

22. Electric Disturbance.

(a) For the purposes of this section an electric disturbance is any sudden, unexpected, changed, or abnormal electric condition occurring in or on an electric system which causes damage.

(b) Each party shall design, construct, operate, maintain, and use its electric system in conformance with accepted electric utility practices:

(1) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may interfere with the electric system of the other party or any electric system connected with such other party's electric system; and

(2) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

(c) If both parties to this contract are parties to the Western Interconnected Electric System Agreement, their relationship with respect to system damages shall be governed by that agreement.

(d) During such time as a party to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, its relations with the other party with respect to system damages shall be governed by the following sentence, notwithstanding the fact that the other party may be a party to said Agreement Limiting Liability Among Western Interconnected Systems. A party to this contract shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric

disturbance is the result of negligence by the first party, if the other party has failed to fulfill its obligations under subsection (b)(2) above.

(e) If one of the parties to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, each party to this contract shall hold harmless and indemnify the other party, its officers and employees, from any claims for loss, injury, or damage suffered by those to whom the first party delivers power not for resale, which loss, injury, or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence of such other party, if such first party has failed to fulfill its obligations under subsection (b)(2) above, and such failure contributed to the loss, injury, or damage.

(f) Nothing in this section shall be construed to create any duty to, any standard of care with reference to, or any liability to any persons not a party to this contract.

23. Harmonic Control. Each party shall design, construct, operate, maintain and use its electric facilities in accordance with good engineering practices to reduce to acceptable levels the harmonic currents and voltages which pass into the other party's facilities. Harmonic reductions shall be accomplished with equipment which is specifically designed and permanently operated and maintained as an integral part of the facilities of the party which owns the system on which harmonics are generated.

24. Balancing Phase Demands. If required by Bonneville at any time during the term of this contract, the Purchaser shall make such changes as are necessary on its system to balance the phase currents at any Point of Delivery

so that the current of any one phase shall not exceed the current on any other phase at such point by more than 10 percent.

G. IN REFERENCE TO FACILITIES

25. Measurements and Installation of Meters. Bonneville may at any time install a meter or metering equipment to make the measurements for any Point of Delivery required for any computation or determination mentioned in this contract, and if so installed, such measurements shall be used thereafter in such computation or determination.

26. Tests of Metering Installations. Each party to this contract shall, at its expense, test its metering installations associated with this contract at least once every two years, and, if requested to do so by the other party, shall make additional tests or inspections of such installations, the expense of which shall be paid by such other party unless such additional tests or inspections show the measurements of such installations to be inaccurate as specified in section 5 hereof. Each party shall give reasonable notice of the time when any such test or inspection is to be made to the other party who may have representatives present at such test or inspection. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired, or replaced to provide accurate metering.

27. Permits.

(a) If any equipment or facilities associated with any Point of Delivery and belonging to a party to this contract are or are to be located on the property of the other party, a permit to install, test, maintain, inspect,

replace, repair, and operate during the term of this contract and to remove such equipment and facilities at the expiration of said term, together with the right of entry to said property at all reasonable times in such term, is hereby granted by the other party.

(b) Each party shall have the right at all reasonable times to enter the property of the other party for the purpose of reading any and all meters mentioned in this contract which are installed on such property.

(c) If either party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the property of the other, the owner of such property shall furnish the other party with accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other party of any subsequent modification which may affect the duties of the other party in regard to such equipment, and furnish the other party with accurate revised drawings, if possible.

28. Ownership of Facilities.

(a) Except as otherwise expressly provided, ownership of any and all equipment and all salvable facilities installed or previously installed by a party to this contract on the property of the other party shall be and remain in the installing party.

(b) Each party shall identify all movable equipment and all other salvable facilities which are installed by such party on the property of the other, by permanently affixing thereto suitable markers plainly stating the name of the owner of the equipment and facilities so identified. Within a

reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the parties shall jointly prepare an itemized list of said movable equipment and salvable facilities so installed.

29. Inspection of Facilities. Each party may for any reasonable purpose under this contract inspect the other party's electric installation at any reasonable time. Such inspection, or failure to inspect, shall not render such party, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this contract. The inspecting party shall observe written instructions and rules posted in facilities and such other necessary instructions or standards for inspection as the parties agree to. Only those electric installations used in complying with the terms of this contract shall be subject to inspection.

30. Facilities for Maintenance of Voltage. Bonneville shall design and construct Federal System Facilities to maintain, under normal conditions and in accordance with generally accepted operating practices, the voltage at each Point of Delivery from the Federal System within a range of 5 percent above or below the operating voltage agreed upon by the operators of the parties to this contract where such voltage is 25 kV or less. Where the delivery voltage is in excess of 25 kV, Bonneville will design and construct Federal System Facilities to maintain such operating voltage within a range of 10 percent above or below such voltages. The parties shall jointly plan and operate their interconnected electrical facilities so that the flow of reactive power

accompanying or resulting from deliveries of electric power and energy under this contract will not adversely affect the system of either party.

#### H. MISCELLANEOUS PROVISIONS

##### 31. General Environmental Provision.

(a) Policy. Bonneville in the performance of this contract shall comply with all of its obligations pursuant to the National Environmental Policy Act.

(b) Affirmative Obligations. The parties agree to:

(1) comply fully with all applicable Federal, State, and local environmental laws;

(2) to assist and to cooperate with each other in meeting each other's environmental obligations, to the fullest extent economically and technically practicable and mutually agreeable; and

(3) provide upon request of the other party a copy of pollution abatement plans as required by the Clean Air Act, by the Clean Water Act, by other Federal statutes, or by an agency having jurisdiction and within a reasonable time submit evidence that such plans have been approved or have not been objected to by agencies with jurisdiction.

(c) Breach of Obligations. A breach of this General Environmental Provision exists only if a final determination, including all appeals, has been entered by a court or pollution control agency or agencies having jurisdiction that the Purchaser's facility is not in compliance with applicable laws respecting the control and abatement of environmental pollution.

(d) Remedy. Bonneville, after consulting with state or local agencies having jurisdiction may restrict delivery of electric capacity or energy to the Purchaser pursuant to this contract, if Bonneville determines that:

- (1) a breach of this General Environmental Provision exists;
- (2) such breach is resulting in a significant adverse effect on the environment;
- (3) no governmental agency has jurisdiction or authority to impose sanctions or to seek remedy for such significant adverse effect on the environment; and
- (4) restriction of delivery is the only appropriate remedy and bears a reasonable relationship to the breach.

Before restricting delivery of capacity or energy pursuant to this section, Bonneville shall give the Purchaser written notice and a reasonable opportunity to cure the breach and to seek any legal recourse available to the Purchaser.

32. Dispute Resolution and Arbitration.

(a) Pending resolution of a disputed matter the parties will continue performance of their respective obligations pursuant to this contract. If the parties cannot reach timely mutual agreement on any matter in the administration of this contract Bonneville shall, unless otherwise specifically provided for in subsection (b) below and, to the extent necessary for its continued performance, make a determination of such matter without prejudice to the rights of the other party. Such determination shall not constitute a waiver of any other remedy belonging to the Purchaser.

(b) The questions of fact stated below shall be subject to arbitration. Other questions of fact under this contract may be submitted to arbitration upon written mutual agreement of the parties. The party calling for arbitration shall serve notice in writing upon the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within 10 days after the receipt of such notice, appoint a second arbitrator, and the two so appointed shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said 10 days, or in case the two so appointed fail for 10 days to agree upon and appoint a third, the party calling for the arbitration, upon 5 days' written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second and third arbitrator, as the case may be.

The determination of the question or questions submitted for arbitration shall be made by a majority of the arbitrators and shall be binding on the parties. Each party shall pay for the services and expenses of the arbitrator appointed by or for it, for its own attorney fees, and for compensation for its witnesses or consultants. All other costs incurred in connection with the arbitration shall be shared equally by the parties thereto.

The questions of fact to be determined as provided in this section shall be limited to:

(1) the determination of the measurements to be made by the parties hereto pursuant to section 3 above;

(2) the occurrence of changes in conditions for purposes of section 4 above;

(3) the correction of the measurements to be made pursuant to section 5 above;

(4) whether the changes mentioned in section 6 hereof were made "promptly";

(5) the duration of the interruption or equivalent interruption mentioned in section 7 above;

(6) the occurrence of an abnormal nonrecurring demand and the amount and time thereof;

(7) any fact mentioned in section 21 above and in section 24 above;

(8) whether a party has complied with section 22(b) above; and

(9) the acceptable level of harmonics for purposes of section 23 above.

The questions of fact in the body of the Power Sales Contract with Public Agency, Cooperative, Federal Agency, and Investor-Owned Utility Purchasers to be determined as provided in this section shall be limited to:

(1) the order of receipt of written notices of addition of Firm Resources under section 12(b)(7);

(2) whether the Purchaser's electrical system is interconnected with electrical systems of other utilities directly or indirectly connected with Bonneville's electrical system for purposes of section 13(d);

(3) whether a Purchaser's documentation under section 17(e) demonstrates the actual implementation of a load curtailment program; and

(4) the level of base load under section 8.

33. Enforcement of Rights for Benefit of Transferors. If delivery of electric power and energy under this contract is to be made by transfer over the facilities of any Transferor or Transferors, Bonneville may enforce Government rights under the power factor clause of the Government's applicable rate schedule incorporated in this contract, and under sections 6, 13, 14, 21, 22, 23, 24, 27, 28, and 29 hereof, for the benefit of such Transferor or Transferors, and all references to the Federal System, property, or Facilities in said section shall be deemed to include the facilities of the Transferor or Transferors being used to deliver electric power or energy for the account of Bonneville.

34. Net Billing. Upon mutual agreement of the parties, payments due one party may be offset against payments due the other party under all contracts between the Purchaser and Bonneville for the sale and exchange of electric power and energy, use of transmission facilities, operation and maintenance of electric facilities, lease of electric facilities, mutual supply of emergency and standby electric power and energy, and under such other contracts between such parties as the parties may agree unless otherwise provided in existing contracts between the parties. Under contracts included in this procedure all payments due one party in any month shall be offset against payments due the other party in such month, and the resulting net balance shall be paid to the party in whose favor such balance exists unless the latter elects to have such balance carried forward to be added to the payments due it in a succeeding month.

35. Contract Work Hours and Safety Standards. This contract, if and to the extent required by applicable law or if not otherwise exempted, is subject to the following provisions:

(a) Overtime Requirements. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers, mechanics, apprentices, trainees, watchmen, and guards shall require or permit any laborer, mechanic, apprentice, trainee, watchman, or guard in any workweek in which such worker is employed on such work to work in excess of 8 hours in any calendar day or in excess of 40 hours in such workweek on work subject to the provisions of the Contract Work Hours and Safety Standards Act unless such laborer, mechanic, apprentice, trainee, watchman, or guard receives compensation at a rate not less than one and one-half times such worker's basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of 40 hours in such workweek, whichever is the greater number of overtime hours.

(b) Violation; Liability for Unpaid Wages; Liquidation of Damages. In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for such employee's unpaid wages. In addition, such Contractor and subcontractor shall be liable to the Government for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer, mechanic, apprentice, trainee, watchman, or guard employed in violation of the provisions of subsection (a) in the sum of \$10 for each calendar day on which such employee was required or permitted to be employed in such work in excess

of eight hours or in excess of such employee's standard workweek of 40 hours without payment of the overtime wages required by subsection (a) above.

(c) Withholding for Unpaid Wages and Liquidated Damages. Bonneville may withhold from the Government Prime Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in subsection (b) above.

(d) Subcontracts. The Contractor shall insert subsections (a) through (d) of this section in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

(e) Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a). Such records shall be preserved for 3 years from the completion of the contract.

36. Convict Labor. In connection with the performance of work under this contract, the Contractor agrees, if and to the extent required by applicable law or if not otherwise exempted, not to employ any person undergoing sentence of imprisonment except as provided by P.L. 89-176, September 10, 1965 (18 U.S.C. 4082(c)(2)) and Executive Order 11755, December 29, 1973.

37. Equal Employment Opportunity. During the performance of this contract, if and to the extent required by applicable law or if not otherwise exempted, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national

origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Bonneville setting forth the provisions of the Equal Opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which said Contractor has a collective bargaining agreement or other contract or understanding, a notice, to be provided by Bonneville, advising the labor union or workers' representative of the Contractor's commitments under the Equal Opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor, or pursuant thereto, and will permit access to said Contractor's books, records, and accounts by Bonneville and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the Equal Opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of subsections (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as Bonneville may direct as a means of enforcing such provisions, including sanctions for noncompliance. In the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result

of such direction by Bonneville, the Contractor may request the Government to enter into such litigation to protect the interests of the Government.

38. Assignment of Contract. This contract shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this contract. Such contract or any interest therein shall not be transferred or assigned by either party to any party other than the Government or an agency thereof without the written consent of the other except as specifically provided in this section. The consent of Bonneville is hereby given to any security assignment or other like financing instrument which may be required under terms of any mortgage, trust, security agreement or holder of such instrument of indebtedness made by and between the Purchaser and any mortgagee, trustee, secured party, subsidiary of the Purchaser or holder of such instrument of indebtedness, as security for bonds or other indebtedness of such Purchaser, present or future; such mortgagee, trustee, secured party, subsidiary, or holder may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title, and interests of such Purchaser.

39. Waiver of Default. Any waiver at any time by any party to this contract of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with such contract, shall not be considered a waiver with respect to any subsequent default or matter.

40. Notices and Computation of Time. Any notice required by this contract to be given to any party shall be effective when it is received by

such party, and in computing any period of time from such notice, such period shall commence at 2400 hours on the date of receipt of such notice.

41. Interest of Member of Congress. No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to such contract if made with a corporation for its general benefit.

42. Priority of Pacific Northwest Customers.

(a) The provisions of sections 9(c) and (d) of P.L. 96-501 and the provisions of P.L. 88-552 as amended by section 8(e) of P.L. 96-501 ("the Provisions") are by this reference incorporated herein.

(b) To further the policy of the Provisions, Bonneville agrees that the Purchaser, together with other Customers in the Pacific Northwest, shall have priority on electric power and energy Bonneville has available for sale, in conformity with the Provisions.

(c) Bonneville agrees that it will comply with all restrictions and requirements of the Provisions, and will perform all duties and obligations imposed on it by the Provisions, as the Provisions existed on the effective date of this contract, regardless of any subsequent modification, amendment or repeal of the Provisions.

