing an existing hydro resource of one customer (Seattle's Boundary Hydro) to be transferred to another to serve a New Large Single Load of the second customer (Pend Oreille) negatively impacts non-generating utilities and shows a lack of oversight of resources by BPA. This issue is a 5(b)/9(c) issue that is addressed in the Tiered Rates Methodology or the Regional Dialogue contract process, and as such is out of the scope of this Close-Out Summary.

Appendix A: List of Commenters

Log No.	Commenter	Affiliation
RRN0001	Kenneth A. Sugden	Flathead Electric Cooperative
RRN0002	Jeff Nelson	Springfield Utility Board
RRN0003	Jack Speer	Speer Energy Consulting LLC
RRN0004	Brian Skeahan	Cowlitz County PUD
RRN0005	Bill Drummond	Western Montana Electric Generating & Transmission Cooperative
RRN0006	Bob Wittenberg	Skamania County PUD
RRN0007	Stephen Boorman	Bonnors Ferry
RRN0008	SPAM	
RRN0009	Ray Camacho	Seattle City Light
RRN0010	Jim Webb	Lower Valley
RRN0011	Bob Schneider	D. Hittle & Associates
RRN0012	Replaced by RRN0013	
RRN0013	Jeff Nelson	Springfield Utility Board
RRN0014	Lynn Aspaas	Clark County PUD
RRN0015	Richard Jackson-Gistelli	Emerald PUD
RRN0016	Robert Geddes	Pend Oreille County PUD
RRN0017	Rick Lovely	Grays Harbor County PUD
RRN0018	Terry Mundorf	Western Public Agencies Group
RRN0019	Dana Toulson	Snohomish PUD
RRN0020	Dana Toulson	Snohomish PUD
RRN0021	Dick Helgeson	Eugene Water & Electric Board
RRN0022	Same as RRN0014	
RRN0023	Terry Mundorf	Western Public Agencies Group
RRN0024	John Porter	Benton REA
RRN0025	John Saven	Northwest Requirements Utilities
RRN0026	James Parker	PUD #1 of Jefferson County
RRN0027	Joe Nadal	Pacific Northwest Generating Cooperative
RRN0028	Doug Brawley	Pacific Northwest Generating Cooperative
RRN0029	Same as RRN0026	
RRN0030	Jay Himlie	Mason PUD #3
RRN0031	Kimberly Harris	Puget Sound Energy
RRN0032	Northwest Regional Director	Bureau of Indian Affairs
RRN0033	Terry Mundorf	Western Public Agencies Group
RRN0034	Terry Mundorf	Western Public Agencies Group
RRN0035	David Johnson	Skagit County PUD

Appendix B: Non-federal Resources by Customer for CHWM calculations

This table reflects all known customer resources and associated amounts for use in CHWM determinations (column D), except for dedicated consumer-owned resource amounts that will not be known until Regional Dialogue contracts are signed.

