



Contracts

September 26, 2007

1. Purpose of today's discussion

- Describe Regional Dialogue contract objectives
- Describe our approach and schedule for drafting the contract templates
- Listen to customer/stakeholder suggestions/concerns
- Jointly plan next steps
- Avoid surprises

2. Contract Objectives

- a. Simplification (increase customer satisfaction and reduce costs for both BPA and customers)
 - Standardized (across customer types and between products)
 - Clear (to a general manager of a BPA customer utility; avoid legalese where possible)
 - Concise (no unnecessary phrases or words)
 - Accurate (reflects the facts)
- b. Ease of contract administration (for customers and for BPA)
- c. Reduce legal and financial risk (through adequate internal controls, etc)
- d. Meet the schedule for signing contracts

3. Approach to Drafting the Contracts

- a. We are following through on our EPIP commitments to streamline BPA processes, reduce administrative costs, and improve customer satisfaction regarding BPA's power contracts. We welcome any suggestions to improve the clarity of the Regional Dialogue contract and simplify the process of administering the contract for both customers and BPA.
- b. Similar to Subscription, all Regional Dialogue contracts with individual customers will be standardized and based on five templates, each of which will be identical to the others except for differences inherent in the products:
 - i. Load following for public customers
 - ii. Block for public customers
 - iii. Slice/Block for public customers
 - iv. Residential Purchase and Sale Agreement (RPSA) for public customers and IOUs
 - v. DSI Service (if BPA decides to offer such)
- c. We are currently working on a DRAFT "Master" template that includes provisions that will be identical (or nearly identical) for all customers (publics/IOUs/DSIs). The starting point for this Master is the Subscription



- template. Most of the provisions drafted to date are legal “boilerplate” and “operational” provisions (Delivery, Metering, Billing, and Scheduling.) The Master also establishes the basic organizational structure of all templates. See the DRAFT Table of Contents for details.
- d. We know that customer representatives would prefer to defer contract discussions until the products and tiered rate methodology principles are more fully developed. **We agree that discussions of any product or rate-related contract provisions are premature** and we do not plan to develop these provisions until later. However, **we feel it is important to share our proposed changes soon to the boilerplate provisions, the operational provisions, and the contract structure so that we may come to agreement on them as much as possible before we turn to the more complex and time-consuming product and rate-related provisions.** The types of changes we have proposed are summarized below:
- i. We have drafted changes to the Subscription versions of the boilerplate and operational clauses specifically to make them more clear and concise to our customers.
 - ii. We have structurally reorganized some parts of the contract to increase clarity and to make the exhibit revision process less burdensome. These changes include:
 - reducing discussion of the same topic in multiple sections of the contract to minimize instances where the reader has to read several sections of the contract to understand rights and obligations.
 - moving issues from the body of the contract to the exhibits that are unique to a particular customer or likely to need updating during the 20 year life of the contract.
 - moving contract obligations from the exhibits to the body that will likely not change during the life of the contract.
 - iii. We have deleted some sections of the Subscription contract that we believe are no longer relevant.
 - iv. We have removed some rate-related terms and conditions from the contract and plan to cover them in the Rate Schedules and GRSPs in order to keep rate issues in the rate schedules and out of contracts.
- e. We need to resolve most non-product and rate related contract issues by October 31 because we need to shift our attention and resources to the product and rate-related issues from November on-ward. This does not preclude adjustments once product and rates issues are better defined.



- f. We still plan to hold the “official” contract review next spring 2008, but the comment period is relatively short and there will be limited time to resolve any foundational issues at that time. If we are to stay on schedule, it is critical that we resolve as much as possible now.

