

PACIFICORP/PORTLAND GENERAL ELECTRIC

PNW AC Intertie FOIA Request

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PACIFICORP	29224
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PORTLAND GENERAL	29225
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AUTHENTICATED

PNW AC INTERTIE CAPACITY OWNERSHIP AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PACIFICORP

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- Exhibit A (CO-94, AC-93, IS-93 Rate Schedules and General Transmission Rate Schedule Provisions)
- Exhibit B (Annual Costs Rate)
- Exhibit C (Capacity Ownership Share, Capacity Ownership Percentage, Scheduling Percentage, and Scheduling Share)
- Exhibit D (Lump Sum Payment Calculation)
- Exhibit E (Transmission Loss Factors)
- Exhibit F (Bonneville's PNW AC Intertie)
- Exhibit G (Capacity Owners)
- Exhibit H (Provisions Required by Statute or Executive Order)
- Exhibit I (Bonneville's PNW AC Intertie Costs)
- Exhibit J (PacifiCorp's Initial Transaction with California Utility)

This PNW AC INTERTIE CAPACITY OWNERSHIP AGREEMENT (Agreement) is entered into as of December 28, 1994, by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville or BPA) and the PACIFICORP (PacifiCorp), a corporation operating and existing under the laws of the state of Oregon. Each of Bonneville and PacifiCorp is sometimes referred to individually in this Agreement as "Party"; Bonneville and PacifiCorp are sometimes referred to together in this Agreement as "Parties."

W I T N E S S E T H :

WHEREAS Bonneville, Portland General Electric Company (Portland), and PacifiCorp (PacifiCorp) planned and constructed improvements and additions to the Northwest portion of the PNW-PSW Intertie; and

WHEREAS such construction was completed in December 1993 resulting in 1600 MW of additional PNW AC Intertie Rated Transfer Capability in a north-to-south direction and 1225 MW of additional PNW AC Intertie Rated Transfer Capability in a south-to-north direction; and

WHEREAS pursuant to the Northwest Intertie Agreements, Bonneville operates the PNW AC Intertie, in coordination with Portland and PacifiCorp, as a single system so as to maximize PNW AC Intertie Rated Transfer Capability and Operational Transfer Capability consistent with Prudent Utility Practice; and

WHEREAS Bonneville has developed a proposal to offer to PNW non-Federal scheduling utilities and joint agencies capacity ownership rights in 725 MW of Bonneville's PNW AC Intertie Rated Transfer Capability; and

WHEREAS such proposal has been studied in Bonneville's Final Non-Federal Participation Environmental Impact Statement, dated January 1994, and was the selected alternative in the Administrator's Record of Decision, dated March 25, 1994; and

WHEREAS Bonneville and PacifiCorp executed a Memorandum of Understanding, DE-MS79-91BP93469, dated September 18, 1991, which, among other things, sets forth the principles for PacifiCorp's capacity ownership rights in Bonneville's PNW AC Intertie; and

WHEREAS interest expressed in capacity ownership by PNW non-Federal scheduling utilities and joint agencies exceeded the 725 MW of Bonneville's PNW AC Intertie Rated Transfer Capability offered by Bonneville, and as a result Bonneville developed and applied an allocation methodology selected in the Administrator's Capacity Ownership Record of Decision, dated March 25, 1994; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power generated at various Federal hydroelectric projects in the PNW, 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, Bonneville and PacifiCorp agree as follows:

1. DEFINITIONS

- (a) "Adjusted Capacity Ownership Price" means the price calculated pursuant to column 2, section B of Exhibit D and section IV.B of the CO-94 rate in Exhibit A.
- (b) "Adjusted Lump Sum Payment" means the Adjusted Capacity Ownership Price multiplied by PacifiCorp's Capacity Ownership Share (in kilowatts), as described with more particularity in section D of Exhibit D.
- (c) "Allocated Direct Costs" means for each fiscal year the Operations Cost as allocated to Bonneville's PNW AC Intertie in accordance with section I.C of Exhibit I for such fiscal year. Allocated Direct Costs are not included in Direct Costs, Indirect Costs, or Overhead Costs.
- (d) "Allowance for Funds Used During Construction" or "AFUDC" constitutes interest on the funds used for utility plant under construction. The AFUDC rate approximates the cost of money being used to finance current construction work in progress and is calculated in accordance with FERC's Uniform System of Accounts, 18 CFR, Part 101, Electric Plant Instructions 3.A(17), or its successors. AFUDC shall be capitalized in accordance with Bonneville's accounting procedures and practices, and in any event consistent with FERC's Uniform System of Accounts, 18 CFR, Part 101, Electric Plant Instructions 3.A(17), or its successors.
- (e) "Billing Provisions" means those provisions set forth in Exhibit B, Part B.
- (f) "Bonneville's PNW AC Intertie" means facilities of the PNW AC Intertie owned partially or entirely by Bonneville specified in Exhibit F together with the equipment and facilities installed in or connected to such facilities specified in Exhibit F, to the extent such facilities are necessary for the transmission of power on the PNW AC Intertie.

- (g) "Bonneville's PNW AC Intertie Operational Transfer Capability" means Bonneville's PNW AC Intertie Rated Transfer Capability as reduced by limitations beyond the control of the Parties, and by operational limitations (as determined by Bonneville in accordance with the agreement between Bonneville and PacifiCorp, Contract No. DE-MS79-94BP94332, as amended from time to time pursuant to the terms thereof, and with the agreement between Bonneville and Portland, Contract No. DE-MS79-87BP92340, as amended from time to time pursuant to the terms thereof, and in accordance with Prudent Utility Practice) resulting from, among other things, line or equipment outages, stability limits, or loopflow.
- (h) "Bonneville's PNW AC Intertie Rated Transfer Capability" means Bonneville's share of the PNW AC Intertie Rated Transfer Capability as determined in accordance with the agreement between Bonneville and PacifiCorp, Contract No. DE-MS79-94BP94332, as amended from time to time pursuant to the terms thereof, and with the agreement between Bonneville and Portland, Contract No. DE-MS79-87BP92340, as amended from time to time pursuant to the terms thereof.
- (i) "Capacity Owner" means each of the parties listed in Exhibit G to the extent that such party has entered into a Capacity Ownership Agreement.
- (j) "Capacity Ownership Agreement" means, in the singular, this Agreement or the agreement, substantially identical to this Agreement, entered into by each Capacity and Bonneville, and in the plural, this Agreement and all such substantially identical agreements entered into respectively by Capacity Owners and Bonneville, as each such agreement may be amended or supplemented from time to time pursuant to the terms of such agreement, concerning (among other things) the rights of such Capacity Owner with respect to the PNW AC Intertie.

- (k) "Capacity Ownership Percentage" means, as of the Effective Date, in the singular, the percentage of Bonneville's PNW AC Intertie Rated Transfer Capability owned by PacifiCorp pursuant to this Agreement, which percentage is determined by dividing PacifiCorp's Capacity Ownership Share as of the Effective Date by Bonneville's PNW AC Intertie Rated Transfer Capability as of the Effective Date (such percentage being subject to change pursuant to the terms of this Agreement), and in the plural, the percentages of Bonneville's PNW AC Intertie Rated Transfer Capability owned by the other Capacity Owners, respectively, pursuant to their respective Capacity Ownership Agreements (other than this Agreement), which percentages are set forth in Exhibit G (each of such percentages being subject to change pursuant to the respective terms of such Capacity Ownership Agreements).
- (l) "Capacity Ownership Rights" means the rights of PacifiCorp pursuant to this Agreement.
- (m) "Capacity Ownership Share" means, except as such term is otherwise used in sections III.A and III.B of the CO-94 rate set forth in Exhibit A on the Effective Date, in the singular, the MW amount of Bonneville's PNW AC Intertie Rated Transfer Capability owned by PacifiCorp pursuant to this Agreement, which MW amount is set forth in Exhibit C (such amount being subject to change pursuant to the terms of this Agreement), and in the plural, the MW amounts of Bonneville's PNW AC Intertie Rated Transfer Capability owned by the other Capacity Owners, respectively, pursuant to their respective Capacity Ownership Agreements (other than this Agreement), which amounts are set forth in Exhibit G (each of such amounts being subject to change pursuant to the respective terms of such Capacity Ownership Agreements).
- (n) "Committee" has the meaning set forth in subsection 12(a).
- (o) "Contracts and Rates Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any fiscal year

Bonneville's total contracts and rates costs (as described in section VI of Exhibit I) for such fiscal year as functionalized and allocated in accordance with section VI of Exhibit I to determine Contracts and Rates Costs for Bonneville's PNW AC Intertie.

- (p) "Direct Costs" means any costs incurred by Bonneville which are readily identifiable, or obviously traceable to, and directly benefit, a specific Bonneville program, project, or other cost objective. Direct Costs are not included in Allocated Direct Costs, Overhead Costs, or Indirect Costs. The methods for determining Direct Costs for Bonneville's PNW AC Intertie are set forth in sections II.B and III.A of Exhibit I.
- (q) "Effective Date" means the date as of which this Agreement becomes effective pursuant to section 2.
- (r) "End of Term Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, Bonneville's costs associated with decommissioning the PNW AC Intertie determined in accordance with section VIII of Exhibit I.
- (s) "FERC" means the Federal Energy Regulatory Commission or its regulatory successor.
- (t) "General Plant Cost" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any fiscal year any costs (including direct costs, indirect costs, overhead costs, and AFUDC) for Bonneville's general plant investment for such fiscal year. The method for determining General Plant Cost is set forth in section IV of Exhibit I.
- (u) "GTRSP" or "GTRSPs" means Bonneville's General Transmission Rate Schedule Provisions, set forth in Exhibit A, as such provisions may be revised from time to time.

- (v) "Indirect Costs" means any costs incurred by Bonneville which indirectly benefit and are directly charged to a specific Bonneville program, project, or other cost objective for which a Direct Cost or Allocated Direct Cost is charged. Indirect Costs shall not be included in Allocated Direct Costs, Direct Costs, or Overhead Costs. The methods for determining Indirect Costs for Bonneville's PNW AC Intertie are set forth in sections I.D, II.D, and III.B of Exhibit I.
- (w) "Initial Capacity Ownership Price" means \$215 per kilowatt, the calculation of which charge is set forth in column 1, section B of Exhibit D and in section III.A of the CO-94 rate in Exhibit A.
- (x) "Initial Lump Sum Payment" means the Initial Capacity Ownership Price multiplied by PacifiCorp's Capacity Ownership Share (in kilowatts), as described with more particularity in section C of Exhibit D.
- (y) "Interconnection Agreement" means the "Interim Interconnection Agreement Between Certain California-Oregon Transmission Project Participants and Northwest Participants," Contract No. DE-MS79-91BP93158, as amended or superseded.
- (z) "Joint AC Intertie" is as defined in the agreement between Bonneville and Portland, Contract No. DE-MS79-87BP92340, as amended from time to time pursuant to the terms thereof.
- (aa) "Joint Intertie Scheduling Office" or "JISO" means the group of Bonneville, Portland, and PacifiCorp schedulers, which, among other things, accepts PNW-PSW Intertie Preschedules.
- (bb) "Maintenance Cost" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any fiscal year any maintenance Direct Costs for Bonneville's PNW AC Intertie, maintenance Indirect Costs for Bonneville's PNW AC Intertie, and maintenance Overhead Costs for Bonneville's PNW AC Intertie for

such fiscal year, each being determined in accordance with section II of Exhibit I.

- (cc) "MW" means megawatt.
- (dd) "Northwest Intertie Agreements" means the agreement between Bonneville and PacifiCorp, Contract No. DE-MS79-94BP94332, as amended from time to time pursuant to the terms thereof, and the agreement between Bonneville and Portland, Contract No. DE-MS79-87BP92340, as amended from time to time pursuant to the terms thereof.
- (ee) "Operating Plan" means, subject to subsection 13(o), with respect to any fiscal year commencing on or after the day on which the annual costs rate set forth in Exhibit B has been approved on an interim or final basis by FERC, the written document containing the information described in subsection 13(c), as such document may be amended pursuant to section 13, 14, or 16.
- (ff) "Operations Cost" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any fiscal year any Allocated Direct Costs for Bonneville's PNW AC Intertie, operations Indirect Costs for Bonneville's PNW AC Intertie, and operations Overhead Costs for Bonneville's PNW AC Intertie for such fiscal year, each being determined in accordance with section I of Exhibit I.
- (gg) "Other Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, Bonneville's other costs for Bonneville's PNW AC Intertie described in and determined pursuant to section V of Exhibit I.
- (hh) "Overhead Cost" means administrative and general costs, support service costs, or other costs similar in nature which are distributed or allocated by Bonneville to Bonneville's PNW AC Intertie. Overhead Costs are not included in Direct Costs, Allocated Direct Costs, or

Indirect Costs. The methods for determining Overhead Costs are set forth in sections I.E, II.E, and III.B of Exhibit I.

- (ii) "Pacific Northwest" or "PNW" means the area defined as the Pacific Northwest in the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. section 839a(14).
- (jj) "Pacific Time" means Pacific Standard Time and Pacific Daylight Time as each is in force.
- (kk) "PNW AC Intertie" means facilities including, but not limited to, the following: two 500 kV transmission lines extending from John Day Substation to the Malin Substation and to the California-Oregon border; portions of John Day, Grizzly, and Malin Substations and the Sand Springs, Fort Rock, and Sycan Compensation Stations; a portion of the Buckley-Summer Lake 500 kV transmission line and associated substations; portions of the Buckley-Marion and Marion-Alvey 500 kV transmission lines and associated facilities; a portion of Bonneville's capacity rights in the Summer Lake-Malin 500 kV transmission line; Bonneville's rights in the Meridian-Malin 500 kV transmission line and Bonneville's share of ownership of the Alvey-Meridian 500 kV transmission line; Captain Jack Substation; the 500 kV transmission line from Captain Jack Substation to the California-Oregon border; and any modifications, additions, improvements, or other alterations thereto.
- (ll) "PNW AC Intertie Operational Transfer Capability" means the PNW AC Intertie Rated Transfer Capability as reduced by limitations beyond the control of the Parties, and operational limitations (as determined by Bonneville in accordance with the agreement between Bonneville and PacifiCorp, Contract No. DE-MS79-94BP94332, as amended from time to time pursuant to the terms thereof, and with the agreement between Bonneville and Portland, Contract No. DE-MS79-87BP92340, as amended from time to time pursuant to the terms thereof, and in accordance with Prudent Utility Practice)

resulting from, among other things, line or equipment outages, stability limits, or loopflow.

- (mm) "PNW AC Intertie Rated Transfer Capability" means the north-to-south and south-to-north capability of the PNW AC Intertie to transfer power in a reliable manner as determined consistent with Prudent Utility Practice.
- (nn) "Pacific Northwest-Pacific Southwest Intertie" or "PNW-PSW Intertie" means the DC transmission line between the Celilo Converter Station in The Dalles, Oregon, and the Sylmar Converter Station near Los Angeles, California, the PNW AC Intertie, and the AC Intertie in California including, without limitation, the California-Oregon Transmission Project.
- (oo) "Pacific Northwest Non-Federal Utility" means any electric utility that serves retail load in the region consisting of (1) the states of Oregon, Oregon, and Idaho, the portion of the state of Montana west of the Continental Divide, and such portions of the States of Nevada, Utah, and Wyoming as are within the Columbia River Basin drainage basin, and (2) any contiguous areas, not in excess of seventy-five air miles from the area referred to in (1) above, which areas are a part of the service area of a rural electric cooperative power customer served by Bonneville on the effective date of the Pacific Northwest Power Planning and Conservation Act (P.L. 96-501) having a distribution system from which it serves both within and without such region.
- (pp) "Power Scheduling Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, Bonneville's total power scheduling costs (as described in section VII of Exhibit I) as functionalized and allocated in accordance with section VII of Exhibit I to determine Power Scheduling Costs for Bonneville's PNW AC Intertie.
- (qq) "Preschedule" means the schedule submitted by PacifiCorp to the JISO pursuant to paragraph 4(b)(1) for transactions prepared each

Working Day for the period beginning 2400 hours of the current Working Day through 2400 hours of the next Working Day.

- (rr) "Prudent Utility Practice" means, at any particular time, the generally accepted practices, methods, and acts in the electrical utility industry in the Western Systems Coordinating Council area prior thereto that would achieve the desired result or, if there are no such practices, methods, and acts, the practices, methods, and acts which, in the exercise of reasonable judgment in the light of facts known at the time the decision was made, could have been expected to achieve the desired result consistent with reliability and safety.
- (ss) "Real-time Schedule" means a schedule, or change to the Preschedule, submitted during the period which begins when the Preschedule is deemed by the JISO to be complete and concludes at 2400 hours on the day for which the Preschedule is submitted by PacifiCorp.
- (tt) "Reinforcement" means any transmission plant modification, addition, improvement, or other alteration to the Federal Columbia River Transmission System which is not a Replacement or an Upgrade and which is made pursuant to subsection 7(c).
- (uu) "Reinforcement Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any Reinforcement, the Direct Costs, Indirect Costs, Overhead Costs, and AFUDC for such Reinforcement, all capitalized to plant-in-service together with (1) simple interest on the foregoing costs accrued from the date on which Bonneville stops accruing AFUDC on the foregoing costs until the due date of the bill to PacifiCorp for the foregoing costs pursuant to subparagraph 9(b)(2)(B) and (2) the costs of removal and any salvage credit with respect to any PNW AC Intertie facility removed on account of such Reinforcement. Reinforcement Costs do not include capitalized general plant cost. The method for determining Reinforcement Costs for Bonneville's PNW AC Intertie is set forth in section III of Exhibit I.

- (vv) "Replacement" means for any transmission plant addition, betterment, renewal and equipment or facility that takes the place of or adds to any existing equipment or facility on Bonneville's PNW AC Intertie that does not increase Bonneville's PNW AC Intertie Rated Transfer Capability.
- (ww) "Replacement Costs" means, upon and after the effective date of Exhibit B pursuant to this Agreement, for any Replacement, the Direct Costs, Indirect Costs, Overhead Costs, and AFUDC for such Replacement, all capitalized to plant-in-service together with (1) simple interest on the foregoing costs accrued from the date on which Bonneville stops accruing AFUDC on the foregoing costs until the due date of the bill to PacifiCorp for the foregoing costs pursuant to subparagraph 9(b)(2)(B) and (2) the costs of removal and any salvage credit with respect to any PNW AC Intertie facility removed on account of such Replacement. General Plant Cost is not included in Replacement Costs. The method for determining Replacement Costs for Bonneville's PNW AC Intertie is set forth in section III of Exhibit I.
- (xx) "Revised Adjusted Capacity Ownership Price" means a price calculated pursuant to column 3, section B of Exhibit D and section IV.B of the CO-94 rate in Exhibit A.
- (yy) "Revised Adjusted Lump Sum Payment" means a Revised Adjusted Capacity Ownership Price multiplied by PacifiCorp's Capacity Ownership Share (in kilowatts), as described with more particularity in section E of Exhibit D.
- (zz) "Scheduler" means the person authorized by a Party to accept or submit schedules pursuant to section 4 and authorized to implement, interpret, and vary the scheduling procedures set forth in such section pursuant to this Agreement.
- (aaa) "Scheduling Percentage" means the percentage of the PNW AC Intertie Rated Transfer Capability owned by PacifiCorp pursuant to

this Agreement, which percentage is determined by dividing PacifiCorp's Capacity Ownership Share by the PNW AC Intertie Rated Transfer Capability.

- (bbb) "Scheduling Share" means, for any given hour, the MW amount equal to the product of PacifiCorp's Scheduling Percentage and the PNW AC Intertie Operational Transfer Capability for such hour.
- (ccc) "Scheduling Utility" means either (i) a Pacific Northwest Non-Federal Utility that serves a retail service area and operates a generation control area, or (ii) a Pacific Northwest Non-Federal Utility designated by Bonneville as a "computed requirements customer" or its equivalent.
- (ddd) "Term" means the period of effectiveness of this Agreement set forth in subsection 2(a).
- (eee) "Third AC Intertie" means the Third AC Intertie Project, which project increased the PNW AC Intertie Rated Transfer Capability by 1600 MW in a north-to-south direction and by 1225 MW in a south-to-north direction.
- (fff) "Third AC Intertie Project" means the Third AC Intertie System Reinforcement and the construction of the Alvey-Meridian 500 kV transmission line and of facilities related to such transmission line during the period from July 1984 through December 1993.
- (ggg) "Third AC Intertie System Reinforcement" means the improvements, additions and modifications to the PNW AC Intertie constructed during the period from July 1984 through December 1993 plus the construction of the Captain Jack substation and of facilities related to such substation during the period from July 1984 through December 1993.

- (hhh) "Upgrade" means any MW increase to Bonneville's PNW AC Intertie Rated Transfer Capability which arises from or is related to an increase to the PNW AC Intertie Rated Transfer Capability.
- (iii) "Working Day" means any day other than Saturday, Sunday, and a legal holiday recognized by the Federal government or PacifiCorp.

2. **TERM AND TERMINATION**

- (a) This Agreement shall become effective as of the date of execution and delivery of this Agreement by both of the Parties. This Agreement shall continue in effect so long as any facilities of the PNW AC Intertie are in existence and operable, unless otherwise earlier terminated by written agreement of both of the Parties or unless terminated pursuant to the terms of this Agreement. All liabilities incurred under this Agreement shall be preserved until satisfied.
- (b) Notwithstanding subsection 2(a), no Capacity Ownership Rights may be exercised by PacifiCorp until payment is made by PacifiCorp pursuant to paragraph 9(a)(1) and received by Bonneville.
- (c) If Bonneville does not receive the payment from PacifiCorp pursuant to paragraph 9(a)(1), then Bonneville shall have the option to terminate this Agreement by delivering to PacifiCorp written notice of such termination.
- (d) Notwithstanding subsection 2(a), if Bonneville incurs End of Term Costs, the following provisions of this Agreement, and all rights and obligations thereunder, shall continue in full force and effect until Bonneville renders its final bill to PacifiCorp pursuant to subsection 9(b), unless this Agreement is earlier terminated by mutual agreement of the Parties: subsections 2(b), 2(c), and 2(d), sections 1, 7, 8, 9, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22, and 23, and Exhibits A, B, C, D, F, G, H, and I. All liabilities incurred under such provisions of this Agreement shall be preserved until satisfied.

- (e) If this Agreement has not become effective pursuant to subsection 2(a) within 12 months following the date upon which Bonneville executes and delivers this Agreement to PacifiCorp, this Agreement shall be void ab initio and of no force or effect.

3. **CAPACITY RIGHTS**

- (a) **Purchase and Sale of Capacity**

Pursuant to the terms and conditions of this Agreement, PacifiCorp purchases from Bonneville and Bonneville sells to PacifiCorp the Capacity Ownership Rights.

- (b) **Right to Wheel for Third Parties**

No later than 30 days after the Effective Date, PacifiCorp shall notify Bonneville in writing of PacifiCorp's decision to utilize its Scheduling Share pursuant to either paragraph 3(b)(1) or paragraph 3(b)(2), and PacifiCorp shall have the right to utilize its Scheduling Share pursuant to the paragraph PacifiCorp elects. Prior to Bonneville's receipt of such notification, PacifiCorp shall utilize its Scheduling Share pursuant to paragraph 3(b)(1). If PacifiCorp fails to make an election within the prescribed time period, PacifiCorp shall be deemed to have elected the option set forth in paragraph 3(b)(1).

- (1) **No Third Party Wheeling**

- (A) Except as expressly provided in subparagraph 3(b)(1)(B), PacifiCorp shall not use its Scheduling Share to transmit power or energy (except for inadvertent power flows) that PacifiCorp does not own at the California-Oregon border or for which transmission PacifiCorp receives any revenue that would be reportable in PacifiCorp's accounting system where revenues received for wheeling for other entities would be booked.

(B) If PacifiCorp's Scheduling Share is not fully utilized by PacifiCorp in any hour, Bonneville may schedule for such hour Bonneville's transactions (including, without limitation, Bonneville wheeling for other entities) and wheel such transactions over the unused portion of PacifiCorp's Scheduling Share for such hour but no longer than such hour. PacifiCorp shall be compensated for such wheeling solely by the payments as described in sections 3(b)(1)(B)(i) and (ii) below. For purposes of this subparagraph 3(b)(1)(B), PacifiCorp's Scheduling Share shall be deemed to be not fully utilized in a given hour to the extent that PacifiCorp has not scheduled, or does not schedule, on a Preschedule or Real-time Schedule basis, any transaction for such hour on any MW amount of PacifiCorp's Scheduling Share. In return for PacifiCorp's Scheduling Share being made available to Bonneville pursuant to this subparagraph 3(b)(1)(B), Bonneville shall pay PacifiCorp

(i) an amount equal to the product of (1) all wheeling revenues received by Bonneville from providing short term wheeling in a north-to-south direction under the IS-93 rate, section II.A, or its successor to other entities in such hour, and (2) the ratio of PacifiCorp's unused Scheduling Share in such hour to the total amount of PNW AC Intertie Operational Transfer Capability made available by Bonneville for such wheeling in such hour, and

(ii) an amount equal to the product of (1) all wheeling revenues received by Bonneville from providing short term wheeling in a south-to-north direction under the IS-93 rate, section II.A

or its successor to other entities in such hour, and (2) the ratio of PacifiCorp's unused Scheduling Share in such hour to the total amount of PNW AC Intertie Operational Transfer Capability made available by Bonneville for such wheeling in such hour; provided, however, that Bonneville shall not be required to make payments for such south-to-north wheeling pursuant to this section 3(b)(1)(B)(ii) earlier than two years after the Effective Date.

Bonneville shall make payments pursuant to this subparagraph 3(b)(1)(B) in accordance with paragraph 9(f)(1).

- (C) During an outage resulting from maintenance activities on the PNW AC Intertie performed by Bonneville other than maintenance activities undertaken due to emergencies or uncontrollable forces, the following shall apply:
 - (i) When PacifiCorp's Scheduling Share for any given hour is reduced as a consequence of such outage which reduces in Bonneville's PNW AC Intertie Operational Transfer Capability such that PacifiCorp's Scheduling Share for such hour is less than the MW amount of the aggregate of PacifiCorp's net firm transactions identified by PacifiCorp to Bonneville pursuant to section 3(b)(1)(C)(iv) for such hour, Bonneville shall, subject only to sections 3(b)(1)(C)(ii) and (iii) and to the immediately succeeding sentence, wheel on a firm basis that portion of PacifiCorp's firm transactions that equals the difference between PacifiCorp's Scheduling Share for such hour and

the MW amount of the aggregate of PacifiCorp's firm transactions for such hour up to, but not in excess of, PacifiCorp's Capacity Ownership Share. Notwithstanding the foregoing, Bonneville shall only be obligated to provide such wheeling to the extent that each party with whom PacifiCorp is conducting such firm transactions has received a sufficient AC Intertie capacity allocation in California to accommodate such transactions. PacifiCorp shall pay the IS-93 rate, section II.A, or its successor for such wheeling pursuant to this section 3(b)(1)(C)(i) in accordance with subsection 9(d).

- (ii) Bonneville shall not be obligated to provide such wheeling to PacifiCorp pursuant to section 3(b)(1)(C)(i) if no PNW AC Intertie Operational Transfer Capability is available to Bonneville after Bonneville has scheduled all of Bonneville's Firm Schedules. For purposes of this section, "Bonneville's Firm Schedules" shall mean schedules for assured delivery or other firm transmission contracts pursuant to the Long-Term Intertie Access Policy, as revised or amended, or its successor, and schedules for Bonneville's firm power and energy sales and exchange transactions.
- (iii) Bonneville shall not be obligated to provide such wheeling to PacifiCorp pursuant to section 3(b)(1)(C)(i) until Bonneville has successfully developed software to allow Bonneville to provide such wheeling to PacifiCorp or until October 1, 1994, whichever occurs sooner.

