

8/22/81

RESIDENTIAL PURCHASE AND SALE AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

THE WASHINGTON WATER POWER COMPANY

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This AGREEMENT, executed NOV 12 1981, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and THE WASHINGTON WATER POWER COMPANY Utility), a corporation of the state of Washington,

W I T N E S S E T H :

WHEREAS the 96th Congress of the United States of America at the Second Session enacted the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, as amended (Regional Act); and

WHEREAS the Regional Act, among other matters, provides that a Pacific Northwest electric utility may sell electric power to Bonneville at the average system cost (ASC) of that utility's resources and that Bonneville shall sell in return an equivalent amount of electric power for resale to that utility's residential and farm users within the Pacific Northwest (Region); and

WHEREAS, Bonneville is required under Section 4(g)(1) of the Regional Act to maintain comprehensive programs to insure widespread public involvement in the formulation of regional power policies; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into related agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Term of Agreement. This agreement shall be effective on the later of (1) 2400 hours on the date of execution; or (2) 2400 hours on September 30, 1981, and shall terminate at 2400 hours on June 30, 2001, unless terminated pursuant to section 9 below. Notwithstanding termination of this agreement, all liabilities incurred hereunder shall continue until satisfied.

2. Purchase by Bonneville. Subject to the provisions of section 4 below and subject to the per centum limitations specified in section 5(c)(?) of the Regional Act which shall apply separately to each Jurisdiction, as defined in Exhibit C, in which the Utility provides service, the Utility shall sell and Bonneville shall purchase each month an amount of electric power not in excess of the Utility's Residential Load, as defined in Exhibit D, for such month. The amount of power to be sold by the Utility under this section shall be determined pursuant to Exhibit D at the ASC determined pursuant to Exhibit C. The Utility may sell power hereunder only for Residential Load that is associated with its retail service areas. An exception to this is that the Utility may also sell power for the Residential Loads of another utility as agent for the other utility in accordance with an agreement with the other utility that is approved by Bonneville and terminable at will by the other utility.

3. Purchase by the Utility. Subject to the per centum limitations in section 5(c)(2) of the Regional Act, Bonneville shall sell and the Utility shall purchase each month an amount of electric power not in excess of the

Utility's Residential Load for the month. The amount of energy purchased shall be determined pursuant to Exhibit D, and the purchase price shall be the rate determined pursuant to Exhibit A. Exhibit A shall be the then effective rate established pursuant to section 7(b) of the Regional Act. For billing purposes, the Utility's load factor shall be as determined pursuant to Exhibit E.

4. In Lieu Purchase by Bonneville.

(a) In lieu of purchasing all or a portion of the electric power referred to in section 2 above, Bonneville may acquire an equivalent amount of electric power from other sources if the cost of such acquisition is less than the cost of purchasing the electric power referred to in section 2. For the purpose of determining the cost of any such in lieu purchase, transmission and production costs, and transmission losses, as determined by Bonneville, shall be included. Bonneville shall give the Utility not less than seven years prior written notice of Bonneville's intent to use such acquisition in lieu of purchasing all or a portion of the electric power referred to in section 2 above. This notice shall state the amount, duration, source, estimated cost and estimated scheduling provisions of the intended acquisition. Any intended acquisition shall be at least five years in duration.

(b) The Utility shall elect upon receipt of such notice: (1) to reduce, in a manner determined by Bonneville pursuant to prudent utility practice, the amount of power purchased by Bonneville pursuant to section 2 above by the amount of the intended acquisition; or (2) to reduce to the cost of the intended acquisition the ASC applicable to a portion of the power purchased by Bonneville pursuant to section 2 above equal to the amount of the intended acquisition. A Utility shall have 60 working days from the receipt of the notice in subsection (a) above to elect (1) or (2).

(c) Bonneville shall not acquire power from a resource for an in lieu purchase hereunder if the Utility or another utility under a similar contract has reduced its ASC rate pursuant to section 4(b)(?) above. Such resource may be used for an in lieu purchase hereunder if such utility which reduced its ASC later terminates its purchase from Bonneville under this agreement or such similar agreement.

(d) Bonneville shall acquire power from a resource for an in lieu purchase hereunder only if such resource is not needed to meet Bonneville's obligations to supply firm power to customers in the Region, and such resource shall not be a resource the cost of which previously has been assigned to Bonneville's New Resource Firm Power rate under section 7(f) of the Regional Act. Bonneville shall not execute a resource purchase agreement to acquire power on behalf of the Utility in lieu of the electric power offered by the Utility hereunder during periods when Bonneville has issued a notice of restriction to any investor-owned utility, public body, cooperative, or Federal agency.

5. Provisions Relating to Delivery. The Utility shall submit to Bonneville no more frequently than once in any 30-day period an accounting invoice with supporting documentation for the Utility's Residential Load billed during the billing period selected by the Utility. Such documentation shall include the kilowatthours of energy which the Utility billed to its Residential Load in each Jurisdiction. This accounting invoice shall be deemed to be the receipt for the purchase and sale of power under this agreement.

6. Accounting, Review, and Budgeting. The Utility shall keep up-to-date records and documents showing all transactions and other arrangements made pertaining to the terms of this agreement. These records and documents shall

contain information supporting the Utility's ASC as determined pursuant to Exhibit C and the Utility's Residential Load. The Utility shall retain these records and documents on file for at least five years. At Bonneville's expense, Bonneville or its designee may, from time to time, conduct reviews or inspection of the Utility's records, accounts, and related documents pertaining to this agreement. The Utility shall fully cooperate in good faith with any such reviews or inspections.

7. Payment. Within 30 days after receipt of the invoice referred to in section 5 above, Bonneville shall verify the invoice, compute the amount due the Utility from the sale under section 2 and the amount due Bonneville from the sale under section 3, and either pay or bill the Utility for the difference, as appropriate.

8. Cost Benefits. The cost benefits to the Utility within each Jurisdiction attributable to Bonneville's providing electric power and energy to the Utility's Residential Load under this agreement shall be passed through directly to the Utility's Residential Load within such Jurisdiction. Cost benefits means the reduction in the Utility's wholesale power costs during the term of this agreement as a result of this agreement.

9. Termination of Agreement. The Utility may terminate or suspend this agreement for a period of at least one year if the supplemental rate charge provided for in section 7(b)(3) of the Regional Act is applied by Bonneville and the cost of electric power sold to the Utility under section 3 of this agreement exceeds the ASC of the power sold to Bonneville under section 2.

10. Election to Equalize Rates. The Utility may elect to have its Exhibit C rate for any Jurisdiction deemed equal to the Exhibit A rate. Such election shall be made in writing to Bonneville within 25 working days following confirmation and approval by the Federal Energy Regulatory

Commission or its successor agency (FERC), on an interim or final basis, of a change in the Exhibit A rate or in Exhibit C methodology, and will take effect as of the effective date of that change.

During any period that such election is in effect, Bonneville shall debit to a separate account the net exchange payment to Bonneville, if any, that would have been required of the Utility if the Utility had not made such election and shall credit to that account any exchange payments that would have been made. The net balance in such account shall accumulate interest at the rate specified in section IV.E. of Exhibit C.

During the period of any such election, any portion of the costs for terminated resources associated with section 7(g) of the Regional Act included in the Exhibit A rate which would have been charged to the Utility shall be payable by the Utility by means of a surcharge to the Utility's power sales contract payments pursuant to section 5(b) of the Regional Act or, if the Utility is not party to such a contract, monthly in cash as accrued. Such surcharge payments shall not exceed the total costs incurred by Bonneville during the same period and attributable to terminated resources which the Utility has sold to Bonneville and which total costs are not otherwise recovered currently through such section 7(g) allocations to any other rate or rates paid by the Utility. Such payment also shall not exceed the payments which the Utility would have made to Bonneville during each exchange period had it not made such election. Section 7(g) costs so paid shall be excluded from the separate account maintained pursuant to this section.

The Utility may rescind such election and resume full participation in the exchange provided at that (a) the debit balance of such separate account be less than or equal to zero; or (b) the Utility makes payments to Bonneville in agreed upon installments to bring the debit balance to zero. Such rescission

may be either by notice in writing effective upon delivery to Bonneville within 25 working days following confirmation and approval by FERC, on an interim or final basis, of a change in Exhibit A, or by notice in writing effective on a date to be agreed upon by Bonneville and the Utility, which date shall be within 13 months following delivery to Bonneville of the notice of rescission.

Upon termination of this agreement, any debit balance in such separate account shall not be a cash obligation of the Utility, but shall be carried forward to apply to any subsequent exchange by the Utility for the Jurisdiction under any new or succeeding agreement.

11. Relating Only to Residential Purchase and Sale Agreements. The Utility agrees to comply with the following statutes, Executive Orders, and regulations to the extent applicable:

(a) the Rehabilitation Act of 1973, Public Law 93-112, as amended, and 41 CFR 60-741 (affirmative action for handicapped workers);

(b) the Vietnam Era Veterans Readjustment Assistance Act of 1974, Public Law 92-540, as amended, and 41 CFR 60-250 (affirmative action for disabled veterans and veterans of the Vietnam era);

(c) Executive Order 11625 and 41 CFR 1-1.1310-2(a) (utilization of minority business enterprises);

(d) the Small Business Act, as amended,

(e) Certification of Nonsegregated Facilities, 41 CFR 1-12.803-10.

12. Exhibits. Exhibit A (Priority Firm Power Rate, Schedule PF-1, and General Rate Schedule Provisions), Exhibit B (General Contract Provisions [GCP Form PSC-1]), Exhibit C (Average System Cost Methodology), Exhibit D (Residential Load Definition), Exhibit E (Load Factor Specification), and Exhibit F (Determination of New Large Single Loads) are hereby made part of

this contract. Exhibit D shall be revised to incorporate additional qualifying tariff schedules, subject to Bonneville's determination that the loads served under these schedules are qualified under the Act. Each time Bonneville has a new rate adjustment date, the Utility shall submit a revised Exhibit E, prepared in the same manner as Exhibit E attached hereto, to Bonneville within 20 working days of such date. The revised Exhibit E shall become effective as of such date.

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

UNITED STATES OF AMERICA
Department of Energy

By *Peter T. Johnson*
Bonneville Power Administrator

THE WASHINGTON WATER POWER CO.

By *Paul A. Edmondson*
Title *Executive Vice President*
Date NOV 12 1981

ATTEST:

By *J.P. Buckley*
Title SECRETARY
Date NOV 12 1981

(WP-PCI-0054c)
(8/22/81)

EXHIBIT A

WHOLESALE POWER RATE SCHEDULES AND GENERAL RATE SCHEDULE PROVISIONS

SCHEDULE PF-1 - PRIORITY FIRM POWER RATE

SECTION 1. Availability: This schedule is available for the purchase of firm power to be used within the Pacific Northwest for resale or for direct consumption by public bodies, cooperatives, Federal agencies, and investor-owned utilities participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Regional Act). This schedule supersedes Schedule EC-8 which went into effect on an interim basis on December 20, 1979.

SECTION 2. Rate:

a. Demand Charge:

(1) for the billing months December through May, Monday through Saturday, 7 a.m. through 10 p.m.: \$2.80 per kilowatt of billing demand.

(2) for the billing months June through November, Monday through Saturday, 7 a.m. through 10 p.m.: \$1.44 per kilowatt of billing demand.

(3) all other hours: No demand charge.

b. Energy Charge:

(1) for the billing months September through March: 7.4 mills per kilowatthour of billing energy.

(2) for the billing months April through August: 6.9 mills per kilowatthour of billing energy.

SECTION 3. Billing Factors: The factors to be used in determining the billing for power purchased under this rate schedule are as follows:

a. For any purchaser not designated to purchase under subsection 3(b), 3(c), or 3(d):

(1) the contract demand as specified in the contract;

(2) the measured demand for the billing month adjusted for power factor;

(3) the measured energy for the billing month.

b. Designation of a purchaser to purchase on a computed demand basis will be according to this section unless the terms of an existing contract executed after December 5, 1980 provide otherwise. For any

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purchaser designated by BPA to purchase on a computed demand basis because of such purchaser's potential ability either to sell generation from its resources in such a manner as to increase BPA's obligation to deliver firm power to such purchaser in an amount in excess of BPA's obligation prior to such sale, or to redistribute the generation from its resources over time in such a manner as to cause losses of power or revenue on the Federal System; provided, however, that when a purchaser operates two or more separate systems, only those systems designated by BPA will be covered by this subsection:

- (1) the peak computed demand for the billing month;
- (2) the average energy computed demand for the billing month;
- (3) the lesser of the peak computed demand for the billing month or 60 percent of the highest peak computed demand during the previous 11 billing months;
- (4) the measured demand for the billing month adjusted for power factor;
- (5) the measured energy for the billing month;
- (6) the contract demand as specified in an agreement between a purchaser and BPA for a specified period of time.

c. For any purchaser contractually limited to an allocation of capacity and/or energy as determined by BPA pursuant to the terms of a purchaser's power sales contract:

- (1) the allocated demand for the billing month, as specified in the contract;
- (2) the measured demand for the billing month adjusted for power factor;
- (3) the allocated energy for the billing month, as specified in the contract;
- (4) the measured energy for the billing month.

d. For any purchaser participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act:

- (1) sixty percent of the energy associated with the utility's residential load as specified in the contract for each billing period;
- (2) the demand calculated by applying the load factor, determined as specified in the contract, to the energy in 3(d)(1) for each billing period.

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SECTION 4. Determination of Billing Demand and Billing Energy:

a. For a purchaser governed by subsection 3(a):

(1) the billing demand for the month shall be factor 3(a)(1) or 3(a)(2), as specified in the purchaser's power sales contract, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(a)(3) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3).

b. For a purchaser governed by subsection 3(b):

(1) the billing demand for the month shall be the largest of factors 3(b)(3), and 3(b)(4), or 3(b)(6) if applicable. Factor 3b(4), before adjustment for power factor, shall not exceed the largest of factors 3(b)(1), 3(b)(2), or 3(b)(6) if applicable, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(b)(5) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3). Factor 3(b)(5) shall not exceed factor 3(b)(2) times the number of hours during such month.

c. For purchaser governed by subsection 3(d):

(1) The billing demand for the month shall be factor 3(d)(2).

(2) The billing energy for the month shall be factor 3(d)(1).

SECTION 5. Adjustments:

a. Power Factor: The adjustment for power factor, when specified in this rate schedule or in the power sales contract, may be made by increasing the measured demand for each month by 1 percent for each 1 percent or major fraction thereof by which the average lagging power factor, or average leading power factor, at which energy is supplied during such month is less than 95 percent, such average power factor to be computed to the nearest whole percent from the formula given in Section 9.1 of the General Rate Schedule Provisions.

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The adjustment for power factor may be waived in whole or in part by BPA. Unless specifically otherwise agreed, BPA may, if necessary to maintain acceptable operating conditions on the Federal System, restrict deliveries of power to a purchaser at a point of delivery or for a system at any time that the average power factor for all classes of power delivered to a purchaser at such point of delivery or for such system is below 75 percent lagging or 75 percent leading.

b. At-Site Power: At-site power purchased for consumption by a purchaser shall be used within 15 miles of the powerplant specified in the power sales contract. At least 90 percent of any at-site power purchased for resale shall be used within 15 miles of the specified powerplant.