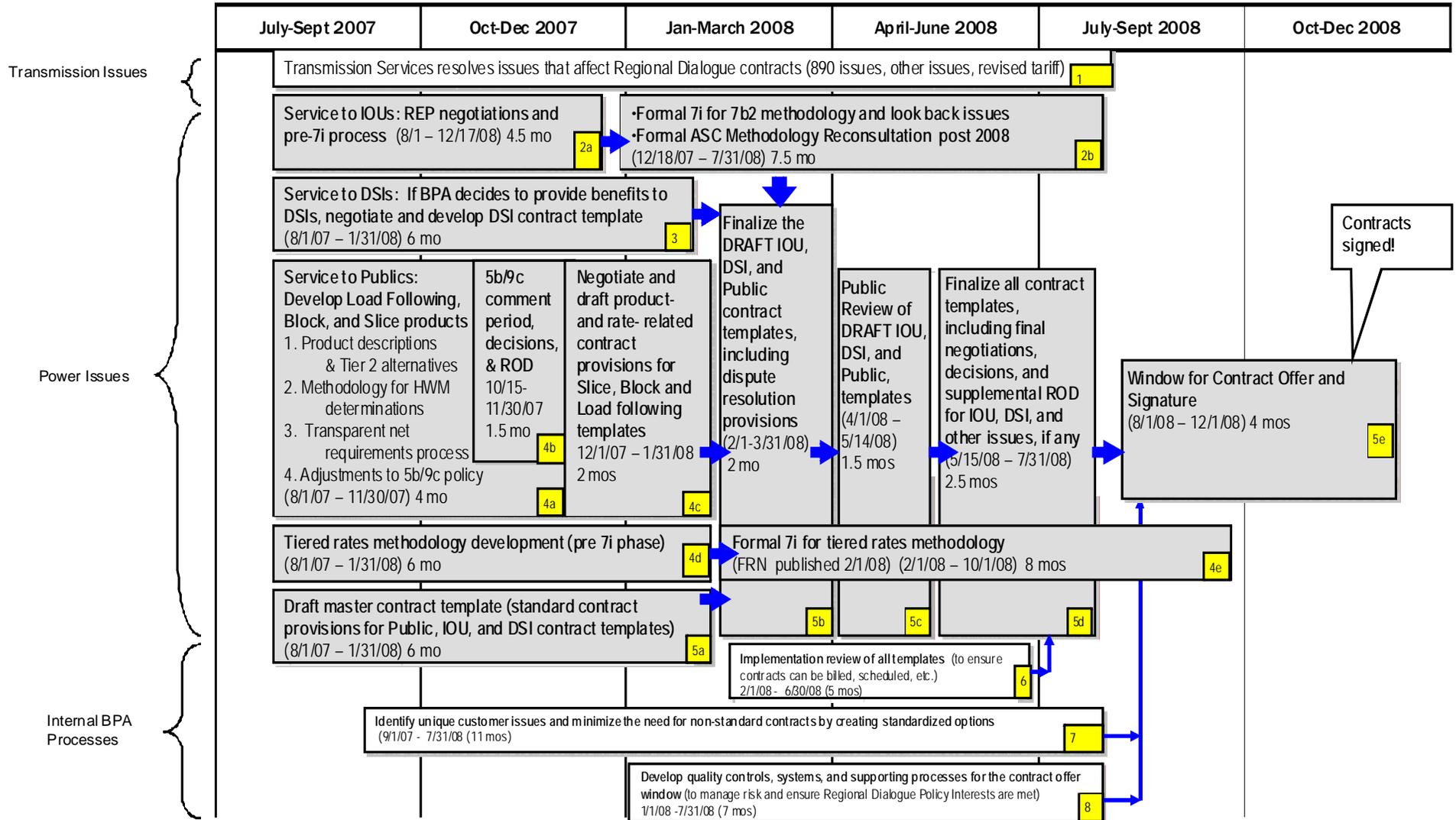
4. Draft Schedule for Contract Drafting

9/26	2 hour discussion to plan contract discussions and review the draft schedule
~10/15	Post the draft Master Template (boilerplate and operational clauses) to the Regional Dialogue Website for customer review. Also post a summary of the changes BPA is proposing from the Subscription contracts to help customers and other stakeholders quickly understand why BPA is proposing particular changes. <u>This document will not be updated during negotiations because it is not intended to become a contemporaneous account of the parties’ final agreement.</u>
~ 10/22	Meet with a self-selected subgroup to identify and resolve any critical contract issues regarding contract structure, boilerplate, and operational clauses.
~10/23-10/31	Additional meetings if necessary to complete discussions about most boilerplate and operational issues
~10/31/07	Close out load following issues sufficiently to prepare draft contract language
~11/30/07	Provide draft Dispute Resolution contract provision to customers for comment (<u>excluding</u> tiered rate methodology provisions)
12/1/07-12/1/08	See Regional Dialogue Schedule for additional contract-related milestones



Regional Dialogue Schedule (assumes contracts signed 12/1/08)

Revised 8/7/07



Contracts signed!

Purpose/Subject: Regional Dialogue Policy Implementation
 Legal Disclaimer: For Regional Dialogue Discussion Purposes Only -- Pre-decisional



Regional Dialogue Master Template DRAFT Table of Contents

Note: ONLY the shaded sections below will be ready for customer review of specific contract language by mid-October. Other sections will be drafted after the Load Following, Block and Slice products are more fully developed and the contract principles for RPSA and DSI service have been established.

Section	Page
1. Term	
2. Definitions	
3. Priority Firm Power Product.....	
4. Applicable Rates	
5. Take-or-Pay.....	
6. Specific Load Treatments.....	
7. Scheduling	
8. Delivery	
9. Measurement	
10. Billing and Payment	
11. Notices and Contact Information.....	
12. Cost Recovery.....	
13. Uncontrollable Forces	
14. Governing Law and Dispute Resolution	
15. Statutory Provisions	
a. Retail Rate Schedules.....	
b. Insufficiency and Allocations	
c. New Large Single Loads	
d. Priority of Pacific Northwest Customers	
e. Prohibition on Resale.....	
f. Use of Regional Resources	
g. BPA Appropriations Refinancing.....	
16. Standard Provisions	
a. Amendments	
b. Assignment	
c. Information Exchange and Confidentiality	
d. Entire Agreement	
e. Exhibits and Order of Precedence	
f. No Third-Party Beneficiaries	
g. Waivers.....	
h. BPA Policies.....	
i. Rate Covenant	
j. Hold Harmless	
17. Signatures	

(See next page for exhibits)



- Exhibit A Resource Commitments and Net Requirements**
1. **Calculating Net Requirements**
 - a) **Forecast of Total Retail Load**
 - b) **Total Resources (section 2)**
 - c) **Forecast of Net Requirements**
 2. **Resources Used to Serve Total Retail Load**
 - a) **Resources Existing in Subscription Contract**
 - b) **Resources to Serve Load Above HWM**
 3. **«Customer Name» Resources Not Used to Serve Total Retail Load**
 4. **Changes to Resource Amounts**
 5. **Reduction of Block Purchase Amounts**
 6. **Resource Declarations**
 7. **Revisions**
- Exhibit B Rate Commitments for Net Requirements Power**
1. **Definitions**
 2. **High Water Marks**
 3. **Priority Firm Power Rates and Amounts**
 4. **New Large Single Loads**
 5. **Revisions**
- Exhibit C Rate Adjustments, Additional Products, and Special Provisions**
1. **Irrigation Rate Mitigation**
 2. **Special PF Rate Treatment**
 3. **Resource Shaping Adjustment**
 4. **Resource Support Services**
 5. **Revisions**
- Exhibit D Tier I FBS Resources**
- Exhibit E Metering**
- Exhibit F Scheduling**
- Exhibit G Parameters of Non-Federal Transfer Service**