(iv) No later than ten Working Days prior to the first day of deliveries under a firm transaction, PacifiCorp shall identify such firm transaction to Bonneville. PacifiCorp shall identify such firm transaction to Bonneville by providing to Bonneville a copy of PacifiCorp's contract for such firm transaction (after information considered proprietary by PacifiCorp has been redacted by PacifiCorp). Bonneville shall review such contract to verify that the transaction is firm. If PacifiCorp and its contractor represent or state in writing that the transaction set forth in their contract is firm, Bonneville shall accept that written representation or statement as dispositive of the question of whether such transaction is firm. Implementation of such procedures in this section 3(b)(1)(C)(iv) may be varied by the mutual agreement of the Parties' Schedulers. Such mutual agreement may, but need not, be written.

(D) PacifiCorp retains any and all rights of access which it would otherwise have to Bonneville's PNW-PSW Intertie through the Long-Term Intertie Access Policy, as revised or amended, or its successor.

(2) **Third Party Wheeling**

(A) PacifiCorp may use its Scheduling Share to transmit any and all power and energy, whether or not such power or energy is owned by PacifiCorp. PacifiCorp shall have no obligation under this Agreement to make available to Bonneville any portion of PacifiCorp's Scheduling Share which is unused in any hour, and Bonneville shall not schedule over PacifiCorp's Scheduling Share without PacifiCorp's prior consent.

- (B) PacifiCorp hereby waives any and all rights of access to Bonneville's PNW-PSW Intertie through the Long-Term Intertie Access Policy, as revised or amended, or its successor; provided, however, that Bonneville may, at its option, provide PacifiCorp with access to Bonneville's PNW-PSW Intertie pursuant to any provision of the Long-Term Intertie Access Policy, as revised or amended, or its successor.
- (C) PacifiCorp shall provide Bonneville with the information set forth in sections 3(b)(2)(C)(i) through 3(b)(2)(C)(iii) when PacifiCorp uses its Scheduling Share to export from the Pacific Northwest energy or power received from third parties. Such exports of energy or power on a real-time basis or for durations of less than four months are excluded from this obligation. For exports of four months or longer duration made on behalf of third parties pursuant to paragraph 3(b)(2), such information shall include:
- (i) the name and business address of the third party;
 - (ii) the amount of power or energy and the duration of the transaction; and
 - (iii) the name of the recipient or purchaser of such power.

Any additional information needed by Bonneville will be obtained from such third party.

4. **SCHEDULING**

- (a) PacifiCorp (and only PacifiCorp) shall be entitled to schedule on the PNW AC Intertie, in any hour, a MW amount up to PacifiCorp's Scheduling Share for such hour. The MW amount of PacifiCorp's Scheduling Share deemed to be scheduled on the PNW AC Intertie pursuant to this Agreement, in any hour, shall be determined as the net of PacifiCorp's north-to-south schedules and south-to-north schedules (net schedules) for such hour.
- (b) PacifiCorp shall submit all schedules of its Scheduling Share on its own behalf in accordance with the procedures set forth in paragraphs 4(b)(1) and 4(b)(2). Such procedures may be varied by the mutual agreement of the Parties' Schedulers. Such mutual agreement may, but need not, be written. All hours referenced in paragraphs 4(b)(1) and 4(b)(2) are Pacific Time.

(1) **Preschedules**

- (A) Bonneville shall make available to PacifiCorp on each Working Day as soon as practicable after 0800 hours information regarding the PNW AC Intertie Operational Transfer Capability with respect to Preschedules. In the event an emergency or uncontrollable force causes a change in the PNW AC Intertie Operational Transfer Capability, Bonneville shall notify PacifiCorp of such change as soon as practicable.
- (B) If Long-Term Intertie Access Policy Condition 1 Formula Allocation Procedures or their successor (Condition 1) are expected by Bonneville to become effective, Bonneville shall so notify PacifiCorp no later than 0930 hours on the Working Day prior to the day on which Condition 1 is expected to become effective. Bonneville shall notify PacifiCorp no later than 0930

hours on the Working Day prior to the day on which Condition 1 ceases to be in effect.

- (C) PacifiCorp shall submit its Preschedule to the Joint Intertie Scheduling Office no later than 1000 hours on each Working Day if Condition 1 is in effect. If Condition 1 is not in effect, PacifiCorp shall submit its Preschedule to the JISO no later than 1430 hours on each Working Day.

(2) **Real-time Scheduling**

- (A) Real-time Schedules shall be arranged through Bonneville's real-time scheduling office. Bonneville's real-time Scheduler shall make reasonable efforts to receive Real-time Schedules; provided, however, that Bonneville's real-time Scheduler may, but is not required to, accept Real-time Schedules between 1500 and 2200 hours on the Working Day preceding the day for which such Real-time Schedule is submitted.
- (B) Real-time Schedules shall be arranged for a full hour. Arrangements shall be completed no later than 30 minutes prior to that hour.
- (C) PacifiCorp shall use best efforts to keep schedule changes to a minimum; provided, however, that for purposes of this subparagraph 4(b)(2)(C), "best efforts" shall not be deemed to refer to efforts made regardless of their economic effect.
- (D) The requirements set forth in subparagraphs 4(b)(2)(B) and 4(b)(2)(C) do not preclude schedule changes at other times as may be deemed necessary by any control area operators or other entities involved in effectuating such schedule changes. Such control area operators and

other entities shall be notified by Bonneville of such schedule changes as soon as practicable in accordance with Prudent Utility Practice for purposes of coordinating ramps and proper accounting. Such schedule changes shall be deemed to occur at mid-ramp. The mid-ramp time and the integrated value for the hour shall be subject to the mutual agreement by such control area operators and other entities.

- (E) Subject to compliance with subparagraphs 4(b)(2)(A) through 4(b)(2)(D) and with other applicable PNW AC Intertie scheduling practices then in effect, Bonneville shall make PacifiCorp's schedule change.
- (c) Bonneville shall make deliveries of power or energy to the California-Oregon border or the John Day Substation, as appropriate, pursuant to schedules submitted in accordance with this section 4; provided, however, that Bonneville shall not be required to make such deliveries in an hour to the extent that PacifiCorp's schedule exceeds PacifiCorp's Scheduling Share for such hour, except as may be expressly provided pursuant to subparagraph 3(b)(1)(C).

5. **UPGRADES**

- (a) Bonneville shall consult with the Committee one time each year regarding any plans for Upgrades.
- (b) Prior to the completion of an Upgrade, Bonneville shall provide to PacifiCorp information in writing regarding estimated costs and the MW amount of such Upgrade, to the extent that such information is available to Bonneville.
- (c) As soon as practicable following the completion of an Upgrade, Bonneville shall notify PacifiCorp in writing of the following: (1) the MW amount of such Upgrade; (2) the capital and related costs (less any amount of such costs collected by Bonneville through rates or

charges other than pursuant to the CO-94 rate in Exhibit A), if any, to Bonneville for completing or implementing such Upgrade; and (3) calculations of (A) PacifiCorp's Capacity Ownership Percentage multiplied by the MW amount of such Upgrade and (B) PacifiCorp's Capacity Ownership Percentage multiplied by the capital and related costs, if any, to Bonneville for completing or implementing such Upgrade. PacifiCorp may elect to acquire a share of such Upgrade in an amount up to PacifiCorp's Capacity Ownership Percentage multiplied by the MW amount of such Upgrade. Within 100 days from receipt of such written notice from Bonneville, PacifiCorp shall notify Bonneville in writing of PacifiCorp's decision regarding such acquisition. If PacifiCorp elects to acquire, pursuant to this subsection 5(c), a portion of such Upgrade, PacifiCorp's notice to Bonneville shall include the percentage of such Upgrade that PacifiCorp elects to acquire (Acquisition Percentage). If PacifiCorp fails to notify Bonneville within such 100-day period, PacifiCorp shall be deemed to have elected not to acquire any of such Upgrade.

- (d) If PacifiCorp elects to acquire a portion of an Upgrade pursuant to subsection 5(c), the cost to PacifiCorp shall be PacifiCorp's Acquisition Percentage multiplied by the capital and related costs for such Upgrade pursuant to the CO-94 rate and subsection 9(c) (less any amount of such cost collected by Bonneville through rates or charges other than pursuant to the CO-94 rate in Exhibit A), if any, incurred by Bonneville for completing or implementing such Upgrade. PacifiCorp shall pay such costs pursuant to such payment terms as may be mutually agreed to in writing by the Parties.
- (e) If PacifiCorp's Acquisition Percentage with respect to an Upgrade equals its Capacity Ownership Percentage and the Acquisition Percentage of any other Capacity Owner with respect to such Upgrade is less than its Capacity Ownership Percentage, then the following shall apply:
 - (1) Bonneville shall, in a timely manner, provide written notice simultaneously to PacifiCorp and to each other Capacity

Owner (whose Acquisition Percentage equals its Capacity Ownership Percentage) of the MW amount equal to 100 percent of that portion of an Upgrade offered to, but not acquired by, the Capacity Owners pursuant to subsection 5(c) (Unacquired Share). If PacifiCorp and each of such other Capacity Owners have agreed in writing to an apportionment as among themselves of the Unacquired Share (Apportionment), PacifiCorp may, within 45 days following receipt of such written notice from Bonneville, by written notice request Bonneville to offer in writing to PacifiCorp such portion of the Unacquired Share as has been apportioned to PacifiCorp pursuant to the Apportionment, and Bonneville shall offer to PacifiCorp such portion of the Unacquired Share.

- (2) If Bonneville does not receive from PacifiCorp and from each Capacity Owner referred to in paragraph 5(e)(1) the requests for offer pursuant to paragraph 5(e)(1) within the 45-day period specified in such paragraph, Bonneville shall, in a timely manner, offer in writing simultaneously to PacifiCorp and to each other Capacity Owner (whose Acquisition Percentage equals its Capacity Ownership Percentage), respectively, a portion of an Upgrade offered to, but not acquired by, the other Capacity Owners pursuant to paragraph 5(e)(1) (Second Unacquired Share) up to the "Additional Share Offered" determined as follows:

$$\text{Additional Share Offered} = (A \div B) \times C$$

where: A = PacifiCorp's Capacity Ownership Percentage.

B = Percentage equal to the sum of Capacity Ownership Percentages of Capacity Owners that acquired respectively an Acquisition Percentage equal to their Capacity Ownership Percentage.

C = Second Unacquired Share.

- (3) Within 30 days following PacifiCorp's receipt of Bonneville's written offer pursuant to paragraph 5(e)(2), PacifiCorp shall

notify Bonneville in writing of PacifiCorp's decision regarding acquisition of the Additional Share Offered. If PacifiCorp fails to notify Bonneville within such 30-day period, PacifiCorp shall be deemed to have elected not to acquire any of the Additional Share Offered. If PacifiCorp elects pursuant to this paragraph 5(e)(3) to acquire any or all of the Additional Share Offered, then:

- (A) PacifiCorp shall include in its notice to Bonneville pursuant to this paragraph 5(e)(3) such share (Additional Share Acquired) of the Additional Share Offered as PacifiCorp elects to acquire pursuant to this paragraph 5(e)(3), and
 - (B) the cost to PacifiCorp with respect to such acquisition shall be equal to the proportion of the Additional Share Acquired to such Upgrade multiplied by the capital and related costs for such Upgrade pursuant to the CO-94 rate and subsection 9(c) (less any amount of such costs collected by Bonneville through charges other than payments by PacifiCorp pursuant to subsection 5(d) or subparagraph 5(e)(3)(B)), if any, to Bonneville for completing or implementing such Upgrade. PacifiCorp shall pay such costs pursuant to such payment terms as may be mutually agreed to in writing by the Parties.
- (f) All capacity offered but not acquired pursuant to subsections 5(c) and (e) shall for purposes of this Agreement remain with Bonneville.
- (g) After PacifiCorp has either accepted or declined all offers of capacity by Bonneville pursuant to subsections 5(c) and (e), PacifiCorp's Capacity Ownership Share, Capacity Ownership Percentage, and Scheduling Percentage in Exhibit C shall be revised to reflect changes resulting from PacifiCorp's elections pursuant to subsections 5(c) and (e). Revision of Exhibit C shall be pursuant to subsection 19(d). Exhibit G shall be revised accordingly pursuant to subsection 19(i).

6. **SALE OR ASSIGNMENT**

- (a) This Agreement or any interest herein shall not be transferred, sold, alienated, or assigned by PacifiCorp to any person without Bonneville's prior and express written consent. Such consent shall not be unreasonably withheld. In determining whether to grant its consent under this subsection 6(a), Bonneville shall take into consideration information including, but not limited to, whether the person or entity to whom this Agreement or any interest therein is proposed to be transferred, sold, alienated, or assigned is a person or entity entitled to request and receive transmission services pursuant to section 211 of the Federal Power Act, whether such person or entity can either provide its own scheduling services or has contracted with another entity to provide such scheduling services, whether such person or entity has the financial capability to meet the payment obligations under this Agreement, and whether the person or entity is either electrically interconnected to Bonneville's transmission system or has contractual arrangements for wheeling with others who are electrically interconnected to Bonneville's transmission system. This Agreement shall inure to the benefit of and be binding upon the Parties, their respective legal representatives, permitted assigns, and successors in interest. Any transfer, sale, alienation, or assignment made by PacifiCorp in violation of this section 6 shall be void ab initio and without any force or effect whatsoever.
- (b) Bonneville hereby consents to the transfer, sale, alienation, or assignment by PacifiCorp to any other Capacity Owner of all or part of its Capacity Ownership Share and all of PacifiCorp's rights and obligations pursuant to this Agreement with respect thereto. Bonneville hereby further consents to the transfer, sale, alienation, or assignment by PacifiCorp of the entire Agreement and of all of PacifiCorp's rights and obligations under this Agreement to a Scheduling Utility.

- (c) Bonneville hereby consents to the assignment by PacifiCorp of this Agreement or of any of PacifiCorp's rights under this Agreement as security for any indebtedness, whether present or future, of PacifiCorp pursuant to any mortgage, trust, security agreement or similar instrument of indebtedness (each such instrument, a Debt Instrument) made by and between PacifiCorp and any mortgagee, trustee, secured party or holder of such instrument of indebtedness, respectively; provided, however, that if PacifiCorp has defaulted in the performance of its obligations under any Debt Instrument, such that the mortgagee, trustee, secured party or holder of such Debt Instrument, as the case may be, would be entitled at that time to accelerate the amount of indebtedness under such Debt Instrument, PacifiCorp shall give Bonneville prompt written notice in reasonable detail of such default and shall, at Bonneville's election, enter into good faith discussions with Bonneville regarding the cure of such default.
- (d) If PacifiCorp transfers, sells, alienates, or assigns, with Bonneville's consent, all or any portion of this Agreement and any rights and obligations pursuant to this Agreement to any person or party, PacifiCorp shall give Bonneville written notice of such transfer, sale, alienation, or assignment within 10 days after the execution and delivery of the agreement effectuating such transaction by all parties to such transaction.

7. OPERATION, MAINTENANCE, AND MANAGEMENT

- (a) Pursuant to the terms and conditions of the Northwest Intertie Agreements, Bonneville is the operator of the PNW AC Intertie. As such, Bonneville is responsible for the dispatch of the PNW AC Intertie in accordance with Prudent Utility Practice. Bonneville's duties as operator of the PNW AC Intertie shall include, but are not limited to, consistent with Prudent Utility Practice and Northwest Intertie Agreements: (1) determining the PNW AC Intertie Operational Transfer Capability; (2) implementing and assisting in rectifying emergency outages on the PNW AC Intertie due to system

emergencies or uncontrollable forces; (3) implementing maintenance outages; and (4) giving and receiving switching orders on the PNW AC Intertie. In making any determination or in taking any other action referred to in the immediately preceding sentence, Bonneville shall give fair consideration to PacifiCorp's interests to the extent such interests have been expressed to Bonneville in writing. Bonneville shall operate, maintain, and manage Bonneville's PNW AC Intertie, and study, plan, and implement Upgrades, consistent with Prudent Utility Practice.

- (b) Bonneville shall determine and revise as necessary the PNW AC Intertie Rated Transfer Capability consistent with Prudent Utility Practice and engineering studies based on then existing reliability criteria developed by the North American Electric Reliability Council, the Western Systems Coordinating Council, the Northwest Power Pool, and Bonneville. In the event the PNW AC Intertie Rated Transfer Capability is changed, Bonneville shall promptly notify PacifiCorp in writing of such change and the new PNW AC Intertie Rated Transfer Capability. If and to the extent that the reliability criteria for determining the PNW AC Intertie Rated Transfer Capability change substantially, Bonneville shall notify PacifiCorp in writing of such change.

- (c) If at any time during the Term, Bonneville's PNW AC Intertie Rated Transfer Capability becomes less than 3450 MW, or if at any time during the Term there is an imminent likelihood that Bonneville's PNW AC Intertie Rated Transfer Capability would become less than 3450 MW, then Bonneville shall reinforce the Federal Columbia River Transmission System so as to raise Bonneville's PNW AC Intertie Rated Transfer Capability to 3450 MW or otherwise to prevent Bonneville's PNW AC Intertie Rated Transfer Capability from becoming less than 3450 MW. PacifiCorp's Capacity Ownership Share shall not be decreased on account of any failure by Bonneville to reinforce the Federal Columbia River Transmission System pursuant to this subsection 7(c).

- (d) In the event that Bonneville implements a Reinforcement pursuant to subsection 7(c), Bonneville shall equitably allocate the Reinforcement Cost for such Reinforcement between Bonneville and PacifiCorp based on factors including, but not limited to, load responsibility, contractual obligation and generation integration responsibility. Any equitable allocation or agreed to allocation (pursuant to the immediately succeeding sentence) of a Reinforcement Cost pursuant to this subsection 7(d) shall be reflected as a Reinforcement Cost in an Operating Plan proposed by Bonneville pursuant to section 13. To the extent that Bonneville and PacifiCorp have agreed in writing to an allocation of a Reinforcement Cost incurred by Bonneville pursuant to an agreement or modification referred to in subsection 8(b), the Reinforcement Cost so allocated shall not be subject to arbitration pursuant to section 14 or section 15. Any Reinforcement Cost not allocated to PacifiCorp pursuant to this subsection 7(d) shall not be payable by PacifiCorp pursuant to this Agreement.
- (e) Bonneville shall provide PacifiCorp notice of maintenance outages in accordance with the accepted standards for notice on the PNW AC Intertie. Such notice shall include an evaluation of the impact on PacifiCorp's Scheduling Share. In scheduling or planning maintenance on PNW AC Intertie, Bonneville shall give fair consideration to PacifiCorp's interests to the extent such interests have been expressed to Bonneville in writing.

8. **EXISTING AGREEMENTS**

- (a) Bonneville shall use good faith efforts to maintain in effect the Interconnection Agreement or its successor.
- (b) Bonneville shall use its best efforts to maintain PacifiCorp's rights under this Agreement (i) by making no modification to the Northwest Intertie Agreements, (ii) by not entering into any other agreement with respect to the ownership, operation, maintenance, or management of the PNW AC Intertie, and (iii) by making no modification to the agreements referred to in the immediately

preceding clause (ii) that would have a substantial negative impact on PacifiCorp's rights pursuant to sections 3, 4, 7, or to subsection 9(b), 9(c), or 11(a) without PacifiCorp's prior written consent. Without limiting, modifying, or otherwise affecting any of its rights pursuant to sections 9, 13, 14, 15, and 16, PacifiCorp hereby consents to Bonneville's modification of the Northwest Intertie Agreements or Bonneville's entering into other agreements or modification to such Agreements with respect to the ownership, operation, maintenance, or management of the PNW AC Intertie to the extent that such modification or such agreement is made or entered into by Bonneville for the purpose of performing Bonneville's obligations pursuant to subsection 7(c).

9. **PAYMENT PROVISIONS**

As full compensation for their respective payment obligations under this Agreement, PacifiCorp shall make payments to Bonneville in accordance with the provisions of this section 9, and Bonneville shall make payments and refunds to PacifiCorp in accordance with the provisions of this section 9.

(a) **Lump Sum Payment**

- (1) As soon as practicable after the Effective Date, Bonneville shall render a bill to PacifiCorp for the Initial Lump Sum Payment (less the negotiation deposit, if any, with applicable interest as described in section C of Exhibit D) and such bill shall include as an attachment and as part of such bill a completed section C of Exhibit D, setting forth the calculation of such Initial Lump Sum Payment due Bonneville in accordance with section IV.A of the CO-94 rate set forth in Exhibit A. PacifiCorp shall make such payment pursuant to the CO-94 rate and the applicable GTRSPs set forth in Exhibit A. Each of Bonneville and PacifiCorp agrees that section C of Exhibit D is consistent with the CO-94 rate set forth in Exhibit A on the Effective Date.

(2) **Calculation and Billing of the Adjusted Capacity Ownership Price**

- (A) Approximately December 1995, or as soon as practicable thereafter, Bonneville shall, in accordance with section IV.B of the CO-94 rate set forth in Exhibit A, calculate the Adjusted Capacity Ownership Price to reflect actual construction costs of the facilities listed in section A of Exhibit D and the actual AFUDC with respect to such facilities. Such calculation shall be made in accordance with column 2, section B of Exhibit D.
- (B) Promptly after Bonneville has calculated the Adjusted Capacity Ownership Price pursuant to subparagraph 9(a)(2)(A), Bonneville shall render a bill or refund voucher to PacifiCorp, and such bill or refund voucher shall include as an attachment and as part of such bill or refund voucher section A of Exhibit D (with a completed column 2), section B of Exhibit D (with a completed column 2), and a completed section D of Exhibit D reflecting the Adjusted Lump Sum Payment. If the Adjusted Lump Sum Payment is greater than the Initial Lump Sum Payment, PacifiCorp shall pay to Bonneville, within 45 days from the date of such bill or within such other time period to which the Parties may mutually agree, the amount set forth in such bill, which amount shall be equal to the amount set forth on line 7, section D of Exhibit D (such amount including interest as set forth on line 6, section D of Exhibit D). If the Adjusted Lump Sum Payment is less than the Initial Lump Sum Payment, Bonneville shall pay to PacifiCorp, within 30 days after the date of such refund voucher, the amount set forth in such refund voucher, which amount shall be equal to the amount set forth on line 7, section D, of Exhibit D (such amount including

interest as set forth on line 6, section D, of Exhibit D). Each of Bonneville and PacifiCorp agrees that sections A, B, and D of Exhibit D are consistent with the CO-94 rate set forth in Exhibit A on the Effective Date.

(3) **Calculation and Billing of the Revised Adjusted Capacity Ownership Price**

- (A) After payment is made by PacifiCorp pursuant to subparagraph 9(a)(2)(B), or a refund is made by Bonneville to PacifiCorp pursuant to subparagraph 9(a)(2)(B), Bonneville may, in accordance with the CO-94 rate set forth in Exhibit A, make one or more adjustments to the Adjusted Capacity Ownership Price; provided, that any such adjustment shall be made by Bonneville within 30 days after the date on which
- (i) Bonneville receives, pursuant to any audit with respect to the Third AC Intertie Project by Bonneville, Transmission Agency of Northern California, PacifiCorp or any other entity performing work for Bonneville on the Third AC Intertie Project, payment from Transmission Agency of Northern California, PacifiCorp, or any other entity performing work for Bonneville on the Third AC Intertie Project, or
 - (ii) Bonneville pays, pursuant to any audit with respect to the Third AC Intertie Project by Bonneville, Transmission Agency of Northern California, PacifiCorp, or any other entity performing work for Bonneville on the Third AC Intertie Project, any amount to Transmission Agency of Northern California, PacifiCorp, or any other entity performing work for Bonneville on the Third AC Intertie Project; and
- provided, further, that no adjustment of the Adjusted Capacity Ownership Price or of any Revised Adjusted Capacity Ownership Price shall be made by Bonneville after December 31, 2005.

(B) Promptly after Bonneville has calculated a Revised Adjusted Capacity Ownership Price, Bonneville shall render to PacifiCorp a bill or refund voucher with respect to such Revised Adjusted Capacity Ownership Price and such bill or refund voucher shall include as an attachment and as part of such bill or refund voucher section A of Exhibit D (with a completed column 2 and a completed column with respect to each Revised Adjusted Capacity Ownership Price), section B of Exhibit D (with a completed column 2 and a completed column with respect to each Revised Adjusted Capacity Ownership Price), and a completed section E of Exhibit D reflecting the current Revised Adjusted Capacity Ownership Price and the current Revised Adjusted Lump Sum Payment. If the current Revised Adjusted Lump Sum Payment with respect to such Revised Adjusted Capacity Ownership Price is greater than the Adjusted Lump Sum Payment or the immediately preceding Revised Adjusted Lump Sum Payment, as the case may be, then PacifiCorp shall pay to Bonneville, within 45 days from the date of such bill or within such other time period to which the Parties may mutually agree, the amount set forth in the bill referred to in this subparagraph 9(a)(3)(B), which amount shall be equal to the amount set forth on line 7, section E, of Exhibit D with respect to the current Revised Adjusted Lump Sum Payment (such amount including interest as set forth on line 6, section E, of Exhibit D). If the current Revised Adjusted Lump Sum Payment is less than the Adjusted Lump Sum Payment or the immediately preceding Revised Adjusted Lump Sum Payment, as the case may be, Bonneville shall pay to PacifiCorp, within 30 days after the date of such refund voucher, the amount set forth in the refund voucher referred to in this subparagraph 9(a)(3)(B), which amount shall be

equal to the amount set forth on line 7, section E of Exhibit D with respect to the current Revised Adjusted Lump Sum Payment (such amount including interest as set forth on line 6, section E of Exhibit D). Each of Bonneville and PacifiCorp agrees that section E of Exhibit D is consistent with the CO-94 rate set forth in Exhibit A on the Effective Date.

- (4) For purposes of implementing the CO-94 rate, the following shall apply:
- (A) the calculations pursuant to paragraphs 9(a)(2) and 9(a)(3) shall be deemed to be the adjustment "to reflect the difference between the actual and the estimated Capacity Ownership Price" required under section IV.B of the CO-94 rate;
 - (B) the calculations of interest pursuant to footnote 2 of section D of Exhibit D and footnote 2 of section E of Exhibit D shall be deemed to be the computation of "interest using the weighted average interest rate on Bonneville's outstanding bonds" required pursuant to section IV.B of the CO-94 rate;
 - (C) the calculations of the Adjusted Capacity Ownership Price and of the Revised Adjusted Capacity Ownership Price pursuant to paragraphs 9(a)(2) and 9(a)(3) shall be deemed to be the determination of the "actual Capacity Ownership Price" required pursuant to section IV.B of the CO-94 rate;
 - (D) as used in the CO-94 rate, the terms "Bonneville's PNW AC Intertie," "PNW AC Intertie," "Third AC Intertie," "Third AC Intertie Project," and "Third AC Intertie System Reinforcement" shall be deemed to have the respective meanings of such terms set forth in section 1;

- (E) as used in the CO-94 rate, the term "Capacity Ownership Share" shall be deemed to mean "Capacity Ownership Percentage" as defined in section 1;
- (F) the indirect costs and overhead costs described in footnote 5 of section B of Exhibit D shall be deemed to be the indirect costs and overhead costs referred to in section III.A of the CO-94 rate; and
- (G) the last paragraph of section I.B of the General Transmission Rate Schedule Provisions set forth in Exhibit A shall be deemed to read in its entirety as follows:

The meaning of terms used in the transmission rate schedules shall be as defined in the Agreement or in provisions which are attached to the Agreement or, if not defined therein, such terms shall be as defined in any of the above Acts.