The monthly demand charge for at-site firm power will be the monthly demand charge for priority firm power reduced by \$0.257 per kilowatt of billing demand.

At-site priority firm power is made available only for those utility customers purchasing at-site firm power under existing contracts. At-site priority firm power may be purchased by such utility customers under new contracts only until a date certain specified in such new contracts. If deliveries are made from an interconnection with the Federal System other than at one of such designated points, the purchaser shall pay an amount adequate to cover the annual cost of the facilities which would have been required to deliver such power to such point from either the generator bus at the generating plant, or from the adjacent point as designated by BPA. This use-of-facilities charge shall be in addition to the charge determined by the application of Section 2 of the Rate Schedule as reduced by the provisions of this subsection.

c. Low-Density Discount: A predetermined discount will be applied each month of a calendar year to the charges for power purchased under contracts between BPA and its customers. The amount of such discount is based on the ratio of the total annual energy requirements of the purchaser's electric operations during the preceding calendar year to the purchaser's depreciated investment in electric plant in service (excluding generating plant) at the end of such year, or the purchaser's ratio of residential consumers per mile of line. This calculation of such ratio will be made using the customer's entire system. Provided that the purchaser's ratio of residential consumers per mile of line does not exceed ten, this discount shall be:

(1) Seven percent if such ratio is less than 15 kilowatthours per dollar of net investment or if the number of consumers per mile of line is two or less.

(2) Five percent if such ratio is equal to or greater than 15 and less than 25 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is four or less.

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(3) Three percent if such ratio is equal to or greater than 25 and less than 35 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is six or less.

SECTION 6. Unauthorized Increase: That portion of (a) any 60-minute clock-hour integrated demand or scheduled demand (the total amount of power scheduled to the purchaser from BPA) that cannot be assigned to a class of power which BPA delivers on such hour pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such hour, or (b) the total of a purchaser's 60-minute clock-hour integrated or scheduled demands during a billing month which cannot be assigned to a class of power which BPA delivers during such month pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such month, may be considered an unauthorized increase. Each 60-minute clock-hour integrated or scheduled demand shall be considered separately in determining the amount which may be considered an unauthorized increase pursuant to (a) and the total of such amounts which are in fact considered unauthorized increases shall be excluded from the total of the integrated or scheduled demands for such month in determining the amount which may be considered an unauthorized increase under (b).

The charge for an unauthorized increase shall be \$0.13 per kilowatthour.

SECTION 7. General Provisions: Sales of power under this schedule shall be subject to the provisions of the BPA Project Act, as amended, the Regional Preference Act, the Federal Columbia River Transmission System Act, the Pacific Northwest Electric Power Planning and Conservation Act, and the General Rate Schedule Provisions.

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GENERAL RATE SCHEDULE PROVISIONS

SECTION 1.1. Priority and New Resource Firm Power: Priority and new resource firm power is electric power which BPA will make continuously available to a purchaser to meet its net firm load requirements within the Pacific Northwest except when restricted because the operation of generation or transmission facilities used by BPA to service such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract. Such restriction of priority and new resource firm power shall not be made until industrial firm power has been restricted in accordance with Section 1.4 and until modified firm power has been restricted in accordance with Section 1.2.

SECTION 1.2. Modified Firm Power: Modified firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power, and (b) the following:

When a restriction is made necessary because the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract BPA shall restrict such purchaser's contract demand for modified firm power to the extent necessary to prevent, if possible, or minimize restriction of any priority and new resource firm power, provided, however that:

(1) such restriction of modified firm power shall not exceed at any time 25 percent of the contract demand therefore, and

(2) the accumulation of such restrictions of modified firm power during any calendar year, expressed in kilowatthours, shall not exceed 500 times the contract demand therefor. When possible, restrictions of modified firm power will be made ratably with restrictions of industrial firm power based on the proportion that the respective contract demands bear to one another. The extent of such restrictions shall be limited for modified firm power by this subsection and for industrial firm power by the Restriction of Deliveries Section of the General Contract Provisions of the contract.

SECTION 1.3. Firm Capacity: Firm capacity is capacity which BPA assures will be available to a purchaser on a contract demand basis except when operation of generation or transmission facilities used by BPA to serve such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the

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Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 1.4. Industrial Firm Power: Industrial firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power; and (b) the following:

(1) the restrictions given in the Restriction of Deliveries Section of the Power Sales Provisions of the contract.

(2) when a restriction is made necessary because of the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract, BPA shall restrict such purchaser's operating demand for industrial firm power to the extent necessary to prevent, if possible, or minimize restriction of priority and new resource firm power. When possible, restrictions of industrial firm power will be made ratably with restrictions of modified firm power based on the proportion that the respective contract and operating demands bear to one another. The extent of such restrictions shall be limited for modified firm power by Section 1.2(b) of these General Rate Schedule Provisions and for industrial firm power by the Restrictions of Deliveries Section of the contract.

SECTION 1.5. Authorized Increase: An authorized increase is an amount of electric power specified in the contract in excess of the contract or operating demand for priority firm power, new resource firm power, modified firm power, or industrial firm power that BPA may be able to make available to the purchaser upon its request. The purchaser shall make such request in writing stating the amount of increase requested, the purpose for which it will be used, and the period for which it is needed. Such request shall be made prior to the first calendar month beginning such specified period. BPA will then determine whether such increase can be made available, but it shall retain the right to restrict the delivery of such increase if it determines at any subsequent time that such increase will no longer be available.

The purchaser may curtail an authorized increase, in whole or in part, at the end of any billing month within the period such authorized increase is to be made available.

SECTION 1.6. Firm Energy: Firm energy is energy which BPA assures will be available to a purchaser during the period or periods specified in the contract except during hours as may be specified in the contract and when the operation of the Government's facilities used to serve the purchaser are suspended, interrupted, interfered with, curtailed, or restricted by the occurrence of any condition described in the Uncontrollable Forces or

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Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 2.1. Contract Demand: The contract demand shall be the number of kilowatts that the purchaser agrees to purchase and BPA agrees to make available. BPA may agree to make deliveries at a rate in excess of the contract demand at the request of the purchaser (authorized increase), but shall not be obligated to continue such excess deliveries.

SECTION 2.2. Measured Demand:

a. The purchaser's measured demand will be determined according to this section unless the terms of a contract executed after December 5, 1980 provide otherwise.

b. Except where deliveries are scheduled as hereinafter provided, the measured demand in kilowatts shall be the largest of the 60-minute clock-hour integrated demands at which electric energy is delivered to a purchaser at each point of delivery during each time period specified in the applicable rate schedule during any billing period. Such largest 60-minute integrated demand shall be determined from measurements made as specified in the contract, or as determined in Section 3.2 herein. BPA, in determining the measured demand, will exclude any abnormal 60-minute integrated demands due to or resulting from (a) emergencies or breakdowns on, or maintenance of, the Federal System facilities; and (b) emergencies on the purchaser's facilities, provided that such facilities have been adequately maintained and prudently operated as determined by BPA. For those contracts to which BPA is a party and which provide for delivery of more than one class of electric power to the purchaser at any point of delivery, the portion of each 60-minute integrated demand assigned to any class of power shall be determined as specified in the contract. The portion of the total measured demand so assigned shall constitute the measured demand for each such class of power.

If the flow of electric energy to a purchaser's system through two or more points of delivery cannot be adequately controlled because such points are interconnected within the purchaser's system, or the purchaser's system is interconnected directly or indirectly with the Federal System, the purchaser's measured demand for each class of power for such system for any billing period shall be the largest of the hourly amounts of such class of power which are scheduled for delivery to the purchaser during each time period specified in the applicable rate schedule.

SECTION 2.3. Peak Computed Demand and Energy Computed Demand:

The purchaser's peak computed demand and energy computed demand will be determined according to this section unless terms of a contract executed after December 5, 1980 provide otherwise.

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The purchaser's peak computed demand for each billing month shall be the largest amount during such month by which the purchaser's 60-minute system demand exceeds its assured peaking capability.

The purchaser's average energy computed demand for each billing month shall be the amount during such month by which the purchaser's actual system average load exceeds its assured average energy capability.

a. General Principles:

(1) The assured peaking and average energy capability of each of the purchaser's systems shall be determined and applied separately.

(2) As used in this section, "year" shall mean the 12-month period commencing July 1.

(3) The critical period is that period, determined for the purchaser's system under adverse streamflow conditions adjusted for current water uses, assured storage operation, and appropriate operating agreements, during which the purchaser would have the maximum requirement for peaking or energy after utilizing the firm capability of all resources available to its system in such a manner as to place the least requirement for capacity and energy on BPA.

(4) Critical water conditions are those conditions of streamflow based on historical records, adjusted for current water uses, assured storage operation, and appropriate operating agreements, for the year or years which would result in the minimum capability of the purchaser's firm resources during the critical period.

(5) Prior to the beginning of each year the purchaser shall determine the assured capability of each of the purchaser's systems in terms of peaking and average energy for each month of each year or years within the critical period. The firm capability of all resources available to the purchaser's system shall be utilized in such a manner as to place the least requirement for capacity and energy on BPA. Such assured capability shall be effective after review and approval by BPA.

(6) The purchaser's assured energy capability shall be determined by shaping its firm resources to its firm load in a manner which places a uniform requirement on BPA within each year of the critical period with such requirement increasing each year not in excess of the purchaser's annual load growth.

(7) As used herein, the capability of a firm resource shall include only that portion of the total capability of such resource which the purchaser can deliver on a firm basis to its load. The capabilities of all generating facilities which are claimed as part of the purchaser's assured capability shall be determined by test or other substantiating data acceptable to BPA. BPA may require verification of the capabilities of any or all of the purchaser's generating facilities. Such verification will not

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be required more often than once each year for operating plants, or more often than once each third year for thermal plants in cold standby status, if BPA determines that adequate annual preventive maintenance is performed and the plant is capable of operating at its claimed capability.

(8) In determining assured capability, the aggregate capability of the purchaser's firm resources shall be appropriately reduced to provide adequate reserves.

b. Determination of Assured Capability: The purchaser's assured peaking and energy capabilities shall be the respective sums of the capabilities of its hydroelectric generating plants based on the most critical water conditions on the purchaser's system, the capabilities of its thermal generating plants based on the adverse fuel or other conditions reasonably to be anticipated; and the firm capabilities of other resources made available under contracts prior to the beginning of the year, after deduction of adequate reserves. Assured capabilities shall be determined for each month if the purchaser has seasonal storage. The capabilities of the purchaser's firm resources shall be determined as follows:

(1) Hydroelectric Generating Facilities: The capability of each of the purchaser's hydroelectric generating plants shall be determined in terms of both peaking and average energy using critical water conditions. The average energy capability shall be that capability which would be available under the storage operation necessary to produce the claimed peaking capability.

Seasonal storage shall mean storage sufficient to regulate all the purchaser's hydroelectric resources in such a manner that when combined with the purchaser's thermal generating facilities, if any, and with firm capacity and energy available to the purchaser under contracts, a uniform energy computed demand for a period of one (1) month or more would result.

A purchaser having seasonal storage shall, within 10 days after the end of each month in the critical period, notify BPA in writing of the assured energy capability to be applied tentatively to the preceding month; such notice shall also specify the purchaser's best estimate of its average system energy load for such month. If such notice is not submitted, or is submitted later than 10 days after the end of the month to which it applies, subject to the limitations stated herein, the assured energy capability determined for such month prior to the beginning of the year shall be applied to such month and may not be changed thereafter.

If notice has been submitted pursuant to the preceding paragraph, the purchaser shall, within 30 days after the end of the month, submit final specification of the assured energy capability to be applied to the preceding month; provided that the assured energy capability so specified shall not differ from the amount shown in the original notice by more than the amount by which the purchaser's actual average system energy load for such month differs from the estimate of that load shown in the original notice. If the assured energy capability for such month differs

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from that determined prior to the beginning of the year for such month, the purchaser, if required by BPA, shall demonstrate by a suitable regulation study based on critical water conditions that such change could actually be accomplished, and that the remaining balance of its total critical period assured energy capability could be developed without adversely affecting the firm capability of other purchaser's resources. The algebraic sum of all such changes in the purchaser's assured energy capability shall be zero at the end of the critical period or year, whichever is earlier. Appropriate adjustments in the assured peaking capability shall be made if required by any change in reservoir operation indicated by such revisions in the monthly distribution of critical period energy capability.

(2) Thermal Generating Facilities: The capability of each of the purchaser's thermal generating plants shall be determined in terms of both peaking and average energy. Such capabilities shall be based on the adverse fuel or other conditions reasonably to be anticipated. The effect of limitations on fuel supply due to war or other extraordinary situations will be evaluated at the time of occurrence.

(3) Other Sources of Power: The assured capability of other resources available to the purchaser on a firm basis under contracts shall be determined prior to each year in terms of both peaking and average energy.

c. Determination of Computed Demand: The purchaser's computed demand for each billing month shall be the greater of:

(1) The largest amount during such month by which the purchaser's actual 60-minute system demand, excluding any loads otherwise provided for in the contract, exceeds its assured peaking capability for such month, or period within such month, or

(2) The largest amount for such month, or period within such month, by which the purchaser's actual system average energy load, excluding the average energy loads otherwise provided for in the contract, exceeds its assured average energy capability.

The use of computed demands as one of the alternatives in determining billing demand is intended to assure that each purchaser who purchases power from BPA to supplement its own firm resources will purchase amounts of power substantially equivalent to the additional capacity and energy which the purchaser would otherwise have to provide on the basis of normal and prudent operations, viz, sufficient capacity and energy to carry the load through the most critical water or other conditions reasonably to be anticipated, with an adequate reserve.

Since the computed demand depends on the relationship of capability of resources to system requirements, the computed demand for any month cannot be determined until after the end of the month. As each purchaser must estimate its own load, and is in the best position to follow its development from day to day, it will be the purchaser's responsibility to request scheduling of priority and new resource firm power, including any

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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.

SECTION 2.4. Restricted Demand: A restricted demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results when BPA has restricted delivery of such power for one (1) clock-hour or more. Such restrictions by BPA are made pursuant to the power sales contract for industrial firm power and pursuant to Section 1.1 and 1.2 of the General Rate Schedule Provisions for priority and new resource firm power and modified firm power, respectively. Such restricted demand shall be determined by BPA after the purchaser has made its determination to accept such restriction or to curtail its contract demand for the month in accordance with Section 2.5 of the General Rate Schedule Provisions.

SECTION 2.5. Curtailed Demand: A curtailed demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results from the purchaser's request for such power in amounts less than the contract demand therefor. Each purchaser of industrial firm power or modified firm power may curtail its demand in accordance with the contract. Each purchaser of an authorized increase in excess of priority firm power, new resource firm power, modified firm power, or industrial firm power may curtail its demand in accordance with Section 1.5 of the General Rate Schedule Provisions.

SECTION 3.1. Billing: Unless otherwise provided in the contract, power made available to a purchaser at more than one point of delivery shall be billed separately under the applicable rate schedule or schedules. The contract may provide for combined billing under specified conditions and terms when (a) delivery at more than one point is beneficial to BPA; or (b) the flow of power at the several points of delivery is reasonably beyond the control of the purchaser.