(d) Bonneville further agrees that, to the extent and at such times as may be necessary to meet demands for energy or peaking capacity at any established rate for use within the Pacific Northwest, it will exercise its rights, under contractual provisions required by the Provisions to be included

in contracts for the disposition of surplus energy or surplus peaking capacity for use outside of the Pacific Northwest, to require:

(1) the return of energy delivered in connection with its supplying peaking capacity for use outside the Pacific Northwest; and

(2) the delivery within the Pacific Northwest of energy, peaking capacity, or both, which Bonneville has the right to receive in any exchange for energy, capacity, or both, which it has delivered for use outside the Pacific Northwest.

43. Resource Acquisition and Management.

(a) Principles of Resource Acquisition.

(1) Bonneville is obligated under section 6(a)(2) of P.L. 96-501 to acquire sufficient firm resources to meet its firm loads after taking into account planned savings from conservation.

(2) Bonneville is obligated to attempt to meet its firm loads pursuant to section 6(a)(2) with resources, including conservation, implemented or acquired on a long-term basis pursuant to P.L. 96-501.

(3) To the extent Bonneville is unable to acquire, on a planning basis, sufficient resources on a long-term basis to meet its firm obligations, Bonneville is obligated to and will attempt to meet its remaining firm load obligations through the acquisition of additional resources pursuant to section 11(b)(6) of the Federal Columbia River Transmission System Act. The obligation contained in this subparagraph is a continuing one, and applies on both a planning basis and during the Pacific Northwest Coordination Agreement Critical Period.

(b) Principles of Resource Management. Bonneville will manage the resources of the Federal Columbia River Power System and resources acquired pursuant to P.L. 96-501 and the Federal Columbia River Transmission System Act for the purpose of meeting the loads of its customers at the lowest possible expected cost to Bonneville, to the extent consistent with Bonneville's legal obligations, environmental responsibilities, and prudent operating criteria, particularly for firm loads, without reducing its obligation to acquire sufficient resources to meet its firm loads, and with due regard for the risks and expected reliability of such resources.

(c) Consultation with Customers. In the development of its plans and programs to effect the provisions of this section, including for ratemaking purposes, Bonneville will provide a timely opportunity for prior consultation with its customers.

44. Cooperation with Regional Council. The parties will negotiate amendments to this contract as may be necessary to permit the plan or program adopted by the Pacific Northwest Electric Power and Conservation Planning Council pursuant to P.L. 96-501, including but not limited to provisions pertaining to conservation, renewable resources, and fish and wildlife, to be effective in the manner and for the purposes set forth in sections 4 and 6 of P.L. 96-501.

45. Rights of the Purchaser. No provision of this contract nor any action or lack of action by the Purchaser pursuant to the terms of this contract shall be construed to abrogate, modify, limit or otherwise waive in any respect any right of the Purchaser including the right of the Purchaser to exercise its preference and priority as provided by law.

II. RELATING ONLY TO PREFERENCE AGENCIES

46. Separation of Electric Operations and Funds (All Public Agencies).

(a) The Purchaser shall operate its electric system as a separate department from other utility functions, if any, and shall establish and maintain a separate fund for the revenues derived from the operation of such system. Such revenues shall not be commingled with funds or accounts of other departments, if any.

47. Statement of General Policies and Practices (Cities).

(a) Publicly owned city electric systems should be operated and maintained:

- (1) primarily for the benefit of the users of electricity;
- (2) in accordance with reasonable standards of safety, reliability, quality, and efficiency; and
- (3) to maintain the cost of electric power at the lowest level consistent with good service and proper maintenance.

(b) Revenue requirements shall insure a financially sound and self-supporting electrical system. This requires that revenues be sufficient for:

- (1) Reasonable and necessary current maintenance and operating expenses, including salaries, wages, cost of power at wholesale, materials, supplies, insurance, necessary renewals and replacements of plant, and the establishment of reasonable funds for such purposes, contingencies, and other lawful charges.

(2) Interest and principal of indebtedness incurred for the electric plant and payments required to be made into any special bond funds.

(3) Depreciation of electric system property to the extent not adequately provided for by amortization of debt and by renewals and replacement.

(4) Payments made into a governmental entity general fund via taxes or payments in lieu of taxes. The percentage of gross electric revenues used for this purpose shall be an amount not exceeding the greater of the following:

(i) an amount which is equal to five percent of the gross electric revenues, unless a greater amount is provided pursuant to the city charter or agreements in effect as of December 5, 1980; or

(ii) the amount of State or local taxes levied upon the Purchaser's electric system or its operations.

(c) A local governmental entity, when acting in its governmental capacity, and receiving electric service, shall be a Consumer and be billed for such services consistent with the rates charged other Consumers in the same class. The Purchaser shall receive prompt payment for such electric services. Payments by the Purchaser for necessary services or materials received by the Purchaser from other governmental departments, shall be limited to a fair, reasonable and nondiscriminatory charge.

(d) Taxpayers' investments in the electric system, made through use of general government funds of the city, should be treated in the same manner as funds borrowed by the electric system from outside sources, and should receive a return approximating the market rate of interest on comparable securities.

Such market rate of interest shall not exceed 6 percent per annum unless a larger amount is approved by Bonneville.

(e) All surplus revenues from retail sales remaining after meeting the requirements of subsections (b), (c), and (d) above, where applicable, should be applied to reduction of rates. Surplus revenues earned in any year may properly be devoted to the purchase or retirement of system indebtedness before maturity, to the extent that such use thereof is consistent with the above principles and practices.

48. Approval of Contract. If the Purchaser borrows from the Rural Electrification Administration or any other entity under an indenture which requires the lender's approval of contracts, this contract and any amendment thereto shall not be binding on the parties thereto if they are not approved by the Rural Electrification Administration or such other entity. The Purchaser shall notify Bonneville of any such entity. If approval is given, such contracts or amendment shall be effective at the time stated in such contract or amendment.

49. Prior Demands.

(a) If Bonneville has delivered electric power or energy to the Purchaser at any Point of Delivery specified in this contract prior to the time this contract takes effect, the Purchaser's Measured Demands, if any, at such point or Measured Demands for its system for Purchasers on Computed Requirements prior to such time shall be considered for the purpose of determining the charges to the Purchaser for the electric power and energy delivered under this contract, during any month in the term hereof, in the same manner as if this contract had been in effect.

(b) If Bonneville has delivered electric power and energy to the Purchaser at any Point of Delivery specified in this contract or in any previous contract with the Purchaser, and such Point of Delivery is superseded by another Point of Delivery specified in this contract, the Purchaser's Measured Demands, if any, at such superseded point shall be considered for the purpose of determining the charges to the Purchaser for the electric power and energy delivered under this contract at such superseding point.

III. RELATING ONLY TO PUBLIC BODY, COOPERATIVE, FEDERAL  
AGENCY AND INVESTOR-OWNED UTILITY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES

50. Effect of Reduction of Contract Demand. If the Purchaser's contract demand is specified in this contract and is reduced after this contract is executed, the prior Measured Demands, if any, of the Purchaser shall, for the purpose of computing charges for electric power and energy delivered thereafter, be reduced by the amount of such reduction.

51. Combining Deliveries Coincidentally.

(a) If it is provided in this contract that charges for electric power and energy made available at two or more Points of Delivery will be made by combining deliveries at such points coincidentally:

(1) the total Measured Demand to be considered in determining the billing demand for each Billing Month shall be the largest sum obtained by adding for each demand interval of such month the corresponding Integrated

Demands of the Purchaser at all such points after adjusting said Integrated Demands as appropriate to such points;

(2) the number of kilowatthours to be used in determining the energy charge, if any, and the average power factor at which electric energy is delivered at such points under this contract, during such month, shall be the sum of the amounts of electric energy delivered at such points under this contract during such month; and

(3) the number of reactive kilovolt-ampere-hours to be used in determining such average monthly power factor shall be the sum of the reactive kilovolt-ampere-hours delivered at such points under this contract during such month.

(b) If electric power and energy is made available under this contract to the Purchaser at two or more Points of Delivery, Bonneville may, upon two years written notice, place the Purchaser on a coincidental billing demand basis pursuant to the terms of this section.

52. Combining Deliveries Noncoincidentally. If it is provided in this contract that charges for electric power and energy made available at two or more Points of Delivery will be made by combining deliveries at such points noncoincidentally:

(a) the total Measured Demand to be considered in determining the billing demand for each month in the period specified in such contract shall be the sum obtained by adding together the Measured Demands of the Purchaser for each of such points during such month;

(b) the number of kilowatthours to be used in determining the energy charge, if any, and the average monthly power factor at which electric

energy is delivered at such points under this contract, during such month, shall be the sum of the amounts of electric energy delivered at such points under this contract during such month; and

(c) the number of reactive kilovolt-ampere-hours to be used in determining such average monthly power factor shall be the sum of the reactive kilovolt-ampere-hours delivered at such points under this contract during such month.

53. Power Factor Adjustment. Except as it is otherwise specifically provided in this contract, no adjustment shall be made for power factor at any Point of Delivery for any period of time during which the reactive power delivered at such point is not measured.

B. IN REFERENCE TO PURCHASERS' OPERATING POLICIES

54. Retail Rates.

(a) Copies of the Purchaser's schedules of retail rates, including special contract rates, if any, in effect when this contract is executed, and those hereafter adopted, endorsed with the effective date thereof, shall be furnished to Bonneville, and Bonneville shall keep said rates on file. The Purchaser agrees to serve each of its Consumers at, and in accordance with, the rates, charges, and provisions set forth in the applicable rate schedules on file where and as required by law or on file in Bonneville's office. Notice of the intent to change retail rates shall be given to Bonneville either 45 days prior to their effective date or as soon as the regulatory process allows or shall be mailed to Bonneville on the same day as a notice of

a rate change given to a state regulatory authority by the Purchaser, whichever will result in the later receipt of such notice by Bonneville.

(b) The retail rates and charges shall be reasonable and nondiscriminatory, consistent with the principles of the Bonneville Project Act, subject to the right of the Purchaser to adopt retail rates designed to achieve cost-effective conservation or renewable resources; provided, however, that rates and charges which have been approved in accordance with the procedures of a state regulatory agency having jurisdiction shall be deemed prima facie reasonable and nondiscriminatory. The Purchaser shall maintain records containing the data, analyses, and other factors which are used to develop and form the basis for its proposed or final retail rates. At Bonneville's request, such records as are available for public inspection shall be supplied during the rate development process or after the rates have been adopted.

(c) At the Purchaser's request, Bonneville shall (1) provide assistance in analyzing and developing rate structures, including retail rate structures that will encourage cost-effective conservation and Consumer-owned renewable resources; (2) provide estimates of the probable power savings and the probable amount of billing credits under section 6(h) of P.L. 96-501 that might be realized by the Purchaser adopting and implementing such retail rate structures; and (3) solicit additional information and analytical assistance from appropriate state regulatory bodies and Bonneville's other Customers.

C. IN REFERENCE TO USE OF POWER

55. Resale of Power. The Purchaser shall not resell Firm Power delivered under this contract except to those Consumers and utilities within its service area in the Pacific Northwest to the extent such Consumers and utilities are normally dependent on the Purchaser for their firm power supplies. The Purchaser shall not sell power from its Firm Resources in such a manner as to increase the Purchaser's Computed Peak Requirement or Computed Average Energy Requirement on Bonneville in any month. These prohibitions on resale in this section shall not be interpreted as a general prohibition against the Purchaser simultaneously purchasing Firm Power from Bonneville and selling power generated at its own facilities to other utilities.

D. IN REFERENCE ONLY TO PURCHASERS WITH GENERATING FACILITIES

56. Nonfirm Deliveries.

(a) At the request of either the Purchaser or Bonneville, the other party will make available on the terms stated herein, such thermal-generated energy or hydro-generated energy as the supplying party determines, when such request is made, that it has available for delivery to the requesting party.

(b) Neither party, by this contract, assures the other that it has, or will have available, any thermal-generated energy or hydro-generated energy for delivery to such other party, and the determination made by the supplier, provided for in subsection (a) above, of the amount, if any, of such energy

which it will supply to the other party shall be final and conclusive as to both parties.

(c) Nothing in this contract shall prohibit supply of nonfirm, emergency or breakdown relief energy under any other contract.

57. Emergency or Breakdown Relief.

(a) If a breakdown of, or emergency on, the system of either the Purchaser or Bonneville occurs, while such breakdown or emergency exists, the other party will make available upon request, all or such part of the electric energy required for such system as the supplier determines it can supply, consistent with its obligations to its other customers. The determination so made by the supplier shall be final and conclusive as to both parties.

(b) If either party supplies electric energy to the other party pursuant to the provisions of subsection (a) of this section and requests replacement thereof, the other party shall make an equivalent amount of electric energy available to such supplier at such times as may be agreed upon by the dispatchers of the parties hereto.

58. Effect on Generating Utility by Direct Service Industrial Customer Power Sales Contract Provisions. Bonneville will notify the Purchaser of the proposed adoption of an annual operating plan, annual operating agreement or energy accounting system in the Direct-Service Industrial Customers' power sales contracts. If, in Bonneville's sole determination, the system of a generating utility will be materially affected by a proposed annual operating plan, annual operating agreement, or energy accounting system provided in the Direct Service Industrial Customers' power sales contracts, Bonneville will

consult with such utility prior to adopting such proposed plan, agreement, or accounting system.

IV. RELATING ONLY TO DIRECT-SERVICE INDUSTRY PURCHASERS

A. IN REFERENCE TO COMPUTATION OF CHARGES

59. Demands. During periods when Bonneville is delivering to the Purchaser hourly amounts of electric power or energy under the terms of agreements other than this contract, such amounts shall be subtracted each hour from the Integrated Demand for deliveries hereunder for each such hour after adjusting such Integrated Demands as appropriate to the Point of Delivery.

B. IN REFERENCE TO PURCHASE

60. Use and Resale of Power. All electric power and energy delivered under this contract shall be used by the Purchaser in its own operations, and the Purchaser shall not resell such electric power and energy delivered under this contract, or any part thereof. If the Purchaser resells such electric power and energy, or any part thereof, Bonneville shall immediately terminate this contract.

(WP-PCI-0810c)

(8/25/81)

Customer Service Objectives Exhibit

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

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

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

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

Bonneville's Customer Service Policy will encourage additional joint utility planning including (1) better long-range planning; (2) energy loss reduction studies, including common standards of conductor economics, and distribution

voltage levels; (3) voltage regulation on the transmission and distribution system; and (4) elimination of duplicate facilities such as may result from separate substations and low voltage circuit breakers.