- (5) For purposes of application of the CO-94 rate set forth in Exhibit A, no provision of the General Transmission Rate Schedule Provisions set forth in Exhibit A, other than the following provisions of the General Transmission Rate Schedule Provisions set forth in Exhibit A (or their successors in substance), shall have any application or effect with respect to this Agreement:
 - (A) section I;
 - (B) section III.A;
 - (C) the last three sentences of section IV.A, without regard to subsections 1, 2, 3, 4, 5, 6 and 7 of such section IV.A;

- (D) subsection 4 of section IV.A;
- (E) the first paragraph and the first sentence of the second paragraph of subsection 5 of section IV.A; and
- (F) for purposes of subsection 16(e) of this Agreement and as deemed necessary by Bonneville to correct mathematical and computational errors on bills, subsection 7 of section IV.A.

(b) **Annual Charges**

(1) **Payments Pursuant to AC-93 Rate**

- (A) From and after the first Working Day after Bonneville receives payment from PacifiCorp pursuant to paragraph 9(a)(1), Bonneville shall bill PacifiCorp on the monthly power bill in accordance with the AC-93 rate set forth in Exhibit A. PacifiCorp shall pay such bill in accordance with the applicable GTRSPs set forth in Exhibit A.
- (B) For purposes of application of the AC-93 rate, no provision of the General Transmission Rate Schedule Provisions set forth in Exhibit A, other than the following provisions of the General Transmission Rate Schedule Provisions set forth in Exhibit A (or their successors in substance), shall have any application or effect with respect to this Agreement:
 - (i) section I;
 - (ii) section III.A;

- (iii) the last three sentences of section IV.A, without regard to subsections 1, 2, 3, 4, 5, 6 and 7 of such section IV.A;
- (iv) the first sentence of subsection 3 of section IV.A;
- (v) subsection 4 of section IV.A;
- (vi) the first paragraph and the first sentence of the second paragraph of subsection 5 of section IV.A;
- (vii) the first paragraph of subsection 6 of section IV.A; and
- (viii) as deemed necessary by Bonneville to correct mathematical and computational errors on bills, subsection 7 of section IV.A.

(C) The last paragraph of section I.B of the General Transmission Rate Schedule Provisions set forth in Exhibit A shall be deemed to read in its entirety as follows:

The meaning of terms used in the transmission rate schedules shall be as defined in the Agreement or in provisions which are attached to the Agreement or, if not defined therein, such terms shall be as defined in any of the above Acts.

(D) Bonneville hereby agrees that the provisions of the AC-93 rate shall have no application or effect with respect to the following:

- (i) any replacement of the series capacitor banks containing polychlorinated biphenyl at the Sand Springs, Sycan and Fort Rock Substations; and
 - (ii) any replacement commenced prior to the Effective Date or not completed prior to September 30, 1995.
 - (E) Upon and after the effective date of the annual costs rate set forth in Exhibit B, Bonneville shall cease billing PacifiCorp pursuant to the AC-93 rate.
- (2) **Payments Pursuant to Annual Costs Rate**

From and after the date the annual costs rate set forth in Exhibit B becomes effective, the following shall apply:

- (A) **Operations Costs, Maintenance Costs, General Plant Costs, Other Costs, Contracts and Rates Costs, Power Scheduling Costs, and End of Term Costs**
 - (i) During each fiscal year during the Term, Bonneville shall bill PacifiCorp on the monthly power bill, and PacifiCorp shall pay, pursuant to Exhibit B, forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs for such fiscal year. Such costs shall be, respectively, the forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of

Term Costs set forth in the Operating Plan for the fiscal year in which such month occurs.

- (ii) Within eight months after the end of each fiscal year during the Term (such fiscal year being hereinafter referred to as a "Fiscal Year"), Bonneville shall determine and calculate, pursuant to Exhibit I, Schedules A, B, D, E, F, G, and H, actual Operations Costs, actual Maintenance Costs, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs, and actual End of Term Costs for the Fiscal Year most recently ended.

- (iii) If, based on the calculation performed pursuant to section 9(b)(2)(A)(ii), the sum of the forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs for the Fiscal Year is greater than the sum of the actual Operations Costs, actual Maintenance Costs, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs, and actual End of Term Costs for the Fiscal Year, Bonneville shall refund to PacifiCorp the difference between such forecast costs and such actual costs as a lump sum payment, with interest pursuant to section 9(b)(2)(A)(vi), within 30 days after the date on which the calculation referred to in section 9(b)(2)(A)(ii) is made. Bonneville shall, promptly following the date on which the calculation of such difference is made, provide PacifiCorp written notice of such refund. Within

the 30-day period referred to in the first sentence of this section 9(b)(2)(A)(iii), Bonneville shall provide to PacifiCorp an Operating Plan amended in accordance with subsection 13(k) containing revised schedules in the format set forth in Exhibit I, Schedules A, B, D, E, F, G, and H, respectively, with a completed last column reflecting the difference between actual and forecast Operations Costs, actual and forecast Maintenance Costs, General Plant Costs, actual and forecast Other Costs, actual and forecast Contracts and Rates Costs, actual and forecast Power Scheduling Costs, and actual and forecast End of Term Costs for the Fiscal Year.

- (iv) If, based on the calculation performed pursuant to subparagraph 9(b)(2)(A)(ii), the sum of the actual Operations Costs, actual Maintenance Costs, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs, and actual End of Term Costs for the Fiscal Year is equal to or less than 105 percent, but greater than 100 percent, of the sum of the forecast Operations costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs in the Operating Plan for the Fiscal Year, Bonneville shall bill to PacifiCorp on the monthly power bill the difference between such actual costs and such forecast costs as a lump sum charge, with interest pursuant to section 9(b)(2)(A)(vi), within 30 days after the date on which the calculation referred to in section 9(b)(2)(A)(ii) is made.

PacifiCorp shall pay such bill in accordance with the Billing Provisions. Within the 30-day period referred to in the immediately preceding sentence, Bonneville shall provide to PacifiCorp an amended Operating Plan containing revised schedules in the format set forth in Exhibit I, Schedules A, B, D, E, F, G, and H, respectively, with a completed last column reflecting the difference between actual and forecast Operations Costs, actual and forecast Maintenance Costs, General Plant Costs, actual and forecast Other Costs, actual and forecast Contracts and Rates Costs, actual and forecast Power Scheduling Costs, and actual and forecast End of Term Costs for the Fiscal Year.

- (v) If, based on the calculation performed pursuant to section 9(b)(2)(A)(ii), the sum of the actual Operations Cost, actual Maintenance Cost, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs, and actual End of Term Costs for the Fiscal Year is greater than 105 percent of the sum of the forecast Operations Cost, forecast Maintenance Cost, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs for the Fiscal Year, Bonneville shall bill to PacifiCorp on the monthly power bill the difference between such actual costs and such forecast costs as a lump sum charge, with interest pursuant to section 9(b)(2)(A)(vi), within 30 days after the date on which the calculation referred to in section 9(b)(2)(A)(ii) is made. PacifiCorp shall pay such bill in accordance with the Billing Provisions;

provided, however, that Bonneville shall not bill PacifiCorp pursuant to this section 9(b)(2)(A)(v) any amount which exceeds 105 percent of the sum of the forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs set forth in the Operating Plan for the Fiscal Year unless and until such amount which exceeds 100 percent of the sum of the forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs set forth in the Operating Plan for the Fiscal Year has been included in an Operating Plan amended pursuant to subsection 13(k).

- (vi) Simple interest shall be accrued on payments or refunds due pursuant to this paragraph 9(b)(2) with respect to any fiscal year during the Term using the weighted average interest rate on Bonneville's outstanding bonds or other debt instruments then used by Bonneville and such interest shall accrue from (and including) the date of the last day of such fiscal year to (but excluding) the date of refund to PacifiCorp or to (but excluding) the due date of a payment due Bonneville.

(B) Replacement Cost and Reinforcement Cost

Bonneville shall bill PacifiCorp on the monthly power bill Replacement Costs for any Replacement and Reinforcement Costs for any Reinforcement. Bonneville

shall render such bill within 15 months following the date on which the project work order for such Replacement or such Reinforcement, as the case may be, is closed. PacifiCorp shall pay such bill pursuant to Exhibit B and sections 9(b)(2)(B)(i), 9(b)(2)(B)(ii), 9(b)(2)(B)(iii) and 9(b)(2)(B)(iv).

- (i) If the forecast Replacement Cost for a Replacement is greater than the actual Replacement Cost for such Replacement or if the forecast Reinforcement Cost for a Reinforcement is greater than the actual Reinforcement Cost for such Reinforcement, Bonneville shall bill PacifiCorp the actual Replacement Cost for such Replacement or the actual Reinforcement Cost for such Reinforcement, as the case may be. Bonneville shall provide to PacifiCorp an Operating Plan amended in accordance with subsection 13(k) containing a revised schedule in the format set forth in Exhibit I, Schedule C, reflecting the actual and forecast Replacement Cost for such Replacement or the actual and forecast Reinforcement Cost for such Reinforcement, as the case may be.
- (ii) If, for each Replacement or Reinforcement, the actual Replacement Cost or actual Reinforcement Cost is equal to or less than 105 percent, but greater than 100 percent, of the forecast Replacement Cost or forecast Reinforcement Cost, Bonneville shall bill PacifiCorp such actual Replacement Cost or such actual Reinforcement Cost, as the case may be, on the monthly power bill and PacifiCorp shall pay such bill pursuant to subparagraph 9(b)(2)(B). Bonneville shall provide to PacifiCorp

an amended Operating Plan containing a revised schedule in the format set forth in Exhibit I, Schedule C, reflecting the difference between the actual and forecast Replacement Cost for such Replacement or the actual and forecast Reinforcement Cost for such Reinforcement.

- (iii) If, for each Replacement or Reinforcement, the actual Replacement Cost or actual Reinforcement Cost is greater than 105 percent of the forecast Replacement Cost or forecast Reinforcement Cost, Bonneville shall bill PacifiCorp such actual Replacement Cost or such actual Reinforcement Cost, as the case may be, on the monthly power bill and PacifiCorp shall pay such bill pursuant to subparagraph 9(b)(2)(B); provided, however, that Bonneville shall not bill PacifiCorp pursuant to this subparagraph 9(b)(2)(B) any amount which exceeds 105 percent of the forecast Replacement Cost or forecast Reinforcement Cost, as the case may be, unless and until such amount which exceeds 100 percent of such forecast Replacement or such forecast Reinforcement Cost, as the case may be, has been included in an amended Operating Plan pursuant to subsection 13(k).
- (iv) Charges pursuant to sections 9(b)(2)(B)(i), (ii) and (iii) for Replacement Costs and Reinforcement Costs shall accrue simple interest pursuant to section III.D of Exhibit I.

(c) **Upgrade Charges**

For purposes of implementing the CO-94 rate, the following shall apply:

- (1) as used in the CO-94 rate, the term "upgrade" shall be deemed to mean "Upgrade" as defined in section 1, the term "rated transfer capability" shall be deemed to mean "PNW AC Intertie Rated Transfer Capability" as defined in section 1 and the term "AFUDC" shall be deemed to have the meaning set forth for such term in section 1;
 - (2) the "Capacity Ownership Share of the capital and related cost of the upgrade," referred to in section III.B of the CO-94 rate shall be deemed to be the costs pursuant to subsection 5(d) and subparagraph 5(e)(3)(B), as applicable; and
 - (3) "construction costs (including direct, indirect and overhead costs) and AFUDC" referred to in section III.B of the CO-94 rate and "related costs" referred to in section III.B of the CO-94 rate together shall be deemed to be Upgrade costs and shall be determined in the same manner in which Replacement Costs are determined pursuant to section III of Exhibit I; provided, however, that expenses that are properly allocable to an Upgrade (i.e., "related costs" referred to in section III.B of the CO-94 rate) in accordance with generally accepted accounting principles (as defined in Exhibit I) may be included by Bonneville in Upgrade costs for such Upgrade.
- (d) **Payments of Charges Pursuant to Section 3(b)(1)(C)(i)**

Bonneville shall bill PacifiCorp for wheeling provided pursuant to section 3(b)(1)(C)(i) on PacifiCorp's monthly power bill in accordance with the IS-93 rate, section II.A, or its successor, set forth in Exhibit A and PacifiCorp shall pay such bill in accordance with the IS-93 rate, section II.A, or its successor, set forth in Exhibit A; provided, however, that under any successor to the IS-93 rate, PacifiCorp shall not be obligated to pay any rate or charge greater than the rate or

charge payable by any other party to which Bonneville provides nonfirm wheeling services on Bonneville's PNW AC Intertie for such party's nonfirm transaction of a duration similar to PacifiCorp's wheeling transaction pursuant to section 3(b)(1)(C)(i).

(e) **Suspension for Failure to Perform**

- (1) If at any time during the term of this Agreement Bonneville does not receive payment due and owing to Bonneville pursuant to paragraph 9(a)(2) or 9(a)(3) or to subsection 9(b) or 9(d), Bonneville shall be entitled to suspend performance of its obligations to PacifiCorp pursuant to section 4 without incurring any liability to PacifiCorp therefor; provided, that Bonneville shall not be entitled to suspend performance pursuant to this paragraph 9(e)(1) earlier than five Working Days following receipt from Bonneville by PacifiCorp of written notice of such suspension. Such suspension shall continue in effect until the next Working Day following the Working Day on which PacifiCorp makes payment in full to Bonneville of the balance owed to Bonneville pursuant to paragraph 9(a)(2) or 9(a)(3) or to subsection 9(b) or 9(d). During the period of such suspension, PacifiCorp shall not be entitled to participate through the Committee in any review of an Operating Plan commenced by the Committee pursuant to section 13 during such period of suspension, or to participate in any arbitration commenced by the Committee pursuant to sections 14 and 15 during such period of suspension, or to participate in any audit commenced by the Committee pursuant to section 16 during such period of suspension.
- (2) If during any period in any month Bonneville fails to make deliveries in accordance with subsection 4(c), PacifiCorp shall be entitled, without incurring any liability to Bonneville therefor, to delay any payment due and owing to Bonneville by PacifiCorp pursuant to subsection 9(b) or 9(d) for a period, equal to the period during which Bonneville failed to make

such deliveries, commencing on the date the monthly power bill for such month would otherwise be payable by PacifiCorp pursuant to this Agreement; provided, however that PacifiCorp's entitlement pursuant to this paragraph 9(e)(2) shall apply only with respect to the amount of such monthly power bill to be paid directly to Bonneville or its agent.

(f) **Payments or Refunds by Bonneville**

- (1) Bonneville shall make any payment to PacifiCorp pursuant to subparagraph 3(b)(1)(B) within 30 days following the end of the month in which such payment becomes due to PacifiCorp pursuant to subparagraph 3(b)(1)(B).
- (2) Bonneville shall pay to PacifiCorp, in a lump sum, any refund due to PacifiCorp pursuant to subsection 16(e) or paragraph 16(f)(2) within 30 days following the date on which such refund becomes due to PacifiCorp pursuant to subsection 16(e) or paragraph 16(f)(2), respectively.
- (3) Bonneville shall pay any refund, credit, or payment due to PacifiCorp under section 18 pursuant to the terms and conditions set forth in section 18.
- (4) Each payment, credit or refund due to PacifiCorp by Bonneville pursuant to this Agreement shall be made by Bonneville, at Bonneville's option, (A) by check payable to the order of PacifiCorp, (B) by electronic funds transfer of immediately available funds into such account as may be designated in writing by PacifiCorp from time to time for such purpose or (C) by crediting the amount of such payment, credit or refund on PacifiCorp's power bill.

10. TRANSMISSION LOSSES

- (a) To compensate Bonneville for transmission losses incurred by Bonneville in making deliveries scheduled by PacifiCorp pursuant to this Agreement, PacifiCorp shall make available, or arrange to have made available, to Bonneville, at any point mutually acceptable to the Parties at which the respective electric systems of PacifiCorp and Bonneville are interconnected, on the corresponding hour 168 hours later or on another hour to be agreed upon, the amounts of electric power equal to PacifiCorp's net PNW AC Intertie schedule multiplied by the appropriate loss factor specified in Exhibit E. PacifiCorp's net PNW AC Intertie schedule shall be, for any given hour, the absolute value of the sum of PacifiCorp's north-to-south schedules (positive) and south-to-north schedules (negative) for such hour.
- (b) Upon the conclusion of any review by Bonneville of the loss factor in Exhibit E, Part A, pursuant to subsection 19(f), Bonneville shall present the results of its review, including any revisions to the loss factor in Exhibit E, Part A, to the Committee as part of the Operating Plan provided to the Committee pursuant to section 13. The Committee may make recommendations regarding such results and any revisions to the loss factor in Exhibit E, Part A. Only recommendations regarding assumptions (including, without limitation, data inputs and source of date) made by Bonneville in its review or revision of the loss factor in Exhibit E, Part A, and recommendations regarding the results of such review or revision shall be subject to arbitration pursuant to section 14.
- (c) PacifiCorp's Scheduling Share shall not be reduced by any amount of losses returned to Bonneville pursuant to subsection 10(a).

11. REMEDIAL ACTIONS

(a) **Bonneville's Responsibilities**

- (1) Within five days after the Effective Date, Bonneville shall notify PacifiCorp in writing of the plan for remedial actions required to maintain the PNW AC Intertie Rated Transfer Capability, which plan shall be consistent with Western System Coordinating Council standards and Prudent Utility Practice. If and to the extent that such plan is amended, modified, or replaced, Bonneville shall, promptly following such amendment, modification, or replacement, provide written notice to PacifiCorp of such amendment, modification, or replacement, as the case may be. Bonneville shall be responsible for providing a capability to arm and having available appropriate remedial actions, which may include generator dropping, load tripping, or other acceptable remedial actions, required to maintain the portion of Bonneville's PNW AC Intertie Rated Transfer Capability not purchased by Capacity Owners. Such remedial actions shall be consistent with Western System Coordinating Council standards and Prudent Utility Practice.
- (2) Bonneville shall be responsible for generating appropriate control signals for transmission to PacifiCorp for purposes of effectuating remedial actions pursuant to this section.

(b) **PacifiCorp's Responsibilities**

- (1) PacifiCorp shall be responsible for providing a capability to arm and having available appropriate remedial actions, which may include generator dropping, load tripping, or other remedial actions required to maintain PacifiCorp's Capacity Ownership Share. Such remedial actions shall be consistent with Western System Coordinating Council standards, the plan referred to in paragraph 11(a)(1) and Prudent Utility

Practice. Bonneville may perform engineering analyses to confirm PacifiCorp's providing capability to arm and having available appropriate remedial actions pursuant to this paragraph 11(b)(1).

- (2) In any given hour, PacifiCorp shall be responsible for providing sufficient remedial actions, which may include generator dropping, load tripping, or other acceptable remedial actions, to maintain PacifiCorp's schedule on the PNW AC Intertie for such hour. To the extent that load tripping or generator dropping is required as a remedial action by PacifiCorp pursuant to this paragraph 11(b)(2) in any given hour, the required amount of such load tripping or such generator dropping shall be determined by dividing the amount of power scheduled by PacifiCorp on PacifiCorp's Scheduling Share in such hour by the total amount of power scheduled on the PNW AC Intertie in such hour and multiplying the result by the total amount of generation or load (in MW) to be armed for the PNW AC Intertie in such hour.
- (3) PacifiCorp shall provide, design, operate, and maintain the necessary equipment to accept control signals from Bonneville and to transmit such signals to PacifiCorp's generator dropping, load tripping, or other remedial action sites, and to arm and initiate the appropriate control action(s). Such design, operation, and maintenance shall be consistent with Western System Coordinating Council standards, the plan referred to in paragraph 11(a)(1), and Prudent Utility Practice.
- (4) PacifiCorp and Bonneville may mutually agree that Bonneville will, pursuant to terms and conditions mutually acceptable to the Parties, provide the remedial actions required of PacifiCorp pursuant to subsection 11(b).

12. **CAPACITY OWNERS' COMMITTEE**

(a) **Composition of Committee**

PacifiCorp may appoint one representative (and an alternate who may act in the absence of such representative) as a member of the Capacity Owners' Committee (Committee). If during any period PacifiCorp fails to appoint a representative to the Committee, PacifiCorp waives any and all rights during such period that would otherwise have accrued to it, individually or as a member of the Committee, pursuant to sections 12, 13, 14, 15, and 16 of this Agreement. PacifiCorp hereby appoints as its representative pursuant to this subsection the following representative and alternate to the Committee:

Representative: Senior Vice President, Wholesale
Transactions
and Transmission

Alternate: Manager, Power System Services

(b) **Convening Meetings**

- (1) Any Capacity Owner that has appointed a representative to the Committee may convene a meeting of the Committee pursuant to the procedures set forth in subsection 12(e). The Capacity Owner convening a Committee meeting shall be responsible for preparing any necessary notices, identifying the subject matter and issues to be discussed, and transmitting notices and relevant documents to the other Committee members and, if appropriate, to Bonneville.
- (2) At the written request of any Capacity Owner that has appointed a representative to the Committee, Bonneville shall attend Committee meetings.

- (3) **The Committee** may conduct business only at a properly convened meeting at which a quorum, as defined in subsection 12(c), is present. The Committee shall make or convey any request, designation, recommendation, notice, appointment, submission, audit report or exception, or statement to which Bonneville is required to respond or which creates or triggers an obligation of Bonneville, pursuant to this Agreement, only upon a decision of the Committee made at a properly convened meeting at which a quorum is present.
- (4) Each fiscal year, Bonneville shall convene an annual meeting of the Committee. The purpose of such annual meeting shall be to discuss the Operating Plan delivered, pursuant to subsection 13(b), to each Capacity Owner that has appointed a representative to the Committee. Bonneville shall convene such annual meeting no earlier than 15 days, but no later than 30 days, following the date of such delivery of the Operating Plan.
- (5) In addition to the meeting referred to in paragraph 12(b)(4), Bonneville may, at its discretion, convene meetings of the Committee, pursuant to the procedures set forth in subsection 12(e), to present to the Committee any information Bonneville deems relevant.

(c) **Meeting Quorum**

The respective representatives of all of the Capacity Owners that have appointed a representative to the Committee, less one, shall constitute a quorum.

(d) **Meetings by Telephone Conference**

Committee meetings pursuant to the Capacity Ownership Agreements may be conducted by telephone provided all Capacity

Owners and, if appropriate, Bonneville, are notified pursuant to the procedures set forth in subsection 12(e) of any such meeting.

(e) **Meeting Notices**

- (1) All Committee meeting notices pursuant to the Capacity Ownership Agreements shall be provided in writing no less than 14 days prior to such meeting.
- (2) Any Committee meeting notice required by this section shall be deemed properly made if delivered in person, by electronic facsimile, or by mail or other qualified delivery service, postage prepaid, to the person specified below:

If to Bonneville:

Group Vice President for Marketing, Conservation and
Production
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232
Telephone (503) 230-5152
Facsimile (503) 230-5207

If to Puget:

Vice President Power Planning
Puget Sound Power & Light Company
411 108th Avenue NE 15th Floor
Bellevue, WA 98004-5515
Telephone (206) 462-3137
Facsimile (206) 462-3175

If to Seattle:

Director, Power Management Division
Seattle City Light
1111 Third Avenue, Room 420
Seattle, WA 98101

Telephone (206) 386-4530

Facsimile (206) 386-4955

If to PNGC:

Director of Power Management

Pacific Northwest Generating Cooperative

711 NE Halsey Street, Suite 200

Portland, OR 97232

Telephone (503) 288-1234

Facsimile (503) 288-2334

If to Snohomish:

Manager of Power Supply

Public Utility District No. 1 of Snohomish

County, Washington

2320 California Street

P.O. Box 1107

Everett, WA 98201

Telephone (206) 258-8211

Facsimile (206) 258-8305

If to Tacoma:

Light Division Superintendent

Tacoma Public Utilities

3628 S. 35th Street

Tacoma, WA 98411

Telephone (206) 502-8294

Facsimile (206) 502-8628

If to PacifiCorp:

Senior Vice President, Wholesale Transactions
and Transmission

PacifiCorp Electric Operations

825 NE. Multnomah Street, Suite 625

Portland, OR 97232

Telephone (503) 731-2157

Attendance at a meeting by a representative of a Capacity Owner constitutes waiver by such Capacity Owner of notice of such meeting.

- (3) Either Party may, by written notice to the other Party and to the Capacity Owners other than PacifiCorp, change the designation, address, or facsimile number of the person so specified by it in subsection 12(a) or paragraph 12(e)(2).

13. **OPERATING PLAN AND AMENDMENTS TO THE OPERATING PLAN**

- (a) The provisions of this section shall become effective commencing August 1, 1995; provided, however, that unless and until the annual costs rate set forth in Exhibit B is approved by FERC on an interim basis, Bonneville shall not have any right pursuant to this Agreement to bill or charge to PacifiCorp, and PacifiCorp shall not have any obligation pursuant to this Agreement to pay to Bonneville, any amount pursuant to any Operating Plan.
- (b) **Delivery of Operating Plan**
 - (1) On or before August 1, 1995, Bonneville shall deliver to each Capacity Owner that has appointed a representative to the Committee an Operating Plan for Bonneville's PNW AC Intertie for fiscal year 1996 and an Operating Plan for Bonneville's PNW AC Intertie for fiscal year 1997.
 - (2) Not later than one year preceding the first day of each fiscal year, other than the fiscal years specified in paragraph 13(b)(1), Bonneville shall deliver to each Capacity Owner that has appointed a representative to the Committee an Operating Plan for Bonneville's PNW AC Intertie for such fiscal year.