If deliveries at more than one point of delivery are billed on a combined basis for the convenience of the customer, a charge will be made for the diversity between the measured demands at the several points of delivery. The charge for the diversity shall be determined in a uniform manner among purchasers and shall be specified in the contract.

SECTION 3.2. Determination of Estimated Billing Data: If the purchased amounts of capacity, energy, or the 60-minute integrated demands for energy must be estimated from data other than metered or scheduled quantities, BPA and the purchaser will agree on billing data to be used in preparing the bill. If the parties cannot agree on estimated billing quantities, a determination binding on both parties shall be made in accordance with the arbitration provisions of the contract.

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SECTION 4.1 Application of Rates during Initial Operation Period: For an initial operating period, not in excess of 3 months, beginning with the commencement of operation of a new industrial plant, a major addition to an existing plant, or reactivation of an existing plant or important part thereof, BPA may agree (a) to bill for service to such new, additional, or reactivated plant facilities on the basis of the measured demand for each day, adjusted for power factor; or (b) if such facilities are served by a distributor purchasing power therefor from BPA to bill for that portion of such distributor's load which results from service to such facilities on the basis of the measured demand for each day, adjusted for power factor. Any rate schedule provisions regarding contract demand, billing demand, and minimum monthly charge which are inconsistent with this Section shall be inoperative during such initial operating period.

The initial operating period and the special billing provisions may, on approval by Bonneville, be extended beyond the initial 3-month period for such additional time as is justified by the developmental character of the operations.

SECTION 5.1. Energy Supplies for Emergency Use: A purchaser taking priority and/or new resource firm power shall pay in accordance with Wholesale Nonfirm Energy Rate Schedule NF-1 and Emergency Capacity Schedule CE-1 for any electric energy which has been supplied; (a) for use during an emergency on the purchaser's system; or (b) following an emergency to replace energy secured from sources other than BPA during such emergency, except that mutual emergency assistance may be provided and settled under exchange agreements.

SECTION 6.1. Billing Month: Meters will normally be read and bills computed at intervals of 1 month. A month is defined as the interval between meter-reading dates which normally will be approximately 30 days. If service is for less or more than the normal billing month, the monthly charges stated in the applicable rate schedule will be appropriately adjusted. Winter and summer periods identified in the rate schedules will begin and end with the beginning and ending of the purchaser's billing month having meter-reading dates closest to the periods so identified.

SECTION 7.1. Payment of Bills: Bills for power shall be rendered monthly and shall be payable at BPA's headquarters. Failure to receive a bill shall not release the purchaser from liability for payment. Demand and energy billings under each rate schedule application 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.

If BPA is unable to render the purchaser a timely monthly bill which includes a full disclosure of all billing factors, it may elect to render an estimated bill for that month to be followed at a subsequent billing date by a final bill. Such estimated bill, if so issued, shall have the validity of and be subject to the same repayment provisions as shall a final bill.

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Bills not paid in full on or before the close of business of the 20th day after the date of the bill shall bear an additional charge which shall be the greater of one-fourth percent (0.25%) of the amount unpaid or \$50. Thereafter a charge on one-twentieth percent (0.05%) of the sum of the initial amount remaining unpaid and the additional charge herein described shall be added on each succeeding day until the amount due is paid in full. The provisions of this paragraph shall not apply to bills rendered under contracts with other agencies of the United States.

Remittances received by mail will be accepted without assessment of the charges referred to in the preceding paragraph provided the postmark indicates the payment was mailed on or before the 20th day after the date of the bill. If the 20th day after the date of the bill is a Sunday or other nonbusiness day of the purchaser, the next following business day shall be the last day on which payment may be made to avoid such further charges. Payment made by metered mail and received subsequent to the 20th day must bear a postal department cancellation in order to avoid assessment of such further charges.

BPA may, whenever a power bill or a portion thereof remains unpaid subsequent to the 20th day after the date of the bill, and after giving 30 days advance notice in writing, cancel the contract for service to the purchaser, but such cancellation shall not affect the purchaser's liability for any charges accrued prior thereto.

SECTION 8.1. Approval of Rates: Schedules of rates and charges, or modifications thereof, for electric power sold by BPA shall become effective on a final basis after confirmation and approval by the Federal Energy Regulatory Commission. Pending the establishment of procedures by the Commission to approve rates on a final basis, the entity or entities having been designated by the Secretary of Energy prior to December 5, 1980, shall have authority to confirm and approve schedules of rates and charges on an interim basis.

SECTION 9.1. Average Power Factor: The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

When deliveries to a purchaser at any point of delivery include more than one class of power or are under more than one rate schedule, and it is impracticable to separately meter the kilowatthours and reactive kilovoltamperehours for each class, the average power factor of the total deliveries for the month will be used, where applicable, as the power factor for each of the separate classes of power and rate schedules.

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SECTION 10.1. Temporary Curtailment of Contract Demand: The reduction of charges for power curtailed pursuant to the purchaser's contract and Section 1.5 and 2.5 hereof shall be applied in a uniform manner.

SECTION 11.1. General Provisions: The Wholesale Rate Schedules and General Rate Schedule Provisions of the BPA Power Administration effective July 1, 1981, supersede in their entirety BPA's Wholesale Power Rate Schedule Provisions effective December 20, 1979.

(WP-PCI-0405c)

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I. RELATING TO ALL PURCHASERS

A. IN REFERENCE TO MEANING

1. Definitions. The definitions in the body of this contract and the following additional definitions apply to this exhibit.

(a) "Billing Month," when used with respect to a Direct-Service Industrial Customer, means a calendar month.

(b) "Contractor" means the Purchaser.

(c) "Direct Service Industrial Customer" means a purchaser of industrial firm power, modified firm power, or similar classes of power under contracts providing for the purchase of any such class of power directly from Bonneville.

(d) "Federal System" or "Federal System Facilities" means the facilities of the Federal Columbia River Power System, which for the purposes of this contract shall be deemed to include the generating facilities of the Government in the Pacific Northwest for which Bonneville is designated as marketing agent; the facilities of the Government under the jurisdiction of Bonneville; and any other facilities:

(1) from which Bonneville receives all or a portion of the generating capability (other than station service) for use in meeting Bonneville's loads, such facilities being included only to the extent Bonneville has the right to receive such capability; provided, however, that "Bonneville's loads" shall not include that portion of the loads of any Bonneville customer which are served by a nonfederal generating resource purchased or owned directly by such customer which may be scheduled by Bonneville;

(2) which Bonneville may use under contract, or license; or

(3) to the extent of the rights acquired by Bonneville pursuant to the Treaty, between the Government and Canada, relating to the cooperative development of water resources of the Columbia River Basin, signed in Washington, D.C., on January 17, 1961.

(e) "Federal Energy Regulatory Commission" means the Federal Energy Regulatory Commission or its successor.

(f) "Measured Demand" when used with respect to a Direct Service Industrial Purchaser means the largest of the Integrated Demands, adjusted as appropriate to the Point of Delivery, for the time periods for which there is a demand charge specified in the applicable rate schedule in the Wholesale Power Rate Schedule and General Rate Schedule Provisions Exhibit during a Billing Month.

(g) "Point(s) of Delivery" means the point(s) of delivery listed either in the Points of Delivery Exhibit to this contract or in the body of this contract.

(h) "P.L. 96-501" means the Regional Act.

(i) "Transferor" means an entity which receives Bonneville's power or energy at one point on such entity's system and makes such power or energy available at another point on its system for the account of Bonneville.

(j) "Uncontrollable Forces" means:

(1) strikes or work stoppage affecting the operation of the Purchaser's works, system, or other physical facilities or of the Federal System Facilities or the physical facilities of any Transferor upon which such operation is completely dependent; the term "strikes or work stoppage" shall be deemed to include threats of imminent strikes or work stoppage which reasonably require a party or Transferor to restrict or terminate its

operations to prevent substantial loss or damage to its works, system, or other physical facilities; or

(2) such of the following events as the Purchaser or Bonneville or any Transferor by exercise of reasonable diligence and foresight, could not reasonably have been expected to avoid:

(A) events, reasonably beyond the control of either party or any Transferor, causing failure, damage, or destruction of any works, system or facilities of such party or Transferor; the word "failure" shall be deemed to include interruption of, or interference with, the actual operation of such works, system, or facilities;

(B) floods or other conditions caused by nature which limit or prevent the operation of, or which constitute an imminent threat of damage to, any such works, system, or facilities; and

(C) orders and temporary or permanent injunctions which prevent operation, in whole or in part, of the works, system, or facilities of either party or any Transferor, and which are issued in any bona fide proceeding by:

(i) any duly constituted court of general jurisdiction; or

(ii) any administrative agency or officer, other than Bonneville or its officers, provided by law (a) if said party or Transferor has no right to a review of the validity of such order by a court of competent jurisdiction; or (b) if such order is operative and effective unless suspended, set aside, or annulled by a court of competent jurisdiction and such order is not suspended, set aside, or annulled in a judicial proceeding

prosecuted by said party or Transferor in good faith; provided, however, that if such order is suspended, set aside, or annulled in such a judicial proceeding, it shall be deemed to be an "uncontrollable force" for the period during which it is in effect; provided, further, that said party or Transferor, shall not be required to prosecute such a proceeding, in order to have the benefits of this section, if the parties agree that there is no valid basis for contesting the order.

The term "operation" as used in this subsection shall be deemed to include construction, if construction is required to implement the contract and is specified therein.

(k) "Utility" means a party to a residential purchase and sale agreement offered pursuant to section 5(c) of P.L. 96-501 which shall also be referred to as the "Purchaser" for the purposes of this exhibit.

2. Interpretation.

(a) The provisions in this exhibit shall be deemed to be a part of the contract body to which they are an exhibit. If a provision in such contract body is in conflict with a provision contained in this exhibit, the former shall prevail.

(b) If a provision in the General Rate Schedule Provisions incorporated in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit is in conflict with a provision contained in this exhibit or the contract body, this exhibit or the contract body shall prevail.

(c) Nothing contained in this contract shall, in any manner, be construed to abridge, limit, or deprive any party hereto of any means of enforcing any

remedy, either at law or in equity, for the breach of any of the provisions of this contract which it would otherwise have.

B. IN REFERENCE TO COMPUTATION OF CHARGES

3. Measurements. Each measurement of each meter mentioned in this contract shall be the measurement automatically recorded by such meter or, at the request of either party, the measurement as mutually determined by the best available information.

If it is provided in this contract that measurements made by any of the meters specified therein are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating the meters, as agreed upon by the parties hereto. If changes in conditions occur which substantially affect any such loss factor or compensation, it will be changed in a manner which will conform to such change in conditions.

4. Adjustment for Change of Conditions. Changes in conditions may occur after the date of execution of this contract which substantially affect factors required by this contract to be used in determining (a) the charge for a service or for use of facilities provided by Bonneville other than charges for the sale of electric power and energy or (b) the amount of losses from the transmission or transformation of electric power or energy. Such factors will then be changed in an equitable manner which will conform to such changes in conditions.

5. Adjustment for Inaccurate Metering. If any meter mentioned in this contract fails to register, if the measurement made by such meter during a test

made as provided in section 26 hereof varies by more than one percent from the measurement made by the standard meter used in such test or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made, if such period can be determined. If such period cannot be determined the adjustment shall be made for the period immediately preceding the test of such meter which is equal to the lesser of (a) one-half the time from the date of the last preceding test of such meter or (b) 6 months. Such corrected measurements shall be used to recompute the amounts due from the Purchaser for the electric power and energy made available under this contract during such period and shall be used, when applicable, in future billings to the Purchaser. If the total amount due from the Purchaser for such period as recomputed varies from the total amount previously billed by Bonneville, Bonneville shall adjust the wholesale power bill(s) as soon as practicable.

6. Adjustment for Unbalanced Phase Demands. If the Purchaser fails to make promptly the changes mentioned in section 24 hereof, Bonneville may, after giving written notice one month in advance, determine that the Measured Demand of the Purchaser at the Point of Delivery in question during each month thereafter, until such changes are made, is equal to the product obtained by multiplying by three the largest of the Integrated Demands on any phase adjusted as appropriate to such point during such month.

7. Reducing Charges for Interruptions. If deliveries of electric power and energy to the Purchaser are suspended, interrupted, interfered with or curtailed due to Uncontrollable Forces on either the Purchaser's system, the Federal System or any Transferor's system, or if Bonneville or any Transferor

interrupts or reduces deliveries to the Purchaser for any of the reasons stated in section 14 hereof, the charges for power shall be appropriately reduced. Partial interruptions shall be converted to an equivalent outage of total Measured Demand. No total outage or equivalent outage of less than 30 minutes duration shall be considered for computation of such reduction in charges.

C. IN REFERENCE TO RATES

8. Equitable Adjustment of Rates.

(a) Bonneville shall establish, periodically review and revise rates for the sale and disposition of electric power, capacity or energy sold pursuant to the terms of this contract. Such rates shall be established in accordance with applicable law.

(b) As used in this section, the words "Rate Adjustment Date" mean any date as specified by Bonneville in a notice of intent to file revised rates as published in the Federal Register; provided, however, that such date shall not occur sooner than (1) nine months from the date that such notice of intent is published; or (2) twelve months from any previous Rate Adjustment Date. By giving written notice to the Purchaser 45 days prior to such Rate Adjustment Date, Bonneville may delay such Rate Adjustment Date for up to 90 days if Bonneville determines either that the revenue level of the proposed rates differs by more than five percent from the revenue requirements indicated by most recent repayment studies entered in the hearings record or that external events beyond Bonneville's control will prevent Bonneville from meeting such Rate Adjustment Date. Bonneville may cancel a notice of intent to file revised

rates at any time (1) by written notice to the Purchaser; or (2) by publishing in the Federal Register a new notice of intent to file revised rates which specifically cancels a previous notice.

(c) The Purchaser shall pay Bonneville for the electric power and energy made available under this contract during the period commencing on each Rate Adjustment Date and ending at the beginning of the next Rate Adjustment Date at the rate specified in any rate schedule available at the beginning of such period for service of the class, quality, and type provided for in this contract, and in accordance with the terms thereof, and of the General Rate Schedule Provisions as changed with, incorporated in or referred to in such rate schedule. New rates shall not be effective on any Rate Adjustment Date unless they have been approved on a final or interim basis by a governmental agency designated by law to approve Bonneville rates. Rates shall be applied in accordance with the terms thereof, the General Rate Schedule Provisions as changed with, incorporated in or referred to in such rate schedule and the terms of this contract.

(d) (1) Bonneville reserves the authority to impose a conservation surcharge as provided by section 4(f) and 7(h) of P.L. 96-501. The Purchaser shall pay the amount of any such surcharge so imposed as part of its payment to Bonneville for wholesale power.

(2) Bonneville and the Purchaser recognize that cost-effective model conservation standards are to be adopted by the Pacific Northwest Electric Power and Conservation Planning Council ("the Council") pursuant to P.L. 96-501, and that, in accordance with section 4(f) of P.L. 96-501, such standards are required to include, but are not limited to, standards

applicable to Customer and governmental conservation programs. Bonneville will make available financial assistance to implement such cost-effective standards pursuant to its obligations under section 6(a)(1) and 6(e)(1) of P.L. 96-501, and as described at page 43 of the Report of the Committee on Interior Affairs of the U.S. House of Representatives (Report No. 96-976, Part II) regarding section 4(f).