(WP-PCI-0088c)

Customer Service Objectives Exhibit

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

(WP-PCI-0088c)

Allocation Formulas Exhibit

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

1. General Allocation Formulas for Firm Energy Capability (Formula A). The respective formulas below shall be used (a) for determining the allocation of Firm Energy to public body, cooperative and Federal agency Customers during a combined allocation of the Federal base system resources including the Montana reservation; and (b) for determining the allocation of Firm Energy to investor-owned utilities.

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

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

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

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

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

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

4. Allocation Formula For All Other Public Body, Cooperative, and Federal Agency Customers During A Montana Reservation Allocation (Formula D). This formula shall be used for determining the allocation of Firm Energy to public body, cooperative and Federal agency Customers other than Montana Customers when Montana Customers receive an allocation solely from the Montana reservation.

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

5. General Allocation Formula for Firm Peak Capability (Formula E). These Formulas shall be used for determining the allocation of Firm Capacity for each month of an Operating Year for (a) public body, cooperative, and Federal agency Customers; and (b) investor-owned utilities.

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

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

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

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

$$J = I^2$$

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

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

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

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

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

## 7. Definitions.

A = The larger of (a) the sum of Purchaser's Actual Firm Energy Loads, exclusive of its New Large Single Loads, in the Year Preceding Insufficiency; or (b) the arithmetic average of such loads for the Year Preceding Insufficiency and the two Operating Years immediately preceding such year, less either the contribution of the Purchaser's Firm Resources as limited below to the sum of the Purchaser's Assured Energy Capability for such year or the planning capability of the energy output of such resources for a Purchaser on Metered Requirements.

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

- B = The total of A for all public body, cooperative and Federal agency Customers.
- C = The firm energy capability for the Operating Year or the firm peak capability for each month of such year of the Federal base system resources described in section 7(c) and 7(d).
- D = The total of A for all Montana public body, cooperative and Federal agency Customers.
- E = The respective sum of the Intra-Class Excess Entitlements for each class of Customers.
- G = The larger of the Purchaser's Actual Firm Peak Load, exclusive of its New Large Single Loads, for each month in the Year Preceding Insufficiency or the arithmetic average of such load for such months in the Year Preceding Insufficiency and the two Operating Years immediately preceding such year, less either the contribution of the Purchaser's Firm Resources as limited below to the Purchaser's Assured Peak Capability for such months or the planning capability of the peak output of such resources for such months for a Purchaser on Metered Requirements.

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

- H = The total of "G" for each month of the Operating Year for all public body, cooperative and Federal agency Customers.
- I = The initial allocation factor which is determined by comparing what the Purchaser developed "Q" to what it should have developed "Z." "I" shall be deemed to be 0.01 for Customers where "I" is less than 0.01 but greater than zero.
- J = The value which is used to establish the final allocation factor for determining the Purchaser's share of the sum for such Customer's class of the Intra-Class Excess Entitlements.
- K = The final allocation factor for members of each Customer class.
- L = The respective sum of "J" for all Customers in each class of Customers.

- M = The firm energy capability as determined by Bonneville of the reservation under law of electric power primarily for use in the State of Montana.
- N = The remaining amount of Intra-Class Excess Entitlements for a class after the deficiencies of the Customers in a class, as reduced by section 7(f)(4), have been fully met as specified in section 7(f)(3).
- O = The allocation of the remaining amounts of Intra-Class Excess Entitlements to Customers in each respective class whose entitlements under section 7(f)(3) have been reduced pursuant to section 7(f)(4) after meeting the deficiencies of all Customers in such class as reduced by section 7(f)(4). "O" may be zero for the Purchaser.
- P = The initial allocation for each Customer from the sum for such Customer's class of the Intra-Class Excess Entitlements as specified in section 7(f)(3).
- Q = The best estimate of the sum of the firm energy capability for the Operating Year at the time of the determination of the estimated allocation prior to such Operating Year or the firm peak capability for each month of such year of (1) resources (including conservation) acquired from or on behalf of the Purchaser as specified in section 7(e); (2) conservation and direct application renewable resources of the Purchaser which have reduced the Purchaser's Actual Firm Load in an amount which the Purchaser has documented and that Bonneville has agreed was accomplished, and (3) the portion of the Purchaser's Firm Resources which are included as 5(b)(1)(B) resources in its Firm Resource Exhibit.
- R = The best estimate of the sum of the firm energy capability for the Operating Year for which the determination of each estimated or final allocation is made or the firm peak capability for each month of such year of resources (including conservation) acquired from or on behalf of the Purchaser as specified in section 7(e).
- S = An additional allocation of firm peak and firm energy capability necessary to ensure that the Purchaser's allocation is not less than the amount of Firm Power actually supplied by Bonneville to meet its obligation under section 14 or section 17, as applicable, to supply Firm Capacity in each month and Firm Energy in the Year Preceding Insufficiency. "S" may be zero for the Purchaser.
- T = The respective sum of "S" for all Customers in the public body and cooperative or Federal agency class. "T" is zero for the investor-owned utility class.

- U = The firm peak and firm energy capability necessary to serve the amount which the Purchaser's Actual Firm Peak Loads or Actual Firm Energy Loads would have been reduced by any cost-effective conservation programs which Bonneville offers to the Purchaser and the Purchaser declines to implement. Such amount of firm peak capability and firm energy capability shall be determined based on such programs' standards for measuring load reductions but shall not include amounts of firm peak capability or firm energy capability to the extent the Purchaser implemented similar measures which accomplished the same purposes and were comparable to Bonneville programs in enough ways to evaluate their degree of effectiveness. In the event the Purchaser implemented equivalent conservation programs which Bonneville determines resulted in reductions less than would have resulted from the Bonneville conservation programs, Bonneville shall reduce the Purchaser's allocation by the difference between the reductions which would have resulted from the Bonneville conservation programs and the reductions resulting from the Purchaser's conservation programs. "U" shall not exceed "X" for determining the Purchaser's entitlement to Intra-Class Excess Entitlements.
- W = The Purchaser's allocation of the sum for the Purchaser's class of the Intra-Class Excess Entitlements based on the following formulas:
- (1)  $W = X$  for all Customers in a class, if  $(E-T)$  is equal to or greater than  $Y$ .
  - (2)  $W = P - U + 0$  for all Customers in a class, if  $(E-T)$  is less than  $Y$ .
- X = The remaining deficiency of firm peak capability or firm energy capability between the Purchaser's allocation prior to the Purchaser receiving an entitlement of Intra-Class Excess Entitlements for its class and the amount of Firm Power necessary to meet Bonneville's obligations pursuant to section 14 or section 17, as applicable, to supply Firm Capacity for each month or Firm Energy for an Operating Year. Such remaining deficiency for an Operating Year shall be the difference between the Purchaser's Estimated Firm Load, if provided, or Bonneville's estimate of the Purchaser's Actual Firm Load and the sum of either the Assured Capabilities for a Purchaser on Computed Requirements or the planning capability of its Firm Resources for a Purchaser on Metered Requirements and the Purchaser's allocation of "C", "S" and "R."
- Y = The respective sum of "X" for all Customers in each class.

- Z = The load growth of the Purchaser since passage of P.L. 96-501 and any deficits of investor-owned utilities determined by subtracting from Bonneville's estimate of the Purchaser's Actual Firm Load for the Operating Year for which the allocation will apply either (1) the Purchaser's Actual Firm Load in the '82-'83 Operating Year for public body, cooperative and Federal agency Customers; or (2) the contribution to the Purchaser's Assured Capabilities for such Operating Year for a Purchaser on Computed Requirements or the planning capability for a Purchaser on Metered Requirements of any Firm Resources which were included as 5(b)(1)(A) resources in the Purchaser's Firm Resource Exhibit for investor-owned utilities. "Z" shall be deemed to be one for Customers where "Z" is less than one.

(WP-PCI-0088c)

Power Scheduling Procedures Exhibit

1. Submission of Prescheduled Amounts.

- (a) Preschedules shall be completed by Bonneville and the Purchaser on each day which both Bonneville and the Purchaser observe as a regular workday (Workday) for each hour of the following day or days through the following Workday unless otherwise agreed.
- (b) The Purchaser shall submit estimates of prescheduled amounts on such Workdays by 1100 hours Pacific Time (PT) or 2 hours after Bonneville issues its report of the Chief Joseph Project uncoordinated discharge, whichever is later.
- (c) Final prescheduled amounts shall be submitted on such day by 1400 hours PT or 2 hours after the estimated preschedules provided pursuant to subsection (b) above have been submitted, whichever is later.
- (d) Final prescheduled amounts shall be submitted no later than 1000 hours PT on such day when both Bonneville and the Purchaser are offering energy for sale under the Exportable Energy Agreement (Bonneville Contract No. 14-03-73155).
- (e) If Bonneville limits the amounts of power it makes available during Heavy Load Hours pursuant to section 17(g)(1), it shall inform the Purchaser's representative of its intention to make such limitation by 1200 hours PT of the day prior to the effective date of such limitation.
- (f) Bonneville may request by 1200 hours PT on any Wednesday estimates of energy that the Purchaser anticipates it will schedule with Bonneville for each day for the ensuing ten days, and the Purchaser shall submit such estimates to Bonneville by 1200 hours PT on the Workday following the request.

2. Hourly Distribution of Scheduled Amounts.

- (a) This subsection (a) applies to all Computed Requirements Purchasers, except as provided in subsections (b) and (c) below.
  - (1) The Purchaser may preschedule during Heavy Load Hours up to the amounts Bonneville is obligated to make available pursuant to section 17(g)(1).
  - (2) The Purchaser may preschedule during Light Load Hours on any day, Monday through Saturday, not more than 160 percent of the sum of :
    - (A) The Purchaser's Computed Average Energy Requirement and

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

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

$$\text{MON-SAT LLH SCHEDULE LIMIT} = 160\% [\text{CAER} + (\text{CAER} - \text{AAE} \text{ during HLH})]$$

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

- (3) The Purchaser may preschedule during all hours on Sunday as follows: not more than 120 percent of the Purchaser's Computed Average Energy Requirement between 0700 and 2200 hours PT and not more than 320 percent of the Purchaser's Computed Average Energy Requirement on all other hours; provided, however, the total amount of energy prescheduled during each seven day period ending on 2400 hours PT Sunday shall be limited to the product of 168 hours and 120 percent of the Purchaser's Computed Average Energy Requirement.
- (4) Except as provided in section 2(c)(2) above, the Purchaser may preschedule in any day up to the greater of the product of 8 hours and the Purchaser's Computed Peak Requirement or the product of 24 hours and 120 percent of the Purchaser's Computed Average Energy Requirement. If the Purchaser preschedules energy on any day using this rule which exceeds the product of 24 hours and 120 percent of the Purchaser's Computed Average Energy Requirement, the Purchaser shall return such excess within the calendar day following the taking of such energy or later if agreed by Bonneville and the Purchaser, at a rate no greater than 100 percent of the Computed Peak Requirement. An adjustment will be made in the billing process to reflect the obligation to return energy associated with capacity taken on the last day of the billing period.
- (5) In the event the Purchaser is unable to preschedule energy up to the amounts otherwise allowed in this section on certain hours due to minimum generation limitations of the Purchaser's Firm Resources, Purchaser may, by prior agreement of Bonneville, preschedule energy during other hours up to levels that may

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

(b) In addition to and not in limitation of subsection (a) above, Computed Requirements Purchasers shall arrange schedules according to this subsection (b). Since the determination of the Purchaser's Computed Peak Requirement and Computed Average Energy Requirement depends on the relationship of the Purchaser's Assured Capabilities and Actual Firm Loads, such requirements for any month cannot be determined until after the end of that month. As each Purchaser must estimate its own firm load, and is in the best position to follow the load development from day to day, it will be the Purchaser's responsibility to request preschedules of Firm Power, including any increase over previously established demands, on the basis estimated by the Purchaser to result in the most advantageous purchase of the power to be billed at the end of the month. When used in this section 2 with respect to Computed Requirements Purchasers, the terms Computed Peak Requirement and Computed Average Energy Requirement mean the Purchaser's best estimate of such quantities. The Purchaser shall have the right to change its estimate of its Computed Peak Requirement and Computed Average Energy Requirement at any time based on corresponding changes in the Purchaser's estimate of its firm loads or to reflect changes in its Assured Energy Capability allowed by the provisions of section 17(d). Changes in prescheduled amounts shall be as permitted in section 3 below.

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

(1) Except as otherwise provided in this exhibit the Purchaser shall not schedule Firm Power under this contract in any month in

excess of its Computed Average Energy Requirement times the number of hours in such month.

- (2) If during a month, a Planned Computed Requirements or Contracted Requirements Purchaser which has a Computed Average Energy Requirement greater than 20 percent of its Computed Peak Requirement for such month reaches the limit for scheduling Firm Power specified in paragraph (1) above, such Purchaser shall thereafter during such month be subject to the provisions of section 2(a)(4) above, except: (1) the Purchaser's Computed Average Energy Requirement as used in section 2(a)(4) shall be zero; and (2) that, under adverse operating conditions, Bonneville may request that the Purchaser return energy delivered pursuant to section 2(a)(4) by the later of six hours from delivery or the end of the current Heavy Load Hour period and the Purchaser shall use its best efforts to comply with such request, provided, however, that, in any event, the Purchaser shall return such energy prior to 0700 hours of the following day. For purposes of this paragraph (2), adverse operating conditions shall mean an inability of the Government's generating system to increase its generation to produce such energy without subsequent spillage of water on the Government's generating system, without requiring a subsequent purchase of power by Bonneville, or without subsequently causing Bonneville to violate any operating restriction on the Government's generating system.

3. Changes from Preschedules.

- (a) In the application of the procedures controlling changes from preschedules, it is Bonneville's intention to comply with the Purchaser's requests for schedule changes to the maximum extent practicable, so as to maximize the power production of the region's resources in the most efficient manner possible. Bonneville shall comply with requests for schedule changes to the extent such changes are within the capability of the Federal system unless, due to the lateness of the request for change, Bonneville would suffer energy, capability, or economic loss (not including any economic loss resulting from making the requested change instead of making secondary sale) that would have been avoided if this request had been made at the preschedule time. If Bonneville would suffer such loss and if the Purchaser agrees prior to delivery to reimburse Bonneville for the estimated loss in order to make the change, Bonneville shall make such change. The Purchaser shall endeavor to avoid requesting schedule changes.
- (b) Except under emergency conditions, requests for schedule changes shall be submitted no later than 20 minutes before the beginning of the automatic generation control process ramp time used by Bonneville. This ramp time now begins 10 minutes before the hour.