- (c) Each Operating Plan delivered pursuant to subsection 13(b) shall contain the following information for Bonneville's PNW AC Intertie with respect to forecast costs for the fiscal year to which such Operating Plan pertains, and such Operating Plan may contain such other information as Bonneville may deem relevant; and each amendment of an Operating Plan delivered pursuant to subsection 13(k) shall contain the following information for Bonneville's PNW AC Intertie with respect to forecast or actual costs, as appropriate, for the fiscal year to which such Operating Plan pertains, and such amendment may contain such other information as Bonneville may deem relevant:
- (1) a forecast of, or the actual, Allocated Direct Cost of Operations Cost (pursuant to section I.C of Exhibit I), Indirect Cost of Operations Cost (pursuant to section I.D of Exhibit I), and Overhead Cost of Operations Cost (pursuant to section I.E of Exhibit I) in the format set forth in Exhibit I, Schedule A;
 - (2) a forecast of, or the actual, Direct Cost of Maintenance Cost (pursuant to section II.B of Exhibit I), Indirect Cost of Maintenance Cost (pursuant to section II.D of Exhibit I), and Overhead Cost of Maintenance Cost (pursuant to section II.E of Exhibit I) in the format set forth in Exhibit I, Schedule B;
 - (3) a forecast of, or the actual, Direct Cost of Replacements and Reinforcements (pursuant to section III.A of Exhibit I), Indirect Cost and Overhead Cost of Replacements and Reinforcements (pursuant to section III.B of Exhibit I), and AFUDC of Replacements and Reinforcements (pursuant to section III.C of Exhibit I) in the format set forth in Exhibit I, Schedule C, for each Reinforcement and Replacement which is expected to be, in the fiscal year to which the Operating Plan pertains, a planned new start, construction work in progress on a previously initiated Reinforcement or Replacement, as the case may be, or a closed work order. The forecast shall include for each such Reinforcement or Replacement an estimate of the

total cost of construction and the cost to be incurred with respect to such Reinforcement or Replacement during each fiscal year until the work order for such Reinforcement or Replacement has been closed. Bonneville may elect, but shall not be required, to include in any such forecast the information set forth in the immediately preceding sentence regarding any Replacement and Reinforcement which is expected to be planned a new start in any fiscal year following the fiscal year to which the Operating Plan pertains. In the event Bonneville elects to forecast Direct Cost, Indirect Cost, and Overhead Cost of any Reinforcement or Replacement which is expected to be a planned new start in any fiscal year subsequent to the fiscal year to which the Operating Plan pertains, Bonneville shall provide to the Committee such forecast costs, in the format set forth in Exhibit I, Schedule C (together with additional information pertinent to such forecast costs as required by paragraph 13(c)(9)), 30 days prior to the date such Operating Plan is delivered to the Committee pursuant to subsection 13(b). In addition, Bonneville shall include such forecast costs in the Operating Plan delivered to the Committee pursuant to subsection 13(b);

- (4) the General Plant Cost (pursuant to section IV of Exhibit I) in the format set forth in Exhibit I, Schedule D;
- (5) a forecast of, or the actual, Other Costs (pursuant to section V of Exhibit I) in the format set forth in Exhibit I, Schedule E;
- (6) a forecast of, or the actual, Contracts and Rates Costs (pursuant to section VI of Exhibit I) in the format set forth in Exhibit I, Schedule F;
- (7) a forecast of, or the actual, Power Scheduling Costs (pursuant to section VII of Exhibit I) in the format set forth in Exhibit I, Schedule G;

- (8) a forecast of, or the actual, End of Term Costs (pursuant to section VIII of Exhibit I) in the format set forth in Exhibit I, Schedule H. Such forecast shall include Bonneville's proposed apportionment of such End of Term Costs among PacifiCorp and Capacity Owners other than PacifiCorp and Bonneville's rationale for such apportionment;
- (9) additional information pertinent to the forecast costs, actual costs, and General Plant Cost provided pursuant to paragraphs 13(c)(1) through 13(c)(8), including, without limitation, descriptions of the activities or projects and explanations of the costs comprising the Direct Cost components of such forecast costs, actual costs, and General Plant Cost, and explanations of MFU counts; and
- (10) if Bonneville has reviewed the loss factor in Exhibit E, Part A, pursuant to subsection 19(f), the Operating Plan shall contain the results of such review, including any revision to the loss factor in Exhibit E, Part A, pursuant to subsection 10(b), and any additional information pertinent to such review.

(d) **Requests by Committee**

- (1) No later than 15 days after the date on which the annual meeting was convened pursuant to paragraph 12(b)(4), the Committee may make a single request of Bonneville in writing for:
 - (A) such supporting documentation, data, and information as may be reasonably necessary to analyze (i) the Operating Plan, or its constituent parts, delivered to the Committee pursuant to subsection 13(b), or (ii) any amendment to an Operating Plan pursuant to subsection 13(k); and

- (B) such documentation, data, and information relating to Bonneville's present or past activities or practices concerning Bonneville's PNW AC Intertie and to alternatives considered by Bonneville to costs or activities described in the Operating Plan or any amendment to an Operating Plan as may be reasonably necessary for the Committee to formulate recommendations pursuant to subsection 13(e);

provided, however, that with regard to requests for documentation, data, and information pursuant to this paragraph 13(d)(1), the Committee must designate in such request the specific item in the Operating Plan or in any amendment to an Operating Plan to which such requested documentation, data, or information is directly related and explain the need for such documentation, data, or information. Such single request may contain multiple parts.

- (2) The Committee shall use reasonable efforts to minimize and limit the scope and number of parts of the request for documentation, data, and information made pursuant to paragraph 13(d)(1).
- (3) Bonneville shall have 20 days from the date it receives any request pursuant to paragraph 13(d)(1) to provide the documentation, data, and information requested; provided, however, that Bonneville shall be under no obligation (A) to create additional documentation, data, or information, (B) to provide documentation, data, or information that is not readily available to it, (C) to provide to the Committee documentation, data, or information that Bonneville has previously provided to the Committee, or (D) to provide documentation, data, or information that Bonneville would not otherwise be required to provide or that would otherwise be exempted from disclosure pursuant to the Freedom of Information Act, 5 U.S.C. section 552 (including, without limitation, the Freedom of Information

Reform Act of 1986), as amended or superseded, or any regulation and Executive Order applicable to Bonneville.

- (4) The Committee in such request shall designate one of its members to be its representative for the sole purpose of receiving such documentation, data, or information from Bonneville pursuant to this subsection 13(d). Bonneville shall deliver such documentation, data, or information to the representative designated by the Committee to receive such materials.
 - (5) For purposes of this subsection 13(d) and subsection 13(f), each of Bonneville and the Committee shall cooperate and use reasonable efforts to, in a timely manner, resolve disputes regarding, and clarify requests for, documentation, data, and information and responses to such requests.
- (e) The Committee shall have 20 days from the date on which it receives documentation, data, or information from Bonneville pursuant to subsection 13(d) or, if none was requested, 50 days from the date on which the annual meeting was convened pursuant to paragraph 12(b)(4), whichever date is later, to recommend to Bonneville in writing a revision or revisions to any forecast cost or General Plant Cost in the Operating Plan. The Committee shall have the time periods set forth in subsection 13(m) to recommend to Bonneville in writing a revision or revisions to a forecast cost or actual cost or General Plant Cost in any amendment to an Operating Plan. Such recommendation shall set forth, at a minimum, the exact revisions to the forecast cost or General Plant Cost proposed by the Committee and the reasons for such revisions. Failure of the Committee to recommend a revision or revisions to all or any portion of a forecast cost or General Plant Cost in the Operating Plan or a forecast cost or actual cost or General Plant Cost in any amendment to an Operating Plan within the applicable time limit set forth above shall be deemed to constitute acceptance by the Committee of all portions of the

forecast costs and General Plant Cost of the Operating Plan for which the Committee has not recommended a revision.

- (f) No later than 15 days after receipt of a Committee recommendation made pursuant to subsection 13(e), Bonneville may make a single request (which may contain multiple parts) in writing of the Committee for such supporting documentation, data, and information as may be reasonably necessary to analyze the Committee's recommendation, including without limitation, any estimated costs or forecast costs contained in such recommendation; provided, however, that the Capacity Owners that have appointed a representative to the Committee shall be under no obligation (1) to create additional documentation, data, or information, (2) to provide documentation, data, or information that is not readily available to the Committee or to any Capacity Owner that has appointed a member to the Committee, (3) to provide to Bonneville documentation, data, or information that the Committee has previously provided to Bonneville; provided, further, that with regard to requests for documentation, data, and information pursuant to this subsection 13(f), (1) Bonneville must designate in such request the specific item in the Committee's recommendation to which such requested documentation, data, or information is directly related and explain the need for such documentation, data, or information, and (2) Bonneville shall use reasonable efforts, consistent with Bonneville's needs as set forth in this subsection 13(f), to minimize and limit the scope and number of parts of the request for documentation, data, and information made pursuant to this subsection. Such single request shall be made of the Committee by delivering a copy of the request to each Capacity Owner that has appointed a representative to the Committee. The Committee shall have 20 days from the date of its receipt of Bonneville's request to provide a single response containing the documentation, data, and information requested.
- (g) If the Committee makes any recommendation in writing pursuant to subsection 13(e), Bonneville shall have the greater of 15 days from the date of receipt of the requested documentation, data, and information

requested pursuant to subsection 13(f) or, if none was requested, 30 days from the date of receipt of the Committee's recommendations made pursuant to subsection 13(e) to, by written notice to each Capacity Owner that has appointed a representative to the Committee, accept the recommendation, accept the recommendation in part, reject the recommendation, or propose an action that is responsive to the Committee's recommendation and that is different from Bonneville's proposal contained in the Operating Plan. If Bonneville makes such a proposal, Bonneville shall set forth in such written notice the exact revisions to the Operating Plan. The Committee shall have 7 days from the date of receipt of Bonneville's proposal to make any requests in writing for supporting documentation, data, and information as set forth in subsection 13(d). Bonneville shall have 7 days to respond to those requests as set forth in subsection 13(d). Failure of Bonneville to respond in writing to any recommendation of the Committee within the applicable time period set forth in this subsection 13(g) shall be deemed to constitute rejection of such recommendation.

- (h) If Bonneville rejects all or any portion of the Committee's recommendation, or if the Committee elects not to accept a proposal made by Bonneville pursuant to subsection 13(g), then the Committee may
 - (1) elect by written notice to Bonneville to refer to binding arbitration, pursuant to section 14 and consistent with subsections 13(i) and 14(b), that portion of such recommendation of the Committee not accepted by Bonneville or that portion of a recommendation of the Committee to which Bonneville responded with a proposal pursuant to subsection 13(g); and
 - (2) elect by written notice to Bonneville to refer to nonbinding arbitration pursuant to section 15 and consistent with subsections 15(a) and 15(d), that portion of such recommendation of the Committee not accepted by Bonneville

or that portion of a recommendation of the Committee to which Bonneville responded with a proposal pursuant to subsection 13(g).

Failure of the Committee to elect to refer to arbitration

- (A) such portion of any recommendation of the Committee not accepted by Bonneville within 15 days following Bonneville's rejection or acceptance in part of such recommendation of the Committee pursuant to subsection 13(g), or
- (B) any proposal made by Bonneville pursuant to subsection 13(g) within 15 days following Bonneville's written notice of such proposal or, if documentation, data, or information was requested by the Committee pursuant to subsection 13(g), within 15 days following receipt by the Committee of such documentation, data, or information pursuant to subsection 13(g),

shall be deemed to constitute acceptance by the Committee of Bonneville's rejection or acceptance in part of the recommendation of the Committee or of Bonneville's proposal and waiver by the Committee of any right pursuant to this section 13 or to section 15 to arbitrate such recommendation or portion thereof.

- (i) The Committee may, subject to the immediately succeeding sentence, arbitrate, pursuant to subsection 13(h), any recommendation by the Committee concerning a revision pursuant to this Agreement to a loss factor set forth in any Operating Plan or in any amendment to an Operating Plan or concerning any forecast cost or actual (allocated or otherwise) cost set forth in any Operating Plan or in any amendment to an Operating Plan (including the following costs and related items set forth in any Operating Plan, or in any amendment to an Operating Plan, pursuant to Exhibit I, Schedule A, lines 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13; Exhibit I, Schedule B, lines 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15; Exhibit I, Schedule C, lines 1, 2, 3, 4

and 5; Exhibit I, Schedule D, lines 3, 4, 5, 6, 7, 8, 9, 10 and 11; Exhibit I, Schedule E, lines 2 and 3; Exhibit I, Schedule F, lines 1, 2, 3, 4, 5, 6, 7, 8, and 9; Exhibit I, Schedule G, lines 1, 2, 3, 4, 5, 6, 7, 8, and 9; and Exhibit I, Schedule H, lines 1, 2, 3, and 4). The Committee's right pursuant to this subsection 13(i) to arbitrate any such recommendation shall be subject to the following limitations:

- (1) if such recommendation, or portion thereof, includes a Replacement Cost for a Replacement or a Reinforcement Cost for a Reinforcement, and such Replacement Cost or Reinforcement Cost was included in a previous Operating Plan (either of such costs, a Previous Operating Plan Cost), the Committee may arbitrate pursuant to this subsection 13(i) such recommendation, or portion thereof, only to the extent that such recommendation, or portion thereof, includes any Replacement Cost or Reinforcement Cost in excess of the Previous Operating Plan Cost;
- (2) the Committee may arbitrate pursuant to this subsection 13(i) any such recommendation, or portion thereof, pertaining to a revision to a loss factor pursuant to this Agreement only to the extent such arbitration is permitted by subsection 10(b);
- (3) the Committee may arbitrate pursuant to this subsection 13(i) any recommendation, or portion thereof, concerning an Other Cost only to the extent that such Other Cost is a cost set forth in an Operating Plan or amendment to an Operating Plan pursuant to Exhibit I, Schedule E, line 2 and such recommendation, or portion thereof pertains to whether such Other Cost is properly allocated to Bonneville's PNW AC Intertie pursuant to Exhibit I, section V;
- (4) if the sum of the actual Operations Costs, actual Maintenance Costs, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs, and actual End of Term Costs in any Operating Plan exceeds

105 percent of the sum of the forecast Operations Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling Costs, and forecast End of Term Costs set forth in such Operating Plan or in any amendment to an Operating Plan, the Committee may arbitrate pursuant to this subsection 13(i) any such recommendation, or portion thereof, concerning any actual cost for any activity or project described in such Operating Plan only to the extent that such actual cost exceeds 105 percent of the forecast cost for such activity or such project; provided, however, that, without limiting any of PacifiCorp's rights and benefits pursuant to subsection 16(c), the Committee may not arbitrate pursuant to this subsection 13(i) any recommendation, or portion thereof, concerning any actual cost for any activity or project described in such Operating Plan or in any amendment to an Operating Plan if such actual cost is less than 105 percent of the forecast for such activity or such project;

- (5) the Committee may not arbitrate, pursuant to this subsection 13(i), (a) the allocation by Bonneville pursuant to this Agreement of any of its costs to overall overhead costs or to overall indirect costs, or (b) the allocation by Bonneville pursuant to this Agreement of a portion of Bonneville's overall overhead costs and overall indirect costs to its total system operations costs, its total system maintenance costs, its total capital costs or its total indirect and overhead power scheduling costs; provided, however, that nothing in this paragraph (5) shall be deemed to prevent or restrict the Committee from arbitrating pursuant to this subsection 13(i) the level (rather than the allocation) of any of Bonneville's Exhibit I, Schedule A, line 9 total system operations indirect costs and line 11 total system operations overhead costs; Bonneville's Exhibit I, Schedule B, line 11 total system maintenance indirect costs and line 13 total system maintenance overhead costs; Bonneville's total capital costs;

Bonneville's Exhibit I, Schedule F, line 6 total indirect contracts and rates costs and Bonneville's Exhibit I, Schedule F, line 7 total overhead contracts and rates costs; or Bonneville's Exhibit I, Schedule G, line 6 total indirect power scheduling costs and Bonneville's Exhibit I, Schedule G, line 7 total overhead power scheduling costs;

- (6) the Committee may not arbitrate any recommendation, or any portion thereof, regarding any amendment to an Operating Plan made pursuant to sections 9(b)(2)(A)(iv) and 9(b)(2)(B)(ii), or subsection 14(j), 16(e), or paragraph 16(f)(2);
- (7) the Committee may not arbitrate any such recommendation, or portion thereof, to the extent that in doing so the arbitrators would be required to decide a matter of law in order to render a decision pursuant to subsection 14(h). If, subsequent to the Effective Date, Bonneville is given legal authority to submit to binding arbitration matters of law, Bonneville shall enter into good faith negotiations with PacifiCorp and Capacity Owners other than PacifiCorp regarding a revision to this paragraph 13(i)(7) enabling arbitration of matters of law pursuant to this subsection 13(i) consistent with such legal authority; and
- (8) the Committee may not arbitrate any recommendation, or portion thereof, regarding an allocation of a Reinforcement Cost to the extent prohibited by subsection 7(d).

In arbitrating any recommendation, or portion thereof, pursuant to this subsection 13(i), the Committee may raise in support of such recommendation arguments regarding whether any forecast or actual cost should be based upon activities different in degree, but not in kind, from the activities upon which such forecast or actual cost in the Operating Plan is based.

- (j) Each Operating Plan provided pursuant to subsection 13(b) which has completed the Committee review process set forth in subsections 13(d)

through 13(g) shall take effect on the first day of the fiscal year to which such Operating Plan pertains and shall remain in effect for the duration of such fiscal year.

- (k) At any time during the fiscal year in which an Operating Plan is in effect, or within 8 months after the end of such fiscal year, Bonneville may amend such Operating Plan, pursuant to subsections 13(l) through 13(n), to reflect a different forecast or actual Operations Cost, Maintenance Cost, General Plant Cost, Other Cost, Contracts and Rates Cost, Power Scheduling Cost, or End of Term Cost in such Operating Plan. At any time during the fiscal year an Operating Plan is in effect, or within 30 months after a work order for a Replacement or Reinforcement is closed, Bonneville may amend such Operating Plan, pursuant to subsections 13(l) through 13(n), to reflect a different forecast cost or actual cost component for such Replacement or Reinforcement.
- (l) Any amendment made to any Operating Plan pursuant to subsection 13(k) shall be provided by delivery of a copy in writing of such amendment by Bonneville to each Capacity Owner that has appointed a representative to the Committee.
- (m) Consideration of amendments to the Operating Plan pursuant to subsection 13(l) shall be consistent with the procedures set forth above in subsections 13(c) through 13(k), except that the time limits set forth in such subsections shall be reduced as follows: 15 days shall be 7 days, 20 days shall be 10 days, 30 days shall be 15 days, and 50 days shall be 25 days. For purposes of computing the time limits in this subsection 13(m), the date Bonneville provides the Capacity Owners with a proposed amendment, pursuant to subsection 13(k), shall be deemed to be the date the annual meeting was convened for purposes of paragraph 13(d)(1) and subsection 13(e).
- (n) Without limiting any of PacifiCorp's rights and benefits pursuant to subsection 13(i) and sections 14 and 15, any Operating Plan amended pursuant to section 9(b)(2)(A)(v) or 9(b)(2)(B)(iii), or subsection 13(k)

shall take effect when such amendment is accepted by the Committee pursuant to subsection 13(e) or 13(h). Any Operating Plan amended pursuant to section 9(b)(2)(A)(iii), 9(b)(2)(A)(iv), 9(b)(2)(B)(i), or 9(b)(2)(B)(ii), or subsection 14(j), 16(e), or paragraph 16(f)(2) shall take effect as soon as such amendment is delivered by Bonneville to each Capacity Owner that has appointed a representative to the Committee.

- (o) An Operating Plan shall, during the fiscal year in which such Operating Plan is in effect, establish the costs which PacifiCorp is obligated to pay pursuant to the terms and conditions of this Agreement. In no event shall such Operating Plan, or any portion thereof, contain or constitute an obligation of Bonneville to undertake, or to expend funds on, activities described or indicated in such Operating Plan.

14. **ARBITRATION**

- (a) During any arbitration process conducted pursuant to this section 14, PacifiCorp shall act through the Committee. Each of Bonneville and PacifiCorp agrees to be bound by any decision rendered by the arbitrators in any arbitration brought pursuant to subsection 13(i) and this section 14.
- (b) The Committee may initiate arbitration pursuant to subsection 13(i) by taking the following actions:
 - (1) an affirmative vote to initiate arbitration by at least the respective representatives of all of the Capacity Owners that have appointed representatives to the Committee, less one; and
 - (2) either of the following:
 - (a) giving written notice to Bonneville of the Committee's decision to initiate arbitration pursuant to subsection

13(i) within the applicable time period established in subsection 13(h); or

- (b) giving written notice to Bonneville of the Committee's decision to initiate arbitration within 20 days after the date on which Bonneville notifies in writing each Capacity Owner that has appointed a representative to the Committee of Bonneville's disagreement with any exception pursuant to subsection 16(f).

The notice referred to in this subsection 14(b) shall set forth in detail the matter or matters to be arbitrated and the name, street address and telephone number of the arbitrator appointed by the Committee.

- (c) Bonneville shall, within 10 Working Days after receipt of the notice by the Committee referred to in subsection 14(b), appoint a second arbitrator and provide by written notice to each Capacity Owner that has appointed a representative to the Committee the name, street address and telephone number of the arbitrator appointed by Bonneville. The two arbitrators appointed by the Committee and by Bonneville, respectively, shall appoint a third arbitrator within 15 days after the date of the appointment of an arbitrator by Bonneville.
 - (1) If the arbitrators appointed by the Committee and by Bonneville, respectively, fail to appoint a third arbitrator within 15 days after the date of the appointment of an arbitrator by Bonneville, then within 30 days after the date of the appointment of an arbitrator by Bonneville, the Committee may apply to the Chief Judge of the United States District Court for the District of Oregon for appointment of a third arbitrator.
 - (2) If Bonneville fails to appoint an arbitrator within 15 days after receipt of the notice by the Committee referred to in subsection 14(b), then within 30 days after the date of such notice, the Committee may apply to the Chief Judge of the United States

District Court for the District of Oregon for appointment of two arbitrators.

- (3) If, pursuant to either paragraph 14(c)(1) or 14(c)(2), the Committee applies to the Chief Judge of the United States District Court for the District of Oregon for appointment of one or more arbitrators, then the Committee shall give Bonneville written notice of such application within 5 days after the date of filing such application.
- (d) The three arbitrators appointed pursuant to subsections 14(b) and 14(c) shall select by a majority vote an alternative pursuant to subsection 14(g).
- (e) Within 10 days after the appointment of a third arbitrator pursuant to subsection 14(c), the arbitrators shall establish a schedule for submission of written positions by Bonneville and PacifiCorp, respectively. The arbitrators must establish a schedule for such submissions pursuant to this subsection 14(e) that will allow the arbitration to be concluded, and the decision of the arbitrators rendered pursuant to subsection 14(g), within 120 days following the date of the appointment of the third arbitrator. A copy of any submission by the Committee to the arbitrators pursuant to this section 14 shall be simultaneously served by the Committee on Bonneville, and a copy of any submission by Bonneville to the arbitrators pursuant to this section 14 shall be simultaneously served by Bonneville on each Capacity Owner that has appointed a representative to the Committee. The Committee shall state, in a letter to the arbitrators, as its proposed alternative to each Bonneville proposal in dispute, the recommendation proposed by the Committee pursuant to subsection 13(g) and rejected in whole or in part by Bonneville pursuant to subsection 13(g). Bonneville shall state its position and proposed resolution of the dispute in a letter to the arbitrators. If Bonneville made a proposal in response to such recommendation of the Committee pursuant to subsection 13(g), then such position and proposed resolution shall set forth such proposal, or

if Bonneville made no such proposal, then such position and proposed resolution shall set forth the relevant portion of the Operating Plan. If, however, the arbitration concerns an exception pursuant to paragraph 16(f)(3), then the positions and proposed resolutions of Bonneville and the Committee shall be as established pursuant to such subsection. The Committee may then submit a response to Bonneville's letter, and Bonneville may thereafter submit a reply to the Committee's response. Bonneville and the Committee shall have an equal number of days to prepare and serve their replies.

- (f) No submission by either the Committee or Bonneville to the arbitrators pursuant to subsection 14(e) shall be more than 50 pages in length (not including exhibits). If requested in writing by either the Committee or Bonneville, and for good cause shown, the arbitrators may permit any submission by such Party to exceed 50 pages.
- (g) The arbitrators shall select, as between the Committee's recommendation pursuant to subsection 13(e), on the one hand, and the portion of Bonneville's proposed Operating Plan to which the Committee's recommendation pertains or Bonneville's proposal pursuant to subsection 13(g) not accepted by the Committee, on the other, the alternative which
 - (1) is consistent with the provisions of this Agreement and
 - (2) (A) in conformity with the generally accepted practices, methods, and acts in the electrical utility industry in the Western Systems Coordinating Council area prior thereto, would better achieve the desired result consistent with safety, reliability, and cost-benefit or (B) if there are no such generally accepted practices, methods, and acts in the electrical utility industry in the Western Systems Coordinating Council area, would, in the exercise of reasonable judgment in light of the facts known at the time the decision is made, be reasonably

expected to better achieve the desired result consistent with safety, reliability, and cost-benefit.

- (h) In applying the standards set forth in subsection 14(g), the arbitrators shall take into consideration, among other things (a) that Bonneville and PacifiCorp each have responsibilities for service to customers within and without the Pacific Northwest region in accordance with applicable law, (b) that Bonneville and others jointly own the PNW AC Intertie and Bonneville owes contractual obligations to those parties regarding the PNW AC Intertie, (c) that Bonneville must operate, as a practical matter, the PNW AC Intertie in coordination with the operation of the interconnected intertie facilities in California, and (d) that the PNW AC Intertie is a major import-export facility important to the service of loads in and out of the region.
- (i) In any arbitration pursuant to this section 14, the arbitrators shall choose, pursuant to subsection 14(g), only between the alternatives proposed by Bonneville and the Committee and shall have no authority to resolve such arbitration other than by selecting an alternative proposed by either Bonneville or the Committee.
- (j) Upon selection by the arbitrators of an alternative pursuant to subsection 14(g), then Bonneville shall amend the Operating Plan to cause it to conform to the decision of the arbitrators.
- (k) If the arbitrators have not made a selection of an alternative pursuant to subsection 14(i) before the date on which the Operating Plan becomes effective pursuant to subsection 13(j), then PacifiCorp shall make payments of annual charges pursuant to such Operating Plan. If the arbitrators subsequently select the Committee's alternative, then Bonneville shall, subsequent to amending such Operating Plan pursuant to subsection 14(j), refund to or bill PacifiCorp its pro rata share of the amount of the incremental difference between the costs set forth in such Operating Plan as amended pursuant to subsection 14(j) and 105 percent of the costs set forth in such Operating Plan, prior to its amendment pursuant to subsection 14(j), to the extent that

such costs were incurred during the period from the first day of effectiveness of such Operating Plan pursuant to subsection 13(j) to the date of the arbitrators' decision, such refund to be made pursuant to subsection 9(f) and such payment to be made pursuant to subsection 9(b).

- (l) Bonneville shall be responsible to pay a fraction of the costs for the services and expenses of the arbitrators pursuant to this section 14 equal to $1 \div (n + 1)$, where "n" equals the number of Capacity Owners. The Committee shall be responsible to pay the balance of the costs for the services and expenses of the arbitrators. Each of Bonneville and the Committee shall pay its own expenses related to the arbitration proceeding including, without limitation, attorney fees, costs incurred in development and preparation of documents, staff costs, and compensation for consultants.
- (m) Any judgment rendered by a court of competent jurisdiction upon an award made by the arbitrators pursuant to this section 14 may be entered in any court having jurisdiction thereof.