(3) Upon adoption of a methodology as provided in section 4(f)(2) and section 4(e)(3)(G) of P.L. 96-501, Bonneville will give notice of intent to adopt a rule, provide opportunity for public comment, and publish draft procedures in the Federal Register for imposing surcharges. Such rule shall include:

(A) standards to be met before Bonneville will excuse surcharges which would otherwise be appropriate, consistent with Bonneville's obligations to implement cost-effective conservation measures to the maximum extent practicable;

(B) that Bonneville will impose surcharges to the extent not excused or suspended under the terms of the rule;

(C) an opportunity for interested persons to present views, data, questions, and arguments to Bonneville relevant to the imposition of surcharges in specific instances, and the adequacy of financial assistance made available by Bonneville;

(D) that surcharges imposed will be continued to the extent and for the period projected energy savings attributable to cost-effective model conservation standards are not achieved;

(E) for recovery from the Purchaser of the additional costs (including increases in the Utility's average system cost) that Bonneville will incur because the projected energy savings attributable to model conservation standards have not been achieved, subject to the limitations set forth in sections 4(f)(1) and 4(f)(2) of P.L. 96-501; provided, however, that surcharges will not be levied as a result of an increase in a Utility's average system cost except to the extent that the Utility failed to implement conservation measures that are designed to be cost-effective for its Consumers in terms of the electric rates its Consumers pay.

(4) Nothing in this section shall waive or prejudice the right of any person or Customer to assert any of its legal rights with respect to the model conservation standards, their application, or the imposition of any surcharges.

(e) Bonneville's wholesale power rates established on any Rate Adjustment Date shall be developed consistent with the provisions of section 7 of P.L. 96-501. Bonneville shall develop in consultation with its utility Customers and shall publish by July 1, 1983, methodologies as required for implementing section 7(b)(2).

(f) Power Cost Allocations After July 1, 1985. Power cost allocations among Customer classes will follow the same methods set forth in Appendix B of the Senate Report S.885 (S. Rep. 272, 96 Cong., 1st Sess. 1979) for the period

after July 1, 1985, and in the same general manner as further explained in the 1981 Bonneville wholesale power rate case by Exhibit U submitted in such rate case and the accompanying Bonneville testimony.

(h) Individual Customer Rate Limit Under Section 7(f) of P.L. 96-501.

(1) The provisions of this subsection shall apply to any Customer from whom or on behalf of whom Bonneville has acquired a resource pursuant to section 6 of P.L. 96-501, if and to the extent such Customer purchases Firm Power from Bonneville at a rate established pursuant to section 7(f) of P.L. 96-501.

(2) The rate established pursuant to section 7(f) charged to any such Customer for an amount of Firm Power not exceeding that acquired by Bonneville from or on behalf of such Customer, exclusive of any costs allocated to such rate in accordance with sections 7(b)(3), 7(g), and 7(h) of P.L. 96-501, shall not exceed the average cost of the resources acquired by Bonneville from such Customer, exclusive of resources whose costs are allocated by Bonneville pursuant to section 7(g) and any resources acquired under section 5(c). The average cost of such resources shall be adjusted for any additional costs such Customer would have incurred in order to provide itself the same quantity and quality of power from such resources if such resources had not been acquired by Bonneville.

(3) Bonneville shall develop a methodology for performing the adjustments required by paragraph (2) by procedures comparable to those employed in establishing the methodology referred to in subsection (e) above.

(4) Costs not recovered from any Customer because of the provisions of paragraph (2) shall be recovered from other Customers through rates established pursuant to section 7(f), to the extent that such recovery can be made without exceeding the allowable section 7(f) rates for such other Customers pursuant to paragraph (2). To the extent such recovery cannot be made without exceeding the allowable section 7(f) rates established pursuant to paragraph (2), the unrecovered balance shall be spread on a pro rata kilowatt and kilowatthour basis among all Firm Power purchased by Customers under rates established pursuant to section 7(f) and not be borne by other Customer classes under rates established pursuant to sections 7(b) and 7(c) of P.L. 96-501. The pro rata recovery shall be limited to rates established pursuant to section 7(f) and shall not increase the cost of the "other resources" specified in section 7(b)(1) of P.L. 96-501.

(i) Rates for Firm Power sold pursuant to sections 14 and 17 of the utility power sales contract shall be established in such a fashion that the Purchaser shall not be billed for Firm Power during any twelve month rate period in excess of the amount to which the Purchaser was entitled to take during such twelve-month period.

(j) Allocation of Certain Section 7(g) Costs. Costs of uncontrollable events, including but not limited to costs of a terminated generating facility, and costs of experimental resources, in excess of the cost of cost-effective resources, shall be allocated pursuant to section 7(g) of P.L. 96-501 and shall be allocated among Customers on a uniform per kilowatt or kilowatthour basis. Beginning on July 1, 1985, such costs and other costs allocated pursuant to

section 7(g) of P.L. 96-501 will be reflected in the rates charged Direct-Service Industrial Customers only to the extent they modify Bonneville's wholesale power rates to public body and cooperative Customers for power that serves such Customers' retail industrial Consumers.

(k) Bonneville's wholesale power rates shall include the amount by which the cost of resources acquired either at the request of the Purchaser pursuant to section 17(j) of the utility power sales contract or at the request of other Customers under similar power sales contracts exceed the estimated revenues Bonneville expects to recover for sale of such power pursuant to section 19(b)(1)(E) of such contract or similar power sales contracts. Such costs shall be recovered from Bonneville's Customers pursuant to section 7(g) of P.L. 96-501, as the cost of an uncontrollable event.

(1) Allocation of Exchange Resources. The energy or capacity, or both, associated with resources acquired by Bonneville pursuant to section 5(c)(2) of P.L. 96-501 shall be allocated at the cost thereof to Customers purchasing Firm Power under rates established pursuant to section 7(b) of P.L. 96-501 to the extent that the load requirements of such Customers exceed the amount of Federal base system resources, including replacements thereto, determined to be available for ratemaking purposes. Such energy and capacity allocated to Customers purchasing Firm Power under rates established pursuant to section 7(f) of P.L. 96-501 shall be allocated at the cost thereof. The total cost of resources acquired under section 5(c) of P.L. 96-501 allocated to Direct-Service Industrial Customers purchasing power under rates established pursuant to section 7(c)(1)(A) of P.L. 96-501 shall not exceed the average

costs associated with the amount of such resources determined by Bonneville to be required to serve that portion of the firm load of Direct-Service Industrial Customers not served by other resources.

(m) Revenue obtained by Bonneville through the recapture of costs associated with section 5(c)(7)(C) of P.L. 96-501 shall be equitably allocated through Bonneville's wholesale power rates to Customer classes in proportion to the respective prior payment of such costs by such classes through Bonneville's wholesale power rates.

(n) Bonneville shall consult with the Purchaser and other Customers prior to making a determination to replace reductions in the capability of the Federal base system resources and shall make such replacements in an economically prudent manner. Resources acquired as a replacement shall not be from resources purchased by Bonneville under section 5(c) of P.L. 96-501. All or a portion of a resource acquired from or on behalf of the Purchaser may be used as a replacement according to the terms specified in the resource purchase agreement. Bonneville may replace reductions in the capability of the Federal base system resources for plant delays when and to the extent needed to meet the sum of (1) Bonneville's obligation to supply Firm Power during an Operating Year to public bodies, cooperatives and Federal agencies; and (2) Bonneville's firm contractual obligations with its other Customers in place on the effective date of P.L. 96-501 and which contracts are or would have been effective during such Operating Year.

D. IN REFERENCE TO DELIVERY OF POWER

9. Character of Service. Unless otherwise specifically provided for in the contract, electric power or energy made available pursuant to this contract shall be in the form of three-phase current, alternating at a nominal frequency of 60 hertz.

10. Point(s) of Delivery and Delivery Voltage. Electric power and energy shall be delivered to each Purchaser at the Point(s) of Delivery and at such voltage(s) as specified. Unless otherwise agreed, delivery at more than one voltage shall constitute delivery at more than one point.

11. Metered Quantities. The amount(s) of energy, Integrated Demands therefor and amount(s) of reactive energy delivered to the Point(s) of Delivery during each month shall be determined from measurements made by meters installed for such Point(s) of Delivery in the circuit specified.

12. Where Additional Facilities Required. If additional delivery point facilities must be constructed or installed to enable Bonneville to supply any increase in the Purchaser's contract demand, or in the Purchaser's requirements if Bonneville agrees by this contract to supply such requirements, Bonneville shall not be required to provide such additional facilities unless the parties mutually agree: (a) that Bonneville's providing such facilities is in accordance with its customer service policies; (b) that reasonable utilization has been made of existing facilities; and (c) that reasonable utilization of such additional facilities will be assured. If the parties so agree, Bonneville nevertheless shall not become obligated to supply such increase in

such demand or requirements until such period of time has elapsed as may be reasonably necessary to complete the installation of such additional facilities.

13. Uncontrollable Forces. Each party shall notify the other as soon as possible of any Uncontrollable Forces which may in any way affect the delivery of power hereunder. In the event the operations of either party are interrupted or curtailed due to such Uncontrollable Forces, such party shall exercise due diligence to reinstate such operations with reasonable dispatch.

14. Continuity of Service. The Purchaser, Bonneville or a Transferor may temporarily interrupt or reduce deliveries of electric power or energy if the Purchaser, Bonneville or the Transferor determines that such interruption or reduction is necessary or desirable in case of system emergencies, or in order to install equipment in, make repairs to, make replacements within, make investigations and inspections of, or perform other maintenance work on, the Purchaser's facilities, the Federal System or the Transferor's system. Except in case of emergency and in order that the Purchaser's operations will not be unreasonably interfered with, Bonneville shall give notice to the Purchaser of any such interruption or reduction, the reason therefor, and the probable duration thereof to the extent Bonneville has knowledge thereof. The Purchaser or Bonneville shall effect the use of temporary facilities or equipment to minimize the effect of any such interruption or outage to the extent reasonable or appropriate.

15. Delivery by Transfer. If it is provided in this contract that delivery to the Purchaser at any Point of Delivery will be made by transfer over the facilities of a Transferor or Transferors:

(a) Bonneville shall be obligated to make available to the Purchaser at such point only such amounts of electric power and energy as are made available to the Purchaser by such Transferor or Transferors at such point, and the obligation of Bonneville to make electric power and energy available to the Purchaser at such point shall be in all respects subject to all provisions contained in the agreement or agreements executed, or to be executed, if not already in effect, by Bonneville and such Transferor or Transferors providing for such transfer;

(b) Bonneville shall use its best efforts to effect a quality of service to the Purchaser comparable to that provided under direct service from Bonneville; and

(c) Bonneville's right to terminate deliveries at such point, under the agreement or agreements providing for such transfer, shall not be exercised while such Transferor or Transferors meet their obligations to make such deliveries under such agreement or agreements unless (1) the Purchaser consents thereto; or (2) Bonneville determines that the Purchaser's requirements for electric power and energy at such point may be adequately supplied under reasonable conditions and circumstances at another point or points (A) directly from the Federal System (B) indirectly from the facilities of another Transferor or Transferors, or (C) both.

E. IN REFERENCE TO PAYMENT FOR POWER

16. Determination of and Assignment of Measured Demand. Bonneville in determining Measured Demand shall exclude any abnormal Integrated Demand or

Measured Amount due to or resulting from (a) emergencies or breakdowns on, or maintenance of, the Federal System Facilities; and (b) emergencies on the Purchaser's facilities to the extent Bonneville determines that such facilities have been adequately maintained and prudently operated.

If timely determination of Measured Demand cannot be made, such determination shall be made in accordance with section 19 below.

Where Bonneville delivers, pursuant to this or other contracts, more than one class of electric power to the Purchaser at any Point of Delivery, the portion of the Measured Demand assigned to each such class of power shall be as specified in such contracts. Any portion of Measured Demand which is not assigned to other classes of power delivered pursuant to this or other contracts shall be deemed to be a Firm Power delivery under this contract.

17. Billing At Multiple Points of Delivery. For electric power or energy made available hereunder to the Purchaser at more than one Point of Delivery, the Purchaser shall be billed for each Point of Delivery separately on a non-coincidental basis under the applicable rate schedule in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit, unless otherwise provided herein. The Points of Delivery Exhibit may provide for combined billing on a coincidental basis under specified conditions and terms either when delivery at more than one point is beneficial to Bonneville or when the flow of power at several Points of Delivery is reasonably beyond the control of the Purchaser.

If deliveries at more than one Point of Delivery are billed on a coincidental basis for the convenience of the Purchaser, a charge shall be made

for the diversity among Measured Demands at such Points of Delivery. Charges for diversity shall be specified in the Special Provisions Exhibit and determined in a uniform manner among Customers.

At any rate adjustment date after January 1, 1982, Bonneville may establish its wholesale power rate schedules applicable to this contract using Customers' coincidental peak demands as the basis for proportioning its revenue recovery. In such event all diversity factors or charges applicable to Measured Demands determined on a coincidental basis shall be invalid and appropriate factors to reduce Measured Demands determined on a non-coincidental basis shall be developed and applied.

18. Payment of Bills. Bills for power shall be rendered monthly and shall be payable at Bonneville's headquarters. Failure to receive a bill shall not release the Purchaser from liability for payment. Each calculated monetary amount in a wholesale power bill shall be rounded to a whole dollar amount, 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.

If Bonneville is unable to render the Purchaser a timely monthly bill which includes a full disclosure of all billing factors, it may elect to render an estimated bill for that month to be followed by the final bill. Such estimated bill, if so issued, shall have the validity of and be subject to the same payment provisions as shall a final bill.

Bills not paid in full on or before the date specified in the Payment of Bills section, or its successor, of the General Rate Schedule Provisions incorporated in the Wholesale Power Rate Schedules and General Rate Schedule Provisions Exhibit shall bear additional charges as specified therein.

Remittances received by mail will be accepted without assessment of the charges referred to in the preceding paragraph provided the postmark indicates the payment was mailed on or before the 20th day after the date of the bill. If the 20th day after the date of the bill is a Sunday or other nonbusiness day of the Purchaser, the next following business day shall be the last day on which payment may be made to avoid such further charges. Payment made by metered mail and received subsequent to the 20th day must bear a postal department cancellation in order to avoid assessment of such further charges.

Bonneville may, whenever a power bill or a portion thereof remains unpaid subsequent to the 20th day after the date of the bill, and after giving 30 days advance notice in writing, cancel the contract for service to the Purchaser, but such cancellation shall not affect the Purchaser's liability for any charges accrued prior thereto.

19. Determination of Estimated Billing Data. If the amounts of power or energy which have been delivered hereunder must be estimated from data other than metered quantities, scheduled quantities or tabulations of hourly interchange prepared by the Purchaser, Bonneville and the Purchaser shall agree on estimated billing data to be used in preparing the bill.

20. Average Power Factor. The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

When deliveries to a Purchaser at any Point of Delivery include more than one class of power or are under more than one rate schedule, and it is impracticable to separately meter the kilowatthours and reactive kilovolt-ampere-hours for each class, the average power factor of the total deliveries for the month shall be used, where applicable, as the power factor for each of the separate classes of power and rate schedules.

