



Department of Energy

Bonneville Power Administration
P.O. Box 491
Vancouver, Washington 98666-0491

May 25, 2007

In reply refer to: T

Letter of Commitment to Transfer Customers

Pursuant to its new authority under the Energy Policy Act of 2005, the Federal Energy Regulatory Commission (FERC) has approved electric reliability standards for users, owners and operators of the bulk-power electric system. These standards will take effect on June 4, 2007, and compliance will be mandatory as of that date. Violators will be subject to penalties and sanctions. Standards applicable to Load Serving Entities (LSE) and Distribution Providers (DP) will be applicable to some of Bonneville's public power utility customers, including [Utility].

Under various arrangements between Bonneville and [Utility], and between Bonneville and [transfer service provider], Bonneville has performed various activities on, or with respect to, [Utility's] system that are now subject to the mandatory electric reliability standards applicable to LSEs and DPs. Bonneville intends to continue to perform those activities and to do so in compliance with the standards. Bonneville is also in discussions with transfer customers and transfer service providers about how functional responsibilities should be coordinated and shared among the parties.

Bonneville and representatives of its public power customers are currently negotiating contracts to memorialize their commitments and to clarify their respective responsibilities in complying with the standards. These contracts (also referred to as delegation agreements) will also address related responsibilities such as communication, reporting to regulatory authorities and liability for penalties. However, those contracts are not yet complete and most likely will not be available for execution prior to June 4, 2007.

Bonneville's public power utility customers have requested assurance from Bonneville that, between June 4, 2007 and the effective date of the contracts currently being negotiated, it will continue to perform those activities it is currently performing on or with respect to the customers' systems and that it will be responsible for any sanctions or penalties imposed for Bonneville's violation of the standards applicable to those activities. Bonneville hereby commits to continue to perform those activities on or with respect to [Utility's] system that it is currently performing and that are now subject to the mandatory electric reliability standards. Bonneville also commits to be responsible for penalties and sanctions that may be imposed on either Bonneville or [Utility] for Bonneville's violations of the mandatory electric reliability standards applicable to such activities. This commitment shall be effective beginning on the date of this letter and shall terminate on the earlier of (a) the effective date of the contract currently being negotiated to address Bonneville's continuing performance of these activities or (b) October 1, 2007.

Bonneville is not making any commitment with regard to those requirements under the mandatory electric reliability standards that are applicable to [Utility's] system but are not currently performed by Bonneville. Also, mitigation plans may be required for some of the requirements Bonneville currently performs on or with respect to [Utility's] system. Bonneville will cooperate fully with [Utility] and expects that [Utility] will cooperate fully with Bonneville in the development and successful implementation of these mitigation plans.

Sincerely,

Vickie A. VanZandt
Sr. Vice President, Transmission Services