15. **NONBINDING ARBITRATION**

- (a) The Initiating Party (as defined in paragraph 15(e)(1)) may, subject to the immediately succeeding sentence, elect by written notice to Responding Party (as defined in paragraph 15(e)(1)) to refer to nonbinding arbitration pursuant to the other provisions of this section 15 the following: (i) if the Initiating Party is the Committee, any recommendation by the Committee, or any portion thereof, concerning any forecast cost or actual cost set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6 and 7 and (ii) any other issue, dispute, or controversy regarding the Parties' respective rights and obligations pursuant to this Agreement. The Initiating Party's right pursuant to

this subsection 15(a) to arbitrate any recommendation or any issue, dispute or controversy shall be subject to the following limitations:

- (1) the Initiating Party may not arbitrate pursuant to this subsection 15(a): (A) any recommendation with respect to an Operating Plan or any amendment to an Operating Plan or (B) any issue, dispute, or controversy, which recommendation, issue, dispute or controversy may be arbitrated pursuant to subsection 13(i) or 16(f);
- (2) the Initiating Party may not arbitrate pursuant to this subsection 15(a) any recommendation not permitted to be arbitrated pursuant to paragraphs 13(i)(1), 13(i)(3), 13(i)(4), and 13(i)(8);
- (3) the Initiating Party may not arbitrate pursuant to this subsection 15(a) any recommendation, issue, dispute, or controversy concerning a loss factor or revision to a loss factor set forth in Exhibit E, Part A or Part B pursuant to this Agreement;
- (4) the Committee may not (but the PacifiCorp or Bonneville may) arbitrate pursuant to this subsection 15(a) any recommendation, issue, dispute, or controversy concerning any right or obligation of PacifiCorp pursuant to this Agreement that is not a right or obligation, as the case may be, of each other Capacity Owner under its respective Capacity Ownership Agreement; or
- (5) if the sum of the actual Operations Costs, actual Maintenance Costs, General Plant Costs, actual Other Costs, actual Contracts and Rates Costs, actual Power Scheduling Costs and actual End of Term Costs in any Operating Plan exceeds 105 percent of the sum of the forecast Operating Costs, forecast Maintenance Costs, General Plant Costs, forecast Other Costs, forecast Contracts and Rates Costs, forecast Power Scheduling

Costs and forecast End of Term Costs set forth in such Operating Plan, the Committee may arbitrate pursuant to this subsection 15(a) any recommendation, or portion thereof, concerning any actual cost for any activity or project set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6 and 7 only to the extent that such actual cost exceeds 105 percent of the forecast for such activity or such project; provided, however, that, without limiting any of PacifiCorp's rights and benefits pursuant to section 16(f), no Initiating Party may arbitrate pursuant to this subsection 15(a) any recommendation, or portion thereof, concerning any actual cost for any activity or project set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6 and 7 if such actual cost is less than 105 percent of the forecast for such activity or such project; and

- (6) the Initiating Party may not arbitrate pursuant to this subsection 15(a) any issue, dispute, or controversy (A) concerning matters of ratemaking (for purposes of this subsection 15(a), the term "ratemaking" shall mean the determination of matters appropriately determined pursuant to section 7(i) of the Regional Act, including (i) Bonneville's revenue requirements (including without limitation Bonneville's depreciation and repayment standards and planned net revenues for risk, but excluding program level issues determined in the Federal budget process), (ii) Bonneville's cost of service analysis (including functionalization, segmentation, and allocation of costs contained in such analysis, but excluding any allocation of costs contemplated in Exhibit I), (iii) Bonneville's rate design,

and (iv) any related environmental analysis of proposed rates; (B) concerning a final action of Bonneville, which final action is not itself performance of any obligation of Bonneville or Bonneville's Administrator under this Agreement; or (C) concerning, or requiring the decision of, a matter not arising under this Agreement or the other Capacity Ownership Agreements.

- (b) Except as otherwise provided in paragraph 15(a)(4), all arbitrations pursuant to this section 15 shall be between Bonneville and the Committee.
- (c) A copy of any submission (including, without limitation, any statement of position or any brief) by the Initiating Party or the Responding Party to the arbitrators pursuant to this section 15 shall be simultaneously served by such party on the Responding Party or Initiating Party, respectively. No submission by either the Initiating Party or the Responding Party to the arbitrators shall be more than 50 pages in length (not including exhibits). If requested in writing by either the Initiating Party or the Responding Party, and for good cause shown, the arbitrators may permit any submission by such party to exceed 50 pages.
- (d) With respect to any arbitration pursuant to this section 15 of any forecast cost or actual cost set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6 and 7, the following shall apply:
 - (1) Only the Committee may initiate arbitration with respect to any forecast cost or actual cost set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6

and 7. The Committee may initiate nonbinding arbitration pursuant to this section 15 by taking the following actions:

- (A) an affirmative vote to initiate arbitration pursuant to this section 15 by the respective representatives of all of the Capacity Owners that have appointed representatives to the Committee, less one; and
- (B) either of the following:
 - (i) giving written notice to Bonneville of the Committee's decision to initiate arbitration pursuant to this section 15 within the applicable time period set forth in subsection 13(h); or
 - (ii) giving written notice to Bonneville of the Committee's decision to initiate arbitration within 20 days after the date on which Bonneville notifies in writing each Capacity Owner that has appointed a representative to the Committee of Bonneville's disagreement with any exception pursuant to subsection 16(f).

The notice referred to in this subparagraph 15(d)(1)(B) shall (x) indicate that such vote has been taken and (y) set forth in detail the matters to be arbitrated and the name, street address and telephone number of the arbitrator appointed by the Committee.

- (2) The respective rights and obligations of the Committee and of Bonneville with respect to arbitration pursuant to this subsection 15(d), unless otherwise provided in this subsection 15(d), shall be as set forth in subsections 14(d) through 14(l).
- (e) With respect to any arbitration pursuant to this section 15 of any issue, dispute, or controversy other than with respect to any forecast

cost or actual cost set forth in any Operating Plan or in any amendment to an Operating Plan pursuant to Exhibit I, Schedule A, lines 9 and 11; Exhibit I, Schedule B, lines 11 and 13; Exhibit I, Schedule D, lines 1 and 2; Exhibit I, Schedule F, lines 6 and 7; and Exhibit I, Schedule G, lines 6 and 7, the following shall apply:

- (1) The party (which term, for purposes of this subsection 15(e), shall refer to Bonneville, on the one hand, and to the Committee or PacifiCorp, on the other) initiating arbitration (Initiating Party) shall initiate arbitration pursuant to this section 15 by serving written notice on the other party (Responding Party) of its initiation of arbitration. If the Committee is the party initiating arbitration, the Committee, in addition to serving such notice, shall initiate such arbitration by an affirmative vote to do so of at least the respective representatives of all of the Capacity Owners that have appointed representatives to the Committee, less one. The Committee shall indicate that such vote has been taken in such notice to Bonneville. Any such notice by an Initiating Party shall set forth in detail the following: (A) the issue, dispute, or controversy to be arbitrated and the Initiating Party's position regarding such issue, dispute, or controversy; (B) the relief sought by the Initiating Party; and (C) the name, street address, and telephone number of the arbitrator appointed by the Initiating Party. The Responding Party shall, within 15 days after receipt of the notice by the Initiating Party referred to in this subsection 15(e), appoint a second arbitrator and provide written notice to the Initiating Party and to the arbitrator appointed by the Initiating Party of the name, street address and telephone number of the arbitrator appointed by the Responding Party. The arbitrators appointed by the Initiating Party and by Bonneville, respectively, shall appoint a third arbitrator within 15 days after the date of the appointment of an arbitrator by the Responding Party.

- (A) If the arbitrators appointed by the Initiating Party and by the Responding Party, respectively, fail to appoint a third arbitrator within 15 days after the date of the appointment of an arbitrator by the Responding Party, then within 30 days after the date of the appointment of an arbitrator by the Responding Party the Initiating Party may apply to the Chief Judge of the United States District Court for the District of Oregon for appointment of a third arbitrator.
 - (B) If the Responding Party fails to appoint an arbitrator within 15 days after receipt of the notice by the Initiating Party referred to in paragraph 15(e)(1), then within 30 days after the date of such notice the Initiating Party may apply to the Chief Judge of the United States District Court for the District of Oregon for appointment of two arbitrators.
 - (C) If, pursuant to either subparagraph 15(e)(1)(A) or 15(e)(1)(B), the Initiating Party applies to the Chief Judge of the United States District Court for the District of Oregon for appointment of one or more arbitrators, then the Initiating Party shall give the Responding Party written notice of such application within one day after the date of filing such application.
- (2) The three arbitrators appointed pursuant to paragraph 15(e)(1) shall decide any issue, dispute, or controversy by majority vote.
 - (3) Within 20 days after the appointment of a third arbitrator pursuant to paragraph 15(e)(1) with respect to any arbitration pursuant to this subsection 15(e), the arbitrators shall establish a schedule for the completion of such arbitration. The first day pursuant to such schedule shall be hereafter

referred to in this subsection 15(e) as the "Arbitration Commencement Date."

- (4) No later than 15 days after the Arbitration Commencement Date, the Initiating Party may make a single request in writing to the Responding Party for documentation, data, and information relevant to or reasonably necessary to support the Initiating Party's position communicated to the Responding Party pursuant to paragraph 15(e)(1). Such single request may contain multiple parts. The Initiating Party shall use reasonable efforts to minimize and limit the scope and number of parts of the request for documentation, data, and information pursuant to this paragraph.
- (5) The Responding Party shall have 20 days from the date it receives the request from the Initiating Party pursuant to paragraph 15(e)(4) to provide the documentation, data, and information requested; provided, however, that the Responding Party shall be under no obligation pursuant to this paragraph 15(e)(5) (A) to create additional documentation, data, or information, (B) to provide documentation, data, or information that is not readily available to it, (C) to provide to the Committee documentation, data, or information that Bonneville has previously provided to the Initiating Party or (D) if Bonneville is the Responding Party, to provide documentation, data, or information that Bonneville would not otherwise be required to provide or that would otherwise be exempted from disclosure pursuant to the Freedom of Information Act, 5 U.S.C. section 552 (including, without limitation, the Freedom of Information Reform Act of 1986), as amended or superseded, or pursuant to any regulation and Executive Order applicable to Bonneville.
- (6) No later than 15 days after the Arbitration Commencement Date, the Responding Party may make a single request in writing to the Initiating Party for documentation, data and

information relevant to Initiating Party's position communicated to the Responding Party pursuant to subsection 15(e)(4). Such single request may contain multiple parts. The Responding Party shall use reasonable efforts to minimize and limit the scope and number of parts of the request for documentation, data and information pursuant to this paragraph.

- (7) The Initiating Party shall have 20 days from the date it receives the request from the Responding Party pursuant to paragraph 15(e)(6) to provide the documentation, data and information requested; provided, however, that the Initiating Party shall be under no obligation pursuant to this paragraph 15(e)(7) (A) to create additional documentation, data, or information, (B) to provide documentation, data or information that is not readily available to it, (C) to provide to the Responding Party documentation, data, or information that the Initiating Party has previously provided to the Responding Party or (D) if Bonneville is the Initiating Party, to provide documentation, data, or information that Bonneville would not otherwise be required to provide or that would otherwise be exempted from disclosure pursuant to the Freedom of Information Act, 5 U.S.C. section 552 (including, without limitation, the Freedom of Information Act of 1986), as amended or superseded, or pursuant to any regulation and Executive Order applicable to Bonneville.
- (8) For purposes of this subsection 15(e), each of the Initiating Party and the Responding Party shall cooperate and use reasonable efforts to, in a timely manner, resolve disputes regarding, and clarify requests by it for, documentation, data, and information and responses to such requests.
- (9) Within 65 days following the Arbitration Commencement Date, each of the Initiating Party and the Responding Party may state in reasonable detail its position regarding any issue,

dispute or controversy to be arbitrated pursuant to this subsection 15(e) in a letter to the arbitrators and to the other party to the arbitration of such issue, dispute, or controversy. Within 85 days following the Arbitration Commencement Date, each of the Initiating Party and the Responding Party may submit a letter to the arbitrators and to the other party responding to the letter that the other submitted to the arbitrators pursuant to the immediately preceding sentence.

- (10) The arbitrators shall resolve any issue, dispute, or controversy pursuant to this subsection 15(e) by deciding (taking into consideration, among other things, any letter submitted by the Initiating Party or the Responding Party with respect to such issue, dispute, or controversy) whether the position of the Initiating Party or the position of the Responding Party regarding the action taken or proposed to be taken by the Responding Party conforms more closely with the standard for such action set forth in this Agreement. The arbitrators shall have no authority to fashion a resolution of such arbitration other than pursuant to this paragraph 15(e)(10).

- (f) Any selection by the arbitrators of an alternative pursuant to subsection 15(d) and any decision by the arbitrators pursuant to subsection 15(e) shall be reported by the Initiating Party to the Bonneville Administrator (Administrator) for review within 30 days after such selection or decision is made. The Administrator shall either accept or reject in writing such selection or decision. If the Administrator fails to either accept or reject such selection or decision, as the case may be, within 90 days after such selection or decision is made, such selection or decision, as the case may be, shall be deemed to be accepted by the Administrator.

- (g) If the Administrator accepts any selection by the arbitrators of an alternative pursuant to subsection 15(d) or any decision by the arbitrators pursuant to subsection 15(e), such selection or decision

shall become binding upon PacifiCorp and Bonneville at the time of its acceptance.

- (h) The Administrator may reject any selection by the arbitrators of an alternative pursuant to subsection 15(d) or any decision by the arbitrators pursuant to subsection 15(e) only for one or more of the following reasons:
 - (1) the arbitrators did not follow the arbitration procedures set forth in this section 15;
 - (2) the arbitrators decided a matter that is not a matter arising under this Agreement as set forth in paragraph 15(a)(6);
 - (3) the arbitrators did not completely apply the appropriate standard for arbitration pursuant to this section 15;
 - (4) the arbitrators granted relief in contravention of this Agreement;
 - (5) the arbitrators' decision is not supported by substantial, competent evidence; or
 - (6) implementation of the arbitrators' decision would cause Bonneville to violate a statutory obligation of Bonneville's or would cause Bonneville to breach a contractual obligation not in contravention of this Agreement.
- (i) Bonneville shall be responsible to pay a fraction of the costs for the services and expenses of the arbitrators pursuant to this section 15 equal to $1 \div (n + 1)$, where "n" equals the number of Capacity Owners. The Committee shall be responsible to pay the balance of the costs for the services and expenses of the arbitrators. Each of Bonneville and the Committee shall pay for its own expenses related to the arbitration proceeding, including, without limitation, attorney fees,

costs incurred in development and preparation of documents, staff costs, and compensation for consultants.

- (j) If the Initiating Party elects to arbitrate any issue, dispute, or controversy pursuant to this section 15, the Initiating Party must initiate arbitration of such issue, dispute, or controversy within one year following the occurrence of the event giving rise to such issue, dispute, or controversy. Failure of the Initiating Party to initiate arbitration of any such issue, dispute, or controversy within such one-year period shall constitute a waiver of the Initiating Party's right to arbitrate such issue, dispute, or controversy pursuant to this section 15.

16. **AUDIT RIGHTS**

- (a) The Committee shall have the right to perform an audit of Bonneville's books, records, and documents used in or relating to the determination of the Adjusted Capacity Ownership Price, or used in or relating to any billing or refund with respect to the Adjusted Capacity Ownership Price. Such audit shall be performed within 24 months after the date of Bonneville's bill or refund voucher rendered by Bonneville pursuant to subparagraph 9(a)(2)(B).
- (b) The Committee shall have the right to perform an audit of Bonneville's books, records and documents used in or relating to the determination of any Revised Adjusted Capacity Ownership Price, or used in or relating to any billing or refund with respect to any Revised Adjusted Capacity Ownership Price. Such audit shall be performed within 24 months after the date of Bonneville's bill or refund voucher rendered by Bonneville pursuant to subparagraph 9(a)(3)(B).
- (c) The Committee shall have the right to audit Bonneville's books, records, and documents (i) used in or relating to the determination of any charge (including, without limitation, any MFU count made pursuant to section I.A of Exhibit I) billed to PacifiCorp pursuant to paragraph 9(b)(2) and subsection 9(c), or (ii) used in or relating to any

billing or refund with respect to any such charge. Such audit shall be performed within 36 months after the date of Bonneville's bill or refund voucher for such charge rendered by Bonneville to PacifiCorp pursuant to paragraph 9(b)(2) or subsection 9(c), as the case may be.

- (d) Bonneville shall not be responsible to pay any of the expenses incurred by any of the Capacity Owners in performing any audit pursuant to this section 16. Bonneville shall not directly charge PacifiCorp or any Capacity Owner other than PacifiCorp for Bonneville's costs incurred by Bonneville with respect to any audit pursuant to this section 16 unless Bonneville develops a general practice of charging, through direct charges, each of its customers for such costs incurred by Bonneville in connection with audits undertaken pursuant to those customers' respective contracts with Bonneville.
- (e) After completing any audit specified above, the Committee shall promptly provide to Bonneville a written report of the results of such audit. If such audit report includes any exception taken as a result of such audit and Bonneville agrees with such exception, Bonneville shall, within 30 days following Bonneville's receipt of such audit report and consistent with such audit exception,
 - (1) if such exception is with respect to the Adjusted Lump Sum Payment or to any Revised Adjusted Lump Sum Payment, render to PacifiCorp a revised bill or refund voucher pursuant to paragraph 9(a)(2)(B) or 9(a)(3)(B), respectively, with respect to such Adjusted Lump Sum Payment or such Revised Adjusted Lump Sum Payment, and
 - (2) if such exception is with respect to an Operating Plan, amend the Operating Plan to which such exception pertains and either (A) render to PacifiCorp a revised bill, consistent with such Operating Plan, pursuant to the applicable GTRSPs set forth in Exhibit A and to the Billing Provisions set forth in Part B of Exhibit B or (B) cause to be refunded to PacifiCorp as

a lump sum payment, within 30 days after the date on which such Operating Plan is so amended, an amount consistent with such Operating Plan (multiplied by PacifiCorp's Capacity Ownership Percentage).

The amount of any refund or bill payable pursuant to this subsection 16(e) shall be paid with interest on such amount calculated at a rate equal to the weighted average of Bonneville's then-outstanding bonds or other debt instruments from (and including) the date on which such audit report is received by Bonneville to (but excluding) the date on which such amount is refunded to PacifiCorp.

- (f) If an audit report provided to Bonneville by PacifiCorp pursuant to subsection 16(e) includes any exception taken as a result of such audit and Bonneville does not agree with such exception, then the following shall apply:
- (1) Bonneville may, within 30 days following its receipt of such audit report, propose to the Committee a resolution of any inconsistency noted in any exception taken as a result of such audit;
 - (2) If the Committee accepts such resolution proposed by Bonneville, then Bonneville shall, within 30 days following Bonneville's receipt of such audit report and consistent with such resolution,
 - (A) if such exception is with respect to the Adjusted Lump Sum Payment or to any Revised Adjusted Lump Sum Payment, render to PacifiCorp a revised bill or refund voucher pursuant to subparagraph 9(a)(2)(B) or 9(a)(3)(B), respectively, with respect to such Adjusted Lump Sum Payment or such Revised Adjusted Lump Sum Payment, and

- (B) if such exception is with respect to an Operating Plan, amend the Operating Plan to which such exception pertains and shall either (i) render to PacifiCorp a revised bill, consistent with such Operating Plan, pursuant to the applicable GTRSPs set forth in Exhibit A and to the Billing Provisions set forth in Part B of Exhibit B or (ii) cause to be refunded to PacifiCorp as a lump sum payment, within 30 days after the date on which such Operating Plan is so amended, an amount consistent with such Operating Plan (multiplied by PacifiCorp's Capacity Ownership Percentage).

The amount of any refund or bill payable pursuant to this paragraph 16(f)(2) shall be paid with interest on such amount calculated at a rate equal to the weighted average of Bonneville's then-outstanding bonds or other debt instruments from (and including) the date on which such resolution is accepted by the Committee to (but excluding) the date on which such amount is refunded to PacifiCorp; and

- (3) If the Committee does not accept such resolution, if any, proposed by Bonneville with respect to any such exception, or if Bonneville does not propose any such resolution, then the Committee
 - (A) shall have the right to arbitrate, pursuant to section 14, any cost with respect to which such exception is taken to the extent that such cost is permitted to be arbitrated pursuant to subsection 13(i); and
 - (B) shall have the right to arbitrate, pursuant to section 15, any cost with respect to which such exception is taken to the extent that such cost is permitted to be arbitrated pursuant to section 15.

The Committee must refer to arbitration pursuant to subparagraph 16(f)(3)(A) or 16(f)(3)(B) any cost to which exception is taken as a result of any audit within eight months after the date the Committee commences such audit. Failure of the Committee to elect to so refer to arbitration any cost within such eight-month period shall be deemed to constitute waiver by the Committee of any right pursuant to this section 16 to arbitrate such cost.

- (g) PacifiCorp shall have the right to participate in any audit pursuant to this section 16 only by acting through the Committee. If PacifiCorp chooses not to participate in any audit undertaken by the Committee, then PacifiCorp shall accept the findings of the Committee with respect to such audit and any resolution by the Committee and Bonneville of any inconsistency noted in any exception taken as a result of such audit.
- (h) Any audits undertaken by the Committee shall be upon reasonable notice to Bonneville and at reasonable times and shall commence no more frequently than once in any 24 consecutive months. The audit rights provided in this section shall not be construed to permit a general audit of Bonneville's books, records, and documents. Audits shall be in conformance with generally accepted auditing standards. Prior to and for the duration of any audit, Bonneville shall retain all pertinent books, records, and documents prepared in the normal course of business. After commencement of an audit pursuant to subsection 16(a), 16(b), or 16(c), the Committee may request and Bonneville shall promptly provide reasonably available supporting documentation for any cost or charge subject to audit. If the Committee fails to commence an audit pursuant to subsection 16(a), 16(b), or 16(c) within the time periods set forth in subsection 16(a), 16(b), or 16(c), such failure shall constitute waiver by PacifiCorp of any right pursuant to this section 16 to arbitrate any charge or refund billed or refunded by Bonneville.
- (i) If PacifiCorp is operating pursuant to paragraph 3(b)(1), Bonneville shall have the right, at its own expense, to review PacifiCorp's books,

records, and documents that directly pertain to the revenue reportable in PacifiCorp's accounting system where revenues received for wheeling for other entities would be booked for the purpose of verifying compliance with paragraph 3(b)(1). Bonneville shall have the right to perform such audit no more frequently than once every 36 months.

17. PROTECTED AREAS

PacifiCorp shall not use its Scheduling Share for transmission of power on the PNW AC Intertie from new hydroelectric projects which are constructed in Columbia River Basin Protected Areas after designation thereof by Bonneville unless PacifiCorp is required by regulatory authority to purchase or provide transmission for the output of such project or unless Bonneville receives sufficient demonstration that a particular project would provide benefits to Bonneville's existing or planned fish and wildlife investments or the Pacific Northwest Electric Power and Conservation Planning Council's Fish and Wildlife Program. The Parties agree that System Sales shall not be taken into consideration in any determination of whether PacifiCorp has used its Scheduling Share for transmission of power on the PNW AC Intertie from the hydroelectric projects referred to in the immediately preceding sentence. For purposes of this section 17, "System Sale" means any sale of power or energy to PacifiCorp or by a seller of power or energy, which power or energy is not resource-specific and is delivered to PacifiCorp at a point that connects one or more resources or transmission systems.

18. ESTABLISHMENT AND MAINTENANCE OF RATES AND RELIEF FROM REGULATORY ACTION

- (a) Bonneville shall use good faith efforts to maintain in effect such of the following rates that has been approved by FERC on an interim or final basis, during the rate approval period established by FERC for such rate:
 - (1) any rate containing the terms set forth in Exhibit B, Part A and Part B, on the Effective Date;

- (2) the Initial Successor Rate;
 - (3) the Alternative Successor Rate; and
 - (4) the Bonneville Successor Rate.
- (b) If Bonneville's Administrator submits to FERC a rate that is different from that set forth in Exhibit B, Part A and Part B, on the Effective Date, as the first rate proposed by Bonneville (Initial Successor Rate) to replace the AC-93 rate set forth in Exhibit A or that is for a rate approval period which is less than the remainder of the Term following the expiration of the AC-93 rate, PacifiCorp may, within 90 days after Bonneville submits the Initial Successor Rate to FERC and without regard to FERC's interim or final disposition of such rate, elect by written notice to Bonneville to terminate this Agreement and shall in such notice to Bonneville elect to exercise one of the two following options:
- (1) PacifiCorp may elect to proceed pursuant to paragraphs 18(f)(1), 18(f)(2), and 18(f)(3); or
 - (2) PacifiCorp may elect to have its Initial Lump Sum Payment, Adjusted Lump Sum Payment, or any Revised Adjusted Lump Sum Payment, whichever has been most recently paid by PacifiCorp to Bonneville pursuant to subsection 9(a), refunded by Bonneville subject to the following terms and conditions:
 - (A) This Agreement shall terminate upon the date Bonneville receives PacifiCorp's notification to terminate this Agreement pursuant to this subsection 18(b) except for those rights and obligations set forth in this paragraph 18(b)(2).
 - (B) Bonneville shall refund within the next three succeeding rate periods but, in any event, within 8

years after PacifiCorp has made its election for such refund (such period to begin no later than the 25th month after Bonneville's receipt of PacifiCorp's notification to terminate this Agreement and to end on the 96th month after Bonneville's receipt of such notification) in equal monthly amounts an amount equal to the "Refunded Lump Sum Payment" calculated as follows:

$$A - ((B/540) \times A) + I = \text{Refunded Lump Sum Payment}$$

where:

A = The Initial Lump Sum Payment, Adjusted Lump Sum Payment, or any Revised Adjusted Lump Sum Payment, whichever has been most recently paid by PacifiCorp to Bonneville pursuant to subsection 9(a).

B = The number of months between the Effective Date and the termination date of this Agreement pursuant to this subsection 18(b).

540 = 12 months X 45-year period over which Bonneville will amortize the Initial Lump Sum Payment, Adjusted Lump Sum Payment, or such Revised Adjusted Lump Sum Payment, as the case may be.

I = Interest on $A - ((B/540) \times A)$, accruing from (and including) the date of Bonneville's receipt of PacifiCorp's Initial Lump Sum Payment to (but excluding) the date on which Bonneville receives PacifiCorp's notification to terminate this Agreement pursuant to this subsection 18(a), at the 5-year Treasury note rate in effect on the date

on which Bonneville receives PacifiCorp's Initial Lump Sum Payment.

- (C) Bonneville shall, subject to the immediately succeeding sentence, pay interest on the Refunded Lump Sum Payment at a rate equal to Bonneville's weighted average interest rate on Bonneville's then-outstanding bonds and on Bonneville's then-outstanding debt instruments. Such interest payable pursuant to this subparagraph 18(b)(2)(C) shall be paid by Bonneville on the amount of each monthly amount of the Refunded Lump Sum Payment payable by Bonneville pursuant to subparagraph 18(b)(2)(B).
- (D) Bonneville shall refund the Refunded Lump Sum Payment pursuant to paragraph 9(f)(4).
- (E) At any time during the repayment period referenced in subparagraph 18(b)(2)(B), Bonneville may accelerate payment to PacifiCorp of the amount of the Refunded Lump Sum Payment.

If PacifiCorp elects to proceed under this paragraph 18(b)(2), Bonneville shall not develop a rate or charge that would inequitably allocate to PacifiCorp and Capacity Owners other than PacifiCorp, or to any of them, the cost to Bonneville of the Refunded Lump Sum Payment; provided, however, that such allocation shall not be deemed to be inequitable solely because it causes the recovery of a portion of the cost to Bonneville of the Refunded Lump Sum Payment from PacifiCorp or any Capacity Owner other than PacifiCorp.