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
ALBION	[NONE]	-	-	
ALDER	[NONE]	-	-	
ASHLAND	Reeder Hydroelectric	-	-	3/
ASOTIN	[NONE]	-	-	
BANDON	[NONE]	-	-	
BENTON PUD	Finley Gas CT	-	-	4/
BENTON PUD	Fredrickson CT	-	-	4/
BENTON PUD	HW Hill Landfill Gas	-	-	4/
BENTON PUD	Nine Canyon wind	-	-	4/
BENTON PUD	Packwood Hydro	-	0.919	1/ 12/
BENTON PUD	White Creek wind	-	-	4/
BENTON REA	Boardman	-	-	4/
BIG BEND	[NONE]	-	-	
BENTON REA	Coffin Butte Landfill Gas (Phase I)	-	-	2/
BIG BEND	[NONE]	-	-	
BIG HORN	[NONE]	-	-	
BLACHLY-LANE	Boardman	-	-	4/
BLACHLY-LANE	Coffin Butte Landfill Gas (Phase I)	-	-	2/
BLAINE	[NONE]	-	-	
BONNERS FY	Moyie Hydro	-	2.729	6/
BURLEY	[NONE]	-	-	
CANBY	[NONE]	-	-	
CASCADE LOCKS	[NONE]	-	-	
CENTRAL ELEC COOP	Boardman	-	-	4/
CENTRAL ELEC COOP	Coffin Butte Landfill Gas (Phase I)	-	-	2/
CENTRAL LINCOLN PUD	Koch (nee GP) Cogen	-	-	7/
CENTRALIA	Yelm Hydro	-	7.835	6/
CHELAN PUD	[N/A]	-	-	18/
CHENEY	[NONE]	-	-	
CHEWELAH	[NONE]	-	-	
CLALLAM PUD	Packwood Hydro	-	0.460	1/ 12/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
CLARK PUD	Packwood Hydro	-	1.182	1/ 12/
CLARK PUD	River Road CCCT	227.799	224.932	16/
CLATSKANIE	Alden Bailey Power Plant	-	-	4/
CLEARWATER	Boardman	-	-	4/
CLEARWATER	Coffin Butte Landfill Gas (Phase I)	-	-	2/
CLEARWATER	Dworshak Hydro	-	-	4/
CLEARWATER	Priest Rapids/Wanapum	-	-	4/
COLUMBIA BASIN	[NONE]	-	-	
COLUMBIA POWER	[NONE]	-	-	
COLUMBIA REA	[NONE]	-	-	
COLUMBIA RIVER PUD	[NONE]	-	-	
CONSOLIDATED	[NONE]	-	-	
CONSUMERS	Boardman	-	-	4/
CONSUMERS	Coffin Butte Landfill Gas (Phase I)	2.460	2.460	2/
COOS-CURRY	Boardman	-	-	4/
COOS-CURRY	Coffin Butte Landfill Gas (Phase I)	-	-	2/
COULEE DAM	[NONE]	-	-	
COWLITZ PUD	CEAEA (Priest Rapids/Wanapum)	(1.356)	-	8/ 11/
COWLITZ PUD	Longview Fibre cogen (Units 3-8)	-	-	7/
COWLITZ PUD	Nine Canyon wind	-	-	9/
COWLITZ PUD	Non-Fed NLSL Resource	23.973	-	10/
COWLITZ PUD	Priest Rapids	6.571	-	8/ 11/
COWLITZ PUD	Swift Hydro	19.832	19.832	
COWLITZ PUD	Wanapum	10.596	-	8/ 11/
COWLITZ PUD	Weyerhaeuser Generation	-	-	7/
COWLITZ PUD	White Creek wind	-	-	4/
DECLO	[NONE]	-	-	
DOUGLAS COOP	Boardman	-	-	4/
DOUGLAS COOP	Coffin Butte Landfill Gas (Phase I)	-	-	2/
DOUGLAS PUD	[N/A]	-	-	18/
DRAIN	[NONE]	-	-	
EAST END	[NONE]	-	-	
EATONVILLE	[NONE]	-	-	
ELLENSBURG	[NONE]	-	-	
ELMHURST	[NONE]	-	-	
EMERALD PUD	Short Mountain Landfill Gas	-	1.938	6/
EMERALD PUD	White Creek wind	-	-	4/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
ENERGY NORTHWEST	[NONE]	-	-	
EWEB	Carmen-Smith Hydro	15.531	15.531	
EWEB	CEAEA (Priest Rapids/Wanapum)	(4.704)	-	8/
EWEB	Foote Creek I wind	2.764	2.764	
EWEB	Foote Creek IV wind	-	-	4/
EWEB	Klondike Wind	-	-	4/
EWEB	Leaburg Hydro	9.647	9.647	
EWEB	Priest Rapids	8.590	-	8/
EWEB	Smith Creek Hydro	6.984	6.984	
EWEB	Stateline wind	4.789	-	4/
EWEB	Stone Creek	-	-	10/
EWEB	Tieton Hydro	-	-	4/
EWEB	Trailbridge Hydro	3.461	3.461	
EWEB	Walterville Hydro	6.813	6.813	
EWEB	Wanapum	9.626	-	8/
EWEB	Weyerhaeuser	-	-	7/
FAIRCHILD	[NONE]	-	-	
FALL RIVER	Boardman	-	-	4/
FALL RIVER	Buffalo Electric Hydro	0.210	-	3/
FALL RIVER	Coffin Butte Landfill Gas (Phase I)	-	-	2/
FALL RIVER	Island Park Hydro	2.382	2.382	
FALL RIVER	Priest Rapids/Wanapum	-	-	4/
FARMERS	[NONE]	-	-	
FERRY PUD	Packwood Hydro	-	0.066	1/ 12/
FLATHEAD	PacifiCorp Resource	69.872	-	11/
FLATHEAD	Sierra Pacific Biomass (Aberdeen)	-	-	20/
FOREST GROVE	Priest Rapids	1.369	1.369	5/ 11/ 12/
FOREST GROVE	Wanapum	1.356	1.356	5/ 11/ 12/
FRANKLIN	Fredrickson CT	-	-	4/
FRANKLIN	Nine Canyon wind	-	-	4/
FRANKLIN	Packwood Hydro	-	0.690	1/ 12/
FRANKLIN	Pasco CT	-	-	4/
FRANKLIN	White Creek wind	-	-	4/
GLACIER EC	WAPA Resource	-	-	13/
GRANT PUD2 - MAIN SYSTEM	[N/A]	-	-	8/ 18/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
GRANT PUD2 - GRAND COULEE	[NONE]	-	-	
GRAYS HARBOR	Centralia Replacement	36.871	-	13/
GRAYS HARBOR	Fredrickson CT	-	-	4/
GRAYS HARBOR	Grays Harbor Paper Cogen	-	-	7/
GRAYS HARBOR	Hoquiam Diesels	-	-	4/