F. IN REFERENCE TO USE OF POWER

21. Changes in Requirements or Characteristics. The Purchaser will, whenever possible, give reasonable notice to Bonneville of any unusual increase or decrease of its demands for electric power and energy on the Federal System, or of any unusual change in the load factor or power factor at which the Purchaser will take delivery of electric power and energy under this contract.

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;

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(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-0144c)

(8/25/81)

Average System Cost Methodology

I. Summary

This exhibit sets forth the method for computation and payment of "average system cost" for the purpose of an exchange of power between Bonneville and a Utility pursuant to section 5(c) of Public Law 96-501 (Regional Act). The method provides that for an exchanging Utility the average system cost (ASC) is: the costs allowed or established for retail ratemaking that are eligible for exchange divided by the kilowatthours of load assumed for retail ratemaking, adjusted consistent with this methodology. Under this method, a separate ASC will be calculated for each exchanging Utility for each jurisdiction in which the Utility does business. Each ASC so calculated will be changed when revised retail rates go into effect.

This exhibit sets forth specific procedures for reporting cost items and recognition of those items in determining ASC, including procedures for the exclusion of particular costs as required by statute. The exhibit also sets forth the procedures for the filing of relevant data by the Utility and for the review of that data by Bonneville.

II. Definitions

The following definitions apply to all sections of Exhibit C.

- A. "Average System Cost" or "ASC" means for each Jurisdiction and each Exchange Period the quotient obtained by dividing Contract System Costs by Contract System Load.
- B. "Commission" means a State regulatory body, preference Utility governing body, or other entity authorized to establish retail electric rates in a Jurisdiction.
- C. "Contract System Costs" means the Utility's costs for production and transmission resources, including power purchases and conservation measures, which costs are includable in, jurisdictionally allocated by, and subject to the provisions of Appendix 1. Contract System Costs do not include costs required to be excluded from ASC by section 5(c)(7) of the Regional Act; the exclusion of these costs is provided for in Footnote 15 to Appendix 1.
- D. "Costs" means the aggregate dollar amount or any portion of the amount allowed or relied upon by the Commission to determine the Test Period revenue requirement for the Utility in a Jurisdiction.
- E. "Exchange Period" means the period of time during which a Utility's Jurisdictional retail rate schedules are in effect, commencing with the effective date of these schedules and ending with the effective

date of new retail rate schedules in the Jurisdiction; provided that no Exchange Period shall commence prior to or extend beyond the term of the Utility's Residential Purchase and Sale Contract Agreement.

- F. "Contract System Load" means the firm energy load used by the Commission for the purpose of establishing retail rates, adjusted pursuant to Appendix 1.
- G. "Jurisdiction" means the service territory of the exchanging Utility within which a Commission has authority to approve the retail rates.
- H. "New Large Single Load" means that load defined in section 3(13) of the Regional Act, and as determined by Bonneville as specified in power sales contracts with its customers.
- I. "Regional Power Sales Customer" means any entity that contracts directly with Bonneville for the purchase of power for delivery in the region as defined by section 3(14) of the Regional Act.
- J. "Test Period" means the time period, not to exceed 12 months, used by the Commission to determine Costs for retail ratemaking.

III. Procedures for Determining Average System Cost

The procedures set forth in this section will enable Bonneville to determine the ASC, in accord with the methodology in Appendix 1, for each exchanging Utility for each Jurisdiction within the region where the Utility provides service. The ASC so determined will be in effect during the Exchange Period and will apply to the amount of exchange power acquired by Bonneville from the Utility during the Exchange Period. The amount of exchange power will be equal to the Utility's eligible load within the Jurisdiction. Bonneville will determine and pay a separate ASC for the exchange power related to the Utility's eligible load in each Jurisdiction. The procedures are as follows:

- A. Appendix 1 is a form that identifies Contract System Costs and Contract System Load and permits the calculation of ASC. Appendix 1 is an integral part of this document.
- B. For each Exchange Period and for each regional Jurisdiction in which a Utility provides service, the Utility shall complete and file with Bonneville five copies of Appendix 1 as follows:
 - 1. On or prior to the effective date of the Utility's residential exchange contract, the Utility shall file an Appendix 1 reflecting its existing Costs for each Jurisdiction for which it is participating in the exchange. Subject to the

provisions of Section IV, the ASC determined from each Appendix 1 shall be the rate applicable to exchange power from that Jurisdiction during the initial Exchange Period.

2. Thereafter, not later than five working days after filing for a Jurisdictional rate change or otherwise commencing a rate change proceeding, the Utility shall file with Bonneville a preliminary Appendix 1, setting forth the Costs proposed by the Utility. In addition, within five working days from the day a Utility files for a Jurisdictional rate change or otherwise commences a rate change proceeding, the Utility shall deliver to Bonneville all information initially provided to the Commission. The Utility also will provide to Bonneville within a reasonable period of time any other information reasonably requested by Bonneville.
 3. Not later than five working days following the commencement date of a new Exchange Period, the Utility shall file with Bonneville a revised Appendix 1, reflecting its Costs as approved by the Commission. In addition, the Utility shall provide within 20 working days following the commencement date of a new Exchange Period a reconciliation of all differences between the preliminary Appendix 1 and the revised Appendix 1. Subject to the provisions of Section IV, the ASC included in the revised Appendix 1 will be the ASC applicable to exchange power for that Jurisdiction during the Exchange Period; provided, that if a Utility files a revised Appendix 1 after the five-day deadline Bonneville may make the new ASC payable only from the date the revised Appendix 1 was actually filed. However, Bonneville shall not delay as a result of a late filing of an Appendix 1 the effective date of any change in the ASC for power provided to it under this agreement if the late filing was the result of unavoidable delay or excusable neglect, and the Utility proceeded to correct the filing error in good faith and with diligence.
- C. If Bonneville or any of its Regional Power Sales Customers have been denied the right to participate in a Jurisdictional rate review proceeding on the basis of standing as an intervenor or otherwise with rights equivalent to any retail customer of the Utility, no change in ASC based on a change of Costs authorized in that proceeding shall be effective until Bonneville has completed its review pursuant to Section IV.

IV. Bonneville Review Process

- A. Each Appendix 1 shall be reviewed by Bonneville or its designate to determine whether the Costs are not inconsistent with generally accepted accounting principles for electric utilities, whether Contract System Costs contains only allowed Costs, and whether the Appendix 1 complies with the requirements of this Exhibit C including applicable definitions and requirements incorporated from

the FERC Uniform System of Accounts. If a retail rate change is authorized without substantive Commission findings as to Costs or if Bonneville or any of its Regional Power Sales Customers are denied the right to participate in a Jurisdictional rate review proceeding on the basis of standing as an intervenor or otherwise with rights equivalent to any retail customer of the Utility, the review by Bonneville or its designate also may consider whether Contract System Costs have changed by the amount of the retail rate change, and Bonneville shall not be obligated to pay an ASC different than the ASC based on Contract System Costs as determined by Bonneville.

- B. The Appendix 1 described in Section III(B)(1) shall be subject to review for a period of 180 days following the effective date of the contract. A revised Appendix 1 described in Section III(B)(2) and (3) shall be subject to review for a period of 120 days from the start of the relevant Exchange Period.
- C. Bonneville or its designate will conduct its review as promptly as reasonably possible, shall make a written report of its determinations, and shall make any resulting increase or decrease in the ASC for the relevant Exchange Period; provided, that if Bonneville has not issued a report as of the last date of the review period, then the ASC rate shown on the revised Appendix 1 described in Section III(B)(3) filed by the Utility shall be the ASC for the Exchange Period.
- D. Bonneville will afford its Regional Power Sales Customers and other interested persons an opportunity to comment in writing on each Appendix 1 filed by a Utility. To facilitate this process, a Utility filing an Appendix 1 shall mail written notice thereof to each of Bonneville's Regional Power Sales Customers or their designates, in accordance with a list provided by Bonneville. This notice shall summarize the adjustment to costs proposed, make reference to the customers' right to comment thereon, and specify where materials relevant to the Cost adjustment process may be examined. The Utility and Bonneville shall permit Regional Power Sales Customers and interested parties to examine each Appendix 1 submitted to Bonneville. The utilities shall respond to reasonable information requests relevant to ASC from Bonneville and its Regional Power Sales Customers, provided that the furnishing of proprietary or confidential information to Bonneville or to a Regional Power Sales Customer may be made contingent on the granting of proper safeguards to prevent unauthorized use or disclosure. All comments from Bonneville's Power Sales Customers and interested parties must be received in writing by Bonneville no later than 20 days prior to the end of Bonneville's review period. All such comments will be included as part of the record supporting the ASC determined by Bonneville.

- E. If Bonneville determines that the ASC computed by the Utility in Appendix 1 was excessive or inadequate, the injured party shall recover the excess or deficiency with interest which shall be computed from time to time on the outstanding balance at the rate or rates of interest charged to Bonneville by the U.S. Treasury during the period unless another form of refund is ordered by the Joint State Board, the FERC, or a reviewing court. If a final order of the Joint State Board, the FERC or a reviewing court revises Bonneville's ASC determination, the difference between this revised ASC and the ASC determined by Bonneville, together with the interest at the above rate, shall be paid to the party entitled thereto by the other party, unless another interest rate is so ordered.
- F. If costs associated with a generating facility are included in ASC and that generating facility is later terminated prior to the date of initial commercial operation, Bonneville shall be entitled to recover revenues as follows.

For any exchange period in which Construction Work in Progress (CWIP) was included in the rate base:

1. If the CWIP included in the rate base was identified with a particular generating facility terminated prior to the date of initial commercial operation, Bonneville shall recover revenue based on the amount of CWIP identified with that terminated facility that was included in the ASC rate base.
2. If the terminated facility was among a group of facilities for which CWIP was allowed in the ASC rate base, Bonneville shall recover revenues based on the amount that the CWIP included in the ASC rate base exceeded the utility's total available jurisdictional CWIP for the same group of facilities, after exclusion of any CWIP for generating facilities subsequently terminated prior to the date of initial commercial operation.

When a generating plant is terminated prior to the date of initial commercial operation, the Utility will submit to Bonneville a calculation of the recoverable revenue attributable to the inclusion of the amount of CWIP specified above, if any, for each exchange period, including a reconciliation with the final Appendix 1 for that period. This calculation shall include the effect of any inclusion of Allowance For Funds During Construction (AFUDC) as an offset to test year revenue requirement and the impact on related taxes. The interest rate on revenue to be recovered shall be calculated as in Section IV(E). Bonneville shall bill the Utility in equal monthly installments over a period

of the same length as the period during which costs of the terminated facility were included in ASC unless another arrangement is mutually agreed upon.

V. FERC Procedure (Applicable Only to Utilities Subject to Part II of the Federal Power Act)

- A. Each Utility that is subject to the FERC's jurisdiction under Part II of the Federal Power Act shall file Bonneville's written report, the ASC determined by Bonneville, and the Utility's Appendix 1 with the FERC, its delegate or successor, within 15 working days of Bonneville's determination of ASC according to Section IV(C) above. During the period between the date of Bonneville's determination of ASC and the date of the final order issued by the FERC, its delegate or successor, the ASC determined by Bonneville shall be in effect.

This filing with the FERC shall be deemed to be compliance by the Utility with Section 205(c) of the Federal Power Act. The ASC ordered by the FERC, its delegate or successor, shall be the lawful ASC in effect from the start of the relevant Exchange Period, and the FERC shall be deemed to have so ordered under Section 205(d) of the Federal Power Act. The Utility may contest any ASC adjustment made by Bonneville in any ASC review proceeding before the FERC, its delegate or successor, and may argue for an ASC to be effective from the start of the relevant Exchange Period calculated pursuant to the Appendix 1 described in Section III(B)(3) it filed with Bonneville.

- B. The Utility shall notify all parties that made comment to Bonneville on the Utility's Appendix 1 of its ASC filing with the FERC. The FERC shall publish notice of the filing in the Federal Register. The notice shall specify that parties will be allowed an opportunity to comment in writing and to respond in writing to comments filed by any other party. If one or more members of the FERC, its delegate or successor, determine that a substantial issue of fact or law exists, an opportunity for oral presentation of arguments shall be provided.
- C. The FERC's review of ASC shall ascertain whether Bonneville's ASC was determined in accord with the methodology described in this Exhibit C. If the FERC, its delegate or successor, should determine that Bonneville's ASC rate was not determined in accord with the methodology, it shall order that such ASC be changed, specifying in the order the necessary changes. The FERC shall publish its final order approving or disapproving the ASC in the Federal Register.

VI. Change in Average System Cost Methodology

The Administrator, at his or her discretion, or upon written request from three-quarters of the utilities who are parties to contracts pursuant to section 5(C) of the Regional Act, or from three-quarters of his preference customers, or from three-quarters of Bonneville's direct-service industry customers, shall initiate a consultation process as provided for in section 5(c) of the Regional Act. After completion of this process, the Administrator may propose a new ASC methodology, provided that any consultation process may not be initiated sooner than 1 year after the immediately previous ASC methodology has been adopted by Bonneville and approved by the FERC.

(WP-PLB-0016n)



Average System Cost Methodology

Exhibit C - Appendix 1 is the form on which a Utility participating in a Residential Purchase and Sale Agreement shall report its Contract System Costs and other necessary data for the calculation of ASC.

The form consists of six schedules that shall be completed by the Utility in accord with these instructions and the provisions of the footnotes following the schedules. Any items not applicable to the Utility shall be so identified.

The schedules are as follows:

- Schedule 1 - Plant Investment/Rate Base/Rate-of-Return
- 2 - Capital Structure and Cost of Capital
- 3 - Expenses
- 4 - Income Taxes
- 5 - Average System Cost
- 6 - Total Utility and Jurisdictional Results of Operations

The filing Utility shall reference and attach workpapers that support Costs, including details of allocation and functionalization.

All references to the FERC accounts are to the FERC Uniform System of Accounts as of October 1, 1981. The Costs includable in the attached schedules are those includable by reason of the definitions in the FERC accounts. If the FERC accounts are later revised or renumbered, any changes shall be incorporated into this form by reference, except to the extent that Bonneville, upon a showing of good cause, demonstrates that a particular change results in a substantial change in the type of Costs allowable for exchange purposes. If the Utility does not follow the FERC accounts, its filing must include a reconciliation between its accounts and the items allowed as Contract System Costs.

Bonneville may require the Utility to account for purchase power transactions with affiliated entities as though the affiliated entities were owned in whole or in part by the utility, if necessary to properly determine and/or functionalize the utility's costs.

A Utility operating in more than one Jurisdiction shall allocate its total system costs among Jurisdictions in accord with the same allocation methods and procedures used by the Commission to establish jurisdictional Costs and resulting revenue requirements. Appendix 1 shall include details of the allocation. This allocation also accomplishes the exclusion of the Costs of additional resources to meet loads outside the region, as required by section 5(c)(7) of the Regional Act.

All schedule entries and supporting data shall be in accord with generally accepted accounting principles and practices as these principles and practices apply to the electric utility industry.

