

Oversupply Management Protocol

This Oversupply Management Protocol will apply when Transmission Provider must displace non-federal generation in its Control Area with generation from the federal hydro system in order to mitigate total dissolved gas levels in the Columbia River. When the total dissolved gas levels measured by the U.S. Army Corps of Engineers exceed Oregon and Washington water quality standards at projects that are spilling past unloaded turbines, the Transmission Provider has the right to initiate the Oversupply Management Protocol in Attachment P. All non-Federal Transmission Customers with generation in Transmission Provider's Control Area and all non-Federal Generators in Transmission Provider's Control Area shall submit information to the Transmission Provider and follow Transmission Provider's directions to reduce generation in accordance with the Oversupply Management Protocol in Attachment P. Attachment P shall not apply to curtailments under sections 13.6, 14.7, or 33.

Attachment P

Oversupply Management Protocol

This attachment establishes requirements and procedures necessary to mitigate total dissolved gas ("TDG") levels in the Columbia River. All non-Federal Transmission Customers with generation in Transmission Provider's Control Area and all non-Federal Generators in Transmission Provider's Control Area (together referred to in this attachment as "Generator") shall follow Transmission Provider's directions to reduce generation below the amount of generation scheduled for the hour. Transmission Provider will deliver federal hydro power to replace such reduced generation in order to meet the Transmission Customers' schedules. The Oversupply Management Protocol will proceed as follows:

1. The term of this Attachment P shall be March 6, 2012 through December 31, 2015. However, for 2013 and subsequent years, this Attachment P shall be void and have no force or effect unless Transmission Provider establishes rates to allocate the costs incurred under this Attachment P through a rate case conducted under section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act, and such rates are approved by the Federal Energy Regulatory Commission.
2. Transmission Provider will use a Least-Cost Displacement Cost Curve ("Cost Curve") to displace generation located in Transmission Provider's control area in order to mitigate TDG levels in the Columbia River. The Cost Curve will list each generator's cost of displacement. Transmission Provider will displace generation in order of cost, from the least-cost resource to the highest-cost resource, until the required displacement quantity as determined by Transmission Provider is achieved.

3. By April 1, 2012 and by February 1 in all subsequent years, each Generator shall submit the generator's installed generating capacity and costs of displacement (\$/MWH) each year. If a Generator does not incur any costs of displacement or does not submit its costs of displacement to Transmission Provider, the Generator's costs of displacement shall be deemed to be \$0/MWH.
 - a. For Generators that achieve commercial operation (that is, begin generating electricity for sale) prior to March 6, 2012, costs of displacement shall include:
 - i. the production tax credit the Generator would have been entitled to under 26 U.S.C. § 45 or its successor but will not receive because of the displacement;
 - ii. the following amounts for Renewable Energy Credits (RECs) unbundled from the sale of power:
 - A. with respect to executed contracts for the sale of RECs unbundled from the sale of power, the amount that the Generator is not paid by its contracting party because of its failure to deliver RECs and the amount, if any, the Generator must pay its contracting party as a penalty for its failure to deliver RECs; and
 - B. with respect to the amount of displaced generation for which the Generator has not yet entered into a contract to sell the RECs at the time of displacement, the market value of the RECS as determined annually by Transmission Provider by using the average of the bid offer price of three brokerage quotes (or as many brokerage quotes as Transmission Provider is able to obtain if it is unable to obtain three; if Transmission Provider is unable to obtain any bids that meet the criteria for a given facility it shall compensate Generator for RECs at \$10 per REC) for RECs that are associated with generation by a facility that i) generates power using the same fuel source as the Generator, ii) is located in Oregon or Washington, and iii) has the same or a later commercial operation date as the Generator's facility. For 2012, the Transmission Provider will post the market value on Transmission Provider's website by March 15, and shall obtain quotes between February 1 and March 15. For subsequent years, Transmission Provider will post the market value on Transmission Provider's website by January 15, and shall obtain quotes between December 1 and January 15; and
 - iii. for power sales agreements for the bundled sale and purchase of both RECs and energy, the power sales price, if the Generator is not entitled to payment for any hour in which the Generator does not generate; and the amount, if any, the Generator must pay its contracting party as a penalty for its failure to generate.