GRAYS HARBOR	Nine Canyon wind	-	-	9/
GRAYS HARBOR	Pasco CT	-	-	4/
GRAYS HARBOR	Sierra Pacific Biomass (Aberdeen)	-	-	7/
GRAYS HARBOR	Weyerhaeuser Pulp Mill Cosmopolis	-	-	15/
HARNEY ELEC COOP	[NONE]	-	-	
HERMISTON	[NONE]	-	-	
HEYBURN	[NONE]	-	-	
HOOD RIVER	Middle Fork Irrig District Powerhouse No. 1	-	-	7/
HOOD RIVER	Middle Fork Irrig District Powerhouse No. 2	-	-	7/
HOOD RIVER	Middle Fork Irrig District Powerhouse No. 3	-	-	7/
IDAHO COUNTY LIGHT & POWER	Priest Rapids	-	-	4/
IDAHO COUNTY LIGHT & POWER	Wanapum	-	-	4/
IDAHO FALLS	Gem State Hydro	5.794	5.794	
IDAHO FALLS	Idaho Falls Bulb Turbines - hydro	-	-	4/
INLAND	[NONE]	-	-	
KITTITAS PUD	Packwood Hydro	-	0.016	1/ 12/
KITTITAS PUD	Priest Rapids Project (PR and WAN)	0.969	0.892	5/ 11/ 12/
KLICKITAT	HW Hill Landfill Gas	-	-	4/
KLICKITAT	Mariah Wind	-	-	7/
KLICKITAT	McNary Fishway (50% share)	4.222	4.222	
KLICKITAT	Packwood Hydro	-	0.197	1/ 12/
KLICKITAT	SDS Lumber	-	-	7/
KLICKITAT	White Creek wind	-	-	4/
KOOTENAI	Priest Rapids	-	-	4/
KOOTENAI	Wanapum	-	-	4/
LAKEVIEW	White Creek wind	-	-	4/
LANE ELEC COOP	[NONE]	-	-	
LEWIS PUD	Burton Creek	-	-	3/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
LEWIS PUD	Mill Creek	-	-	3/
LEWIS PUD	Nine Canyon wind	-	-	9/
LEWIS PUD	Packwood Hydro	-	0.936	1/ 12/
LINCOLN MT	[NONE]	-	-	
LOST RIVER	Boardman	-	-	4/
LOST RIVER	Coffin Butte Landfill Gas (Phase I)	-	-	2/
LOST RIVER	Priest Rapids/Wanapum	-	-	4/
LOWER VALLEY	Boardman	-	-	4/
LOWER VALLEY	Priest Rapids	-	-	4/
LOWER VALLEY	Strawberry Hydro Project	-	1.029	6/
LOWER VALLEY	Wanapum	-	-	4/
MASON PUD1	Lilliwaup Falls	-	-	13/
MASON PUD1	Rocky Brook	-	-	13/
MASON PUD3	Nine Canyon wind	-	-	9/
MASON PUD3	Olympic View	-	-	4/
MASON PUD3	Packwood Hydro	-	0.657	1/ 12/
MCCLEARY	[NONE]	-	-	
MCMINNVILLE	Priest Rapids	1.369	1.369	5/ 11/ 12/
MCMINNVILLE	Wanapum	1.356	1.356	5/ 11/ 12/
MIDSTATE ELEC COOP	Interfor cogen	-	-	7/
MILTON CITY	[NONE]	-	-	
MILTON-FREEWATER	Priest Rapids	1.369	1.369	5/ 11/ 12/
MILTON-FREEWATER	Wanapum	1.356	1.356	5/ 11/ 12/
MINIDOKA	[NONE]	-	-	
MISSION VALLEY	Boulder Creek hydro	-	-	3/
MISSION VALLEY	Hellroaring (MVP) hydro	-	-	3/
MISSION VALLEY	Kerr Dam hydro	9.655	9.655	
MISSOULA	[NONE]	-	-	
MODERN	[NONE]	-	-	
MONMOUTH	[NONE]	-	-	
NESPELEM	[NONE]	-	-	
NO WASCO	McNary Fishway (50% shr)	-	4.222	12/
NO WASCO	The Dalles Fishway	-	-	4/
NORTHERN LIGHTS	Hungry Horse Reservation	4.000	-	17/
NORTHERN LIGHTS	Lake Creek Hydro	2.660	2.660	
NORTHERN LIGHTS	Priest Rapids/Wanapum	-	-	4/
OHOP	[NONE]	-	-	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
OKANOGAN	Nine Canyon wind	-	-	4/
OKANOGAN	Wells Hydro	26.836	25.628	11/
OKANOGAN ELEC COOP	[NONE]	-	-	
ORCAS	[NONE]	-	-	
OREGON TRAIL	City of Cove hydro (Mill Creek)	0.068	-	13/
OREGON TRAIL	Co-Gen co.	-	-	7/
PACIFIC PUD 2	[NONE]	-	-	
PARKLAND	[NONE]	-	-	
PEND OREILLE	Boundary hydro (Article 49)	42.240	-	10/
PEND OREILLE	Box Canyon Dam hydro (serving TRL)	32.203	32.203	
PEND OREILLE	Box Canyon Dam hydro (serving NLSL)	21.421	-	10/
PEND OREILLE	Calispel Creek	-	-	3/
PENINSULA	[NONE]	-	-	
PLUMMER	[NONE]	-	-	
PNGC	[NONE]	-	-	
PORT OF SEATTLE	[NONE]	-	-	
PORT ANGELES	Morse Creek	-	-	3/
RAFT RIVER	Boardman	-	-	4/
RAFT RIVER	Coffin Butte Landfill Gas (Phase D)	-	-	2/
RAFT RIVER	Priest Rapids/Wanapum	-	-	4/
RAFT RIVER	Unspecified Resource for Annexation	6.475	-	13/
RAVALLI	[NONE]	-	-	
RICHLAND	[NONE]	-	-	
RIVERSIDE COOP	[NONE]	-	-	
RUPERT	[NONE]	-	-	
SALEM ELEC	[NONE]	-	-	
SALMON RIVER	Boardman	-	-	4/
SALMON RIVER	Priest Rapids/Wanapum	-	-	4/
SALMON RIVER	Warm Springs	-	-	7/
SEATTLE	Art. 49 Oblig to Pend Oreille	(33.671)	(43.801)	11/
SEATTLE	Boundary Encroach. on Box	(6.664)	(7.870)	
SEATTLE	Boundary hydro/ BD Expansion	342.576	342.576	
SEATTLE	CEAEA (Priest Rapids)	(2.355)	-	8/
SEATTLE	Cedar Falls/Newhalem hydro	10.233	10.233	
SEATTLE	Centralia Replacement	71.275	-	13/
SEATTLE	Diablo hydro	84.112	84.112	
SEATTLE	Eltopia Br. Canal (contract)	0.528	0.528	