- (c) With prior agreement of Bonneville, the Purchaser may increase its schedules of capacity up to the amounts the Purchaser had a right to preschedule in a manner which is not otherwise provided for, if the Purchaser agrees to return the energy associated with such increase within 6 hours.
- (d) When requested by Bonneville, the Purchaser shall make schedule changes in blocks of 6 hours at one time, subject to subsequent changes permitted by this exhibit, to enable Bonneville to develop a revised operational plan in an efficient manner. Such schedule changes shall incorporate the Purchaser's latest and best information about its future operation.
- (e) In addition to the schedule changes allowed pursuant to subsections (a) through (d) above, if the Purchaser has been designated to purchase on the basis of Actual Computed Requirements, it may make schedule changes without limitation by Bonneville subject to the following conditions:
  - (1) The Purchaser is not delivering energy for sale under the Exportable Energy Agreement concurrently with Bonneville;
  - (2) The Purchaser is making full use of the capability of its Firm Resources up to the Assured Capability levels of such resources or such capability is being replaced with other purchases or resources, and the Purchaser is making full use of its rights to change schedules under other contracts; provided, however, that hydroelectric resources need be used only to the maximum extent possible within the limits of normal pondage and available streamflows; and
  - (3) The schedule change is necessary in order to meet the Purchaser's Actual Firm Loads; or the changed schedule would serve to conserve energy which would otherwise be lost to the region.

(MP-PCI-0088c)

Relief from Overrun Exhibit

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

1. Conversion of Measured Amounts to Nonfirm Energy. If any of the Purchaser's Measured Amounts during Heavy Load Hours during the month exceed the Purchaser's Computed Maximum Requirement for the corresponding hour, Bonneville shall convert such excess to nonfirm energy to the extent that Bonneville determines it would have had additional nonfirm energy available for the Purchaser during such hours. The amounts so converted shall be billed as nonfirm energy pursuant to section 19(b)(2). The Purchaser's Measured Amounts for such hours and the Purchaser's Measured Energy for the month shall be reduced by the amounts so converted to nonfirm energy. If the Purchaser's Measured Demand is based on a Measured Amount which is reduced pursuant to this section, such Measured Demand shall be reduced by the amount converted to nonfirm energy for such hour.
2. Mandatory Adjustment of Assured Capability. If the Purchaser's Measured Energy for the month, after reduction pursuant to section 1 above, exceeds the Purchaser's Computed Energy Maximum for such month, the Purchaser shall, to the extent permitted by section 17(d), reduce its Assured Energy Capability for such month, to the extent necessary to increase its Computed Energy Maximum so that it equals its Measured Energy, after reduction of such Measured Energy pursuant to section 1 above, for such month. The Purchaser's Computed Average Energy Requirement and Computed Maximum Requirement for such month shall be increased as appropriate to reflect the decrease, if any, in the Purchaser's Assured Energy Capability made pursuant to this subsection 2.
3. Conversion of Measured Energy to Nonfirm Energy. If the Purchaser's Measured Energy for the month, after reduction pursuant to section 1 above, exceeds its Computed Energy Maximum for such month, after adjustment pursuant to section 2 above, Bonneville shall convert a portion of such excess to nonfirm energy. Such portion shall be equal to the product of such excess and the ratio of the number of Light Load Hours during such month that Bonneville determines it would have had additional nonfirm energy available for the Purchaser to the total number of Light Load Hours in such month. The amounts so converted shall be billed as nonfirm energy pursuant to section 19(b)(2). The Purchaser's Measured Energy for the month shall be further reduced by the amounts so converted to nonfirm energy.
4. Disposition of Demand Overrun. If any of the Purchaser's Measured Amounts during Heavy Load Hours during the month, after reduction pursuant to section 1 above, exceed the Purchaser's Computed Maximum Requirement for

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

5. Relief from Energy Overrun. If the Purchaser's Measured Energy for the month, after reduction pursuant to sections 1, 3 and 4 above, is less than the relief margin set forth below, the Purchaser shall return the portion of such Measured Energy in excess of the Purchaser's Computed Energy Maximum, after adjustment pursuant to section 2 above, at mutually agreeable times and rates within 30 days after Bonneville notifies the Purchaser that such return is required or at times and rates otherwise mutually agreed upon. A service charge for the excess energy so returned shall be billed at the charge for energy advanced during unspecified Heavy or Light Load Hours pursuant to section 19(b)(4). To the extent such excess is not so returned it shall be billed as unauthorized increase pursuant to section 19(b)(1)(A). The Purchaser's Measured Energy for the month shall be further reduced by the excess amounts returned to Bonneville or billed as unauthorized increase. The relief margin is 101 percent of the Purchaser's Computed Energy Maximum for each month, after adjustment pursuant to section 2 above, except that in the month before the month in which the Purchaser's Flexibility Account balance must be brought to zero pursuant to section 17(d)(1)(A) the relief margin is 103 percent and in the month that the Purchaser's Flexibility Account must be so brought to zero the relief margin is 105 percent. If the Purchaser's Measured Energy for such month, after reduction pursuant to sections 1, 3 and 4 above, exceeds the relief margin set forth above, the entire excess over its Computed Energy Maximum, after adjustment pursuant to section 2 above, shall be billed as unauthorized increase pursuant to section 19(b)(1)(A). The Purchaser's Measured Energy for the month shall be further reduced by the amounts billed as unauthorized increase.

6. Adjustment of Demand Overrun. If any of the Purchaser's Measured Energy for the month is billed at the unauthorized increase rate pursuant to section 5 above and if any demand has been billed at the demand charge for reserve power and if any energy has been billed at the service charge pursuant to section 4, the amount of demand so billed and the amount of energy so billed shall be reduced by amounts obtained by multiplying the amounts billed pursuant to section 4 by the ratio of the amount billed at the unauthorized increase rate pursuant to section 5 to the amount of energy billed at the service charge pursuant to section 4. If such ratio is greater than one, the amount of demand billed at the demand charge for reserve power and the amount of energy billed at the service charge pursuant to section 4 shall be reduced to zero.
7. Disposition of Remainder. The Purchaser's Measured Amounts, Measured Demand, and Measured Energy for the month, after reduction and adjustment pursuant to section 1 through 6 above, shall be billed pursuant to section 19(b)(1)(A).

(WP-PCI-0088c)

Service Charges Exhibit

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

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

1. For energy advanced during Heavy Load Hours - 3.0 mills per kilowatthour.
2. For energy advanced during unspecified Heavy or Light Load Hours - 2.0 mills per kilowatthour.
3. Heavy Load Hours and Light Load Hours mean the same herein as in the body of this agreement.

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

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

(WP-PCI-0088c)

Exhibit H, Page 1 of 1  
Contract No. DE-MS79-81BP90425  
Portland General Electric Company  
Effective on the effective  
date of this contract

POINTS OF DELIVERY

1. PEARL POINT OF DELIVERY:

Location: the point in the Government's Pearl substation where the 230 kV facilities of the parties hereto are connected;

Voltage: 230 kV;

Metering: in the Government's Pearl substation, in the 230 kV circuit over which such electric energy flows to and from Bonneville.

FIRM RESOURCE EXHIBIT

<u>Name of Resource</u>	<u>No. of Units</u>	<u>Peak Capability (MW)[1]</u>	<u>Annual Plant Factor (%) [2]</u>	<u>Purchaser's Percent of Resource Committed to This Agreement (%)</u>	<u>Date of Resource Addition</u>	<u>Date of Resource Removal</u>
<b><u>GENERATING RESOURCE</u></b>						
<b><u>P.L. 96-501 5(b)(1)(A) Firm Resources</u></b>						
<b><u>Hydroelectric Resources</u></b>						
Round Butte	3	290.0		100.0	09/01/82	-
Palton	3	108.0		100.0	09/01/82	-
Oak Grove	2	45.0		100.0	09/01/82	-
North Fork	2	54.0		100.0	09/01/82	-
Faraday	6	43.0		100.0	09/01/82	-
River Mill	5	23.0		100.0	09/01/82	-
Bull Run	4	22.0		100.0	09/01/82	-
Sullivan	13	16.0		100.0	09/01/82	-
Wells	10	820.0[5]		27.3	09/01/82	08/31/83
Wells	10	820.0[5]		26.5	09/01/83	08/31/84
Wells	10	820.0[5]		24.4	09/01/84	08/31/85
Wells	10	820.0[5]		23.0	09/01/85	08/31/86
Wells	10	820.0[5]		22.8	09/01/86	-
Rocky Reach	10	1267.0[5]		12.0	09/01/82	-
Wanapum	10	986.0[5]		19.6855	09/01/82	08/31/83
Wanapum	10	986.0[5]		18.7000	09/01/83	-
Priest Rapids	10	912.0[5]		14.8855	09/01/82	08/31/83
Priest Rapids	10	912.0[5]		13.9000	09/01/83	-
<b><u>Other Than Hydroelectric Resources</u></b>						
Beaver	7	534.0	13.6	84.2	09/01/82	-
Bethel	2	116.0	1.7	100.0	09/01/82	-
Summit 1 & 2	2	6.0	16.7	100.0	09/01/82	-
Centralia	2	1313.0	68.7	2.5	09/01/82	-
Trojan	1	1080.0	70.8	67.5	09/01/82	-

**P.L. 96-501 5(b)(1)(B) Firm Resources**

None

FIRM RESOURCE EXHIBIT

<u>Name of Resource</u>	<u>Supplier</u>	<u>Identifying No. [3]</u>	<u>Date of Resource Addition</u>	<u>Date of Resource Removal</u>	<u>Descriptive Remarks</u>
<u>CONTRACTUAL RESOURCES</u>					
<u>.L. 96-501 5(b)(1)(A) Firm Resources</u>					
<u>Purchases</u>					
Hanford Extension	Bonneville	14-03-79120	09/01/82	06/30/83	
CSPE	CSPE	14-03-47311	09/01/82	03/31/03	
SCE to PGE (Peaking)	PG&E/SCE		09/01/82	-	Terminated on 5 years notice on any Oct. 15 but not before 10/15/82.
BPA to PGE (Peaking)	Bonneville	14-03-29102	09/01/82	10/22/91	Contract amount changed on 5 years notice. 450 MW dedicated as 5(b)(1)(A) resource.
Supplemental and Entitlement Cap	Bonneville	14-03-47451 14-03-47453 14-03-47454 14-03-47455	[4]	[4]	
Publishers (Tillamook)	Publishers		09/01/82	-	Terminated by 60-day notice by either party.
Lake Oswego	Lake Oswego Corp.		09/01/82	-	
<u>Obligations</u>					
Canadian Entitlement Return	Purchaser	14-03-47451 14-03-47453 14-03-47454 17-03-47455	[4]	[4]	
Restoration	Purchaser	14-03-48221	09/01/82	06/30/03	
PGE to PP&L	Purchaser		09/01/82	-	As long as Round Butte is operated.
PGE to Montana	Purchaser		09/01/82	02/28/83	
PGE to SCE	Purchaser		09/01/82	09/30/82	Will be extended until obligation is satisfied.
PGE to PG&E/SCE (Peaking)	Purchaser		09/01/82	10/22/91	Terminated on 5 years notice on any Oct. 15 but not before 10/15/82.

.L. 96-501 5(b)(1)(B) Firm Resources

None

- [1] At full reservoir for hydroelectric resources.
- [2] Plant factor is required only for other than hydroelectric generating facilities.
- [3] Purchaser's entitlement to a Firm Resource supplied pursuant to a contract purchase which is not tied to the capability of a generating project shall be determined from the contract identified herein.
- [4] Purchaser's entitlement to Firm Resource is based on Purchaser's ownership of share of Priest Rapids, Wanapum, Rocky Reach, and Wells.
- [5] Pre-encroached values.

Exhibit J, Page 1 of 1  
Contract No. DE-MS79-81BP90425  
Portland General Electric  
Effective at 2400 hours on  
the date of execution of  
this agreement

Assured Capability Exhibit

Assured Peak Capability  
(MW)

Assured Energy  
Capability  
(Avg. MW)

To be provided by the Purchaser pursuant to section 16 of this contract prior to commencing service under this contract.

Exhibit K  
Table 1, Page 1 of 1  
Contract No. DE-MS79-81BP90425  
Portland General Electric  
Effective on the effective date  
of this contract

New Large Single Load Determinations Exhibit

(This exhibit is for information purposes only and shall not control any determinations made pursuant to section 8 of this contract or section 3(13) of P.L. 96-501.)

TABLE 1

LIST OF PURCHASER'S LOADS WHICH ARE NEW LARGE SINGLE LOADS

Description of Facility

Location

None

Exhibit K  
Table 2, Page 1 of 1  
Contract No. DE-MS79-81BP90425  
Portland General Electric  
Effective on the effective date  
of this contract

New Large Single Load Determinations Exhibit

(This exhibit is for information purposes only and shall not control any determinations made pursuant to section 8 of this contract or section 3(13) of P.L. 96-501.)

TABLE 2

LIST OF PURCHASER'S LOADS AND AMOUNTS WHICH WERE  
CONTRACTED FOR, OR COMMITTED TO PRIOR  
TO SEPTEMBER 1, 1979

<u>Description of Facility</u>	<u>Location</u>	<u>Yearly Amount of Firm Energy (Avg. MW)</u>
--------------------------------	-----------------	---

None

Exhibit L, Page 1 of 1  
Contract No. DE-MS79-81-BP90425  
Portland General Electric Company  
Effective on the effective date  
of this contract

Special Provisions Exhibit

The following special provision(s) apply only to the Purchaser. Unless otherwise provided in the following provision(s) the term of the following provision(s) shall be the same as the term of this Agreement. If the following provision(s) conflict with any other provision of this Agreement, the following provision(s) shall prevail.