- b. Generators that achieve commercial operation after March 6, 2012, shall make a one-time election by selecting one of the following two options to determine the costs of displacement:
 - i. costs of displacement shall be \$0/MWH, in which case the Generator shall not be subject to cost allocation for costs incurred under this Attachment P; or
 - ii. costs of displacement shall be [0% to 50%] of the PTC as determined under section 3(a)(i) and 50% of the market value of RECs as determined under section 3(a)(ii)(B) of this Attachment P, in which case the Generator shall be subject to cost allocation for costs incurred under this Attachment P.
 - c. The costs of displacement submitted by a Generator under this Attachment P shall be subject to audit by a third-party. Transmission Provider shall select an audit firm that has electric utility audit experience and that is ranked in the top five nationally based on annual billings. Up to 10 Generators shall be subject to audit each year, as determined by Transmission Provider. Audits will take place as follows:
 - i. For 2012, costs of displacement will be audited after July 31, 2012. Transmission Provider will use the costs submitted by Generators for implementation of the Cost Curve. Subsequent to the audit, all compensation to audited Generators under this Attachment P will be trued-up based on the audited costs.
 - ii. For all subsequent years, costs of displacement will be audited prior to inclusion in the Cost Curve. For Generators that have not been audited, costs of displacement shall be the submitted costs. For Generators that have been audited, Transmission Provider will use the audited costs for the Cost Curve, if such costs differ from the submitted costs.
 - iii. If the costs of displacement a Generator submits exceed the audited costs by more than \$5/MWH, Generator shall pay Transmission Provider a penalty of the difference between the costs Generator submitted and the audited costs, multiplied by 1,000. Transmission Provider shall use all penalty revenues to offset future costs of displacement.
 - d. Transmission Provider shall not use any information submitted by a Generator under this Attachment P for any other purpose other than that specified under this Attachment P. In addition, Transmission Provider will not disclose such information to any person not employed by Transmission Provider or any of its Marketing Function Employees, as defined by the Standards of Conduct.
4. For each hour of displacement, Transmission Provider will compensate each displaced Generator with its costs of displacement (\$/MWH) multiplied by the difference between the i) MW of scheduled generation for the hour, and ii) the MW of generation that Transmission Provider has ordered the Generator to reduce to under this Attachment P.

5. Transmission Provider shall establish in a business practice the communication protocols through which Transmission Provider will notify Generators when Transmission Provider implements this Attachment P.
6. If, for reliability purposes or other factors, a Generator is prevented from reducing generation below a certain level or deviating from a certain ramp rate, the Generator may submit a minimum generation level or a maximum ramp rate to Transmission Provider. Transmission Provider will not direct a Generator to reduce generation below its minimum generation level, or at a ramp rate that exceeds the maximum ramp rate. If a Generator does not submit a minimum generation level or a maximum ramp rate, Transmission Provider will direct the Generator to reduce generation to zero. Transmission Provider shall establish in a business practice the factors that Generators may consider in establishing minimum generation levels and ramp rates. For reliability purposes, Generators providing ancillary services (i.e. regulating reserves, load following reserves and contingency reserves) to another balancing authority will be allowed to continue to provide those services at Generator's sole discretion and designate them as part of the Generator's minimum generation requirement.
7. Transmission Provider will not charge or compensate the Generator for generator imbalance service under Transmission Provider's applicable generation imbalance rate schedules in any hour in which Transmission Provider directed the Generator to reduce generation below the amount of generation scheduled under this Attachment P.
8. Generator shall remain responsible for loss return and Operating Reserve obligations incurred for schedules submitted for hours in which Transmission Provider implements this Attachment P.
9. Transmission Provider shall post on its website an annual report stating the MWH of energy displaced and the cost of displacement pursuant to this Attachment P.