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
SEATTLE	Gorge hydro	97.555	97.555	
SEATTLE	High Ross Equiv. (contract)	35.415	35.415	
SEATTLE	Lucky Peak (contract)	27.028	27.028	
SEATTLE	Main Canal Heawrks (cntrct)	5.535	5.535	
SEATTLE	Metro West Point (cntrct)	1.200	-	7/
SEATTLE	Pend Oreille Exch	-	-	
SEATTLE	Potholes E Canal 66 (cntrct)	0.544	0.544	
SEATTLE	Priest Rapids	26.777	-	8/
SEATTLE	Ross hydro	76.889	76.889	
SEATTLE	Russell D. Smith (contract)	0.964	0.964	
SEATTLE	Seattle/Tacoma Exchange	-	-	
SEATTLE	SCL Syst. Crit. Surplus Adj.	(49.626)	-	14/
SEATTLE	South Fork Tolt hydro	6.547	6.547	
SEATTLE	Stateline wind	-	-	4/
SEATTLE	Summer Falls (contract)	19.568	19.568	
SKAMANIA	Packwood Hydro	-	0.066	1/ 12/
SNOHOMISH	Centralia Replacement	-	-	13/
SNOHOMISH	Ebey Hill	-	-	3/
SNOHOMISH	Everett Cogen	-	-	7/
SNOHOMISH	Jackson Hydro	-	29.476	12/
SNOHOMISH	Packwood Hydro	-	1.313	1/ 12/
SNOHOMISH	White Creek wind	-	-	4/
SNOHOMISH	Woods Creek	-	-	3/
SODA SPRNGS	Hooper Plant (hydro)	-	-	3/
SODA SPRNGS	Max Snell Plant (hydro)	-	-	3/
SOUTH SIDE	[NONE]	-	-	
SPRINGFIELD	[NONE]	-	-	
STEILACOOM	[NONE]	-	-	
SUMAS	[NONE]	-	-	
SURPRISE VALLEY	[NONE]	-	-	
TACOMA	Alder hydro	17.158	17.158	
TACOMA	CEAEA	(2.350)	-	8/
TACOMA	Centralia Replacement	73.900	-	13/
TACOMA	Cushman 1 / Cushman 2 hydro	32.671	28.748	11/
TACOMA	Hood Street	-	-	3/
TACOMA	LaGrande hydro	23.319	23.319	
TACOMA	Mayfield (Unit 41-44) hydro	42.575	42.575	
TACOMA	Mossyrock hydro	61.133	61.133	
TACOMA	Priest Rapids	26.770	-	8/
TACOMA	SCBID Projects	25.559	-	4/