None



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

SEP 26 1994

In reply refer to: PMT

Amendatory Agreement No. 1  
Contract No. DE-MS79-94BP94524

Mr. Steven J. Klein  
Light Division Superintendent  
City of Tacoma, Department of Public Utilities  
3628 South 35th Street  
Tacoma, WA 98411

Dear Mr. Klein:

This letter constitutes an agreement between the United States of America, Department of Energy, acting by and through the Bonneville Power Administration (Bonneville) and the City of Tacoma, Department of Public Utilities (Tacoma), a municipal corporation operating and existing under the laws of the State of Washington, to amend Contract No. DE-MS79-94BP94524 (Capacity Ownership Agreement), executed by Tacoma on September 23, 1994. 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 Tacoma 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) Tacoma may use its Scheduling Share to transmit any and all power and energy, whether or not such power or energy is owned by Tacoma. Tacoma 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 Tacoma 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) Tacoma 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. Tacoma 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 Tacoma consistent with the above.

Tacoma and Bonneville agree to negotiate in good faith the terms and conditions under which Tacoma 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 Tacoma or until December 27, 1994, which ever occurs sooner.

Further, the following amendments to subsection 4(a) are made. Delete the phrase "(and only Tacoma)" in the first sentence. Before the first sentence, insert the following three sentences: "For purposes of this section 4, all references to Tacoma shall mean Tacoma or its designee. Any such designee shall be identified in writing by Tacoma to Bonneville. Only one entity may submit schedules on Tacoma'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 Tacoma, please sign and return one copy of this letter agreement. The remaining copy is for your files.

Sincerely,

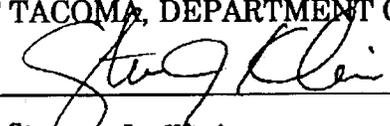


Walter E. Pollock  
Group Vice President, Marketing,  
Conservation and Production

Name Walter E. Pollock  
(Print/Type)

ACCEPTED:

CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES

By 

Name Steven J. Klein  
(Print/Type)

Title Deputy Director/Light Superintendent

Date 10/27/94

Effective Date September 27, 1994

(PMLAN-W:\PMT\CONTRACT\LTR\_AGMT\94524AM1.DOC)

Approved as to form & legality

  
Chief Asst. City Attorney





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

SEP 26 1994

In reply refer to: **PMT**

**Amendatory Agreement No. 1**  
**Contract No. DE-MS79-94BP94525**

**Mr. John F. Spencer**  
**General Manager**  
**Public Utility District No. 1 of**  
**Snohomish County, Washington**  
**2320 California Street**  
**Everett, WA 98201**

**Dear Mr. Spencer:**

This letter constitutes an agreement between the United States of America, Department of Energy, acting by and through the Bonneville Power Administration (Bonneville) and Public Utility District No. 1 of Snohomish County Washington (Snohomish), a municipal corporation operating and existing under the laws of the State of Washington, to amend Contract No. DE-MS79-94BP94525 (Capacity Ownership Agreement), executed by Snohomish on September 23, 1994. 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 Snohomish 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) Snohomish may use its Scheduling Share to transmit any and all power and energy, whether or not such power or energy is owned by Snohomish. Snohomish 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 Snohomish 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) Snohomish 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. Snohomish 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 Snohomish consistent with the above.

Snohomish and Bonneville agree to negotiate in good faith the terms and conditions under which Snohomish 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:

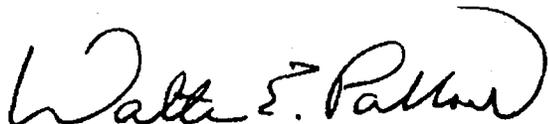
- (D) Bonneville shall not be obligated to provide wheeling under the open market provisions of section 5(c)(2) of Bonneville's Long-Term Intertie Access Policy, including any revisions or amendments thereto, until Bonneville has successfully developed software to allow Bonneville to provide such wheeling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

Further, the following amendments to subsection 4(a) are made. Delete the phrase "(and only Snohomish)" in the first sentence. Before the first sentence, insert the following three sentences: "For purposes of this section 4, all references to Snohomish shall mean Snohomish or its designee. Any such designee shall be identified in writing by Snohomish to Bonneville. Only one entity may submit schedules on Snohomish'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 Snohomish, please sign and return one copy of this letter agreement. The remaining copy is for your files.

Sincerely,

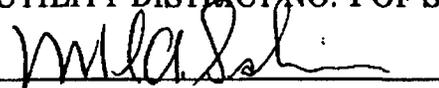


Walter E. Pollock  
Group Vice President, Marketing,  
Conservation and Production

Name Walter E. Pollock  
(Print/Type)

ACCEPTED:

PUBLIC UTILITY DISTRICT NO. 1 OF SNOHOMISH COUNTY

By 

Name Mark A. Schinman  
(Print/Type)

Title Deputy General Manager

Date October 25, 1994

Effective Date October 25, 1994



May 3, 1968

Mr. E. Robert de Luccia  
Senior Vice President  
Pacific Power & Light Company  
920 S. W. Sixth Avenue  
Portland, Oregon 97204

Dear Mr. de Luccia:

During the month of March, 1968, under the Pacific Northwest-Pacific Southwest Intertie Agreement, Contract No. 14-03-56379, Bonneville wheeled 44,200,000 kilowatt-hours of surplus energy to the Company at Malin substation, for transmission over intertie facilities to California.

Section 6 of said agreement provides that the Company shall pay Bonneville each month at the rate of one-half mill per kilowatt-hour for such service.

In lieu of such wheeling charge for the month of March, 1968, and payments for subsequent transmission of such surplus energy by Bonneville under Contract No. 14-03-56379, we are agreeable to crediting Bonneville in the exchange account, established in Exchange Agreement, Contract No. Ibp-7410, as amended, with 0.2 kilowatt-hour for each kilowatt-hour so wheeled, such credit computed by dividing 0.50 mill, the rate specified in section 6 of said Contract No. 14-03-56379, by 2.5 mills.

If this proposal is satisfactory, please indicate your approval by signing one copy in the space provided below and returning it to me. The remaining copy is for your files.

Sincerely yours,

(SEAL)

S/ JOHN F. BALDINO

Administrator  
Acting

ACCEPTED:

PACIFIC POWER & LIGHT COMPANY

S/ GEORGE L. BEARD

Vice President





OFFICE OF  
THE ADMINISTRATOR

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BONNEVILLE POWER ADMINISTRATION  
PORTLAND, OREGON 97208

MAY - 3 1968

In reply refer to:

PCC

Mr. E. Robert de Luccia  
Senior Vice President  
Pacific Power & Light Company  
920 S. W. Sixth Avenue  
Portland, Oregon 97204

Dear Mr. de Luccia:

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If this proposal is satisfactory, please indicate your approval by signing one copy in the space provided below and returning it to me. The remaining copy is for your files.

Sincerely yours,

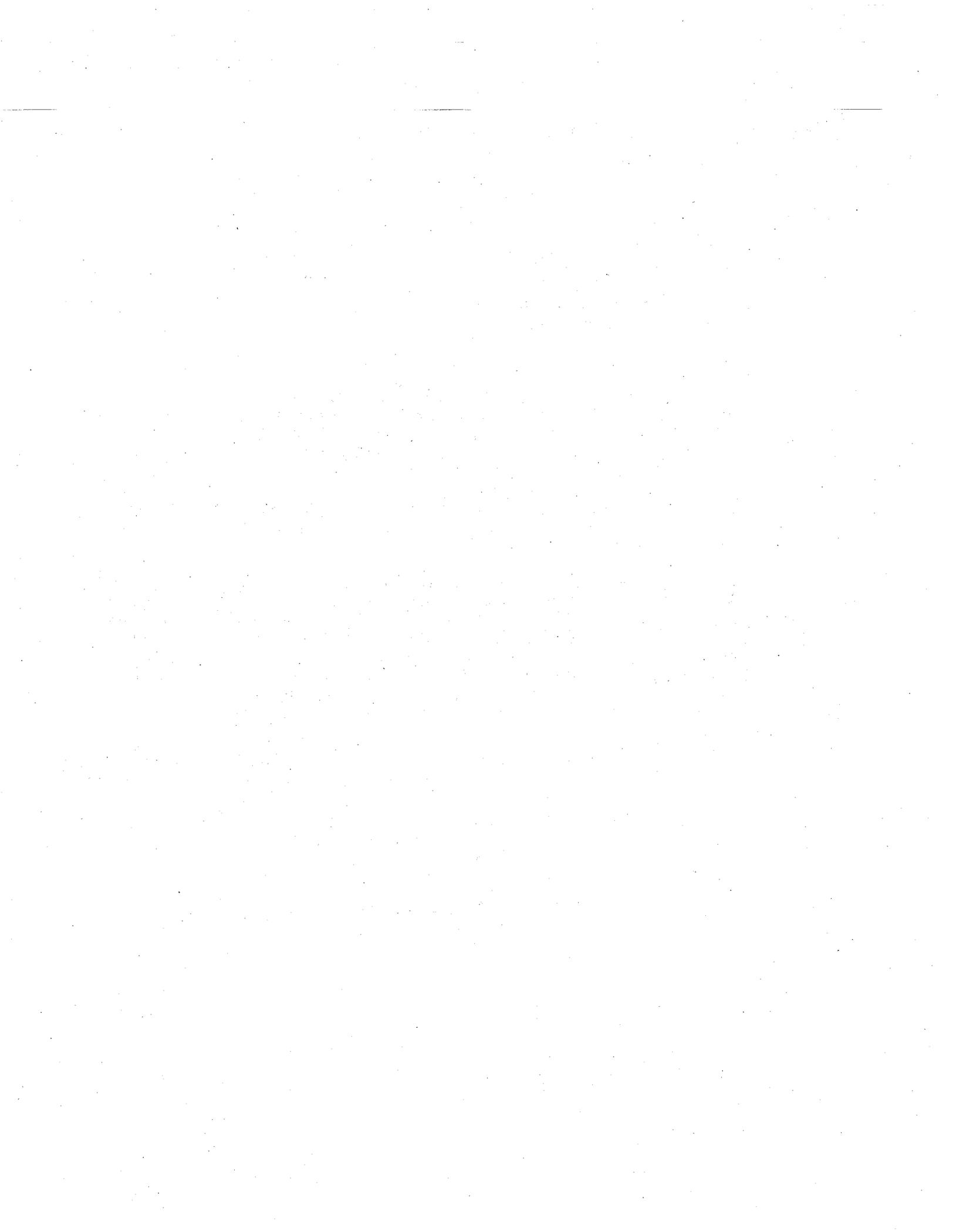
(SEAL)

*John F. Ballwin*  
Administrator  
ACTING

ACCEPTED:

PACIFIC POWER & LIGHT COMPANY

*George L. Beard*  
MPS. Vice President



AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

PACIFIC POWER & LIGHT COMPANY

(Pacific Northwest - Pacific Southwest Intertie Agreement)

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This AGREEMENT, executed December 30, 1966, by the UNITED STATES OF AMERICA (hereinafter called "the Government"), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter called "the Administrator"), and PACIFIC POWER & LIGHT COMPANY (hereinafter called "the Company"), a corporation organized and existing under the laws of the State of Maine,

W I T N E S S E T H:

WHEREAS the Government plans to construct two 500 kv a-c circuits from its John Day substation to its proposed Grizzly substation and one 500 kv a-c circuit from said Grizzly substation to the proposed Malin substation; and

WHEREAS the Portland General Electric Company plans to construct one 500 kv a-c circuit from the Grizzly substation to

the Malin substation and to exchange the right to use one-half the capacity in such circuit for the right to use one-half the capacity in one of the Government's John Day-Grizzly 500 kv a-c circuits; and

WHEREAS the capacity available to the Government in two 500 kv a-c circuits from the Government's John Day substation to the Malin substation (such two 500 kv a-c circuits hereinafter referred to as "the Transmission Lines") will be used, among other purposes, to deliver electric energy to the Company in the manner set forth in this agreement; and

WHEREAS pursuant to its proposal made by letter of April 16, 1964, addressed to the Assistant Secretary of the Interior, the Company will construct a 500 kv transmission line from the Malin substation to an interconnection with Pacific Gas and Electric Company (hereinafter called "Pacific Gas") near Indian Spring, California (hereinafter referred to as the "Malin-Indian Spring line") and will furnish and own the facilities required to be installed in the Malin substation that will give the Company a continuous circuit from its Klamath Falls-Malin transmission line to such interconnection with Pacific Gas; and

WHEREAS the aforesaid proposal of the Company contemplated that up to one-half the capacity of the Malin-Indian Spring line would be available to the Company for, among other purposes, transmission of electric energy to be sold by the Company to Pacific Southwest Utilities, the sale of which energy would support in part the Company's investment in such line; and

WHEREAS the Department of the Interior accepted the proposal of Pacific Gas and Electric Company (Pacific Gas), Southern California Edison Company and San Diego Gas & Electric Company (the California Utilities) for construction and use of 500 kv a-c transmission facilities in California in which, among other things, Pacific Gas undertook to make arrangements with the Company for the completion of the Malin-Indian Spring line and for assignments of capacity therein consistent with the proposal of the California Utilities, including service to public bodies in California; and

WHEREAS the arrangements between the Company and Pacific Gas are expressed in a memorandum agreement of February 24, 1965, copy of which has been furnished to the Government (which memorandum is to be superseded by a definitive agreement); and

WHEREAS the aforesaid arrangements between the Department of the Interior and the California Utilities contemplated that utilities in California would have full use of the Company's Malin-Indian Spring line; and

WHEREAS the Company is willing to exchange the capacity it proposed to reserve for its own use in marketing power in such line for the right of transmission in the Transmission Lines adequate for sale of excess energy of the Company to support the Company's investment in its Malin-Indian Spring line; and

WHEREAS the Government is willing to transmit energy to the Company accordingly, as provided in this agreement; and

WHEREAS the foregoing proposals and arrangements are made in the development of a Pacific Northwest-Pacific Southwest intertie program, to provide transmission capacity between Government systems

and utility systems of the Pacific Northwest and Government systems and utility systems of the Southwestern United States, which program was recommended to Congress by the Secretary of the Interior and approved by Congress by making appropriations for the construction of the Federal portion thereof; and

WHEREAS this agreement provides, in accordance with the foregoing proposals and agreements and in accordance with the foregoing program, for the necessary arrangements between the Company and the Administrator for the construction of facilities, and for the transmission of energy to the Company; and

WHEREAS the Administrator is authorized to dispose of electric energy generated at various federal hydroelectric projects in the Northwest, in accordance with the Bonneville Project Act, approved August 20, 1937, as amended, and the Act of August 31, 1964 (78 Stat. 756) and pursuant to the following orders of the Secretary of the Interior: No. 2563 dated May 2, 1950, and No. 2860 dated January 19, 1962, as amended;

NOW, THEREFORE, in consideration of the mutual covenants herein set forth, the parties agree as follows:

1. Definitions. The following terms as used in this agreement shall have the following meanings unless otherwise so indicated.