(WP-PLB-0016n)

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Plant Investment/Rate Base/Rate-of-Return
Jurisdiction -

Line No.	Items/ERC Accounts/Footnotes	Jurisdiction Total	Excluded Amount	15b & c/	Total To Be Functionalized	Functionalization		
						Production	Transmission	Total for Exchange
	(1)	(2)	(3)		(4)	(5)	(6)	(7)
1	Plant-in-Service/310-373 1/ 7/ 8/							
2	General Plant/389-399 2/							
3	Intangible Plant/301-303 3/							
4	CWIP/107, 120.1 3/							
5	Acquisition Adjustment/114 1/							
6	Total Gross Plant							
7	Less:							
8	PIS Depreciation Reserve/108 1/ 4/							
9	General Plant Depreciation Reserve/108 4/							
10	Accumulated Amortization/111, 115 4/							
11	Total Plant Deductions							
12	Total Net Plant							
13	Plant Held for Future Use/105 3/							
14	Nuclear Fuel/120.2-120.4 Less 120.5 1/							
15	Accumulated Deferred Debits/186 3/							

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Plant Investment/Rate Base/Rate-of-Return
Jurisdiction -

Line No.	Items/FERC Accounts/Footnotes	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
16	Less:							
17	Customer Advances/252 19/							
18	Accumulated Deferred Investment Tax Credits/255 3/							
19	Accumulated Deferred Income Taxes/281-283 3/							
20	Other Accumulated Deferred Credits/253, 256-257 3/							
21	Total Net Accumulated Deferred Debits/Credits							
22	Cash Working Capital/Various 6/							
23	Materials and Supplies/151-157, 163 3/							
24	Other/106, 124, 184, Various 3/ 20/							
25	Total Rate Base							
26	Times Rate-of-Return @							% 16/ 23/

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Rate Base Summary
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount (3)	15b & c/ Total To Be Functionalized (4)	Functionalization			
					Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Utility Plant-in-Service							
2	Less: Accumulated Provision for Depreciation and Amortization							
3	Net Utility Plant-in-Service							
4	Construction Work in Progress							
5	Plant Held for Future Use							
6	Utility Plant Acquisition Adjustments							
7	Nuclear Fuel							
8	Customer Advances for Construction							
9	Materials and Supplies							
10	Cash Working Capital							
11	Unamortized Leasehold Improvements and Other Miscellaneous Deferred Items							
12	Weatherization-Interest Free Loans							
13	Extraordinary Property Losses							
14	Total Rate Base							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Electric Plant-In-Service
 Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization			
					Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Intangible Plant							
	Production Plant:							
2	Steam Production Plant							
3	Nuclear Production Plant							
4	Hydraulic Production Plant							
5	Other Production Plant							
6	Total Production Plant							
7	Transmission Plant							
8	Distribution Plant							
9	General Plant							
10	Total Electric Plant-in-Service							

Note: 1. Supporting workpapers are to be attached.
 2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Reserve for Depreciation and Amortization of Electric Plant-in-Service
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization		
					Production (5)	Transmission (6)	Total for Exchange (7)
					Other (8)		
	Depreciation Reserve						
	Production Plant:						
1	Steam Production						
2	Nuclear Production						
3	Hydraulic Production						
4	Other Production						
5	Transmission						
6	Distribution						
7	General						
8	Total Depreciation Reserve						
9	Amortization Reserve						
10	Total Depreciation and Amortization Reserve						

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 1 will be relied upon in determining ASC.



BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Capital Structure and Cost of Capital
Jurisdiction -

<u>Line No.</u>	<u>Items/Footnotes</u> (1)	<u>Amount</u> (2)	<u>Ratio</u> (3)	<u>Component Cost</u> (4)	<u>Weighted Cost</u> (5)
1	Debt				
2	Preferred Stock				
3	Common Equity				
4	Deferred Income Taxes <u>10/</u>				
5	Deferred Investment Tax Credit <u>10/</u>				
6	Total Weighted Cost				



BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Preferred Stock Summary

Jurisdiction -

Line No.	Items	Shares Issued	Dividend Rate	Outstanding Balance	Premium	Issue Expense	Net Proceeds	Dividends
		(1)	(2)	(3)	(4)	(5)	(6)	(7)

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Expenses
Jurisdiction -

Line No.	Items/FERC Accounts/Footnotes (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
----------	-----------------------------------	------------------------	------------------------------	--------------------------------	----------------	------------------	------------------------	-----------

1	Production:							
2	Fuel/501, 518, 547 1/							
3	Purchased Power/555 1/							
4	Other/500, 502-517, 519-546, 548-577 1/							
5	Transmission/560-573 1/ 4/							
6	Distribution/580-598 1/ 4/							
7	Customer Accounting/901 -905 19/							
8	Customer Assistance/907-910 21/							
9	Admin. & General/920-932 12/							
10	Total Operations & Main.							
11	Depreciation & Amortization/ 403-407 1/ 4/							
12	Taxes Other than Federal Income/ 408, 409.1 3/ 4/ 13/ 14/							
13	Federal Income Tax/409.1,							
14	410.1, 411.1, 411.4 9/ Other/411.6, 411.7 3/							

15	Less:							
16	Nonfirm Sales for Resale Rev./447 22/							
17	Other Operating Rev./450-456 3/ 25/							
18	Billing Credits 5/							
19	Total Operating Expenses							
20	Return from Schedule 1							
21	Less Subsidiary Income							
22	Total Cost 18/							



BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Electric Operating Expenses
 Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b A c/ (3)	Total To Be Functionalized (4)	Functionalization		
					Production (5)	Transmission (6)	Total for Exchange (7)
POWER PRODUCTION EXPENSES							
Steam Power Generation:							
1	Operation						
2	Fuel						
3	Other						
4	Maintenance						
5	Total Steam Power Generation						
Nuclear Power Generation:							
6	Operation						
7	Fuel						
8	Other						
9	Maintenance						
10	Miscellaneous Nuclear Research						
11	Total Nuclear Power Generation						
Hydraulic Power Generation:							
12	Operation						
13	Maintenance						
14	Total Hydraulic Power Generation						
Other Power Generation:							
15	Operation						
16	Maintenance						
17	Total Other Power Generation						

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Line No.	Items	Jurisdiction Total (2)	Electric Operating Expenses Jurisdiction -		Functionalization				
			Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)	
18	Other Power Supply Expenses:								
19	Purchased Power								
20	Other								
	Total Other Power Supply Expenses								
21	Total Power Production Expenses								
	<u>TRANSMISSION EXPENSES</u>								
22	Operation								
23	Wheeling								
24	Other								
25	Maintenance								
26	Total Distribution Expenses								
	<u>DISTRIBUTION EXPENSES</u>								
27	Operation								
28	Maintenance								
29	Total Distribution Expenses								
30	<u>CUSTOMER ACCOUNTS EXPENSES</u>								
31	<u>CUSTOMER SERVICE AND INFORMATION EXPENSES</u>								
	<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>								
32	Operation								
33	Maintenance								
34	Total Administrative and General Expenses								
35	TOTAL ELECTRIC OPERATING EXPENSES								

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Depreciation and Amortization Accrual
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization		
					Production (5)	Transmission (6)	Total for Exchange (7)
							Other (8)
Depreciation:							
1	Steam Production Plant						
2	Nuclear Production Plant						
3	Hydraulic Production Plant						
4	Other Production Plant						
5	Transmission Plant						
6	Distribution Plant						
7	General Plant						
8	Total Depreciation						
9	Amortization of Limited-Term Plant						
10	Amortization of Utility Plant Acquisition Adjustments						
11	Amortization of Property Losses						
12	Total Depreciation and Amortization Accrual						

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

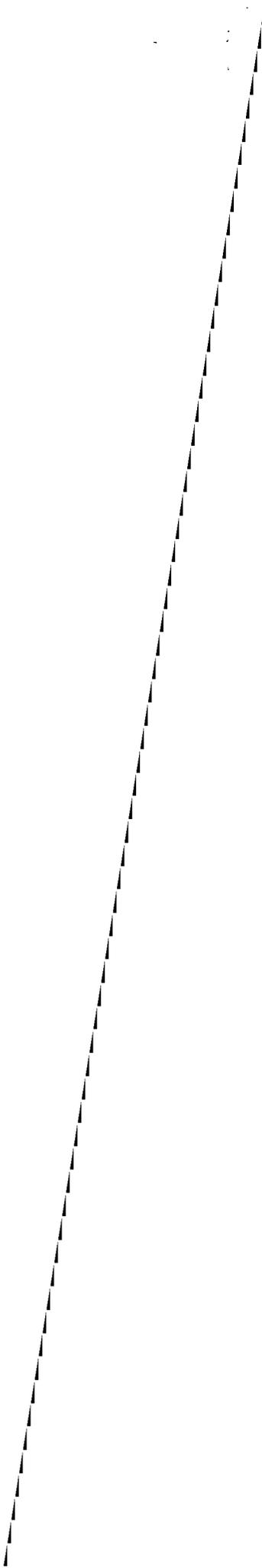
Taxes Other Than Federal Income Taxes
Jurisdiction -

Line No.	Items (1)	Jurisdiction		Excluded Amount (3)	15b & c/ (4)	Functionalization				
		Total (2)	Total To Be Functionalized (4)			Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)	
1	FEDERAL - Insurance Contributions									
2	- Unemployment									
3	STATE									
4	California - Property									
	- Unemployment									
5	Oregon									
6	- Property									
7	- Tri-Met									
8	- Lane County									
9	- Unemployment									
	- Regulatory Commission									
10	Washington									
11	- Property									
12	- Unemployment									
13	- Generating Tax									
	- Pollution Control Credit									
14	Idaho									
	- Property									
15	Montana									
16	- Property									
	- Unemployment									
17	Wyoming									
18	- Property									
	- Unemployment									
19	Utah									
	- Property									
20	LOCAL - Occupation and Franchise									
21	STATE INCOME TAXES									
22	IN-LIEU TAXES									
23	OTHER									
24	TOTAL									

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 3 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Line No.	Items (1)	Income Taxes Jurisdiction -		Functionalization				
		Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Production (5)	Transmission (6)	Total for Exchange (7)	Other (8)
1	Federal Income Taxes							
2	Deferred Income Taxes							
3	Income Taxes Deferred in Prior Years							
4	Investment Tax Credit Adjustment							
5	Total Federal Taxes							



BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Federal Taxes on Income
Jurisdiction -

Line No.	Items (1)	Jurisdiction Total (2)	Excluded Amount 15b & c/ (3)	Total To Be Functionalized (4)	Functionalization		
					Production (5)	Transmission (6)	Total for Exchange (7)
					Other (8)		
1	INCOME Operating Revenues						
2	Deductions						
3	Operating and Maintenance Expense						
4	Depreciation Expense						
5	Amortization Expense						
6	Taxes Other Than Federal Income Taxes						
7	Interest Expense						
8	Total Deductions						
9	Net Income Before Federal Income Tax						
TAX ADJUSTMENTS							
10	Book Depreciation						
11	Tax Depreciation						
12	Charges to Construction						
13	Coal Depletion						
14	Other Adjustments						
15	1.						
16	2.						
17	.						
18	.						
19	Total Tax Adjustments						
20	Taxable Income						
21	Preferred Dividends Paid - Credit						
22	Total Taxable Income						
23	Federal Income Tax						
24	Less Investment Credit						
25	Net Federal Income Tax						

Note: 1. Supporting work papers are to be attached.
2. Footnotes referenced on Schedule 4 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Other Included Items
Jurisdiction -

Line No.	Items/FERC Account	Jurisdiction Total	Excluded Amount	Total To Be Functionalized	Production	Transmission	Total for Exchange	Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Operating Revenues:
Nonfirm Sale for Resale/447

1								
2	1.							
3	2.							
4	3.							
5	Other Operating Revenues/450-456							
6	Acct. 450							
7	Acct. 451							
8	Acct. 452							
9	Acct. 453							
10	Acct. 454							
11	Acct. 455							
12	Acct. 456							
	Total Revenues							

Other Items:

13	Investment Tax Credit Adjustment/411.S							
14	Deferred Current Year							
15	Restored Current Year							
16	Restored from Prior Years							
17	Total ITC Adjustment							
18	Deferred Income Tax - Current/410.1							
19	Deferred Income Tax from prior years/411.1							
20	Other Accounts							

Note: 1. Supporting workpapers are to be attached.
2. Footnotes referenced on Schedule 4 will be relied upon in determining ASC.

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Average System Cost
 Jurisdiction -

<u>Line</u>	<u>Items</u>	<u>Amount</u>
1	Contract System Costs:	
2	Production Cost (from Schedule 3)	
3	Transmission Cost (from Schedule 3)	
4	Total Contract System Costs	
5	Contract System Load:	
6	Total Load (MWh)	
7	Less:	
8	Nonfirm Adjustment (MWh)	
9	Other Adjustments (MWh)	
10	Net Load (MWh)	
11	Plus:	
12	Distribution Losses (MWh) 17/	
13	Total Net Load (MWh)	
14	Less:	
15	Excluded Load (MWh)	
16	Excluded Load Distribution Losses (MWh)	
17	Total Contract System Load (MWh)	
18	Average System Cost (mills/kWh)	

(Line 4 ÷ Line 17)

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Electric Plant-In-Service
 Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	Jurisdictional Amount (4)
1	Intangible Plant			
	Production Plant:			
2	Steam Production Plant			
3	Nuclear Production Plant			
4	Hydraulic Production Plant			
5	Other Production Plant			
6	Total Production Plant			
7	Transmission Plant			
8	Distribution Plant			
9	General Plant			
10	Total Electric Plant-in-Service			

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Reserve for Depreciation and Amortization of Electric Plant-In-Service
 Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	Jurisdictional Amount (4)
	Depreciation Reserve			
	Production Plant:			
1	Steam Production			
2	Nuclear Production			
3	Hydraulic Production			
4	Other Production			
5	Transmission			
6	Distribution			
7	General			
8	Total Depreciation Reserve			
9	Amortization Reserve			
10	Total Depreciation and Amortization Reserve			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Rate Base Summary
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	Jurisdictional Amount (4)
1	Utility Plant-in-Service			
2	Less: Accumulated Provision for Depreciation and Amortization			
3	Net Utility Plant-in-Service			
4.	Construction Work in Progress			
5	Plant Held for Future Use			
6	Utility Plant Acquisition Adjustments			
7	Nuclear Fuel			
8	Customer Advances for Construction			
9	Materials and Supplies			
10	Cash Working Capital			
11	Unamortized Leasehold Improvements and Other Miscellaneous Deferred Items			
12	Weatherization-Interest Free Loans			
13	Extraordinary Property Losses			
14	Total Rate Base			



BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Electric Operating Expenses
 Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	Jurisdictional Amount (4)
	<u>POWER PRODUCTION EXPENSES</u>			
	<u>Steam Power Generation:</u>			
1	Operation			
2	Fuel			
3	Other			
4	Maintenance			
5	Total Steam Power Generation			
	<u>Nuclear Power Generation:</u>			
6	Operation			
7	Fuel			
8	Other			
9	Maintenance			
10	Miscellaneous Nuclear Research			
11	Total Nuclear Power Generation			
	<u>Hydraulic Power Generation:</u>			
12	Operation			
13	Maintenance			
14	Total Hydraulic Power Generation			
	<u>Other Power Generation:</u>			
15	Operation			
16	Maintenance			
17	Total Other Power Generation			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Electric Operating Expenses
Jurisdiction -