(A)	(B)	(C)	(D)	(E)
Customer Name	Resource Name	September 30, 2006 Exhibit C Amount (aMW)	Adjusted Amount (aMW)	Notes
TACOMA	Seattle/Tacoma Exchange	-	-	
TACOMA	Wynoochee hydro	3.597	3.597	
TANNER EC	Burr / Bouchard hydro	-	-	13/
TANNER ELEC COOP	Thomas Burnside hydro	-	-	13/
TANNER ELEC COOP	White Creek wind	-	-	4/
TILLAMOOK	Hooley Digester - biomass	-	-	3/
TROY	[NONE]	-	-	
UMATILLA	Boardman	-	-	4/
UMATILLA	Coffin Butte Landfill Gas (Phase I)	-	-	2/
UMPQUA	[NONE]	-	-	
UNITED ELEC COOP	Priest Rapids	-	-	4/
UNITED ELEC COOP	Wanapum	-	-	4/
USBIA WAPATO	Drop 2 / Drop 3 hydro	-	0.207	6/
USDOE ARCO	[NONE]	-	-	
USDOE RICH	[NONE]	-	-	
USN BANGOR	[NONE]	-	-	
USN JIM CREEK	[NONE]	-	-	
USN PUGET	[NONE]	-	-	
VERA IRR DIST	[NONE]	-	-	
VIGILANTE	[NONE]	-	-	
WAHAKIAKUM	Packwood Hydro	-	0.066	1/ 12/
WASCO ELEC COOP	Klondike Wind	-	-	4/
WEISER	[NONE]	-	-	
WELLS REC	Trout Creek	-	-	19/
WEST OREGON	Coffin Butte Landfill Gas (Phase I)	-	-	2/
WHATCOM	[NONE]	-	-	
YAKAMA	[NONE]	-	-	