(a) "Excess Capacity" means the transmission capacity available to the Government in the Transmission Lines during any hour which, except for the rights of the Company and Portland General Electric Company to use such Excess Capacity pursuant to this agreement and Contract No. 14-03-55063, respectively, would have

been available for the transmission of Surplus Energy and any Peaking Energy which is not Surplus Energy.

(b) "Federal Scheduled Energy" is any energy (including Peaking Energy) scheduled by the Administrator to utilities in California for immediate sale by him or for later sale if the Administrator does not require the later return of such energy. "Federal Scheduled Energy" does not include energy scheduled under storage or return of storage arrangements, energy scheduled pursuant to the provisions of subsections (2) and (3) of Section 5 of Public Law 88-552, or any other energy transaction which is not, or which may not culminate as, a sale by the Administrator.

(c) "Pacific Southwest Utilities" shall mean any one or more entity or entities located in the Southwestern United States which purchases electric capacity or energy from any entity located in the Pacific Northwest as the latter term is defined in Section 1(b) of Public Law 88-552.

(d) "Peaking Energy" means the electric energy accompanying the delivery of Surplus Peaking Capacity.

(e) "Surplus Energy" means electric energy generated at federal hydroelectric plants, excluding the Canyon Ferry Project, in the Pacific Northwest which would otherwise be wasted because of the lack of a market therefor in the Pacific Northwest at any established rate.

(f) "Surplus Peaking Capacity" means electric peaking capacity at federal hydroelectric plants, excluding the Canyon

Ferry Project, in the Pacific Northwest for which there is no demand in the Pacific Northwest at any established rate.

2. Term of Agreement. This agreement shall be effective for a term of twenty (20) years commencing on the date of execution. The parties hereto will, at the request of either party, confer at least two (2) years before the expiration of this agreement regarding the terms and conditions under which they would be willing to extend or renew such agreement.

3. Construction and Installation of Facilities. The Company shall construct, at its expense, that portion of the Malin substation related to the Klamath Falls-Malin 230 kv transmission line to be constructed by the Company (such portion of the Malin substation hereinafter referred to as the "Klamath Falls Interconnection"), and the Malin-Indian Spring 500 kv transmission line, including adjacent terminal positions, necessary circuit breakers and related equipment and connecting 500 kv bus. The Company shall install, at its expense, a phase-shifting transformer and related equipment in said Klamath Falls-Malin transmission line to control the flow of power through the Klamath Falls Interconnection as required in section 4 hereof.

Such construction and installations by the Company shall be completed at the time that deliveries of power to any Pacific Southwest Utilities begin over the first 500 kv a-c John Day-Malin transmission line to be placed in operation; provided, however, that the time of construction and installations shall be extended for a time equivalent to such delays, if any, as are occasioned

by events which the Company could not reasonably be expected to avoid by the exercise of reasonable diligence and foresight.

4. Control of Power Flows. Except as otherwise agreed by the parties, the Company shall operate the phase-shifting transformer in such a manner as to prevent the flow of electric energy from the Malin substation through the Klamath Falls Interconnection; provided, however, that to the extent that Pacific Southwest Utilities schedule more electric energy to the Company during any hour than that being scheduled by the Company to Pacific Southwest Utilities during such hour, the phase-shifting transformer shall be operated by the Company to allow the amount of electric energy scheduled by such Utilities in excess of the amount scheduled to such Utilities by the Company for such hour to flow from the Malin substation through the Klamath Falls Interconnection. Any deviations between the actual flows from the Malin substation through the Klamath Falls Interconnection and the amount scheduled by Pacific Southwest Utilities to the Company less the amount scheduled by the Company to the Pacific Southwest Utilities will be corrected under like conditions in subsequent schedules between such Utilities and the Company.

5. Exchange of Electric Energy.

(a) Commencing at the time that delivery of power to any utility in California begins over the first 500 kv a-c John Day-Malin transmission line to be placed in regular operation, the Company each hour shall schedule to the Administrator from its system, as defined in the Pacific Northwest Coordination Agreement executed as of September 15, 1964, excess energy in

amounts determined by (1) subtracting from the amounts the Company has scheduled for delivery to utilities in California for such hour at the California-Oregon border the sum of the amounts of electric energy that flows to the Malin substation through the Klamath Falls Interconnection, to Pacific Gas through other interconnections existing between the Company and Pacific Gas, and through any other interconnection that may be made between the Company and any California utility, and (2) increasing the remainder for losses between John Day and Malin substations; provided, however, that the amount of excess energy so scheduled to the Administrator by the Company during any hour shall not exceed the number of kilowatt-hours which can be transmitted by use of the sum of (1) one-half the Excess Capacity for such hour, and (2) any part of the half of such Excess Capacity which is not being used for transmission of energy for Portland General Electric Company under Contract No. 14-03-55063; provided, further, that to the extent that Excess Capacity which would be utilized by the Administrator to make excess energy available to the Company at the Malin substation during any hour, pursuant to subsection (b) of this section, is being utilized by the Administrator for delivery of Peaking Energy to a utility in California, and the Company does not schedule equivalent excess energy to such utility, the Company may schedule such equivalent excess energy to the Administrator in accordance with subsection (d) of this section instead of under this subsection (a).

(b) In exchange for the excess energy which the Company makes available to the Administrator pursuant to subsection (a)

of this section, the Administrator will, for each hour, make available to the Company at the Malin substation for delivery to utilities in California, an amount of energy determined pursuant to subsection (a) of this section before increasing such amounts for losses between the Malin and John Day substations.

(c) The Administrator shall not be obligated to make energy available to the Company as provided in subsection (b) of this section, and the Company shall not have the right to make excess energy available to the Administrator pursuant to subsection (a) of this section, at any time during a calendar year when (1) the Company has delivered a total of 270,000,000 kilowatt-hours, not including deliveries to maintain the entitlement mentioned in subdivision (2) of this subsection, to utilities in California during such year over the Transmission Lines and the Company's own facilities and to the Administrator for credit pursuant to subsection (d) of this section, and (2) the Company currently has a 300,000,000 kilowatt-hour entitlement under the Exchange Service Agreement with Pacific Gas dated January 5, 1962, or any amendment thereto; provided that the obligations of the Administrator hereunder shall not be increased by any such amendment.

(d) If, during any hour, (1) the Administrator is scheduling any Federal Scheduled Energy, and (2) the amount of excess energy available from the Company's system exceeds the amount of excess energy scheduled by the Company to utilities in California during such hour after increasing such scheduled amounts for losses between the Oregon border and the John Day substation, the difference between such amounts of excess energy may be scheduled by

the Company from its system to the Administrator; provided, however, that the Company shall not schedule for delivery to the Administrator during any hour pursuant to this subsection an amount of energy greater than the Federal Scheduled Energy for such hour, after increasing such sum for losses between the John Day and Malin substations, minus the lesser of: (1) 80% of such sum as adjusted for losses, or (2) the amount scheduled by Portland General Electric Company to the Administrator for credit during such hour pursuant to similar arrangements provided for in Contract No. 14-03-55063 after increasing such scheduled amount for losses between Malin and John Day substations.

Any excess energy scheduled by the Company to the Administrator pursuant to the immediately preceding paragraph shall be credited to the Company as provided in subsection (e) of this section after first reducing the amount of energy so scheduled for losses between the John Day and Malin substations.

If during any calendar week, the amount of energy credited to the Company together with the amount of energy credited to Portland General Electric Company during such week pursuant to similar arrangements in Contract No. 14-03-55063 exceeds the amount of Federal Scheduled Energy which is not returned to the Administrator by utilities in California during such week, the amount of such excess shall be adjusted for losses between Malin and John Day substations, and the Company's portion of such adjusted excess shall be replaced to the Company and credited to the Administrator during the following week at such rates and times as the parties agree. The "Company's portion of such adjusted excess" shall be the amount of

the Federal Scheduled Energy not returned in the aforesaid calendar week multiplied by the ratio which the total energy credited to the Company during such calendar week bears to the total energy credited to the Company and to Portland General Electric Company during such calendar week; provided, however, that if energy not returned in such week is subsequently returned, the amount of such subsequently returned energy shall be multiplied by the ratio for such week above provided and, at the option of the Administrator, the amount of energy equal to the product so obtained shall be replaced to the Company and credited to the Administrator in the manner above provided.

It is recognized that the terms and conditions of transactions involving energy which is delivered for use pursuant to section 3(b) of Public Law 88-552 may change from time to time, and the parties agree to modify this subsection (d) as required to conform to the terms of such transactions and to effectuate the purpose of this subsection (d).

The Administrator shall not be obligated to accept further schedules of energy from the Company pursuant to this subsection at any time in any calendar year when the amounts of energy credited to the Company as reduced by credits to the Administrator plus the amounts of energy scheduled by the Company to utilities in California equals the amount specified in subsection (c)(1) of this section.

(e) The amount of excess energy scheduled by the Company for delivery to the Administrator pursuant to subsection (d) of this section shall, after reducing such amounts for losses between John Day and Malin substations, be credited to the Company in the Exchange Energy Account established under Contract No. Ibp-7410,

as amended. Credits to the Exchange Energy Account shall be made after multiplying such amount of excess energy by a factor of 0.8 which factor is computed by dividing 2 mills, the rate specified in Schedule S-1 Wholesale Excess Energy Rate, by 2.5 mills, the rate specified in Schedule H-4 Wholesale Energy Rate. If another rate is substituted for, or in, such Schedule S-1 or such Schedule H-4, or both, the factor of 0.8 hereinabove specified shall thereafter be replaced with a new factor computed by using the substituted rate or rates as appropriate.

(f) The Company shall notify the Administrator each week, at a time to be agreed upon by the parties, of the total amount of energy scheduled by the Company to utilities in California during the preceding calendar week and the amount of energy it expects to schedule to such utilities and to the Administrator for credit during the following calendar week. The Administrator, in determining the amount of Surplus Energy he has available for disposition to utilities in California during such following calendar week, will take into account the amount of energy which the Company notifies him that it expects to schedule to the Administrator for credit during such week.

6. Payment by the Company. The Company shall pay the Administrator each month: (1) for use of the Government's facilities in making electric energy available to the Company at the Malin substation pursuant to section 5(b) hereof, at the rate of \$0.0005 per kilowatt-hour for the electric energy made available

by the Company pursuant to section 5(a) hereof, and (2) at the rate of \$0.0005 per kilowatt-hour for the number of kilowatt-hours scheduled to the Administrator for such month pursuant to section 5(d) hereof. No additional charge is made for the use of the Government's facilities for energy made available to the Administrator pursuant to section 5(a) hereof as such charges are deemed to be covered by other existing agreements between the parties for transfers of energy. For the purpose of this agreement, such additional charges shall be deemed to be those made pursuant to Contracts Nos. 14-03-001-14641 and 14-03-26811, and therefore to the extent electric energy is made available by the Company during any hour in excess of the then effective transmission demands under such agreements, an additional payment by the Company shall be made at the rate of \$0.00025 per kilowatt-hour.

The Administrator agrees that should he at any time during the term hereof, in any agreement with another entity in the Pacific Northwest, undertake to make available electric energy of the same class transmitted hereunder to such other entity at the Malin substation for delivery to any Pacific Southwest Utilities at an effective transmission charge less than \$0.0005 per kilowatt-hour for transmission between John Day and Malin substations this agreement shall be amended, as of the effective date of such agreement with the other entity, to substitute such more favorable charge for that specified in this agreement.

7. Metering.

(a) The amounts of electric energy flowing from the Malin substation through the Klamath Falls Interconnection and from

the Klamath Falls Interconnection to the Malin substation shall be determined hourly from measurements made by meters installed and owned by the Company to indicate the flow of electric energy at the Klamath Falls Interconnection.

(b) The amounts of electric energy flowing from the Company's system to Pacific Gas through other interconnections shall be determined from measurements made by meters to indicate the flow of electric energy at such points of interconnection.

8. Payment of Bills. Bills shall be rendered monthly unless otherwise specified in the agreement and shall be payable at the office of the Administrator. Failure to receive a bill shall not release the Company from liability for payment. Charges under the agreement shall be rounded to whole dollar amounts, by elimination of any amount of less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

Bills not paid in full on or before the close of business of the thirtieth day after the date of the bill shall bear an additional charge of two percent (2%) of the amount unpaid. Thereafter a further charge of one-half of one percent ( $\frac{1}{2}\%$ ) of the initial amount remaining unpaid shall be added on the first day of each succeeding calendar month until the amount due is paid in full.

Remittances received by mail will be accepted without assessment of the delayed payment charges referred to above provided the postmark indicates the payment was mailed on or before the thirtieth day after the date of the bill. If the thirtieth day after the date of the bill is a Sunday or a holiday, the next

following business day shall be the last day on which payment may be made without addition of the delayed payment charge.

The Administrator may, whenever a bill or a portion thereof remains unpaid subsequent to the thirtieth day after the date of the bill, and after giving thirty days' advance notice in writing, cancel this agreement, but such cancellation shall not affect the Company's liability for any charges accrued prior thereto.

9. Arbitration. If the parties do not agree on the determination of any question of fact hereinafter stated, such determination will be made by arbitration. The party calling for arbitration shall serve notice in writing upon the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within ten (10) days after the receipt of such notice, appoint a second arbitrator, and the two so appointed shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said ten days, or in case the two so appointed fail for ten days to agree upon and appoint a third, the party calling for the arbitration, upon five (5) days' written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second or third arbitrator, as the case may be.

The determination of the question or questions submitted for arbitration shall be made by the arbitrators, or a majority thereof, and shall be binding on the parties. Each party shall pay for the services and expenses of the arbitrator appointed by

or for it, and all other costs incurred in connection with the arbitration shall be paid equally by the parties thereto.

The questions of fact to be determined as provided in the preceding paragraph shall be: the correction of the measurements to be made as provided in section 11 of this agreement; and any fact mentioned in section 13 of this agreement.

10. Tests of Meters. Each party to this agreement will, at its expense, test its meters mentioned in this agreement at least once each year, and, if requested to do so by the other party, will make additional tests or inspections of such meters, the expense of which will be paid by such other party unless such additional tests or inspections show such meters to be inaccurate as specified in section 11 of this agreement. Each party will give reasonable notice of the time when any such test or inspection is to be made to the other party who may have representatives present at such test or inspection. Meters found to be defective or inaccurate shall be adjusted, repaired, or replaced to provide accurate metering.