- (c) If FERC approves the Initial Successor Rate, the Alternative Successor Rate (as defined in subsection 18(d)), or the Bonneville Successor Rate (as defined in subsection 18(d)) for a term less than the remainder of the Term following the expiration of the AC-93 rate,

and if Bonneville's Administrator thereafter submits to FERC a rate (Replacement Rate) that is different from the Initial Successor Rate, the Alternative Successor Rate or the Bonneville Successor Rate (whichever had been approved by FERC on an interim or final basis) or that is for a rate approval period which is less than the remainder of the Term following the expiration of the Initial Successor Rate, the Alternative Successor Rate or the Bonneville Successor Rate (whichever had been approved by FERC on an interim or final basis), PacifiCorp may, within 90 days after Bonneville submits such rate to FERC and without regard to FERC's interim or final disposition of such rate, elect by written notice to Bonneville to terminate this Agreement and shall in such notice to Bonneville elect to exercise one of the two following options:

- (1) PacifiCorp may elect to proceed pursuant to paragraphs 18(f)(1), 18(f)(2), and 18(f)(3); or
- (2) PacifiCorp may elect to have its Initial Lump Sum Payment, Adjusted Lump Sum Payment, or any Revised Adjusted Lump Sum Payment, whichever has been most recently paid by PacifiCorp to Bonneville pursuant to subsection 9(a), refunded by Bonneville subject to the following terms and conditions:
 - (A) This Agreement shall terminate upon the date Bonneville receives PacifiCorp's notification to terminate this Agreement pursuant to this subsection 18(c) except for those rights and obligations set forth in this paragraph 18(c)(2).
 - (B) Bonneville shall refund within the next three succeeding rate periods but, in any event, within 8 years after PacifiCorp has made its election for such refund (such period to begin no later than the 25th month after Bonneville's receipt of PacifiCorp's notification to terminate this Agreement and to end on the 96th month after Bonneville's receipt of such

notification) in equal monthly amounts an amount equal to the “Refunded Lump Sum Payment” calculated as follows:

$$A - ((B/540) \times A) + R = \text{Refunded Lump Sum Payment}$$

where:

A = The Initial Lump Sum Payment, Adjusted Lump Sum Payment, or any Revised Adjusted Lump Sum Payment, whichever has been most recently paid by PacifiCorp to Bonneville pursuant to subsection 9(a).

B = The number of months between the Effective Date and the termination date of this Agreement.

540 = 12 months X 45-year period over which Bonneville will amortize the Initial Lump Sum Payment, Adjusted Lump Sum Payment, or such Revised Adjusted Lump Sum Payment, as the case may be.

R = 2.5 times the amount paid pursuant to subparagraphs 9(b)(2)(A) and 9(b)(2)(B) for the immediately preceding fiscal year times the ratio of (a) the amount forecast to be paid pursuant to subparagraphs 9(b)(2)(A) and 9(b)(2)(B) for the first fiscal year during the proposed rate approval period pursuant to the rate submitted by Bonneville to FERC to replace the immediately preceding annual costs rate over (b) the amount forecast to be paid pursuant to subparagraphs 9(b)(2)(A) and 9(b)(2)(B) for the same fiscal year were the immediately preceding annual costs rate to remain in effect; provided, however, that the

ratio of (a) over (b) shall in no event be less than one for purposes of this subsection.

- (C) Bonneville shall, subject to the immediately succeeding sentence, pay interest on the Refunded Lump Sum Payment at a rate equal to Bonneville's weighted average interest rate on Bonneville's then-outstanding bonds and on Bonneville's then-outstanding debt instruments. Such interest payable pursuant to this subparagraph 18(c)(2)(C) shall be paid by Bonneville on the amount of each monthly amount of the Refunded Lump Sum Payment payable by Bonneville pursuant to subparagraph 18(c)(2)(B).
- (D) Bonneville shall refund the Refunded Lump Sum Payment pursuant to paragraph 9(f)(4).
- (E) At any time during the repayment period referenced in subparagraph 18(c)(2)(B), Bonneville may accelerate payment to PacifiCorp of the amount of Refunded Lump Sum Payment.

If PacifiCorp elects to proceed under this paragraph 18(c)(2), Bonneville shall not develop a special rate or charge that would inequitably allocate to PacifiCorp and Capacity Owners other than PacifiCorp, or to any of them, the cost to Bonneville of the Refunded Lump Sum Payment; provided, however, that such allocation shall not be deemed to be inequitable solely because it causes the recovery of a portion of the cost to Bonneville of the Refunded Lump Sum Payment from PacifiCorp or any Capacity Owner other than PacifiCorp.

The terms of this subsection 18(c) shall be effective through December 31, 2040.

- (d) If (i) FERC remands or approves a rate which materially differs from the rate schedule and Billing Provisions set forth in Exhibit B, Part A and Part B, on the Effective Date, or (ii) FERC grants final approval to a rate containing the terms set forth in Exhibit B, Part A and Part B, on the Effective Date, or to the Initial Successor Rate for a rate approval period of less than the remainder of the Term following the expiration of the AC-93 rate, or (iii) FERC remands or disapproves the Initial Successor Rate, then in any such event Bonneville, PacifiCorp, and Capacity Owners other than PacifiCorp shall use good faith efforts to develop an alternative successor rate (Alternative Successor Rate) which would place PacifiCorp in substantially the same position with respect to PacifiCorp's rights and obligations under this Agreement as if the rate schedule and Billing Provisions set forth in Exhibit B, Part A and Part B, on the Effective Date, had been approved by FERC for the remainder of the Term following the expiration of the AC-93 rate. Bonneville, PacifiCorp, and Capacity Owners other than PacifiCorp shall use good faith efforts to reach agreement on an Alternative Successor Rate within 6 months after the date of the FERC order regarding the Initial Successor Rate contemplated in this subsection 18(d) or within the time period established in such FERC order, whichever is earlier.
- (1) If Bonneville, PacifiCorp, and Capacity Owners other than PacifiCorp reach such an agreement regarding an Alternative Successor Rate within the applicable time period referred to in the immediately preceding sentence, then Bonneville shall, subject to section 7(i) of the Regional Act, submit such Alternative Successor Rate to FERC for approval and confirmation.
- (2) If Bonneville, PacifiCorp, and Capacity Owners other than PacifiCorp do not reach such an agreement regarding an Alternative Successor Rate within the applicable time period referred to in the immediately preceding sentence, Bonneville shall develop a rate, which, among other things, in Bonneville's judgment, protects the rights and obligations of PacifiCorp and

Capacity Owners other than PacifiCorp and, subject to section 7(i) of the Regional Act, shall submit such rate (Bonneville Successor Rate) to FERC for approval and confirmation.

Nothing in this subsection 18(d) shall limit or otherwise affect any provisions of subsection 18(b) or 18(c).

- (e) If Bonneville, PacifiCorp, and Capacity Owners other than PacifiCorp are unable to agree upon an Alternative Successor Rate pursuant to subsection 18(d), or if FERC approves the Alternative Successor Rate for a period of less than 15 years or with terms and conditions that differ from the terms and conditions of the Alternative Successor Rate, or if FERC remands the Alternative Successor Rate, or if FERC approves the Bonneville Successor Rate, PacifiCorp may elect, within 6 months of any of the foregoing events, to terminate this Agreement and execute a long-term contract with Bonneville for firm wheeling on the PNW-PSW Intertie for a term not less than the remaining term of the agreement(s) specified in Exhibit J for wheeling of an amount of power on the PNW-PSW Intertie up to PacifiCorp's Capacity Ownership Share, pursuant to subsection 18(f).
- (f) Should PacifiCorp elect to proceed pursuant to paragraph 18(b)(1) or 18(c)(1) or subsection 18(e), the Parties shall take the following steps:
 - (1) PacifiCorp shall provide Bonneville with written notification of its election to terminate this Agreement and with a written request for a long-term contract for firm wheeling on the PNW-PSW Intertie for a period not less than the remaining term of the agreement(s) specified in Exhibit J for wheeling of an amount of power on the PNW-PSW Intertie up to PacifiCorp's Capacity Ownership Share.
 - (2) As soon as practicable after receipt by Bonneville of the written notice sent pursuant to paragraph 18(f)(1), Bonneville shall offer to PacifiCorp a long-term contract for firm wheeling on the PNW-PSW Intertie of an amount of power equal to the

amount of power specified in PacifiCorp's written request pursuant to paragraph 18(f)(1), such offered contract to contain other terms and conditions substantially similar to those then being offered by Bonneville to its other firm wheeling customers for transactions on the PNW-PSW Intertie.

The termination date of this Agreement shall be the same date as the effective date of the long-term contract for firm wheeling referred to in this paragraph 18(f)(2), and such date shall in any event be no more than 6 months after Bonneville's receipt of PacifiCorp's notification pursuant to paragraph 18(f)(1).

(3) The long-term contract for firm wheeling offered to PacifiCorp pursuant to paragraph 18(f)(2) shall also contain provisions which:

(A) Require Bonneville to credit or pay (any such payment to be made pursuant to paragraph 9(f)(4)), in equal monthly amounts during the term of such long-term contract for firm wheeling, against the amount payable by PacifiCorp to Bonneville pursuant to such long-term wheeling agreement an amount equal to the "Credited Lump Sum Payment" calculated as follows:

$$A - ((B/540) \times A) = \text{Credited Lump Sum Payment}$$

where:

A = The Initial Lump Sum Payment, Adjusted Lump Sum Payment, or any Revised Adjusted Lump Sum Payment, whichever has been most recently paid by PacifiCorp to Bonneville pursuant to subsection 9(a).

B = The number of months between the Effective Date and the termination date of this Agreement pursuant to this subsection 18(e).

540 = 12 months X 45-year period over which Bonneville will amortize the Initial Lump Sum Payment, Adjusted Lump Sum Payment, or such Revised Adjusted Lump Sum Payment, as the case may be.

- (B) Require Bonneville, subject to the immediately succeeding sentence, to credit or pay interest on the Credited Lump Sum Payment at a rate equal to Bonneville's weighted average interest rate on Bonneville's then-outstanding bonds and on Bonneville's then-outstanding debt instruments. Such interest to be credited or paid pursuant to this provision shall be credited or paid by Bonneville on the amount of each monthly amount of the Credited Lump Sum Payment to be credited or paid by Bonneville pursuant to the provision set forth in subparagraph 18(f)(3)(A).
 - (C) Permit Bonneville to accelerate payment to PacifiCorp of the amount of Credited Lump Sum Payment which remains uncredited at any time during the term of such long-term contract for firm wheeling.
- (g) PacifiCorp's right to terminate this Agreement pursuant to subsections 18(d) through 18(f) is a one-time only right that must be exercised after FERC action pursuant to subsection 18(d). If PacifiCorp fails to terminate the Agreement pursuant to subsection 18(e) as prescribed therein as a result of FERC action, PacifiCorp shall have no future rights to terminate the Agreement under this section 18 as a result of FERC action.
- (h) Bonneville shall use best efforts to establish and maintain in effect the AC-93 rate, set forth in Exhibit A, during the remainder of the

Term, but only until the annual costs rate set forth in Exhibit B, or other rate submitted to FERC, pursuant to subsections 18(b) through 18(d), that is confirmed and approved by FERC on an interim or final basis, becomes effective. If FERC does not confirm and approve on a final basis the AC-93 rate for a rate approval period of sufficient duration so that the AC-93 rate is effective until the annual costs rate set forth in Exhibit B, or such other rate, becomes effective, then upon expiration of the rate approval period of such AC-93 rate, Bonneville shall submit to FERC a rate based on the methodology used to determine the AC-93 rate (revised AC-93 rate) and shall use best efforts to obtain a rate approval period for the revised AC-93 rate of sufficient duration so that the revised AC-93 rate is effective until the annual costs rate set forth in Exhibit B, or other rate submitted to FERC, pursuant to subsections 18(b) through 18(d), becomes effective. If, at any time during the Term, FERC does not confirm and approve on an interim or final basis the AC-93 rate or revised AC-93 rate for any reason other than the duration of the rate approval period, Bonneville and PacifiCorp shall use best efforts to develop a rate that would replace the AC-93 rate or revised AC-93 rate, and Bonneville shall submit such rate to FERC, pursuant to section 7(i) of the Regional Act, for confirmation and approval if such rate is agreed to by Bonneville, PacifiCorp and Capacity Owners other than PacifiCorp. If Bonneville and PacifiCorp do not succeed in developing such rate, Bonneville shall submit to FERC, pursuant to section 7(i) of the Regional Act, a rate which in Bonneville's judgment recovers Bonneville's costs. Bonneville shall bill PacifiCorp, and PacifiCorp shall pay Bonneville, in accordance with the AC-93 rate or, if FERC does not confirm and approve on an interim or final basis the AC-93 rate, the rate confirmed and approved by FERC on an interim or final basis. Bonneville shall revise Exhibit A so that it contains, at a given time, the AC-93 or other rate confirmed and approved by FERC on an interim or final basis.

19. **EXHIBITS**

- (a) Exhibits A through J attached to this Agreement are by this reference made a part of this Agreement. In the event of a conflict between any provision in Exhibits A through J and the provisions of sections 1 through 23 of this Agreement, the provisions of sections 1 through 23 of this Agreement shall prevail.
- (b) Bonneville shall revise Exhibit A pursuant to subsections 18(g) and 18(h) and this subsection 19(b). The rate schedules attached hereto as Exhibit A have been conditionally or finally confirmed by FERC. If the final rate schedules which are approved by FERC are an amendment or modification of the initial rate schedules, the applicable amended or modified rate schedules and associated GTRSPs shall be attached to and made part of this Agreement effective as of the date specified in FERC's approval. The rate schedules and GTRSPs included in Exhibit A shall be replaced by successor rate schedules and provisions in accordance with the provisions of section 7(i) of the Regional Act and FERC rules.
- (c) Upon interim or final approval by FERC of any rate submitted to FERC pursuant to subsections 18(a) through 18(g), Bonneville shall revise Exhibit B so that Exhibit B contains such rate approved by FERC as contemplated in this subsection 19(c). For purposes of this Agreement, such rate shall be effective as of the date of effectiveness specified in FERC's approval of such rate. Subject to the provisions of subsections 18(a) through 18(g), the rate schedule set forth in Exhibit B, Part A and Part B, on the Effective Date, shall be replaced by successor rate schedules and provisions pursuant to section 7(i) of the Northwest Power Act and applicable FERC rules.
- (d) Bonneville shall revise or modify Exhibit C from time to time to reflect changes hereafter agreed to in writing by the Parties in PacifiCorp's Capacity Ownership Share, Capacity Ownership Percentage, Scheduling Percentage, and Scheduling Share.

- (e) Bonneville shall revise Exhibit D pursuant to subsection 9(a). Revision or modification of Exhibit D shall not require an executed amendment or revision to this Agreement.

- (f) Not more frequently than annually, Bonneville shall review and, as appropriate, revise Exhibit E, Part A, in accordance with Bonneville's standard methodology and formula for calculation of average losses incurred by Bonneville in providing transmission on Bonneville's PNW AC Intertie. Such methodology and formula are intended to forecast average annual actual losses incurred by Bonneville in providing transmission on Bonneville's PNW AC Intertie Operational Transfer Capability. Any changes to the loss methodology or formula, other than numerical values, shall be made only after consultation with the Committee. During such consultation, Bonneville shall provide to the Committee material pertinent to such changes to the loss methodology or formula. Upon conclusion of any review of the loss factor in Exhibit E, Part A, Bonneville shall present the results of its review, including any revisions to the loss factor in Exhibit E, Part A, to the Committee as part of the Operating Plan pursuant to section 13. If the Committee pursues arbitration pursuant to subsection 10(b) and section 14, Bonneville shall revise Exhibit E, Part A, to reflect the selection of the arbitrators pursuant to subsection 14(j).

- (g) Bonneville shall revise the loss factor in Exhibit E, Part B, as necessary to equal the same factor for average losses as Bonneville generally applies to transmission over Bonneville's share of the PNW-PSW Intertie. Revision of Exhibit E, Part B, shall not require an executed amendment or revision to this Agreement.

- (h) Bonneville shall revise Exhibit F as appropriate to reflect the facilities in Bonneville's PNW AC Intertie. Revision or modification of Exhibit F shall not require an executed amendment or revision to this Agreement.

- (i) Bonneville shall revise Exhibit G as appropriate to reflect the complete list of all of the Capacity Owners and their respective

Capacity Ownership Shares and Capacity Ownership Percentages from time to time pursuant to this Agreement.

- (j) Bonneville shall revise Exhibit H as appropriate to reflect all provisions required by statute or Executive Order. Revision or modification of Exhibit H shall not require an executed amendment or revision to this Agreement.
- (k) Bonneville shall revise Exhibit I to reflect changes as agreed to in writing by PacifiCorp and Capacity Owners other than PacifiCorp.
- (l) Bonneville shall revise Exhibit J as mutually agreed to in writing by the Parties.

20. RULES OF LAW

- (a) Bonneville and PacifiCorp agree that each fully participated in the drafting of each provision of this Agreement. The rule of law interpreting ambiguities against the drafting Party shall not be applicable to or utilized in resolving any dispute over the meaning or intent of this Agreement or any of its provisions.
- (b) This Agreement shall not be construed to establish a partnership, association, agency relationship, joint venture, or trust. Neither Party shall be under the control of or shall be or represent itself as, the agent of, or have a right or power to bind, the other Party without the other's express written consent, except as provided in this Agreement.
- (c) All applicable law is incorporated in and made part of this Agreement.

21. NOTICES

- (a) Unless the Agreement requires otherwise, any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be served, given, or

made if delivered in person or sent by acknowledged delivery, or sent by registered or certified mail, postage prepaid, to the persons addressed as set forth below:

To Bonneville:

Group Vice President for Marketing, Conservation and Production
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

To Puget:

Vice President Power Planning
Puget Sound Power & Light Company
411 108th Avenue NE 15th Floor
Bellevue, WA 98004-5515

To Seattle:

Director, Power Management Division
Seattle City Light
1111 Third Avenue, Room 420
Seattle, WA 98101

To PNGC:

Director of Power Management
Pacific Northwest Generating Cooperative
711 NE Halsey Street, Suite 200
Portland, OR 97232

To Snohomish:

Manager of Power Supply
Public Utility District No. 1 of Snohomish
County, Washington
2320 California Street
P.O. Box 1107
Everett, WA 98201

To Tacoma:
Light Division Superintendent
Tacoma Public Utilities
3628 S. 35th Street
Tacoma, WA 98411

To PacifiCorp:
Senior Vice President, Wholesale Transactions
and Transmission
PacifiCorp Electric Operations
825 NE. Multnomah Street, Suite 625
Portland, OR 97232

- (b) Either Party may, by written notice to the other Party pursuant to subsection 21(a), change the address set forth in subsection 21(a) for the notifying Party.
- (c) All notices pursuant to this Agreement shall be effective on the date of receipt.

22. **WAIVER**

Any waiver at any time by a Party of its rights with respect to any matter arising in connection with this Agreement shall not be deemed a waiver with respect to any subsequent or other matter. Except as otherwise provided herein or as agreed in writing by the Parties, no provision in this Agreement may be waived except as documented or confirmed in writing.

23. **MISCELLANEOUS**

(a) **Effect of Section Headings**

Section headings and subheadings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of provisions of this Agreement.

(b) **Amendments**

Except as may be expressly otherwise provided in this Agreement, this Agreement may be amended only with the express written consent of both of the Parties, and no provision of this Agreement shall be varied or contradicted by any oral agreement, course of dealing or performance or any other matter not hereafter set forth in a written agreement signed by both of the Parties.

(c) **Entire Agreement**

This Agreement constitutes, on and as of the date hereof, the entire agreement of the Parties with respect to the subject matter of this Agreement, and all prior understandings or agreements, whether written or oral, between the Parties with respect to the subject matter of this Agreement are hereby superseded in their entireties.

(d) **No Third Party Beneficiaries**

There are no third party beneficiaries of this Agreement. This Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation, or undertaking established herein.

(e) **Regulatory Approvals**

Each Party shall use its best efforts to obtain and maintain in effect regulatory approvals that are necessary to permit such Party to perform its obligations under this Agreement in accordance with its terms and conditions. Neither Party shall oppose in any way or seek to alter or amend the terms and conditions of this Agreement by application to or participation in any application of any regulatory authority or court having jurisdiction. PacifiCorp shall not oppose in any way or seek to alter or amend the terms or conditions of the annual costs rate set forth in Exhibit B, the CO-94 rate, the AC-93 rate, or any rate described in section 18 that is agreed to by the

7. AC Intertie Reactive Support. After joint studies have been completed and parties mutually agree that additional reactive support is required at Malin or Captain Jack to support the AC Intertie, PacifiCorp shall be financially responsible for its share of such added reactive support.
8. Remedial Action Schemes (RAS) to Support PacifiCorp's AC and DC Intertie Schedules. PacifiCorp shall be responsible for providing or assuring at its cost the provision of its pro rata share of RAS required to support the RTC and OTC of the AC Intertie in either the N>S or S>N direction. In support of its obligations to provide generator dropping for its net N>S AC Intertie schedules, PacifiCorp shall provide generation dropping from its share of Mid-Columbia generation on-line at the time of the RAS requirement. Bonneville may, after it has exhausted its own capability to provide generator dropping in support of its obligation for net N>S AC Intertie Schedules, have access to PacifiCorp's total Mid-Columbia rights on-line at the time of the RAS requirement. Such access to PacifiCorp's Mid-Columbia generator dropping capability by Bonneville shall be at no cost. To the extent that PacifiCorp does not have the capability on-line to provide generator dropping from its Mid-Columbia rights for its net N>S AC Intertie schedules, Bonneville shall, to the extent it has available on-line generation, provide generator dropping capability to PacifiCorp at no cost. In support of PacifiCorp's net S>N schedules on the AC Intertie or its S>N schedules on the DC Intertie, PacifiCorp shall be responsible for making arrangements for any load dropping requirements. To the extent possible, as determined by Bonneville, Bonneville shall offer to sell RAS service to PacifiCorp to enable PacifiCorp to meet its obligations under this Section 8.
9. Midpoint-Medford Agreement Revisions. The following revisions will be made to the Midpoint-Medford Transmission Agreement, Contract No DE-MS79-79BP90091:
 - (a) Revise transmission charges in Exhibit E to reflect the elimination of the Hatwai Point of Interconnection.
 - (b) Revise Exhibit H to reflect the 1187 MW capability of PacifiCorp's Midpoint-Malin-Medford lines as agreed to by IPC/WWP/BPA and PacifiCorp in the Idaho-Northwest Uprate Agreement, Contract No. DE-MS79-90BP93103.
 - (c) Revise Exhibit H to reflect bypass of Burns capacitors.
10. Losses. Prior to energization of PacifiCorp's Dixonville-Meridian 500 kV line and the associated uprating of the AC Intertie N>S RTC to 4800 MW, the parties shall make best efforts to study and reach agreement on an equitable allocation of the parties' control area losses in Southern/Central Oregon associated with the parties' use pursuant to the Intertie Agreements. Such allocation of losses shall consider both heavy and light AC Intertie schedules and area loads, as well as S>N and N>S AC Intertie schedules.

(i) **Time Periods**

For purposes of calculating any time period prescribed by this Agreement, if the last day of the time period falls on a day that is not a Working Day, then the last day of the time period shall be the first Working Day following such day as would otherwise be the last day of the time period.

(j) **Double Counting**

In developing rates or charges under section 7 of the Pacific Northwest Electric Power Planning and Conservation Act for any rate period, Bonneville shall not set rates or charges that recover, more than once, the costs associated with capital projects that are paid or forecast to be paid under the CO-94 rate and the AC-93 rate and annual costs rate set forth in Exhibit B, or the remaining Bonneville's PNW AC Intertie costs forecast to be paid under the AC-93 rate and annual costs rate set forth in Exhibit B. Bonneville's forecast of revenues chargeable under the CO-94 rate, AC-93 rate, and annual costs rate set forth in Exhibit B shall be based on the best available information, including information provided pursuant to section 13 of this Agreement.

In the event Bonneville proposes any wheeling rate for transmission service on Bonneville's main grid that includes costs of the PNW AC Intertie, such proposed rate shall include a credit or other mechanism that ensures that PacifiCorp is not charged any of the PNW AC Intertie costs for deliveries of power that utilize up to the PacifiCorp's Capacity Ownership Share, as that term is defined in this Agreement.

(k) **Committee Action**

Each of the Parties agrees that to the extent it is provided in sections 13, 14, and 16 that the Committee shall take any action or shall make any decision, such action or decision shall be taken or made, as the

case may be, by the Committee, and not by PacifiCorp acting individually.

(l) **Fiscal Year**

For purposes of this Agreement, the term “fiscal year” shall mean Bonneville’s fiscal year.

(m) **Rights and Remedies Cumulative**

All rights and remedies of either Party under this Agreement and at law and in equity shall be cumulative and not mutually exclusive and the exercise of one right or remedy shall not be deemed a waiver of any other right or remedy. Nothing contained in any provision of this Agreement shall be construed to limit or exclude any

right or remedy of either Party (arising on account of the breach or default by the other Party or otherwise) now or hereafter existing under any other provision of this Agreement, at law or in equity.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By /S/ **PATRICK G. MCRAE** _____
Senior Account Executive

Name _____
(Print/Type)

Date December 28, 1994 _____

PACIFICORP

By /S/ **DENNIS P. STEINBERG** _____

Name _____
(Print/Type)

Title Senior Vice President _____

Date December 27, 1994 _____

Effective Date January 1, 1995 _____

(PMLAN-MPB-WAPMTCT94628.DOC)



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Amendatory Agreement No. 1
Contract No. DE-MS79-95BP94628

AUTHENTICATED

Mr. Jerry Miller, Director
Power System Services
PacifiCorp Electric Operations
825 NE. Multnomah Street, Suite 625
Portland, OR 97232

Dear Mr. Miller:

This letter constitutes an agreement between the United States of America, Department of Energy, acting by and through the Bonneville Power Administration (Bonneville) and PacifiCorp Electric Operations (PacifiCorp), a corporation organized and existing under the laws of the State of Oregon, to amend Contract No. DE-MS79-95BP94628 (Capacity Ownership Agreement). This letter agreement shall be effective upon the Effective Date of the Capacity Ownership Agreement and shall have the same term as the Capacity Ownership Agreement.

Bonneville and PacifiCorp agree that subparagraphs 3(b)(2)(A) and 3(b)(2)(B) in the Capacity Ownership Agreement shall be deleted and the following language shall be substituted:

- (A) PacifiCorp may use its Scheduling Share to transmit any and all power and energy, whether or not such power or energy is owned by PacifiCorp. PacifiCorp agrees to provide Bonneville access to its available unused Scheduling Share on any hour under terms and conditions comparable to those provided by Bonneville to PacifiCorp under the open market provisions of section 5(c)(2) of Bonneville's Long-Term Intertie Access Policy, including any revisions or amendments thereto.
- (B) PacifiCorp hereby waives any rights it may have under Exhibit B of the Long-Term Intertie Access Policy as Exhibit B existed on June 30, 1994, and any rights to access under the condition 1 provisions of section 5(c)(1) of Bonneville's Long-Term Intertie Access Policy, including any revisions or amendments thereto. PacifiCorp does not waive any other rights it may have to transmission access on Bonneville's PNW-PSW Intertie including but not limited to: (1) firm transmission service on Bonneville's PNW-PSW

Intertie; (2) transmission service under the open market provisions of section 5(c)(2) of Bonneville's Long-Term Intertie Access Policy, including any revisions or amendments thereto; or (3) any rights to request an order from the Federal Energy Regulatory Commission under Section 211, or any other applicable section, of the Federal Power Act or any successor statute, requiring Bonneville to provide transmission service to PacifiCorp consistent with the above.

PacifiCorp and Bonneville agree to negotiate in good faith the terms and conditions under which PacifiCorp shall be able to access Bonneville's PNW-PSW Intertie under the condition 1 provisions of section 5(c)(1) of Bonneville's Long-Term Intertie Access Policy as it existed on June 30, 1994.

In order for Bonneville to implement the changes to (A) and (B) reflected above, a new paragraph 3(b)(2)(D) needs to be added to the Capacity Ownership Agreement. The language follows:

- (D) Bonneville shall not be obligated to provide wheeling under the open market provisions of section 5(c)(2) of Bonneville's Long-Term Intertie Access Policy, including any revisions or amendments thereto, until Bonneville has successfully developed software to allow Bonneville to provide such wheeling to PacifiCorp or until December 27, 1994, which ever occurs sooner.