Appendix C: Footnotes to Appendix B

1. Participant share of Packwood. Resource amounts based on 1940-41 water.
2. Coffin Butte Phase 1 share owner; entire amount attributed to Consumers Power for CHWM purposes.
3. No Exhibit C amounts; resource amount is zero per threshold criterion. Buffalo Hydro (Fall River) included in this category of resources.
4. Not dedicated to serve retail load.
5. Resource amounts based on 2005-2006 PNCA Final Regulations; net of CEAEA.
6. No energy amounts in Exhibit C; energy amount is average of actual generation from October 2000 through September 2005.
7. Consumer-owned resource. Amount TBD in Regional Dialogue Sales Contract.
8. For CHWM purposes and consistent with July 2007 Policy, BPA assumes that all available Priest Rapids and Wanapum power for Cowlitz, EWEB, Seattle and Tacoma will be recalled by Grant.
9. July 2007 Policy New Renewable Exception.
10. NLSL resource and loads not included in CHWM calculations.
11. BPA recognized loss or partial loss of resource and is applicable for CHWM purposes.
12. Missing or erroneous Exhibit C value; calculated by BPA.
13. July 2007 Policy exceptions for PURPA resources, WAPA resource, Centralia, Raft River Annexation.
14. Special Situations: Seattle month-to-month balancing amount not recognized.
15. See Appendix D.
16. Final number derived from Exhibit C of Subscription Actual Partial (Load Following) Contract, in effect 12/8/2008 but signed prior to 9/30/06. Final amount also included FY 2010 Unspecified Resource amount from Exhibit C of Actual Partial contract.
17. The Hungry Horse Reservation (HHR) is Federal power certain Montana customers are entitled to receive from the Hungry Horse hydro project. In Northern Lights' contract, this power was shown as a resource in Exhibit C. The contractual arrangement for HHR expires July 31, 2011, and the continuing right for HHR will be fulfilled through deliveries of Tier 1 power under Northern Lights' Regional Dialogue contract.
18. Chelan, Douglas, and Grant PUDs are expected to not sign CHWM contracts (aside from the Grant Grand Coulee Load area). Therefore, no CHWM resources have been identified at this time for those utilities.
19. Wells Rural Electric Cooperative serves load both within and outside the Pacific Northwest. The Trout Creek Hydro resource serves only Wells extra-regional load.
20. Flathead has an NLSL load where they apply an off-site renewable resource (through the Green Exception) to reduce the load on BPA to below 10 aMW and they purchase PF power for the remainder of the load. The resource amount applied to that load in FY 2010 will be subtracted from Flathead's Total Retail Load for calculating its CHWM. If the amount of the NLSL load on BPA exceeds 10 aMW in FY 2010 then the entire amount of the NLSL would be subtracted from TRL for purposes of calculating the CHWM.

Appendix D: Letter to Grays Harbor PUD



Department of Energy

Bonneville Power Administration
Seattle Customer Service Center
909 First Avenue, Suite 380
Seattle, Washington 98104-3636

June 26, 2008

In reply refer to: PSW/Seattle

AUTHENTICATED

Mr. Richard Lovely
General Manager
Grays Harbor PUD
P.O. Box 480
Aberdeen, WA 98520-0109

Dear Rick:

Thank you for your letters dated June 16, 2008. I will address both letters below as part of my response.

In the letter addressed to me, you explain the history of the Weyerhaeuser Cosmopolis pulp mill cogeneration resource as it relates to Public Utility District of Grays Harbor County's (Grays Harbor PUD) use of the resource. Also, your letter included a request for the Bonneville Power Administration (BPA) to determine the future application of the resource under Exhibit C of the current Subscription contract that would apply when Grays Harbor PUD becomes the owner of the resource.

In response to the March 25, 2008, verbal request from your utility's power manager to make a determination on the future application of the resource and your June 16 letter to me, BPA completed an extensive review of its Grays Harbor PUD's power sales contract files, covering October 1, 1981 through September 30, 2001. We reviewed the current Subscription power sales agreement, including correspondence between BPA and your utility regarding the Weyerhaeuser resource. We also listened to the added factual information presented at the June 13, 2008, meeting that we held with you and other Grays Harbor PUD representatives. In addition, we have considered the suggested interpretation and approaches made by Grays Harbor PUD for resolution of this matter.

BPA understands that the Weyerhaeuser pulp mill and its cogeneration resource had been operating for a substantial period. Weyerhaeuser shut down the resource on September 14, 2006, and subsequently closed the mill in October 2006. BPA reflected this change in Exhibit C, section 3, Non-Grays Harbor Generating Resources, of Grays Harbor's

Subscription power sales contract. Under BPA's 1981 requirement power sales contract with Grays Harbor PUD, the resource was listed as a 5(b)(1)(B) contract resource in the 2000 and 2001 Firm Resource Exhibits with a footnote that the resource would be applied to a Tacoma Power's load and not applied to Grays Harbor PUD's load under section 12(b)(11) of the aforementioned contract. Tacoma Power purchased the resource output from your utility while the resource was listed in your utility's Firm Resource Exhibit.