11. Adjustment for Inaccurate Metering. If any meter mentioned in this agreement fails to register, or if the measurement made by such meter during a test made as provided in this agreement varies by more than one percent (1%) from the measurement made by the standard meter used in such test, adjustment shall be made correcting all measurements made by such inaccurate meter for (a) the actual period during which such inaccurate measurements were made if such period can be determined, or (b) if not, the period immediately preceding the test of such meter which

is equal to one-half the time from the date of the last preceding test of such meter; provided, however, that the period during which such correction is to be made shall not exceed six (6) months. Such corrected measurements shall be used to recompute the amounts due from the Company for the electric energy made available under this agreement during such period and shall be used, when applicable, in future billings to the Company. If the total amount due from the Company for such period as recomputed varies from the total amount due as theretofore computed, the amount of the variance shall be paid to the party entitled thereto within thirty (30) days after the recomputation is made.

12. Continuity of Service.

(a) The Administrator may temporarily interrupt or reduce deliveries to the Company if he determines that such interruption or reduction is necessary or desirable in case of system emergencies, or in order to install equipment in, make repairs, replacements, investigations, and inspections of, or perform other maintenance work on, his electric system. Except in case of emergency and in order that the Company's operations will not be unreasonably interfered with, notice shall be given of any such interruption or reduction, the reason therefore, and the probable duration thereof.

(b) If the operation of the Government's transmission system is suspended, interrupted, or interfered with as the result of the occurrence of any event which is specified in subsection (a) of this section or any event which is reasonably beyond the Government's control (including, but not limited to, the failure or breakdown

of generating or transmission facilities, floods, fire, strikes, or acts of God or the public enemy), it shall not be obligated to make deliveries to the Company, as provided in this agreement, during such time and to such extent as such suspension, interruption, or interference makes it reasonably impracticable to do so, and shall not be liable for any damages sustained by the Company as a result of the failure to make such deliveries during such time.

13. Electric Disturbances.

(a) Each party shall design, construct, operate and maintain its system

(1) to minimize electric disturbances, such as the abnormal flow of power, which may damage or interfere with the system of the other party or systems connected with such other party's system, and

(2) to minimize the effect on its system of such electric disturbances from the other party's system.

To accomplish the foregoing all electric facilities installed by either party and connected with the other party's system shall conform to accepted modern practices and applicable state regulations, or, in the absence of applicable state regulations, to the specifications, rules, and regulations contained in the latest editions of, and supplements to, the National Electrical Safety Code of the United States Bureau of Standards.

(b) A party to this agreement shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric disturbance is the result of negligence by the first

party, if the other party has failed to fulfill its obligations under subsection (a)(2) of this section.

A party to this agreement shall hold harmless and indemnify the other party, its officers and employees, from any claims for any loss, injury, or damage suffered by the first party and those to whom it delivers power not for resale, which loss, injury or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence of such other party, if such first party has failed to fulfill its obligations under said subsection (a)(2) of this section, and such failure contributed to the loss, injury or damage.

(c) Nothing in this section shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this agreement.

#### 14. Permits.

(a) If, by the terms of this agreement, any equipment or facilities of a party to this agreement is, or is to be, located on the property of the other, a permit to install, test, maintain, inspect, replace, and repair during the term of this agreement, and to remove at the expiration of said term, such equipment and facilities, together with the right of ingress to and egress from the location thereof at all reasonable times in such term, is hereby granted by the other party.

(b) Each party shall have the right to read, at all reasonable times, any and all meters mentioned in this agreement which are installed on the property of the other.

15. Ownership of Facilities.

(a) Ownership of any and all equipment, and of all salvageable facilities, installed by a party to this agreement on the property of the other, shall be and remain in such party.

(b) Each party shall identify all movable equipment and, to the extent agreed upon by the operators of the parties, all other salvageable facilities which are installed by such party on the property of the other, by permanently affixing thereto suitable tags, stencils, stamps, or other markers plainly stating the name of the owner of property so identified.

16. Adjustment for Change of Conditions. Wherever it is provided herein that amounts of energy are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating meters, as agreed upon by representatives designated by the parties hereto. If changes in conditions occur which substantially affect any such loss factor, meter compensation, or money compensation to be paid, it will be changed in a manner which will conform to such changes in conditions.

17. Assignment of Agreement. This agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this agreement; provided, however, that neither such agreement nor any interest therein shall be transferred or assigned by either party to any party other than the United States or an agency thereof without the written consent of the other.

18. Waiver of Default. Any waiver at any time by any party to this agreement of its rights with respect to any default of

any other party thereto, or with respect to any other matter arising in connection with such agreement, shall not be considered a waiver with respect to any subsequent default or matter.

19. Provisions Required by Statute or Executive Order. The provisions which are required to be inserted by statute or executive order are attached hereto as Exhibit A and are hereby made a part of this agreement. The Company shall be "the Contractor" mentioned in said Exhibit A.

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

UNITED STATES OF AMERICA  
Department of the Interior

(SEAL)

By S/ DAVID S. BLACK  
Bonneville Power Administrator

PACIFIC POWER & LIGHT COMPANY

(SEAL)

By S/ E. ROBERT de LUCCIA

ATTEST:

S/ H. W. MILLAY  
Secretary

AMENDATORY AGREEMENT

to the

PACIFIC NORTHWEST AC INTERTIE  
CAPACITY OWNERSHIP AGREEMENT

executed by the

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PUGET SOUND POWER & LIGHT COMPANY

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This AMENDATORY AGREEMENT is executed as of Dec 20 1996, by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville) and PUGET SOUND POWER & LIGHT COMPANY (Puget), a corporation of the State of Washington.

W I T N E S S E T H:

WHEREAS the Parties on October 11, 1994, entered into the Pacific Northwest (PNW) AC Intertie Capacity Ownership Agreement, Contract No. DE-MS79-94BP94521 (Agreement); and

WHEREAS the Federal Energy Regulatory Commission (FERC) has issued Order No. 888, "Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Service by Public Utilities; Recovery of Stranded Costs By Public Utilities And Transmitting Utilities"; and

WHEREAS the Parties desire to amend the Agreement so as to comply with such Order No. 888,

NOW, THEREFORE, the Parties agree as follows:

1. DEFINITIONS

Capitalized terms used in this Amendatory Agreement, unless otherwise defined herein, have the respective meanings set forth for such terms in the Agreement.

2. AMENDMENT OF AGREEMENT

Subsection 3(b) of the Agreement is deleted in its entirety and the following is inserted in lieu thereof

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

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

Bonneville shall treat all scheduling information consistent with the standards of conduct contained in Part 37 of FERC's regulations.

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

PUGET SOUND POWER & LIGHT  
COMPANY

By Wayman Robnett

Name Wayman Robnett  
(Print/Type)

Title Manager Transmission

Date Dec 20, 1996

UNITED STATES OF AMERICA  
Department of Energy  
Bonneville Power Administration

By Clifford C. Perigo

Name CLIFFORD C. PERIGO  
(Print/Type)

Title SR. Act. Ex.

Date 12-20-1996



# **PUGET POWER**

December 23, 1996

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

Attention: **Cliff Perigo**  
Senior Account Executive

**Subject: Amendment to Puget Sound Power & Light Company (Puget)  
PNW AC Intertie Capacity Ownership Agreement**

Dear Mr. Perigo:

Enclosed for your signature are two original copies, each signed by Puget, of an Amending Agreement to Puget's PNW AC Intertie Capacity Ownership Agreement, Contract No. DE-MS79-94BP94521. On December 20, 1996, Puget and Bonneville Power Administration entered into the Amending Agreement by signing and exchanging a facsimile copy of the enclosed originals.

This amendment was requested by Puget in order to meet the requirement that public utilities that jointly own interstate transmission facilities with non-jurisdictional utilities offer transmission service over their share of the joint facilities. The requirement is contained in the Federal Energy Regulatory Commission Order No. 888, "Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Service by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities."

Please sign both originals and return one set to Puget.

Sincerely,

**Puget Sound Power & Light Company**

By Wayman L. Robinett  
Wayman L. Robinett  
Its: Manager, Transmission

Enclosures



(AUTHENTICATED COPY)

Contract No. 14-03-55063

8-6-65

AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF THE INTERIOR

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

PORTLAND GENERAL ELECTRIC COMPANY

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THIS AGREEMENT, dated and executed December 30,  
1965, by the UNITED STATES OF AMERICA (hereinafter called  
"the Government"), Department of the Interior, acting by  
and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter  
called "the Administrator"), and PORTLAND GENERAL ELECTRIC  
COMPANY (hereinafter called "the Company"), a corporation  
organized and existing under the laws of the State of Oregon.

W I T N E S S E T H:

WHEREAS the Government plans to construct two 500-kv a-c circuits from its John Day substation to the proposed Grizzly substation and one 500-kv a-c circuit from said Grizzly substation to the proposed Malin substation and the Company plans to construct a 500-kv a-c circuit from its Round Butte substation to said Grizzly substation and a 500-kv circuit from said Grizzly substation to said Malin substation; and

WHEREAS the utilization of the above circuits between John Day and Malin substations (hereinafter referred to as "the Transmission Lines") can best be effected by the exchange by each party of the right to use a portion of its capacity to the other party; and

WHEREAS the Government and the City of Los Angeles plan to construct and complete by October 1, 1968, a 750-kv d-c circuit from the Government's Big Eddy substation to the City of Los Angeles' Sylmar switching station; and

WHEREAS the Government plans to construct and complete by January 1, 1971, a second 750-kv d-c circuit, under which plans the Administrator will construct the portion from the Government's Big Eddy substation to a point on the Oregon-Nevada border (the "Oregon DC Line") and the Bureau of Reclamation will construct the portion from such point to the Government's Hoover Dam (the "Nevada DC Line"); and

WHEREAS the Company desires the right to use a portion of the capacity in the Oregon DC Line in exchange for the Administrator's right to use a like portion of the capacity in the Company's share in the John Day-Malin line; and

WHEREAS the Company will, under a separate agreement with the Bureau of Reclamation, arrange to use a like portion of capacity in the Nevada DC Line; and

WHEREAS the 500-kv a-c and 750-kv d-c circuits are a part of the Pacific Northwest-Pacific Southwest Intertie program as recommended to Congress by the Secretary of the Interior and approved by Congress by making appropriations for the construction of the Government's portion thereof; and

WHEREAS this agreement is one of a series of agreements relating to the use of such Intertie, which agreements implement such program; and

WHEREAS the Company desires the Administrator to transmit electric energy between the Company's system and the terminal of the Oregon DC Line in the Government's Big Eddy switching station; and

WHEREAS the Administrator is authorized to dispose of electric energy generated at various federal hydroelectric projects in the Northwest in accordance with the Bonneville Project Act, approved August 20, 1937, as amended, and the Act of August 31, 1964 (78 Stat. 756), and pursuant to

the following orders of the Secretary of the Interior:  
No. 2563 dated May 2, 1950, and No. 2860 dated January 19,  
1962, as amended;

NOW, THEREFORE, in consideration of the mutual  
covenants herein set forth, the parties agree as follows:

1. Definitions. The following terms as used in  
this agreement shall have the following meanings unless  
otherwise so indicated.

(a) "Excess Capacity" means the transmission capacity  
available to the Government in the Transmission Lines during  
any hour which, except for the rights of the Company and the  
Pacific Power & Light Company to use such Excess Capacity pursu-  
ant to this agreement and Contract No. 14-03-56379, respective-  
ly, would have been available for the transmission of Surplus  
Energy and any Peaking Energy which is not Surplus Energy.

(b) "Peaking Energy" means the electric energy  
accompanying the delivery of Surplus Peaking Capacity.

(c) "Surplus Energy" means electric energy generated  
at federal hydroelectric plants, excluding the Canyon Ferry  
Project, in the Pacific Northwest which would otherwise  
be wasted because of the lack of a market therefor in the  
Pacific Northwest at any established rate.

(d) "Surplus Peaking Capacity" means electric peak-  
ing capacity at federal hydroelectric plants, excluding  
the Canyon Ferry Project, in the Pacific Northwest for  
which there is no demand in the Pacific Northwest at any  
established rate.

2. Term of Agreement. This agreement shall be effective for a term of twenty (20) years commencing on the date of execution. The parties hereto will, at the request of either party, confer at least two (2) years before the expiration of this agreement regarding the terms and conditions under which they would be willing to extend or renew such agreement.

3. Construction of Facilities.

(a) The Government shall construct:

(1) two 500-kv a-c circuits from the John Day substation to its portion of the Grizzly substation, including two 500-kv terminal positions each in said John Day and Grizzly substations, and necessary series compensation stations; and

(2) one 500-kv a-c circuit from the Grizzly substation to its portion of the Malin substation, including one 500-kv terminal position each in said Grizzly and Malin substations, and necessary series compensation stations.

(b) The Company shall construct:

(1) one 500-kv a-c circuit from its portion of the Grizzly substation to its portion of the Malin substation, including one 500-kv terminal position each in said Grizzly and Malin substations, and necessary series compensation stations; and

(2) one 500-kv a-c circuit from its Round Butte substation to its portion of said Grizzly substation, including one 500-kv terminal in said Grizzly substation.

(c) Such construction shall be completed by the parties no later than May 1, 1968; provided, however, that such date shall be extended for a time equivalent to such delays, if any, as are occasioned by events which the constructing party could not reasonably be expected to avoid by the exercise of reasonable diligence and foresight. The expense of making the connections at the John Day, Grizzly, and Malin substations shall be borne by the party constructing the connecting transmission facilities. Each party shall provide adequate protective equipment within its terminal facilities to provide normal and efficient operation of the Transmission Lines.

4. Exchange of Right to Use Capacity.

(a) Commencing on the later of: (1) the date that the Government's second John Day-Grizzly circuit is completed and ready for regular operation, or (2) the date that the Company's Grizzly-Malin circuit is completed and ready for regular operation, and continuing for the remainder of the term hereof, the parties shall exchange the right to use one-half of the capacity in their respective facilities mentioned in this subsection. Such right of use shall include the Government's terminal facilities in the Grizzly and John Day substations and the Company's terminal facilities in the Grizzly and Malin substations.