Line No.	Items	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
	(1)			
	Other Power Supply Expenses:			
18	Purchased Power			
19	Other			
20	Total Other Power Supply Expenses			
21	Total Power Production Expenses			
	<u>TRANSMISSION EXPENSES</u>			
22	Operation			
23	Wheeling			
24	Other			
25	Maintenance			
26	Total Distribution Expenses			
	<u>DISTRIBUTION EXPENSES</u>			
27	Operation			
28	Maintenance			
29	Total Distribution Expenses			
20	<u>CUSTOMER ACCOUNTS EXPENSES</u>			
31	<u>CUSTOMER SERVICE AND INFORMATION EXPENSES</u>			
	<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>			
32	Operation			
33	Maintenance			
34	Total Administrative and General Expenses			
35	TOTAL ELECTRIC OPERATING EXPENSES			

BONNEVILLE POWER ADMINISTRATION
 RESIDENTIAL PURCHASE AND SALE AGREEMENT
 Average System Cost Methodology

Depreciation and Amortization Accrual
 Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Depreciation:			
2	Steam Production Plant			
3	Nuclear Production Plant			
4	Hydraulic Production Plant			
5	Other Production Plant			
6	Transmission Plant			
7	Distribution Plant			
8	General Plant			
9	Total Depreciation			
10	Amortization of Limited-Term Plant			
11	Amortization of Utility Plant Acquisition Adjustments			
12	Amortization of Property Losses			
13	Total Depreciation and Amortization Accrual			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Taxes Other Than Federal Income Taxes
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	Jurisdictional Amount (4)
1	FEDERAL - Insurance Contributions			
2	- Unemployment			
3	STATE			
4	California - Property			
	- Unemployment			
5	Oregon - Property			
6	- Tri-Net			
7	- Lane County			
8	- Unemployment			
9	- Regulatory Commission			
10	- Excise			
11	Washington - Property			
12	- Unemployment			
13	- Generating Tax			
14	- Pollution Control Credit			
15	Idaho - Property			
16	Montana - Property			
17	- Unemployment			
18	Wyoming - Property			
19	- Unemployment			
20	Utah - Property			
21	LOCAL - Occupation and Franchise			
22	IN-LIEU TAXES			
23	TOTAL			

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Federal Taxes on Income
Jurisdiction -

Line No.	Items (1)	Total Utility (2)	Allocation Basis (3)	15a/ (4)	Jurisdictional Amount (4)
1	INCOME Operating Revenues				
2	DEDUCTIONS				
3	Operating and Maintenance Expense				
4	Depreciation Expense				
5	Amortization Expense				
6	Taxes Other Than Federal Income Taxes				
7	Interest Expense				
7	Total Deductions				
8	Net Income Before Federal Income Tax				
9	TAX ADJUSTMENTS				
10	Book Depreciation				
11	Tax Depreciation				
12	Charges to Construction				
13	Coal Depletion				
13	Other Adjustments				
	1.				
	2.				
	.				
	.				
	.				
14	Total Tax Adjustments				
15	Taxable Income				
16	Preferred Dividends Paid - Credit				
17	Total Taxable Income				
18	Gross Federal Income Tax				
19	Less Investment Credit				
20	Net Federal Income Tax				

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL PURCHASE AND SALE AGREEMENT
Average System Cost Methodology

Other Included Items
Jurisdiction -

Line No.	Items/FERC Accounts (1)	Total Utility (2)	Allocation Basis 15a/ (3)	Jurisdictional Amount (4)
1	Operating Revenues:			
2	Nonfirm Sale for Resale/447			
3	1.			
4	2.			
5	3.			
6	Other Operating Revenues/450-456			
7	Acct. 450			
8	Acct. 451			
9	Acct. 452			
10	Acct. 453			
11	Acct. 454			
12	Acct. 455			
13	Acct. 456			
14	Total Revenues			
15	Other Items:			
16	Investment Tax Credit Adjustment/411.S			
17	Deferred Current Year			
18	Restored Current Year			
19	Restored from Prior Years			
20	Total ITC Adjustment			
21	Deferred Income Tax - Current/410.1			
22	Deferred Income Tax from prior years/411.1			
23	Other Accounts			

Average System Cost Methodology Footnotes

- 1/ Functionalized directly from the FERC Uniform System of Accounts.
- 2/ Unless it can be determined that a plant item or plant related item is associated directly with regional generation, transmission, distribution, customer or other directly functionalized category, the item shall be functionalized on the following basis in the following order:
 - (a) If the location codes of the plant item can be used to identify a principal generation, transmission, distribution or customer-related facility at that location, the plant item shall be functionalized based on the functionalization of such principal facility.
 - (b) For plant items not otherwise functionalized, the functionalization formula in footnote 24 shall apply.
- 3/
 - (a) The utility shall functionalize these items according to an analysis it performs that demonstrates the actual and/or intended functional use of the items, or the plant item related thereto, and include a detailed showing of the factors used to determine the functionalization as a supplement to Exhibit C, Appendix 1. Costs incurred only because the utility is engaged in the retail distribution of electricity shall be functionalized to Other. These items include, for example, retail revenue taxes and uncollectible amounts for retail sales.
 - (b) In cases where items included are not directly assigned to a particular function, these items shall be separately identified, and a statement shall be provided as to why the items are not directly functionalized by the 3(a) procedure. The functionalization formula described in footnote 24 herein shall apply to these items.
- 4/ Calculation of functionalized amount is to be consistent with property items included in functionalized Total Gross Plant.
- 5/ The offset against Contract System Costs for billing credit revenue arising from implementation of conservation measures and retail rate structures that induce conservation shall be limited to the costs included in Contract System Cost of the related conservation measures and retail rate structures. These billing credit revenues shall be functionalized on the same basis as the cost of the related conservation measure.

- 6/ Functionalization is to be directly related to the functional nature of the items included in the Working Capital calculation approved by the Commission. Should items included in the approved Working Capital calculation not be directly assignable to a function and should there be no footnote in this methodology directing the functionalization of the item, these items shall be separately identified and the functionalization formula in footnote 24 shall apply.
- 7/ Transmission plant means all land, conversion structures, and equipment employed at a primary source of supply (i.e., generating station or point of receipt in the case of purchased power) to change the voltage or frequency of electricity for the purpose of its more efficient or convenient transmission; all land, structures, lines, switching and conversion stations, high tension apparatus and their control in protection of equipment between a generating or receiving point and the entrance to a distribution center or wholesale point; and all lines and equipment whose primary purpose is to augment, integrate or tie together the sources of power supply. The entrance to a distribution center means all land, structures, conversion equipment, lines, line transformers and other facilities utilized to deliver power to specific customers or distribution substations.
- 8/ Distribution plant means all land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i.e., generating station, or point of receipt in the case of purchased power) and of delivery to customers, which are not includable in transmission system, as defined in footnote 7, whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system.

Note: Stations that change electricity from transmission to distribution voltage shall be classified as distribution stations.

Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights-of-way shall be classified as transmission system. The conductors, crossarms, braces, grounds, tiewire, insulators, etc., shall be classified as transmission or distribution facilities, according to the purpose for which they are used.

Where underground conduit contains both transmission and distribution conductors, the underground conduit and right-of-way shall be classified as distribution facilities. The conductors shall be classified as transmission or distribution facilities according to the purpose for which they are used.

Land (other than rights-of-way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to their major use.

- 9/ Functionalized as specified in Schedule 4.
- 10/ If these items are treated in Schedule 1 as deductions from gross plant investment in determining rate base, these items shall not be included in the capital structure.
- 11/ Should a Commission approve a method for determining debt costs by a means other than that shown here, Schedule 2A shall be modified in a manner that shows the approved method, including accompanying explanatory material.
- 12/ Expenses related to the FERC Accounts 920-932 shall be functionalized in accord with the following:

<u>FERC Account</u>	<u>Functionalization Method</u>
920	Footnote 3
921	3
922	3
923	3
924	3(a) or 24(a)
925	3
926	13
927	19
928	19
929	3
930.1	19
930.2	3
931	3
932	4

- 13/ Functionalization is to be determined on a pro rata percentage basis using the salary and wage data for production, transmission, and distribution/other functions included in the Test Period costs on which Appendix 1 is based. If, however, this information is unavailable, comparable data shall be used for the most recent calendar year as reported on the FERC Form 1 (at page 355), or similar document. Furthermore, a portion of this expense shall be included in Schedule 3, column 3, Excluded Amount, based on the amount of labor-related costs included therein.
- 14/ A tax-exempt Utility may include in-lieu taxes up to an amount that is comparable, for each unit of government paid in-lieu taxes, with taxes that would have been paid by a non-tax exempt Utility to that unit of government, but in no event shall the jurisdictional total in column 2 be greater than the actual amount paid.

15/ Excluded Resources

- (a) The cost of additional resources in an amount sufficient to meet any additional load outside the region occurring after December 5, 1980, will be determined by utilizing allocation notes of multi-State utilities as assigned and utilized in State retail rate filings.
- (b) The cost of additional resources sufficient to serve any New Large Single Load that was not contracted for, or committed to, prior to September 1, 1979, is to be determined as follows:
 - (1) To the extent that any New Large Single Loads are served by dedicated resources, at the cost of those resources, including applicable transmission;
 - (2) In the amount that New Large Single Loads are not served by dedicated resources, at Bonneville's New Resource rate as established from time to time pursuant to section 7(f) of the Regional Act and as applicable to the Utility, and applicable Bonneville transmission charges if transmission costs are excluded in the determination of Bonneville's New Resource rates, to the extent such costs are recovered by the Utility's retail rates in the applicable jurisdiction; and
 - (3) To the extent that New Large Single Loads are not served by dedicated resources plus the Utility's purchases at the New Resource rate, the costs of such excess load shall be determined by multiplying the kilowatthours not served under subsections (1) and (2) above by the cost (annual fixed plus variable cost, including an appropriate portion of general plant, administrative and general expense and other items not directly assignable) per kilowatthour of all baseload resources and long term power purchases (five years or more in duration), as allowed in the regulatory jurisdiction to establish retail rates during the Exchange Period, exclusive of the following resources and purchases: (a) purchases at the New Resources rate pursuant to section 7(f) of the Act; (b) purchases at the Federal Base System rate, pursuant to section 5(c) of the Act; (c) resources sold to Bonneville, pursuant to section 6(c)(1) of the Act; (d) dedicated resources specified in footnote 15(b)(1) of this agreement; (e) resources and purchases committed to the Utility's load as of September 1, 1979 under a power requirements contract or that would have been so committed had the Utility entered into such a contract; and (f) experimental or demonstration units or purchases therefrom. Transmission needed to carry

power from such generation resources or power purchases shall be priced at the average cost of transmission for the Jurisdiction during the Exchange Period.

- (4) Any kilowatthours of New Large Single Loads not met under subsections (1), (2), or (3) above will be assumed to be supplied from the most recently completed or acquired baseload resource(s) or long term power purchase(s), exclusive of dedicated resources and experimental or demonstration resources or purchases therefrom, that are committed to the Utility's load as of September 1, 1979, under a power requirements contract with Bonneville or would have been so committed had the Utility entered into such a power requirements contract. The cost of these generation resources and long-term power purchases and the transmission cost associated with these resources or purchases will be calculated as specified in subsection (3) above.
- (5) If the New Large Single Load is served on an energy or capacity interruptible basis, the Utility shall prepare a calculation subject to review by Bonneville of the fixed (if any) and variable costs of providing such service, except that the amount excluded from ASC for the New large Single Load shall not be less than the transmission and generation costs included in the retail rate charged the New Large Single Load.

(c) Any costs associated with a generation facility that is terminated prior to initial commercial operation shall be excluded if termination occurred after December 5, 1980.

16/ Authorized Jurisdictional rate of return as specified in Schedule 2.

17/ The losses shall be the distribution energy losses occurring between the transmission portion of the Utility's system and the meters measuring firm energy load used by the Commission for the purpose of establishing retail rates. Losses shall be established according to a study (engineering, statistical or other) that is submitted to Bonneville by the exchanging Utility subject to review by Bonneville. This study shall be in sufficient detail so as to accurately identify average distribution losses associated with the Utility's total load, excluded loads, and the Residential load. Distribution losses shall include losses associated with distribution substations, primary distribution facilities, distribution transformers, secondary distribution facilities and service drops.

18/ This amount is to be reduced by revenues from firm sales for resale (to the extent that these sales are included in the Jurisdictional allocation factors) to be determined by the firm resale revenue for the Test Period as used for retail ratemaking purposes.

- 19/ Functionalize entirely to distribution/other unless Utility demonstrates that other functionalization treatment is appropriate.
- 20/ "Other" rate base items may include Unclassified Plant-In-Service (106), Extraordinary Property Losses (182), Other Investments (124), or other investments approved for rate base treatment by a Commission consistent with the provisions of this Exhibit.
- 21/ Only the conservation-related portion is to be functionalized to production.
- 22/ These revenues shall be divided proportionally between Excluded Amount and Total To Be Functionalized based on the total expenses in those two categories shown on Schedule 3 (sum of lines 1 to 13, 19, and 20), less all terminated plant expenses excluded pursuant to footnote 15(c). The portion to be functionalized shall be functionalized to production.
- 23/ Public Agencies shall be allowed a total return (operating income) on Schedule 1, line 26, column 2, equal to their demonstrated need for revenues exceeding Total Operating Expenses shown on Schedule 3 to cover the cost of capital. These demonstrated capital costs generally will be in the form of coverage requirements or the need to maintain an equity ratio consistent with favorable bond ratings for that Utility. In order to receive an operating income in addition to interest expense, the utility must submit evidence of the specific coverage or equity ratio needed by that utility and a calculation of the corresponding minimum operating income. Assignment to excluded resources and functionalization of the operating income shall be based on the assignment and functionalization of the rate base.
- 24/ Functionalization of these items shall be based on a formula that averages on an equal weighting basis the percentages for generation, transmission, distribution, and customer-related functions for (a) the gross plant in each function, including general plant and other plant items functionalized in step 1 of footnote 2 and, (b) the functionalized operations and maintenance (O&M) expenses shown in Schedule 3, except that the fuel cost included in O&M shall not include the cost of fuel acquired from non-Utility sources. Material detailing the application of this functionalization formula shall be included as a supplement to Appendix 1.
- 25/ Revenues from the transmission of electricity for others shall be functionalized to transmission.

Residential Load Definition

I. The Utility's Residential Load means the sum of the Regional loads the Utility elects to use as a basis for the exchange under the tariff schedules described below adjusted for distribution losses as determined pursuant to Exhibit C, as the same may be amended, supplemented, or superseded. If Bonneville determines that any such action changes the Utility's general tariffs or service schedules in a manner which would allow loads other than residential loads, as defined in the Regional Act, to be included under these tariff schedules, such nonresidential loads shall, from the date the Utility is notified of Bonneville's determination, be excluded from the residential purchase and sale transaction hereunder.