The resource application under the current Subscription contract is presented with a bit less clarity than in the 1981 power sales contract. The Weyerhaeuser resource is listed in section 3 of Exhibit C, Non-Grays Harbor Generating Resources. That section of the exhibit requires a customer to apply non-utility resources' diurnal energy amounts and peak amounts to total retail load and use such resources to calculate a customer's net requirement. In Grays Harbor PUD's case, the Weyerhaeuser resource's diurnal energy amounts and peak amounts were not included in section 3 of Exhibit C. This omission was initially interpreted as a possible failure on BPA's part to properly administer the contract. However, even a possible error of this magnitude would not outweigh the statute governing the application and treatment of 5(b)(1)(B) resources. It was BPA's understanding about the 5(b)(1)(B) classification in the previous power sales contract that led the agency to its initial impression of this resource's treatment that it shared with your utility on May 28, 2008.

BPA recently discovered a letter it had written to Grays Harbor PUD on September 1, 2000, which caused BPA to re-interpret the omission of the resource data from section 3 as intentional. The Weyerhaeuser mill resource was specifically excluded as a utility resource in Exhibit C, section 2(a) of the Subscription contract, Declared Output of Grays Harbor Resources, with the consent of BPA. The consent was provided in a September 1, 2000, letter to Grays Harbor PUD from BPA's Dave Fitzsimmons, Grays Harbor PUD's then account executive. The letter called for Grays Harbor PUD to provide BPA with proof by September 30, 2000, that the Weyerhaeuser resource was going to be sold to market and not used to serve plant load, or Grays Harbor PUD was going to face a decrement in its proposed CY 2002 net requirement of 123 aMW. Grays Harbor PUD provided the necessary verification, and the proposed 122.9 aMW net requirement for CY 2002 appeared in Exhibit C, section 1(a)(2) of your utility's executed Subscription contract.

After months of intensive research and discussion, BPA has reached a conclusion about the way the Weyerhaeuser resource should be treated under the Subscription contract should Grays Harbor PUD becomes the owner of the resource. If Grays Harbor PUD takes ownership of the resource, restarts it before or on September 30, 2011 and does not dedicate the resource to load service, BPA will consider the resource as a new utility-owned resource and reclassify any generation from the resource as not applicable to retail load service. After BPA receives written notice from Grays Harbor PUD, including authenticated verification from Evergreen Pulp that resource ownership has transferred to Grays Harbor PUD, BPA will revise Exhibit C, section 3 of the current Subscription contract to remove all references to the Weyerhaeuser resource. Additionally, BPA will revise section 2(d) of the current Subscription contract to reflect the Weyerhaeuser

resource as a Grays Harbor PUD resource not used to serve total retail load. If Grays Harbor PUD decides to sell the power from this resource on the market, then its offers of power must be consistent with section 9(c) of the Northwest Power Act and BPA's policies on such market sales.

When Grays Harbor PUD takes possession of the resource and in the event Grays Harbor PUD decides to dedicate the resource to serve its district load at any time during the term of its current or future power sales contract with BPA, BPA will treat the resource as a 5(b)(1)(B) resource.

In the June 16, 2008, letter you wrote to Mark Gendron, BPA's vice president of Requirements Marketing, you raised issues regarding BPA's proposed inclusion of the Weyerhaeuser resource in Grays Harbor PUD's Contract High Water Mark (CHWM) calculation. Consistent with the foregoing discussion, the absence of any amount of the Weyerhaeuser resource being designated to serve load in FY 2010 is not the result of an error or omission. Accordingly, the Weyerhaeuser resource should not be included in BPA's current public process regarding FY 2010 resource clarifications for CHWM determinations and it will not be used in the calculation of Grays Harbor PUD's CHWM. This analysis will be noted in the decision document following the June 27, 2008 close of the comment period for that process.

BPA trusts its decisions about the treatment of the resource are clear. Please let me know if you have any questions.

BPA looks forward to building a solid, collaborative working relationship with Grays Harbor PUD.

Sincerely,

/S/ R. KIRSTEN WATTS

R. Kirsten Watts
Power Service Account Executive

cc: Michael Hill, Power Manager, Grays Harbor PUD