(b) Commencing on the date that the Big Eddy-Hoover circuit is completed and ready for regular operation the Company shall have the right to use transmission capacity in the Oregon DC Line in the amount, up to 250,000 kilowatts, requested by the Company. The Company may, in such request, increase the initial amount in steps; provided, however, that the initial amount and each such subsequent increase shall be effective for a period of at least 12 months; provided, further, that the total amount may not exceed 250,000 kilowatts. Any use shall be continuous for the remainder of the term of this agreement.

The Company's request for the use of capacity in the Oregon DC Line shall be made in writing to the Administrator not later than July 1, 1967. If the Company does not submit its request by such date, or if it desires to increase the amount originally requested, it may thereafter make written request to the Administrator for such use or additional use, subject to the conditions of the previous paragraph, and the Administrator shall grant such request to the extent that, at the time such request is made, (1) he has not entered into other arrangements requiring the use of such capacity, or (2) he is not negotiating arrangements requiring the use thereof.

In exchange for the Company's right to use capacity in the Oregon DC Line, the Administrator, during the same periods, shall have the right to transmit over the share of

the capacity in the John Day-Malin circuit which the Company is entitled to use as a result of its ownership and section 4(a) hereof, an amount of power equal to that which the Company has, pursuant to its request, the right to transmit over the Oregon DC Line.

(c) The Administrator shall transmit electric energy for the Company between the Big Eddy switching station and the 230-kv points of delivery to the Company's system in the Willamette Valley, as set forth in Contract No. Ibp-5975, as amended (hereinafter called the "Points of Delivery"), during the periods for which the Company has, pursuant to its request, the right to use capacity in the Oregon DC Line and at maximum rates of delivery equal to the amounts of capacity for which the right to use is requested and granted, if such grant is required pursuant to subsection (b) of this section; provided, however, that the obligation of the Administrator to transmit such energy shall terminate at the time specified by the Company in a written notice to the Administrator at least 12 months in advance thereof that it will have transmission facilities of sufficient capacity so that use of the Government's facilities is no longer required for the purpose of transmitting energy between the Oregon DC Line and the Points of Delivery.

(d) The Administrator shall have the right to use the Company's capacity in the Transmission Lines which the Company is not using to transmit power for itself or for others. To the extent that the Company's capacity in the Transmission Lines is insufficient to enable it to make the deliveries to the Administrator for credit and the deliveries scheduled by the Company for delivery to utilities in California as provided in section 5(a) hereof, it shall have the right to use the sum of (1) one-half of the Excess Capacity, and (2) any part of the other half of such Excess Capacity, which is not being used for transmission of energy for Pacific Power & Light Company under Contract No. 14-03-56379.

In order to effectuate the Company's right to use such capacity, it may schedule for delivery at the Government's John Day substation electric energy which would otherwise be delivered to the Company's system or to specified points on the Company's system, pursuant to Contracts Nos. 14-03-001-13437, 14-03-001-13773, 14-03-28002, and 14-03-41848 subject in all other respects to the applicable terms and conditions of such agreements.

Energy scheduled over the Transmission Lines for other than the parties hereto (except energy scheduled within capacity made available for not less than one year under a firm arrangement providing for a fixed payment, the amount of which is not dependent upon the actual use made of such capacity) shall be deemed to flow over the facilities of each of the parties hereto in proportion to the respective transmission capacity of each of such parties not required for its own use, including such firm arrangement.

5. Disposition of Excess Energy.

(a) If, during any hour, (1) the Administrator is delivering Surplus Energy or Peaking Energy to utilities in California and (2) the amount of excess energy available from the Company's system (as defined in the Pacific Northwest Coordination Agreement, Contract No. 14-03-48221) exceeds the amount of energy scheduled by the Company for delivery to utilities in California during such hour, such excess amount may be scheduled by the Company to the Administrator for credit as provided in subsection (b) of this section; provided, however, that the Company shall not schedule for delivery to the Administrator during any hour pursuant to this subsection an amount of energy in excess of the amount of Surplus Energy, including that portion of Peaking Energy which is Surplus Energy, which the Administrator has scheduled for delivery to utilities in California for such hour, minus the lesser of: (1) 20% thereof or, (2) the amount scheduled by Pacific Power & Light Company to the Administrator for credit during such hour pursuant to the similar arrangement provided for in Contract No. 14-03-56379. The Administrator shall not be obligated to accept further schedules of energy from the Company pursuant to this subsection in any calendar year after the sum of the energy so scheduled by the Company to the Administrator and the energy scheduled by the Company to utilities in California totals 1,100,000,000 kilowatt-hours.

The Company shall notify the Administrator each week, at a time to be agreed upon by the parties, of the total amount of energy scheduled by the Company to utilities in California during the preceding calendar week, and the amount of energy it expects to schedule to such utilities and to the Administrator during the following calendar week. The Administrator, in determining the amount of Surplus Energy he has available for disposition to utilities in California during such following calendar week, will take into account the amount of energy which the Company notifies him that it expects to schedule to the Administrator for credit during such week.

During any calendar year in which the right to use transmission capacity is exchanged pursuant to section 4(b) hereof, the 1,100,000,000 kilowatt-hours shall be reduced by the ratio which the average capacity available for use of the Company in the Oregon DC Line during such calendar year (determined by adding together the capacity requested and, pursuant thereto, made available for use of the Company during each month of such calendar year and dividing the total obtained by 12) bears to the Company's capacity in its Grizzly-Malin circuit without the exchange of the right to use capacity specified in said section 4(b); provided, however, that no reduction as provided in this paragraph shall affect the Company's right to deliver excess energy to the Administrator during the portion of such

calendar year prior to the effective date of the initial exchange of the right to use transmission capacity pursuant to section 4(b) hereof.

(b) The amount of excess energy scheduled by the Company for delivery to the Administrator pursuant to subsection (a) of this section shall be credited to the Company in the Exchange Energy Account established under Contract No. Ibp-5975, as amended, after multiplying such amount of excess energy by a factor of 0.8. Such factor is computed by dividing 2 mills by 2.5 mills, the rate specified in Bonneville Wholesale Energy Rate Schedule H-3, a copy of which is attached to said Contract Ibp-5975, as amended, as Exhibit A. At such time as the Federal Power Commission has approved a proposed rate schedule applicable to Surplus Energy, the rate specified therein shall be automatically substituted for the above mentioned 2 mills. If another rate is substituted in such Rate Schedule H-3, or if another rate is substituted for the Surplus Energy rate, the factor of 0.8 hereinabove specified shall thereafter be replaced with a new factor computed by using the substituted rate or rates as appropriate.

(c) Electric energy which the Company schedules to the Administrator for credit pursuant to subsection (a) of this section shall be made available by the Company at the Malin substation; provided, however, that to the extent such energy is not made available at Malin because capacity

in the Transmission Lines is unavailable, such energy may be made available at any other points of interconnection between the parties' systems but shall be deemed for the purpose of section 7(c) to be made available over the Government's share of the capacity in the Transmission Lines to Malin substation.

6. Losses.

(a) If, in any hour during the term hereof, the Company schedules in the direction of the actual flow of electric energy over the Company's Grizzly-Malin circuit, an amount less than such actual flow of electric energy therein, the losses attributable to the excess of the actual flow over the amount scheduled by the Company shall be the responsibility of the Administrator. The Company's schedule shall include the schedules of all parties other than the Administrator who have arranged with the Company to use capacity in the Company's Grizzly-Malin circuit. Replacement of such losses shall be scheduled by the Administrator to the Company in an amount equal to the total actual losses multiplied by the ratio of such excess actual flow to the total actual flow.

(b) If, in any hour during the term hereof, the Company's schedule of electric energy deliveries on the Oregon DC Line is in the direction of actual flow, the losses attributable to the Company's schedule shall be the responsibility of the Company and replacement thereof shall be scheduled by the Company to the Administrator in an

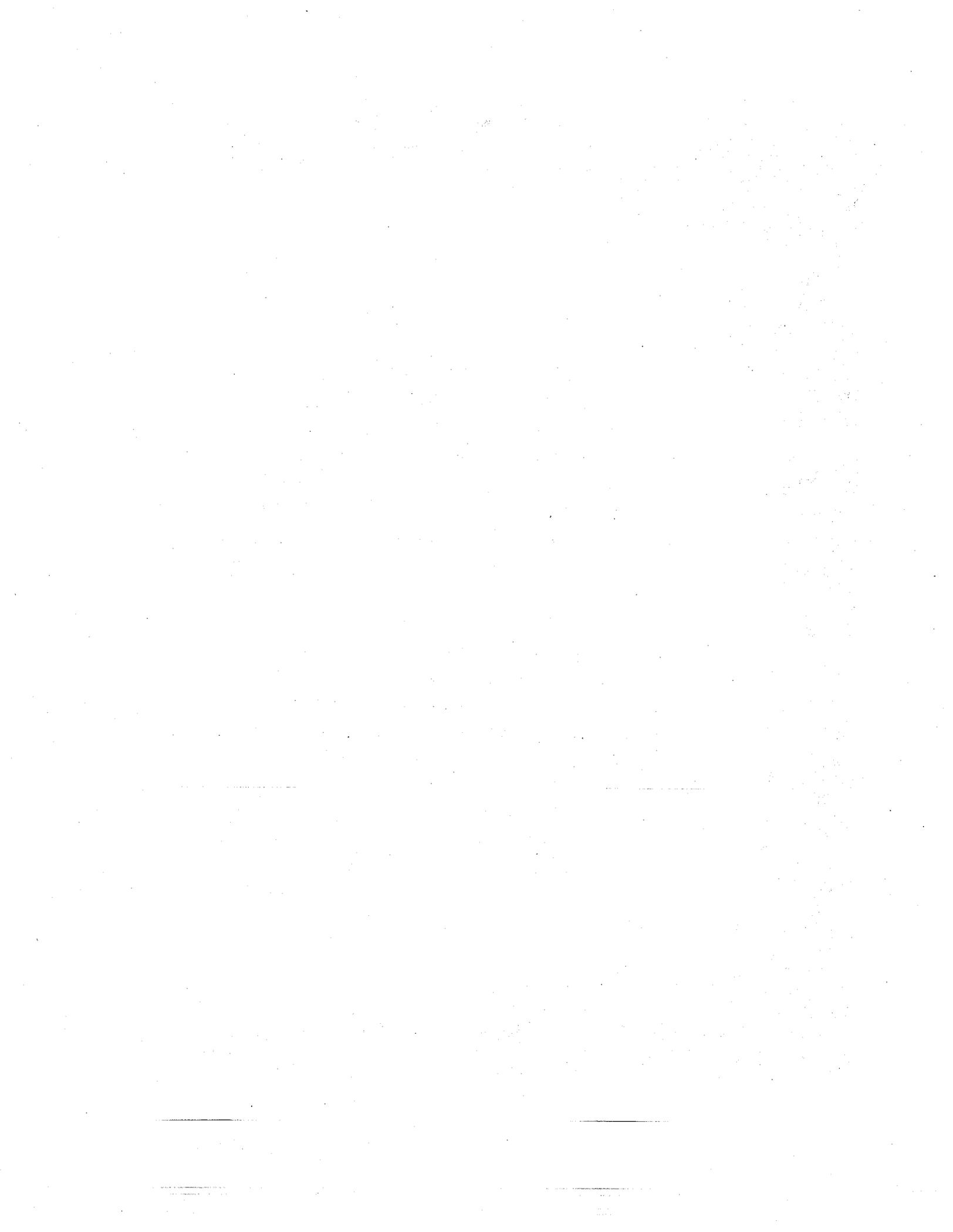
amount equal to the total actual losses on said line multiplied by the ratio of the Company's schedule to the greater of the total actual flow or the Company's schedule.

(c) All other losses (including those between the John Day and Grizzly substations and those between Big Eddy substation and the Points of Delivery, which are offset by reimbursement made by the Company for losses under agreements with the Administrator for the transmission or exchange of electric energy purchased by the Company from generating plants in the Mid-Columbia area) which may result from operations pursuant to this agreement are offsetting and shall be deemed to be zero.

7. Payments.

(a) The Administrator shall pay the Company each month in the term hereof commencing on the first day of the month following the commencement date of the exchange of the right to use capacity specified in section 4(a) hereof, an amount of money equal to the Compensation Charge specified in Exhibit B-I attached hereto. Such monthly charge is computed by multiplying each of the investments in the facilities specified in said Exhibit B-I by the applicable Government's Annual Cost Ratios and multiplying the sum of the products so obtained by one-half and dividing by twelve.

(b) The Company shall pay the Administrator the sum of the following:



(1) each month in the term hereof commencing on the first day of the month following the commencement date of the exchange of the right to use capacity specified in said section 4(a), an amount of money equal to the Compensation Charge specified in Exhibit B-II attached hereto. Such monthly charge is computed by multiplying each of the investments in the facilities specified in said Exhibit B-II by the applicable Government's Annual Cost Ratios and multiplying the sum of the products so obtained by one-half and dividing by twelve, and

(2) each month during the term hereof commencing on the first day of the month following the commencement date of the exchange of the right to use capacity requested pursuant to section 4(b) hereof and ending when the Government's facilities are no longer required, for use of the Government's facilities as provided in section 4(c) hereof, an amount equal to the product obtained by multiplying \$0.125 by the amount of capacity requested and granted, if such grant is required, for such month pursuant to section 4(b) hereof.

(c) Payment for the use of capacity pursuant to section 4(d) hereof shall be at the rate of \$0.0005 per kilowatt-hour of energy scheduled for transmission over such capacity; provided, however, that payment shall be

at the rate of \$0.00075 per kilowatt-hour for that portion of the energy scheduled hereunder requiring the use of such capacity in excess of the sum of (1) the then effective transmission demands under the contracts specified in said section 4(d), and (2) the amount of energy flowing to the Grizzly substation from the Company's Round Butte-Grizzly transmission line.

(d) There shall be no payment, by either party to the other, for the exchange of the right to use capacity specified in section 4(b) hereof.

(e) The "Government's Annual Cost Ratios" as used in this section means those ratios which the Government's annual cost of operation, maintenance, interest, amortization, and general overheads established for all of the Government's 500-kv transmission facilities bears to the Government's investment in such facilities. Within a reasonable time after the completion of the construction of the facilities specified in Exhibit B, each party will submit to the other a complete accounting of the costs and expenses incurred by each party in constructing its share of the facilities.

(f) The charges specified in this section shall be reviewed from time to time, but not more often than once every three years nor less often than once in every five years, and shall be changed:

(1) with regard to subsections (a) and (b)(1),