Further, the following amendments to subsection 4(a) are made. Delete the phrase "(and only PacifiCorp)" in the first sentence. Before the first sentence, insert the following three sentences: "For purposes of this section 4, all references to PacifiCorp shall mean PacifiCorp or its designee. Any such designee shall be identified in writing by PacifiCorp to Bonneville. Only one entity may submit schedules on PacifiCorp's behalf at any one time."

In addition, the following amendment to Exhibit E, paragraph B, is made. Delete the phrase "subparagraph 3(b)(1)(C)" and replace it with the phrase "subparagraph 3(b)(1)(C) or 3(b)(2)(B)."

If the foregoing terms are acceptable to PacifiCorp, please sign both copies and return one copy of this letter agreement. The remaining copy is for your files.

Sincerely,

/s/ **PATRICK G. MCRAE**

Senior Account Executive

Name Patrick G. McRae
(Print/Type)

ACCEPTED:

PACIFICORP ELECTRIC OPERATIONS

By /s/ **DENNIS P. STEINBERG**

Name _____
(Print/Type)

Title Senior Vice President

Date December 27, 1994



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Amendatory Agreement No. 2
Contract No. DE-MS79-95BP94628

AUTHENTICATED

Mr. Jerry Miller, Manager
Power System Services
PacifiCorp
825 NE. Multnomah Street, Suite 625
Portland, OR 97232

Dear Mr. Miller:

This letter constitutes an agreement between the United States of America, Department of Energy, acting by and through the Bonneville Power Administration (Bonneville) and PacifiCorp, a corporation organized and existing under the laws of the State of Oregon, to amend Contract No. DE-MS79-95BP94628 (Capacity Ownership Agreement).

Bonneville and PacifiCorp agree that the first sentence of section 2(a) shall be stricken and replaced with the following sentence:

"This Agreement shall become effective January 1, 1995, unless otherwise determined by FERC."

Should the Federal Energy Regulation Committee determine the Effective Date of the Capacity Ownership Agreement to be after January 1, 1995, PacifiCorp agrees to pay Bonneville Southern Intertie firm wheeling charges for PacifiCorp's use of its Capacity Ownership Share between January 1, 1995, and the Effective Date as established by FERC.

If the foregoing terms are acceptable to PacifiCorp, please sign both copies and return one copy of this amendment. The remaining copy is for your files.

Sincerely,

/s/ **PATRICK G. MCRAE**

Senior Account Executive

Name Patrick G. McRae
(Print/Type)

ACCEPTED:

PACIFICORP

By /s/ **JERRY D. MILLER**

Name _____
(Print/Type)

Title Manager, Power System

Date January 23, 1995

(PMLAN-MPSM-W\MPSM\CTLTRAGT94628.DOC)



Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

TRANSMISSION BUSINESS LINE

AUTHENTICATED

October 3, 1997

In reply refer to: TM/Lloyd

Mr. Brian Sickels
Vice President
Global Energy Trading & Wholesale Sales
PacifiCorp
700 NE Multnomah, Suite 1600
Portland, OR 97232

Dear Mr. Sickels:

Several revisions have occurred to the proposed FY-98 Operating Plan of the Capacity Ownership Agreement (contract DE-MS79-95BP94628). These revisions (Rev. 2) were applied to the Operating Plan on August 20, 1997 and are as follows:

Schedule A, lines 7, 9, and 11: These lines are the direct, indirect, and overhead costs for Bonneville's total system operations. There is a slight increase in these costs from those in Revision 1 of the Operating Plan. These costs are updated to reflect the figures resulting from the true-up, per the request of the PNW AC Intertie owners at our December meeting.

Schedule B, lines 11 and 13: These lines are the indirect and overhead costs for Bonneville's total system maintenance. There is a slight increase in these costs from those in Revision 1 of the Operating Plan. These costs are updated to reflect the figures resulting from the true-up, per the request of the PNW AC Intertie owners at our December meeting.

Schedule C: All forecasted costs for Replacements and Reinforcements at Grizzley and John Day Substations have been removed as plans for these actions have been postponed to FY-2000.

Schedule E: Costs have been revised to reflect actual costs for FY-96 as determined in the true-up project.

As a result of these revisions, the FY-98 monthly cost has been revised downward from \$210 to \$172 per MW-month (calculated by summing each Schedule cost, multiplying by 21%, dividing by 725 MW, and dividing by 12 months).

If you have any questions, please contact Gregg E. Childs, BPA Transmission Contract Specialist, at (503) 230-5167.

Sincerely,

/s/ CLIFFORD C. PERIGO

Clifford C. Perigo
Senior Account Executive
Transmission Marketing and Sales

Enclosure

Effective at 2400 hours on December 12, 1995

CAPACITY OWNERSHIP AGREEMENT OPERATING PLAN, FY 1996

Schedule A

Schedule A for FY 1996

	Line No.	Forecast	Actual	Difference
I. Operations Costs				
A. Allocation Factor				
MFUs of Bonneville's PNW AC Intertie	1	82.3		
MFUs of the FCRTS	2	3,187		
Allocation Factor [Line 1 + Line 2]	3	0.0258		
B. Operations Functionalization Factor				
Bonneville's Total Transmission-Related Systems Operations Cost from Rate Case	4	35,329,000		
Bonneville's Total System Operations Cost from Rate Case	5	37,401,000		
Operations Functionalization Factor [Line 4 + Line 5]	6	0.9446		
C. Allocated Direct Cost				
Bonneville's Total System Operations Direct Cost	7	25,698,996		
Allocated Direct Cost of Operations Cost [Line 3 × Line 6 × Line 7]	8	626,302		

D. Indirect Cost		
Bonneville's Total System Operations Indirect Cost	9	288,404
Indirect Cost of Operations Cost [Line 3 × Line 6 × Line 9]	10	7,029
E. Overhead Cost		
Bonneville's Total System Operations Overhead Cost	11	11,046,214
Overhead Cost of Operations Cost [Line 3 × Line 6 × Line 11]	12	269,204
F. Operations Cost [Lines 8 + 10 + 12]	13	902,535

Schedule B

Schedule B for FY 1996

	Line No.	Forecast	Actual	Difference
II. Maintenance Cost				
A. Power System Control (PSC) Maintenance Functionalization Factor				
Bonneville's Transmission-Related PSC Maintenance Cost from Rate Case	1	13,374,000		
Bonneville's Total PSC Maintenance Cost from Rate Case	2	16,515,000		
PSC Maintenance Functionalization Factor [Line 1 + Line 2]	3	0.8098		
B. Direct Cost				
Total PSC Direct Maintenance Cost	4	7,851,657		
MFU Allocation Factor [Schedule A, line 3]	5	0.0258		
PSC Direct Maintenance Cost for Bonneville's PNW AC Intertie [Line 4 × Line 3 × Line 5]	6	164,043		
Bonneville's Direct Cost of Maintaining Bonneville's PNW AC Intertie excluding PSC Maintenance Cost	7	548,558		
Direct Cost of Maintenance Cost [Line 6 + Line 7]	8	712,601		

C. Allocation Factor

Bonneville's Total System Maintenance Direct Cost	9	32,372,607
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Allocation Factor for Indirect Cost and Overhead Cost [Line 8 + Line 9]	10	0.0220
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D. Indirect Cost

Bonneville's Total System Maintenance Indirect Cost	11	28,968,193
--	----	------------

Indirect Cost of Maintenance Cost [Line 11 × Line 10]	12	637,300
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E. Overhead Cost

Bonneville's Total System Maintenance Overhead Cost	13	25,733,635
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Overhead Cost of Maintenance Cost [Line 13 × Line 10]	14	566,140
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Maintenance Cost [Lines 8 + 12 + 14]	15	1,916,042
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Schedule C

Schedule C for FY 1996

	Line No.	Forecast	Actual	Difference
III. Replacement Costs and Reinforcement Costs				
A. Direct Cost				
Direct Costs of Replacements and Reinforcements	1	-		
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of Replacements and Reinforcements	2	-		
C. AFUDC				
AFUDC of Replacements and Reinforcements	3	-		
D. Interest				
Interest Cost of Replacements and Reinforcements	4	-		
E. Total Replacement Costs and Reinforcement Costs [Lines 1 + 2 + 3 + 4]	5	-		

Notes:

A separate Schedule C will be provided in the Operating Plan for each Replacement and Reinforcement. Forecasts of Replacement Costs and Reinforcement Costs will be provided; Capacity Owners shall be billed for Replacements and Reinforcements using actual cost pursuant to section 9(b)(2)(B).

Schedule D

Schedule D for FY 1996

	Line No.	Allocated Actual
IV. General Plant Cost		
Bonneville's Total General Plant Investment	1	423,889,000
Bonneville's Dittmer Control Equipment Investment	2	43,983,000
General Plant Investment of Lines 1 and 2 Functionalized to Generation	3	56,049,000
General Plant Investment Recovered from All Capacity Owners in Adjusted Capacity Ownership Price and Revised Adjusted Capacity Ownership Price	4	6,373,000
General Plant Investment Recovered from Capacity Owners for Upgrades	5	-
Adjusted General Plant Investment Functionalized to Transmission [Line 1 + Line 2 - Line 3 - Line 4 - Line 5]	6	405,430,000
BPA Total Annual Cost of Line 6 General Plant Investment	7	40,715,000
BPA Total Transmission Plant-In-Service Investment (not including general plant investment) from Segmentation Study	8	3,572,243,000
ACR for Bonneville's PNW AC Intertie [Line 7 + Line 8]	9	0.0114
Bonneville's PNW AC Intertie investment from Segmentation Study	10	152,444,000
General Plant Cost [Line 9 x Line 10]	11	1,737,862

Schedule E

Schedule E for FY96

	Line No.	Forecast	Actual	Difference
V. Other Costs				
A. PacifiCorp and Related Costs	1	36,956		
B. Other PNW AC Intertie costs	2			
C. Total Other Costs	3	36,956		

Schedule F

Schedule F for FY 96

	Line No.	Forecast	Actual	Difference
VI. Contracts and Rates Costs				
A. Contracts and Rates Functionalization Factor				
Transmission-Related Contracts and Rates Cost from Rate Case	1	4,330,000		
Total Contracts and Rates Cost from Rate Case	2	15,446,000		
Contracts and Rates Cost Functionalization Factor [Line 1 + Line 2]	3	0.2803		
B. Allocation Factor				
MFU Allocation Factor [Schedule A, line 3]	4	0.0258		
C. Total Contracts and Rates Cost				
Contracts and Rates Direct Costs	5	17,736,000		
Contracts and Rates Indirect Costs	6	1,185,000		
Contracts and Rates Overhead Costs	7	12,963,000		
Bonneville's Total Contracts and Rates Costs [Line 5 + Line 6 + Line 7]	8	31,884,000		
D. Contracts and Rates Cost [Line 8 × Line 3 × Line 4]	9	230,577		

Schedule G

Schedule G for FY96

	Line No.	Forecast	Actual	Difference
VII. Power Scheduling Costs				
A. Power Scheduling Functionalization Factor				
Transmission-Related Power Scheduling Costs from Rate Case	1			
Total Power Scheduling Cost from Rate Case	2	10,103,000		
Power Scheduling Cost Functionalization Factor [Line 1 + Line 2]	3			
B. Allocation Factor				
MFU Allocation Factor [Schedule A, line 3]	4	0.0258		
C. Total Power Scheduling Costs				
Power Scheduling Direct Costs	5			
Power Scheduling Indirect Costs	6			
Power Scheduling Overhead Costs	7			
Bonneville's Total Power Scheduling Costs [Line 5 + Line 6 + Line 7]	8			
Power Scheduling Cost [Line 8 × Line 3 × Line 4]	9			

Schedule H

Schedule H for FY96

	Line No.	Forecast	Actual	Difference
VIII. End of Term Costs				
A. Direct Cost				
Direct Cost of End of Term Costs	1	-		
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of End of Term Costs	2	-		
C. Credits				
Credits from decommissioning PNW AC Intertie Facilities	3	-		
D. End of Term Costs	4	-		

OPERATING PLAN FY-98

Exhibit I, Schedule A
Rev. 2: Aug.20, 1997

Schedule A

Schedule A for FY 98

	Line No.	Forecast	Actual	Difference
I. Operations Costs				
A. Allocation Factor				
MFUs of Bonneville's PNW AC Intertie	1		<u>82.3</u>	
MFUs of the FCRTS	2		<u>3,187</u>	
Allocation factor (Line 1 ÷ Line 2)	3		<u>.0258</u>	
B. Operations Functionalization Factor				
Bonneville's total transmission-related systems operations cost from rate case	4		<u>34,367,000</u>	
Bonneville's total system operations cost from rate case	5		<u>36,535,000</u>	
Operations functionalization factor {Line 4 ÷ Line 5}	6		<u>.9407</u>	
C. Allocated Direct Cost				
Bonneville's total system operations direct cost	7	<u>25,480,067</u>		
Allocated Direct Cost of Operations Cost [Line 3 × Line 6 × Line 7]	8	<u>618,403</u>		

	Line No.	Forecast	Actual	Difference
D. Indirect Cost				
Bonneville's total system operations indirect cost	9	147,533	_____	_____
Indirect Cost of Operations Cost [Line 3 × Line 6 × Line 9]	10	<u>3,581</u>	_____	_____
E. Overhead Cost				
Bonneville's total system operations overhead cost	11	<u>11,175,667</u>	_____	_____
Overhead Cost of Operations Cost [Line 3 × Line 6 × Line 11]	12	<u>271,234</u>	_____	_____
F. Operations Cost [Lines 8 + 10 + 12]	13	<u>982,848</u>	_____	_____

Schedule B

Schedule B for FY98

	Line No.	Forecast	Actual	Difference
II. Maintenance Cost				
A. Power System Control (PSC) Maintenance Functionalization Factor				
Bonneville's transmission-related PSC maintenance cost from rate case	1		<u>8,998,000</u>	
Bonneville's total PSC maintenance cost from rate case	2		<u>10,627,000</u>	
PSC maintenance functionalization factor [Line 1 ÷ Line 2]	3		<u>.8467</u>	
B. Direct Cost				
Total PSC direct maintenance cost	4	<u>7,298,400</u>		
MFU Allocation Factor [Schedule A, line 3]	5		<u>.0258</u>	
PSC direct maintenance cost for Bonneville's PNW AC Intertie [Line 4 × Line 3 × Line 5]	6	<u>159,433</u>		
Bonneville's direct cost of maintaining Bonneville's PNW AC Intertie excluding PSC maintenance cost	7	<u>548,600</u>		
Direct Cost of Maintenance Cost [Line 6 + Line 7]	8	<u>708,033</u>		

	Line No.	Forecast	Actual	Difference
	Line No.	Forecast	Actual	Difference
C. Allocation Factor				
Bonneville's total system maintenance direct cost	9	<u>30,107,900</u>	_____	_____
Allocation factor for Indirect Cost and Overhead Cost [Line 8 ÷ Line 9]	10	<u>.0235</u>	_____	_____
D. Indirect Cost				
Bonneville's total system maintenance indirect cost	11	<u>29,725,245</u>	_____	_____
Indirect Cost of Maintenance Cost [Line 11 × Line 10]	12	<u>698,543</u>	_____	_____
E. Overhead Cost				
Bonneville's total system maintenance overhead cost	13	<u>22,353,611</u>	_____	_____
Overhead Cost of Maintenance Cost [Line 13 × Line 10]	14	<u>525,310</u>	_____	_____
Maintenance Cost [Lines 8 + 12 + 14]	15	<u>1,931,886</u>	_____	_____

Schedule C for FY98

Schedule C

	Line No.	Forecast	Actual	Difference
III. Replacement Costs and Reinforcement Costs for Grizzley and John Day Substations				
A. Direct Cost				
Direct Costs of Replacements and Reinforcements	1		_____	_____
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of Replacements and Reinforcements	2		_____	_____
C. AFUDC				
AFUDC of Replacements and Reinforcements	3		_____	_____
D. Interest				
Interest Cost of Replacements and Reinforcements	4		_____	_____
E. Total Replacement Costs and Reinforcement Costs [Lines 1 + 2 + 3 + 4]	5		_____	_____

Notes:
 A separate Schedule C will be provided in the Operating Plan for each Replacement and Reinforcement. Forecasts of Replacement Costs and Reinforcement Costs will be provided; Capacity Owners shall be billed for Replacements and Reinforcements using actual cost pursuant to section 9(b)(2)(B).

Schedule D

Schedule D for FY98

	Line No.	Allocated Actual
IV. General Plant Cost		
Bonneville's total general plant investment	1	<u>509,817,000</u>
Bonneville's Dittmer control equipment investment	2	<u>48,469,000</u>
General plant investment of lines 1 and 2 functionalized to generation	3	<u>88,377,000</u>
General plant investment recovered from all Capacity Owners in Adjusted Capacity Ownership Price and Revised Adjusted Capacity Ownership Price	4	<u>5,289,000</u>
General plant investment recovered from Capacity Owners for Upgrades	5	<u>0</u>
Adjusted general plant investment functionalized to transmission [Line 1 + Line 2 - Line 3 - Line 4 - Line 5]	6	<u>464,620,000</u>
BPA total annual cost of Line 6 general plant investment	7	<u>45,704,000</u>
BPA total transmission plant-in-service investment (not including general plant investment) from Segmentation Study	8	<u>3,719,916,000</u>
ACR for Bonneville's PNW AC Intertie [Line 7 ÷ Line 8]	9	<u>.0123</u>
Bonneville's PNW AC Intertie investment from Segmentation Study	10	<u>326,044,000</u>
General Plant Cost [Line 9 × Line 10]	11	<u>4,010,000</u>

Schedule E

Schedule E for FY98

	Line No.	Forecast	Actual	Difference
V. Other Costs				
A. PacifiCorp and related costs	1	<u>59,355</u>	_____	_____
B. Other PNW AC Intertic costs	2		_____	_____
C. Total Other Costs	3	<u>59,355</u>		_____

Schedule F

Schedule F for FY 98

	Line No.	Forecast	Actual	Difference
VI. Contracts and Rates Costs				
A. Contracts and Rates Functionalization Factor				
Transmission-related contracts and rates cost from rate case	1		<u>7,471,000</u>	
Total contracts and rates cost from rate case	2		<u>24,195,000</u>	
Contracts and rates cost functionalization factor [Line 1 ÷ Line 2]	3		<u>.3088</u>	
B. Allocation Factor				
MFU allocation factor [Schedule A, line 3]	4		<u>.0258</u>	
C. Total Contracts and Rates Cost				
Contracts and rates direct costs	5	<u>14,790,900</u>	_____	_____
Contracts and rates indirect costs	6	<u>984,700</u>	_____	_____
Contracts and rates overhead costs	7	<u>8,419,400</u>	_____	_____
Bonneville's total contracts and rates costs [Line 5 + Line 6 + Line 7]	8	<u>24,195,000</u>	_____	_____
D. Contracts and Rates Cost [Line 8 × Line 3 × Line 4]	9	<u>192,763</u>	_____	_____

Schedule G

Schedule G for FY98

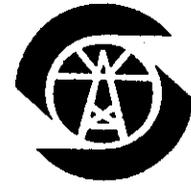
	Line No.	Forecast	Actual	Difference
VII. Power Scheduling Costs				
A. Power Scheduling Functionalization Factor				
Transmission-related power scheduling costs from rate case	1		<u>1,752,000</u>	
Total power scheduling cost from rate case	2		<u>10,186,000</u>	
Power scheduling cost functionalization factor [Line 1 ÷ Line 2]	3		<u>0.1720</u>	
B. Allocation Factor				
MFU allocation factor [Schedule A, line 3]	4		<u>0.0258</u>	
C. Total Power Scheduling Costs				
Power scheduling direct costs	5	<u>8,092,000</u>		
Power scheduling indirect costs	6			
Power scheduling overhead costs	7	<u>2,094,000</u>		
Bonneville's total power scheduling costs [Line 5 + Line 6 + Line 7]	8	<u>10,186,000</u>		
D. Power Scheduling Cost [Line 8 × Line 3 × Line 4]	9	<u>45,203</u>		

Schedule H

Schedule H for FY98

	Line No.	Forecast	Actual	Difference
VIII. End of Term Costs				
A. Direct Cost				
Direct Cost of End of Term Costs	1	_____	_____	_____
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of End of Term Costs	2	_____	_____	_____
C. Credits				
Credits from decommissioning PNW AC Intertie facilities	3	(_____)	(_____)	(_____)
D. End of Term Costs	4	0	_____	_____

Seattle City Light



Gary Zarker, Superintendent
Norman B. Rice, Mayor

December 8, 1995

Department of Energy
Bonneville Power Administration
905 N.E. 11th Avenue
Portland, Oregon 97232
Attn: Group Vice President for Marketing,
Conservation and Production
Patrick G. McRae
Senior Account Executive

**Re: Pacific Northwest AC Intertie Capacity Ownership Agreements
-- Operating Plans for Fiscal Years 1996 and 1997**

Gentlemen and Ladies:

This letter refers to each of the PNW AC Intertie Capacity Ownership Agreements, Contract Nos. DE-MS79-94BP94521, DE-MS79-94BP94522, DE-MS79-94BP94523, DE-MS79-94BP94524, DE-MS79-94BP94525 and DE-MS79-94BP94528, as each has been amended to the date hereof (the "Capacity Ownership Agreements"). All capitalized terms used in this letter agreement, unless otherwise defined in this letter agreement, have the respective meanings set forth for such terms in the Capacity Ownership Agreements.

As provided in agreements between Bonneville and each of the Capacity Owners (i.e., Contract Nos. 95MS-95121, 95MS-95122, 95MS-95123, 95MS-95124, 95MS-95125 and 95MS-95126), Bonneville agreed to extend until December 8, 1995, the time limit for the Committee to recommend, pursuant to subsection 13(e) of the Capacity Ownership Agreements, revisions to the Operating Plans for fiscal years 1996 and 1997 submitted to the Committee by Bonneville on August 1, 1995 (the "Initial Operating Plans"). Pursuant to such agreements, Bonneville and the

Committee have in the meantime met in collaborative sessions to attempt to reach mutual agreement on elements of the Operating Plans. As a result of such sessions, Bonneville submitted to the Committee on December 6, 1995, revised Operating Plans for fiscal years 1996 and 1997 (the "Revised Operating Plans"). Each of the Capacity Owners and Bonneville, believing that agreement on elements of the Operating Plans has been reached, therefore agree as follows:

1. The Committee hereby submits to Bonneville the enclosed Revised Operating Plans as the Committee's recommended revisions to all of the forecast costs and General Plant Costs in the Initial Operating Plans pursuant to subsection 13(e) of the Capacity Ownership Agreements (the "Recommended Revisions").

2. Pursuant to subsection 13(g) of the Capacity Ownership Agreements, (a) Bonneville hereby accepts the Recommended Revisions in their entirety for all purposes of the Capacity Ownership Agreements, (b) Bonneville shall not reject the Recommended Revisions and (c) Bonneville shall not propose any action that is responsive to the Committee's Recommended Revisions and that is different from Bonneville's proposal contained in the Initial Operating Plans or in the Revised Operating Plans.

3. The Revised Operating Plans constitute, for all purposes of the Capacity Ownership Agreements, the Operating Plans setting forth the Operations Cost, Maintenance Cost, Replacement Costs and Reinforcement Costs, General Plant Cost, Other Costs, Contracts and Rates Costs, Power Costs, Power Scheduling Costs and End of Term Costs for fiscal years 1996 and 1997, until the Revised Operating Plans are amended (if at all) pursuant to subsection 13(k) of the Capacity Ownership Agreements.

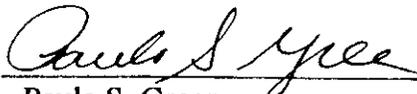
4. No amendment, change or other modification of this letter agreement shall be valid unless set forth in a writing hereafter signed by Bonneville and by or on behalf of each of the Capacity Owners.

Department of Energy
Bonneville Power Administration
December 12, 1995
Page 3

Bonneville may enter into this letter agreement by signing each of the originals of this letter agreement in the space provided and returning one executed original to each of the Capacity Owners.

Very truly yours,

**City of Seattle
City Light Department
on behalf of each of the
Capacity Owners and the
Capacity Owners' Committee**

By 
Paula S. Green
Director of Power Management,
Wholesale Branch

ACCEPTED AND AGREED TO BY:

The Bonneville Power Administration

By 
Patrick G. McRae
Senior Account Executive

Enclosures

**CAPACITY OWNERSHIP AGREEMENT
 OPERATING PLAN, FY 1997**

Schedule A

Schedule A for FY 1997

	Line No.	Forecast	Actual	Difference
I. Operations Costs				
A. Allocation Factor				
MFUs of Bonneville's PNW AC Intertie	1	82.3		
MFUs of the FCRTS	2	3,187		
Allocation Factor [Line 1 + Line 2]	3	0.0258		
B. Operations Functionalization Factor				
Bonneville's Total Transmission-Related Systems Operations Cost from Rate Case	4	35,329,000		
Bonneville's Total System Operations Cost from Rate Case	5	37,401,000		
Operations Functionalization Factor [Line 4 + Line 5]	6	0.9446		
C. Allocated Direct Cost				
Bonneville's Total System Operations Direct Cost	7	26,105,534		
Allocated Direct Cost of Operations Cost [Line 3 × Line 6 × Line 7]	8	636,210		

Effective at 2400 hours on December 12, 1995

D.	Indirect Cost		
	Bonneville's Total System Operations Indirect Cost	9	292,966
	Indirect Cost of Operations Cost [Line 3 × Line 6 × Line 9]	10	7,140
E.	Overhead Cost		
	Bonneville's Total System Operations Overhead Cost	11	11,220,957
	Overhead Cost of Operations Cost [Line 3 × Line 6 × Line 11]	12	273,462
F.	Operations Cost [Lines 8 + 10 + 12]	13	916,812

Schedule B

Schedule B for FY 1997

	Line No.	Forecast	Actual	Difference
II. Maintenance Cost				
A. Power System Control (PSC) Maintenance Functionalization Factor				
Bonneville's Transmission-Related PSC Maintenance Cost from Rate Case	1	13,374,000		
Bonneville's Total PSC Maintenance Cost from Rate Case	2	16,515,000		
PSC Maintenance Functionalization Factor [Line 1 + Line 2]	3	0.8098		
B. Direct Cost				
Total PSC Direct Maintenance Cost	4	7,984,463		
MFU Allocation Factor [Schedule A, line 3]	5	0.0258		
PSC Direct Maintenance Cost for Bonneville's PNW AC Intertie [Line 4 × Line 3 × Line 5]	6	166,818		
Bonneville's Direct Cost of Maintaining Bonneville's PNW AC Intertie excluding PSC Maintenance Cost	7	549,084		
Direct Cost of Maintenance Cost [Line 6 + Line 7]	8	715,902		

C. Allocation Factor

Bonneville's Total System Maintenance Direct Cost	9	32,391,458
Allocation Factor for Indirect Cost and Overhead Cost [Line 8 + Line 9]	10	0.0221

D. Indirect Cost

Bonneville's Total System Maintenance Indirect Cost	11	29,159,142
Indirect Cost of Maintenance Cost [Line 11 × Line 10]	12	644,417

E. Overhead Cost

Bonneville's Total System Maintenance Overhead Cost	13	25,748,621
Overhead Cost of Maintenance Cost [Line 13 × Line 10]	14	569,045
Maintenance Cost [Lines 8 + 12 + 14]	15	1,929,364

Schedule C - Grizzly

Schedule C for FY 1997

	Line No.	Forecast	Actual	Difference
III. Replacement Costs and Reinforcement Costs				
A. Direct Cost				
Direct Costs of Replacements and Reinforcements	1	21,000		
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of Replacements and Reinforcements	2	6,300		
C. AFUDC				
AFUDC of Replacements and Reinforcements	3	983		
D. Interest				
Interest Cost of Replacements and Reinforcements	4	-		
E. Total Replacement Costs and Reinforcement Costs [Lines 1 + 2 + 3 + 4]	5	28,283		

Notes:

A separate Schedule C will be provided in the Operating Plan for each Replacement and Reinforcement. Forecasts of Replacement Costs and Reinforcement Costs will be provided; Capacity Owners shall be billed for Replacements and Reinforcements using actual cost pursuant to section 9(b)(2)(B).

Schedule C - John Day

Schedule C for FY 1997

	Line No.	Forecast	Actual	Difference
III. Replacement Costs and Reinforcement Costs				
A. Direct Cost				
Direct Costs of Replacements and Reinforcements	1	17,000		
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of Replacements and Reinforcements	2	5,100		
C. AFUDC				
AFUDC of Replacements and Reinforcements	3	796		
D. Interest				
Interest Cost of Replacements and Reinforcements	4	-		
E. Total Replacement Costs and Reinforcement Costs				
[Lines 1 + 2 + 3 + 4]	5	22,896		

Notes:

A separate Schedule C will be provided in the Operating Plan for each Replacement and Reinforcement. Forecasts of Replacement Costs and Reinforcement Costs will be provided; Capacity Owners shall be billed for Replacements and Reinforcements using actual cost pursuant to section 9(b)(2)(B).

Schedule D

Schedule D for FY 1997

	Line No.	Allocated Actual
IV. General Plant Cost		
Bonneville's Total General Plant Investment	1	423,889,000
Bonneville's Dittmer Control Equipment Investment	2	43,963,000
General Plant Investment of Lines 1 and 2 Functionalized to Generation	3	56,049,000
General Plant Investment Recovered from All Capacity Owners in Adjusted Capacity Ownership Price and Revised Adjusted Capacity Ownership Price	4	6,373,000
General Plant Investment Recovered from Capacity Owners for Upgrades	5	
Adjusted General Plant Investment Functionalized to Transmission [Line 1 + Line 2 - Line 3 - Line 4 - Line 5]	6	405,430,000
BPA Total Annual Cost of Line 6 General Plant Investment	7	40,715,000
BPA Total Transmission Plant-In-Service Investment (not including general plant investment) from Segmentation Study	8	3,572,243,000
ACR for Bonneville's PNW AC Intertie [Line 7 + Line 8]	9	0.0114
Bonneville's PNW AC Intertie investment from Segmentation Study	10	152,444,000
General Plant Cost [Line 9 × Line 10]	11	1,737,862

Schedule E

Schedule E for FY 1997

	Line No.	Forecast	Actual	Difference
V. Other Costs				
A. PacifiCorp and Related Costs	1	36,956		
B. Other PNW AC Intertie costs	2			
C. Total Other Costs	3	36,956		

Schedule F

Schedule F for FY 1997

	Line No.	Forecast	Actual	Difference
VI. Contracts and Rates Costs				
A. Contracts and Rates Functionalization Factor				
Transmission-Related Contracts and Rates Cost from Rate Case	1	4,330,000		
Total Contracts and Rates Cost from Rate Case	2	15,446,000		
Contracts and Rates Cost Functionalization Factor [Line 1 + Line 2]	3	0.2803		
B. Allocation Factor				
MFU Allocation Factor [Schedule A, line 3]	4	0.0258		
C. Total Contracts and Rates Cost				
Contracts and Rates Direct Costs	5	10,912,000		
Contracts and Rates Indirect Costs	6	53,000		
Contracts and Rates Overhead Costs	7	8,028,000		
Bonneville's Total Contracts and Rates Costs [Line 5 + Line 6 + Line 7]	8	18,993,000		
D. Contracts and Rates Cost [Line 8 × Line 3 × Line 4]	9	137,352		

Schedule G

Schedule G for FY 1997

	Line No.	Forecast	Actual	Difference
VII. Power Scheduling Costs				
A. Power Scheduling Functionalization Factor				
Transmission-Related Power Scheduling Costs from Rate Case	1		-	
Total Power Scheduling Cost from Rate Case	2	10,103,000		
Power Scheduling Cost Functionalization Factor [Line 1 + Line 2]	3		0	
B. Allocation Factor				
MFU Allocation Factor [Schedule A, line 3]	4	0.0258		
C. Total Power Scheduling Costs				
Power Scheduling Direct Costs	5		-	
Power Scheduling Indirect Costs	6		-	
Power Scheduling Overhead Costs	7		-	
Bonneville's Total Power Scheduling Costs [Line 5 + Line 6 + Line 7]	8		-	
D. Power Scheduling Cost [Line 8 × Line 3 × Line 4]	9		-	

Schedule H

Schedule H for FY 1997

	Line No.	Forecast	Actual	Difference
VIII. End of Term Costs				
A. Direct Cost				
Direct Cost of End of Term Costs	1	-		
B. Indirect Costs and Overhead Costs				
Indirect Costs and Overhead Costs of End of Term Costs	2	-		
C. Credits				
Credits from decommissioning PNW AC Intertie Facilities	3	-		
D. End of Term Costs	4	-		

Seattle City Light



Gary Zarker, Superintendent
Norman B. Rice, Mayor

December 8, 1995

Department of Energy
Bonneville Power Administration
905 N.E. 11th Avenue
Portland, Oregon 97232
Attn: Group Vice President for Marketing,
Conservation and Production
Patrick G. McRae
Senior Account Executive

**Re: Pacific Northwest AC Intertie Capacity Ownership Agreements
-- Operating Plans for Fiscal Years 1996 and 1997**

Gentlemen and Ladies:

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As provided in agreements between Bonneville and each of the Capacity Owners (i.e., Contract Nos. 95MS-95121, 95MS-95122, 95MS-95123, 95MS-95124, 95MS-95125 and 95MS-95126), Bonneville agreed to extend until December 8, 1995, the time limit for the Committee to recommend, pursuant to subsection 13(e) of the Capacity Ownership Agreements, revisions to the Operating Plans for fiscal years 1996 and 1997 submitted to the Committee by Bonneville on August 1, 1995 (the "Initial Operating Plans"). Pursuant to such agreements, Bonneville and the

Committee have in the meantime met in collaborative sessions to attempt to reach mutual agreement on elements of the Operating Plans. As a result of such sessions, Bonneville submitted to the Committee on December 6, 1995, revised Operating Plans for fiscal years 1996 and 1997 (the "Revised Operating Plans"). Each of the Capacity Owners and Bonneville, believing that agreement on elements of the Operating Plans has been reached, therefore agree as follows:

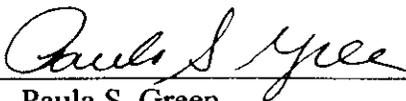
1. The Committee hereby submits to Bonneville the enclosed Revised Operating Plans as the Committee's recommended revisions to all of the forecast costs and General Plant Costs in the Initial Operating Plans pursuant to subsection 13(e) of the Capacity Ownership Agreements (the "Recommended Revisions").
2. Pursuant to subsection 13(g) of the Capacity Ownership Agreements, (a) Bonneville hereby accepts the Recommended Revisions in their entirety for all purposes of the Capacity Ownership Agreements, (b) Bonneville shall not reject the Recommended Revisions and (c) Bonneville shall not propose any action that is responsive to the Committee's Recommended Revisions and that is different from Bonneville's proposal contained in the Initial Operating Plans or in the Revised Operating Plans.
3. The Revised Operating Plans constitute, for all purposes of the Capacity Ownership Agreements, the Operating Plans setting forth the Operations Cost, Maintenance Cost, Replacement Costs and Reinforcement Costs, General Plant Cost, Other Costs, Contracts and Rates Costs, Power Costs, Power Scheduling Costs and End of Term Costs for fiscal years 1996 and 1997, until the Revised Operating Plans are amended (if at all) pursuant to subsection 13(k) of the Capacity Ownership Agreements.
4. No amendment, change or other modification of this letter agreement shall be valid unless set forth in a writing hereafter signed by Bonneville and by or on behalf of each of the Capacity Owners.

Department of Energy
Bonneville Power Administration
December 12, 1995
Page 3

Bonneville may enter into this letter agreement by signing each of the originals of this letter agreement in the space provided and returning one executed original to each of the Capacity Owners.

Very truly yours,

**City of Seattle
City Light Department
on behalf of each of the
Capacity Owners and the
Capacity Owners' Committee**

By 

Paula S. Green
Director of Power Management,
Wholesale Branch

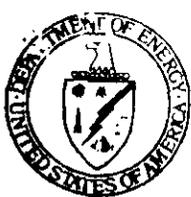
ACCEPTED AND AGREED TO BY:

The Bonneville Power Administration

By 

Patrick G. McRae
Senior Account Executive

Enclosures



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

OFFICE OF THE ADMINISTRATOR

In reply refer to: PMTI

Mr. Dennis P. Steinberg
Vice President
Power Systems & Development
PacifiCorp
700 NW. Multnomah, Suite 1600
Portland, OR 97232

MAY 28 1993

Dear Mr. Steinberg:

PacifiCorp and the Bonneville Power Administration (Bonneville) have reached agreement on principles to resolve a number of outstanding issues related to the Intertie Agreement, Contract No. DE-MS79-86BP92299, and the Midpoint-Medford Agreement, Contract No. DE-MS79-79BP90091. Therefore, subject to Bonneville's statutory requirements, including appropriate environmental review, the parties agree to finalize appropriate agreements to implement the following:

1. PacifiCorp's South-to-North AC Intertie Scheduling Rights Under the Intertie Agreement. PacifiCorp will have the following rights:
 - (a) PacifiCorp's south-to-north (S>N) Intertie scheduling rights under the Intertie Agreement will equal 400 MW divided by the north-to-south (N>S) rated transfer capability (RTC) times the S>N RTC. PacifiCorp agrees to cooperate with Bonneville in its efforts to secure up to a 4800 MW S>N RTC.
 - (b) PacifiCorp shall have the right to net its N>S and S>N schedules.
 - (c) The Intertie Agreement shall be amended to explicitly state that the Agreement applies to the parties' S>N rights as well as to the parties' N>S rights.
2. Priority S>N Non-Firm Transmission for PacifiCorp:
 - (a) For a term of 30-years, on hours that PacifiCorp's S>N scheduling capability (including rights under 1(a), net schedules under 1(b), NFP under 3(a), and firm transmission services under 3(a) or 3(b)) is less than 582 MW on off-peak hours, Bonneville will provide PacifiCorp the right to utilize unused Bonneville S>N AC and DC capability at the IS-A rate. Unused Bonneville S>N capability, for up to a total of 582 MW of S>N scheduling capability, is defined as capability not required to satisfy Bonneville's firm contractual commitments as determined by Bonneville.

3. PacifiCorp's Additional Intertie Delivery Rights:

- (a) Non-Federal Participation (NFP). Bonneville's current draft of the Environmental Impact Statement (EIS) for NFP includes analysis of impacts of additional NFP above 725 MW. In the event that Bonneville offers additional NFP, Bonneville will propose to make 125 MW available to PacifiCorp. If the Administrator has not issued a Record of Decision in favor of proceeding with an additional NFP offer of at least 125 MW of NFP by January 1, 1994, then Bonneville shall offer PacifiCorp interim firm transmission contract(s) that will provide 125 MW of N>S wheeling for PacifiCorp's WAPA and Redding contracts and S>N wheeling equal to 125 x S>N RTC/4800. Such interim firm transmission contract demand for N>S shall be 75 MW starting January 1, 1994, and 125 MW starting June 1, 1994.
- (b) If PacifiCorp has not obtained 125 MW of NFP by January 1, 1995, then Bonneville shall offer long-term firm transmission contracts as described in 3(a). PacifiCorp may use such contracts for firm or non-firm schedules. PacifiCorp may use such contract rights up to a 100 percent load factor.
- (c) If PacifiCorp executes either an interim firm transmission or a long-term firm transmission contract, the transmission rate applicable to such contract shall be Bonneville's then applicable IS-B rate. PacifiCorp shall pay the IS-B rate based upon a 125 MW N>S contract demand plus a S>N contract demand equal to 125 x S>N RTC/4800 for a term equal to the WAPA and Redding Contracts. The agreement(s) shall otherwise include Bonneville's standard terms and conditions for firm transmission, provided that no mitigation charges shall be applied. The settlement of issues contained in this letter of understanding incorporates all necessary mitigation. If PacifiCorp executes long-term firm transmission contracts for deliveries for its WAPA and Redding contracts, Bonneville agrees that upon the termination date of such contracts, it will offer to extend such services for a period of up to 25 years, based upon Bonneville's then standard terms included in similar agreements, provided that no mitigation charges shall be applied, beyond the applicable FERC-approved Bonneville rates, if PacifiCorp requires such service.
- (d) If PacifiCorp executes a N>S interim firm transmission contract or a N>S long-term firm transmission contract pursuant to 3(a) or 3(b) PacifiCorp, in addition to the contract demand charges, agrees to pre-pay, on a take or pay basis, the then effective energy component of the IS-B rate based on a 85 percent load factor. PacifiCorp shall pay one-twelfth of such amount each month. Based on Bonneville's estimated IS-B (93) rate, such amount would be calculated as follows: $125 \text{ MW} \times 8760 \text{ hr} \times 1.43 \text{ M/kWh} \times 0.85 \div 12 = \$110,914.37/\text{mo}$.
- (e) If PacifiCorp executes a S>N interim firm transmission contract or a S>N long-term firm transmission contract pursuant to 3(a) or 3(b) PacifiCorp shall not be required to pre-pay any charges for such service beyond the contract

demand charges associated with such contract. (No pre-payment of the IS-B energy charge).

- (f) PacifiCorp's Main Grid Wheeling Rights to Access the AC Intertie. If PacifiCorp received NFP rights or if PacifiCorp executes interim or long-term firm transmission contracts pursuant to this Section 3, it is agreed that PacifiCorp shall require no additional main grid wheeling on the Federal System to use the rights described above. However, if insufficient capacity exists in the Midpoint-Malin 500 kV Transmission Line segment, then appropriate charges shall be applied consistent with the Intertie Agreement.
- (g) In order to implement these principles, the parties agree to establish Summer Lake, Malin, Captain Jack, and Alvey as Points of Delivery (POD) in the appropriate agreements. Bonneville also agrees to amend the Surplus Firm Capacity Sale Agreement, Contract No. DE-MS79-92BP93757, to include Summer Lake as a 500 kV POD. Use of the Summer Lake POD by the Parties shall not impact PacifiCorp's load carrying capability (LCC) (as defined in the Intertie Agreement) or Bonneville's usage of the AC Intertie.
4. S>N DC Intertie Rights and West-to-East (W>E) Summer Lake-Midpoint Rights:
- (a) Bonneville shall offer PacifiCorp a firm S>N wheeling contract on the DC Intertie for 200 MW. PacifiCorp may use such contract for firm or non-firm deliveries up to a 100 percent load factor. Such contract shall have a term equal to the term of the Intertie Agreement. The contract demand shall be 100 MW starting January 1, 1994, and 200 MW starting January 1, 1995. PacifiCorp shall pay the IS-B, or its successor rate, based upon the yearly contract demands as specified in this Section 4(a). PacifiCorp, in addition to the Contract Demand charges associated with its DC Intertie rights, agrees to pre-pay on a take or pay basis, the then effective energy component of the IS-B rate based on a 30 percent load factor. PacifiCorp shall pay one-twelfth of such amount each month. Based on Bonneville's estimated IS-B (93) rate such amount, based on a 100 MW contract demand, would be calculated as follows: $100 \text{ MW} \times 8760 \text{ hr} \times 1.43 \text{ M/kWh} \times 0.30 \div 12 = \$31,317/\text{mo}$. The Agreement shall also include Bonneville's standard terms and conditions for firm transmission, provided that no mitigation charges shall be applied beyond the applicable FERC-approved Bonneville rates. The settlement of issues contained in this letter of understanding incorporates all necessary mitigation.
- (b) Midpoint-Medford Transmission Agreement, Contract No. DE-MS79-79BP90091. The term of this Agreement shall be extended for the life of the facilities. Bonneville shall have an option to acquire up to 400 MW of W>E firm scheduling rights over PacifiCorp's Summer Lake-Midpoint 500 kV Line and an option to tap such line to serve loads and for inter-regional transfers. Bonneville's right to exercise its option shall be for the term of the Intertie Agreement. During periods when the W>E transfer

capability of PacifiCorp's Summer Lake-Midpoint 500 kV line is reduced, Bonneville's W>E scheduling rights shall be reduced pro-rata with such reduction. However, during periods when transfer capability is reduced, PacifiCorp will provide Bonneville the right to utilize its capability not required for PacifiCorp's firm needs, as determined by PacifiCorp, at no cost. If Bonneville exercises its options for W>E use of the Summer Lake-Midpoint 500 kV line, Bonneville will pay PacifiCorp's then effective applicable FERC filed tariff rate for transmission service. In the event Bonneville desires to tap PacifiCorp's Summer Lake-Midpoint 500 kV line, Bonneville and PacifiCorp shall mutually develop the plan of service for such tap. Such tap shall not degrade or reduce PacifiCorp's East-to-West (E>W) transfer capability on its Midpoint-Malin 500 kV line or reduce PacifiCorp's LCC as defined in the Intertie Agreement. Unless otherwise mutually agreed, Bonneville shall be responsible for all costs associated with such tap. Unless otherwise mutually agreed, such tap shall not increase Bonneville's W>E transfer rights on the Summer Lake-Midpoint line.

- (c) PacifiCorp shall enter into an FPT Transmission Agreement associated with its DC Intertie rights, pursuant to 4(a) to wheel power delivered to Big Eddy to PacifiCorp's Main System. If at some future date, PacifiCorp elects to convert to an IR wheeling agreement, then Big Eddy would become a point of integration or interconnection under such IR contract.
5. Intertie Agreement, Contract No. DE-MS79-86BP92299. The term of the Intertie Agreement shall be extended for the life of facilities.
 6. Additional Transformer Capacity in Southern Oregon:
 - (a) PacifiCorp shall provide Bonneville firm capacity in the existing 500/230 kV transformer at Malin, at a use-of-facilities rate, for Bonneville's firm requirements; provided, however, that such capacity will be made available to Bonneville only after PacifiCorp has determined the capacity necessary to meet its own requirements; provided further, that Bonneville's right to use the existing Malin transformer shall be limited to 200 MW.
 - (b) At such time as the Parties mutually agree, which agreement shall not be unreasonably withheld, that a second 500/230 kV transformer at Malin, or a 500/230 kV transformer at Captain Jack Substation is required, the Parties shall jointly develop the plan of service for such transformer(s). Each Party shall have the right to acquire up to a one-half ownership interest in such transformer(s) at a pro-rata share of cost, provided that PacifiCorp's LCC is not impacted. If a Party does not participate in the ownership at the time such transformer(s) are installed, such Party shall have the unilateral right to acquire up to a one-half ownership interest at a future date to the extent that capacity is available.

7. AC Intertie Reactive Support. After joint studies have been completed and parties mutually agree that additional reactive support is required at Malin or Captain Jack to support the AC Intertie, PacifiCorp shall be financially responsible for its share of such added reactive support.
8. Remedial Action Schemes (RAS) to Support PacifiCorp's AC and DC Intertie Schedules. PacifiCorp shall be responsible for providing or assuring at its cost the provision of its pro rata share of RAS required to support the RTC and OTC of the AC Intertie in either the N>S or S>N direction. In support of its obligations to provide generator dropping for its net N>S AC Intertie schedules, PacifiCorp shall provide generation dropping from its share of Mid-Columbia generation on-line at the time of the RAS requirement. Bonneville may, after it has exhausted its own capability to provide generator dropping in support of its obligation for net N>S AC Intertie Schedules, have access to PacifiCorp's total Mid-Columbia rights on-line at the time of the RAS requirement. Such access to PacifiCorp's Mid-Columbia generator dropping capability by Bonneville shall be at no cost. To the extent that PacifiCorp does not have the capability on-line to provide generator dropping from its Mid-Columbia rights for its net N>S AC Intertie schedules, Bonneville shall, to the extent it has available on-line generation, provide generator dropping capability to PacifiCorp at no cost. In support of PacifiCorp's net S>N schedules on the AC Intertie or its S>N schedules on the DC Intertie, PacifiCorp shall be responsible for making arrangements for any load dropping requirements. To the extent possible, as determined by Bonneville, Bonneville shall offer to sell RAS service to PacifiCorp to enable PacifiCorp to meet its obligations under this Section 8.
9. Midpoint-Medford Agreement Revisions. The following revisions will be made to the Midpoint-Medford Transmission Agreement, Contract No DE-MS79-79BP90091:
 - (a) Revise transmission charges in Exhibit E to reflect the elimination of the Hatwai Point of Interconnection.
 - (b) Revise Exhibit H to reflect the 1187 MW capability of PacifiCorp's Midpoint-Malin-Medford lines as agreed to by IPC/WWP/BPA and PacifiCorp in the Idaho-Northwest Uprate Agreement, Contract No. DE-MS79-90BP93103.
 - (c) Revise Exhibit H to reflect bypass of Burns capacitors.
10. Losses. Prior to energization of PacifiCorp's Dixonville-Meridian 500 kV line and the associated uprating of the AC Intertie N>S RTC to 4800 MW, the parties shall make best efforts to study and reach agreement on an equitable allocation of the parties' control area losses in Southern/Central Oregon associated with the parties' use pursuant to the Intertie Agreements. Such allocation of losses shall consider both heavy and light AC Intertie schedules and area loads, as well as S>N and N>S AC Intertie schedules.

11. Access to Palo Verde. For a period equal to the term of PacifiCorp's March 23, 1993, Transmission Service Agreement with Southern California Edison Company, PacifiCorp, on hours that it does not require its transmission capacity rights under the SCE/TSA, shall offer Bonneville a first right of refusal to utilize PacifiCorp's SCE/TSA transmission rights. PacifiCorp shall have the sole determination as to its requirements to use its SCE/TSA transmission rights. If Bonneville exercises its rights to use PacifiCorp's SCE-TSA transmission rights, Bonneville shall reimburse PacifiCorp its costs under the SCE/TSA. Such cost shall be based on PacifiCorp's then effective transmission demand costs paid to SCE under the SCE/TSA which shall initially be 4.0 M/kWh. If Bonneville exercises its first right of refusal to utilize PacifiCorp's SCE/TSA transmission rights, Bonneville shall use its own AC or DC, as the case may be, Intertie capacity to accept power scheduled under this Section 11. Additionally, such access by Bonneville to PacifiCorp's transmission rights under the SCE/TSA shall not preclude PacifiCorp from utilizing its transmission rights acquired under 3(a), 3(b) or 4(a).
12. Summer Storage. PacifiCorp and Bonneville shall enter into a 20-year agreement whereby PacifiCorp shall accept and store energy for Bonneville during the months of June and July of each year. Such energy shall be delivered to PacifiCorp at POD's specified in Exhibit C of Contract No. DE-MS79-92BP93757 or such other points as may be mutually agreed. PacifiCorp may, but shall not be required to, accept more than 100,000 MWh/mo and Bonneville shall be required to deliver a minimum of 25,000 MWh/mo. Bonneville shall store such energy with PacifiCorp prior to entering into the market to sell surplus energy. Bonneville shall provide notice to PacifiCorp, 1-week prior to the beginning of the month in which energy will be stored, of the amount of energy to be stored by PacifiCorp. The rate of delivery shall be determined by dividing the total energy to be stored in the month by the number of hours in such month, provided, on any hour PacifiCorp shall not be required to back down its thermal units to accept such energy. Except for system emergencies, once the parties have agreed to a schedule for such stored energy, Bonneville shall deliver such energy to PacifiCorp. PacifiCorp shall return such stored energy to Bonneville during the months of September, October, and November of each year in which such energy was delivered to PacifiCorp. The rate of return to Bonneville shall be determined by summing the total energy delivered to PacifiCorp during the prior June and July period, dividing such sum by 3 and dividing such product by the hours in the month in which the energy is to be returned to Bonneville. Except for system emergencies, PacifiCorp shall return such energy to Bonneville at the rate of delivery as determined above. Except for constraints on the parties' transmission systems, the first 110 MW of returned energy shall be delivered to Bonneville at Hot Springs with the remainder delivered to Summer Lake or such other mutually agreed to POD. Storage provided pursuant to this Agreement shall be at no cost to Bonneville.
13. March Energy Option. PacifiCorp and Bonneville shall enter into a 20-year agreement whereby PacifiCorp will deliver to Bonneville, at Hot Springs or such

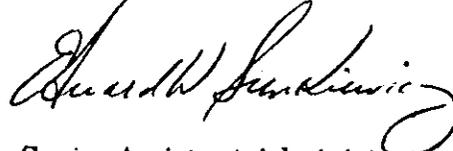
other mutually agreed to PODs, during off-peak hours, up to 50,000 MWh during the month of March of each year. The maximum rate of delivery for such energy shall be 200 MW/hr. To exercise its option to take this energy, Bonneville shall notify PacifiCorp by February 15 of each year as to the amount of energy Bonneville desires to have delivered during March of such year. Except for system emergencies, PacifiCorp shall deliver such energy to Bonneville. Bonneville shall return such energy to PacifiCorp during the following June 1 through July 15 period during off-peak hours and at a rate of delivery determined by dividing the amount of energy PacifiCorp made available to Bonneville during March by the number of off peak hours in the June 1 through July 15 period. Such March energy shall be returned to PacifiCorp at POD's specified in Exhibit C of Contract No. DE-MS79-92BP93757 or such other points as mutually agreed.

14. Firm Transmission/NFP Exchange Rights. PacifiCorp shall have the right to exchange all or a portion of its AC Intertie firm transmission contract rights acquired pursuant to 3(b) with any party receiving NFP rights for up to 125 MW of NFP rights, to the extent the NFP party has rights to assign all or a portion of its NFP allocation. To the extent Bonneville has a first right of refusal to acquire NFP rights from an NFP party, PacifiCorp's exchange rights under this Section 14 shall have priority. Such exchange between PacifiCorp and the NFP party shall be approved by Bonneville, which approval shall not be unreasonably withheld, and shall ensure that rights, benefits and obligations to Bonneville under the affected agreements are reserved.

The provisions of this letter of understanding are interdependent and not severable. The parties will proceed promptly to draft definitive agreements incorporating the provisions of this letter of understanding. Such definitive agreements shall be consistent with statutory requirements, appropriate environmental review by Bonneville and approval by the

Federal Energy Regulatory Commission. In the event either Party is unable to implement these principles hereunder, notwithstanding its best efforts to do so, this letter of understanding shall have no further force or effect.

Sincerely,



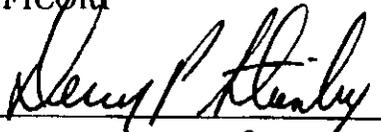
Senior Assistant Administrator

Name Edward W. Sienkiewicz
(Print/Type)

Date May 28, 1993

IT IS SO AGREED:

PACIFICORP

By 

Name DENNIS P STEINBERG
(Print/Type)

Title Vice President

Date June 1, 1993

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