Such tariff schedules, as presently effective, include:

A. all schedules listed below, the following designated percentages, 60% of load supplied under:

1. Rate Schedule No. 1, Residential Service, IPUC Tariff No. 25,
2. Rate Schedule No. 12, Residential and Farm General Service, IPUC Tariff No. 25,
3. Rate Schedule No. 22, Residential and Farm Large General Service, IPUC Tariff No. 25,
4. Rate Schedule No. 48, Residential and Farm Area Lighting, IPUC Tariff No. 25, plus

B. 60% of the load as determined pursuant to Section II below supplied by the Utility under:

1. Rate Schedule No. 32, Residential and Farm Pumping Service, IPUC Tariff No. 25.

II. Any farm's monthly irrigation and pumping load qualifying hereunder for each billing period shall not exceed the amount of the energy determined by the following formula:

$400 \times 0.746 \times \text{days in billing period} \times 24$, provided, however, that this amount shall not exceed that farm's measured energy for the same billing period.

where:

400 is equal to the horsepower limit defined in the Regional Act, 0.746 is the factor for converting horsepower to Kw, days in billing period is determined in accordance with prudent and normal utility business practices, and 24 is the number of hours in a day.

III. When more than one farm is supplied from a common pumping installation, the irrigation and pumping load of the installation shall be allocated among the farms using the installation, based on the method (e.g., water shares, acreage) that the farms use to allocate the power costs among themselves. These allocated loads shall then be combined with any other irrigation and pumping loads attributed to the farms under section II above. In no instance shall any farm's total qualifying irrigation loads for any billing month exceed 222,000 Kwh.

IV. For purposes of this contract, a farm is defined as a parcel or parcels of land owned or leased by one or more persons (person includes partnerships, corporations, or any legal entity capable of owning farm land) that is used primarily for agriculture. Agriculture is defined to include the raising and incidental primary processing of crops, pasturage, or livestock. Incidental primary processing means those activities necessarily undertaken to prepare agricultural products for safe and efficient storage or shipment. All electrical loads ordinarily associated with agriculture as defined above shall be considered as usual farm use.

Contiguous parcels of land under single-ownership or leasehold shall be considered to be one farm and noncontiguous parcels of land under single-ownership or leasehold shall be considered as one farm unit when operated as a single farm, unless demonstrated otherwise by the owner or lessee of the parcels.

A number of factors shall determine whether contiguous or noncontiguous parcels constitute one or more farms. These factors shall include but are not limited to:

- size
- use
- ownership
- control
- operating practices
- distance between parcels
- custom in the trade
- billing treatment by the utility.

V. Unused irrigation allocations may not be reallocated to other farms or to another billing period.

VI. The operator of a farm may be required to certify to the Utility all irrigation accounts, including horsepower rating, with the Utility for that farm, including all irrigation accounts commonly shared.

Residential Load Definition

I. The Utility's Residential Load means the sum of the Regional loads the Utility elects to use as a basis for the exchange under the tariff schedules described below adjusted for distribution losses as determined pursuant to Exhibit C, as the same may be amended, supplemented, or superseded. If Bonneville determines that any such action changes the Utility's general tariffs or service schedules in a manner which would allow loads other than residential loads, as defined in the Regional Act, to be included under these tariff schedules, such nonresidential loads shall, from the date the Utility is notified of Bonneville's determination, be excluded from the residential purchase and sale transaction hereunder.

Such tariff schedules, as presently effective, include:

A. all schedules listed below, the following designated percentages, 60% of load supplied under:

1. Rate Schedule No. 1, Residential Service, WUTC Tariff No. WN U-23,
2. Rate Schedule No. 7, Residential and Farm General Service, WUTC Tariff No. WN U-23,
3. Rate Schedule No. 8, Residential and Farm Large General Service, WUTC Tariff No. WN U-23,
4. Rate Schedule No. 10, Residential and Farm Area Lighting, WUTC Tariff No. WN U-23, plus

B. 60% of the load as determined pursuant to Section II below supplied by the Utility under:

1. Rate Schedule No. 9, Residential and Farm Pumping Service, WUTC Tariff No. WN U-23.

II. Any farm's monthly irrigation and pumping load qualifying hereunder for each billing period shall not exceed the amount of the energy determined by the following formula:

$400 \times 0.746 \times \text{days in billing period} \times 24$, provided, however, that this amount shall not exceed that farm's measured energy for the same billing period.

where:

400 is equal to the horsepower limit defined in the Regional Act, 0.746 is the factor for converting horsepower to Kw, days in billing period is determined in accordance with prudent and normal utility business practices, and 24 is the number of hours in a day.

III. When more than one farm is supplied from a common pumping installation, the irrigation and pumping load of the installation shall be allocated among the farms using the installation, based on the method (e.g., water shares, acreage) that the farms use to allocate the power costs among themselves. These allocated loads shall then be combined with any other irrigation and pumping loads attributed to the farms under section II above. In no instance shall any farm's total qualifying irrigation loads for any billing month exceed 222,000 Kwh.

IV. For purposes of this contract, a farm is defined as a parcel or parcels of land owned or leased by one or more persons (person includes partnerships, corporations, or any legal entity capable of owning farm land) that is used primarily for agriculture. Agriculture is defined to include the raising and incidental primary processing of crops, pasturage, or livestock. Incidental primary processing means those activities necessarily undertaken to prepare agricultural products for safe and efficient storage or shipment. All electrical loads ordinarily associated with agriculture as defined above shall be considered as usual farm use.

Contiguous parcels of land under single-ownership or leasehold shall be considered to be one farm and noncontiguous parcels of land under single-ownership or leasehold shall be considered as one farm unit when operated as a single farm, unless demonstrated otherwise by the owner or lessee of the parcels.

A number of factors shall determine whether contiguous or noncontiguous parcels constitute one or more farms. These factors shall include but are not limited to:

- size
- use
- ownership
- control
- operating practices
- distance between parcels
- custom in the trade
- billing treatment by the utility.

V. Unused irrigation allocations may not be reallocated to other farms or to another billing period.

VI. The operator of a farm may be required to certify to the Utility all irrigation accounts, including horsepower rating, with the Utility for that farm, including all irrigation accounts commonly shared.

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 1

RESIDENTIAL SERVICE - WASHINGTON

(Alternating 60 cycle current, single phase & available voltage)

AVAILABLE:

To Customers in the State of Washington where Company has electric service available.

APPLICABLE:

To service for domestic purposes in each individual residence, apartment, mobile home, or other living unit when all such service used on the premises is supplied through a single meter.

Where a portion of a dwelling is used regularly for; either (a) the conduct of business, (b) where a portion of the electricity supplied is used for other than domestic purposes, or (c) when two or more living units are served through a single meter, the appropriate general service schedule is applicable. However, if the wiring is so arranged that the service for all domestic purposes can be metered separately, this schedule will be applied to such service.

MONTHLY RATE:

	\$3.00 Basic Charge, plus	
First	600 Kwh	1.947¢ per Kwh
Next	700 Kwh	2.457¢ per Kwh
All over	1300 Kwh	2.953¢ per Kwh

Minimum Charge: \$3.00

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Monthly Rate is subject to the provisions of Energy Rate Adjustment Schedule 56 and Tax Adjustment Schedule 58.

Issued November 30, 1981

Effective December 4, 1981*

*By Authority of Order of the W.U. & T.C., Cause No. U-81-15..

Issued by The Washington Water Power Company

By

H. R. Reinhardt, Controller

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 7

RESIDENTIAL AND FARM GENERAL SERVICE - WASHINGTON (N)
(Alternating 60 cycle current, available phase and voltage)

AVAILABLE:

To Customers in the State of Washington who meet the requirements for service under Schedule 11 and whose electric use qualifies as a "residential load" as defined in the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, and the Residential Purchase and Sale Agreement contract in effect between the Company and the Bonneville Power Administration. "Residential Load" means all usual residential, apartment, seasonal dwellings and farm electric loads or uses. Any electric use by such customers, which does not so qualify, shall be served under Schedule 11 or other appropriate rate schedule.

MONTHLY RATE:

The Monthly Rate shall be the same as that contained in the currently effective Schedule 11 of this tariff.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Monthly Rate is subject to the provisions of Energy Rate Adjustment Schedule 56, Tax Adjustment Schedule 58, and Residential and Farm Energy Rate Adjustment Schedule 92.

Issued November 30, 1981

Effective December 4, 1981

Issued by The Washington Water Power Company

By

A. R. Reinhardt, Controller

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 8

RESIDENTIAL AND FARM LARGE GENERAL SERVICE - WASHINGTON (N)
(Alternating 60 cycle current, available phase and voltage)

AVAILABLE:

To Customers in the State of Washington who meet the requirements for service under Schedule 23 and whose electric use qualifies as a "residential load" as defined in the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, and the Residential Purchase and Sale Agreement contract in effect between the Company and the Bonneville Power Administration. "Residential Load" means all usual residential, apartment, seasonal dwellings and farm electric loads or uses. Any electric use by such customers, which does not so qualify, shall be served under Schedule 23 or other appropriate rate schedule.

MONTHLY RATE:

The Monthly Rate shall be the same as that contained in the currently effective Schedule 23 of this tariff.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Monthly Rate is subject to the provisions of Energy Rate Adjustment Schedule 56, Tax Adjustment Schedule 58, and Residential and Farm Energy Rate Adjustment Schedule 92.

Issued	November 30, 1981	Effective	December 4, 1981
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Issued by The Washington Water Power Company
By *N. R. Reinhardt*, Controller

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 9

RESIDENTIAL AND FARM PUMPING SERVICE - WASHINGTON (N)
(Alternating 60 cycle current, available phase and voltage)

AVAILABLE:

To Customers in the State of Washington who meet the requirements for service under Schedule 32 and whose electric use qualifies as a "residential load" as defined in the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, and the Residential Purchase and Sale Agreement contract in effect between the Company and the Bonneville Power Administration. "Residential Load" means all usual residential, apartment, seasonal dwellings and farm electric loads or uses. Any electric use by such customers, which does not so qualify, shall be served under Schedule 32 or other appropriate rate schedule.

MONTHLY RATE:

The Monthly Rate shall be the same as that contained in the currently effective Schedule 32 of this tariff.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Monthly Rate is subject to the provisions of Energy Rate Adjustment Schedule 56, Tax Adjustment Schedule 58, and Residential and Farm Energy Rate Adjustment Schedule 92.

Issued	November 30, 1981	Effective	December 4, 1981
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Issued by The Washington Water Power Company
By *H. R. Reinhardt*, Controller

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 10

RESIDENTIAL AND FARM AREA LIGHTING - WASHINGTON (N)
 (Alternating 60 cycle current, single phase and available voltage)

AVAILABLE:

To Customers in the State of Washington who meet the requirements for service under Schedule 44 and whose electric use qualifies as a "residential load" as defined in the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, and the Residential Purchase and Sale Agreement contract in effect between the Company and the Bonneville Power Administration. "Residential Load" means all usual residential, apartment, seasonal dwellings and farm electric loads or uses. Any electric use by such customers, which does not so qualify, shall be served under Schedule 44 or other appropriate rate schedule.

MONTHLY RATE:

The Monthly Rate shall be the same as that contained in the currently effective Schedule 44 of this tariff.

SPECIAL TERMS AND CONDITIONS:

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Monthly Rate is subject to the provisions of Tax Adjustment Schedule 58 and Residential and Farm Energy Rate Adjustment Schedule 92.

Issued November 30, 1981

Effective December 4, 1981

Issued by The Washington Water Power Company

By

H. R. Reinhardt, Controller

PREPARED BY: *John D. Bunge* COMPANY: *The Washington Water Power Co.*
 SHEET TITLE: *Determination of Credit/ kWh under Residential Purchase and Sale Agreement State of Washington*
 SHEET NO. OF SHEETS: _____ DATE PREPARED: _____
 PERIOD: *December, 1981 to June, 1982*

Line	December	January	February	March	April	May	June	Total	
1	Schedule 1 kWh	264,361,704	217,192,889	261,982,003	231,069,237	194,576,506	160,209,811	230,758,105	1,409,923,9
2	" 7 "	533,970	518,307	503,364	2,499,217	282,030	2,207,108	1,854,211	1,893,722
3	" 8 "	126,678	122,718	147,685	176,858	89,705	67,971	57,352	679,109
4	" 9 "	212,294	251,989	231,719	1,458,859	267,198	97,340	15,440,631	3570,490
5	" 10 "	6,192	6,253	6,286	629,159	634,485	626,588	6,31,056	4,384,464
6	Total	264,709,923	285,040,560	267,906,659	234,474,627	202,249,936	172,997,819	149,191,835	1,579,199,914
7	Residential load with 8.7% loss - MWX	285,176	308,244	291,128	255,659	219,734	187,086	161,334	1,708,526
8	60% of Residential load - HWX	171,106	184,943	174,721	153,395	131,876	112,248	96,802	1,025,116
9	Average System Cost - W.W.P.	1,5735	1,5735	1,5735	1,5735	1,5735	1,5735	1,5735	1,5735
10	W.W.P. Sale to BPA	2,692,353	2,710,157	2,749,483	2,413,670	2,075,049	1,764,222	1,523,242	16,130,200
11	Average Residential load	229,988	248,584	260,005	206,174	193,161	150,878	134,854	1,348,544
12	Seasonal load Factor	7245	7245	7245	7245	7245	7245	7245	7245
13	Monthly Peak	317,334	343,114	358,903	284,577	252,810	208,242	186,147	1,861,447
14	Purchase from BPA - Energy	126,484	136,826	129,303	113,512	90,944	77,451	66,794	741,534
15	Purchase from BPA - Demand	88,875	76,079	100,498	79,631	70,786	58,307	26,802	521,026
16	Total Purchase from BPA	215,359	212,905	229,801	193,143	161,730	135,758	93,596	1,262,560
17	Net Sale (line 10 less line 16)	4,700,000	4,998,052	4,518,682	2,200,527	1,873,295	1,628,464	1,330,000	14,868,640
	Residential Exchange Credit					3,045,333			3,045,333
									1,579,199,914 = 1,00222

THE WASHINGTON WATER POWER COMPANY

SCHEDULE 92

RESIDENTIAL AND FARM ENERGY RATE ADJUSTMENT - WASHINGTON (N)

APPLICABLE:

To Residential Customers in the State of Washington where Company has electric service available. This rate adjustment results from the Residential Purchase and Sale Agreement between the Company and Bonneville Power Administration (BPA). The rate adjustment in this schedule shall be applicable to customers served under Schedules 2, 7, 8, 9 and 10.

MONTHLY RATE:

The energy charge of electric schedules 2, 7, 8, 9 and 10 are to be adjusted by (.222¢) per Kwh in all blocks of these rate schedules.

SPECIAL TERMS AND CONDITIONS:

The rate adjustment under this schedule is subject to BPA's review and acceptance of the exhibits attached to the Residential Purchase and Sale Agreement Contract. Subsequent changes to the contract or exhibits will be reflected in the rate shown on this schedule. In the event the credits applied under this schedule exceed the payments received from BPA under the contract, the Company will adjust the rate on this schedule to recover that difference.

The energy credit applied to Schedule 9 for farm irrigation and pumping load, for each billing period, shall not exceed the amount of energy determined by the following formula:

$$400 \times 0.746 \times \text{days in the billing period} \times 24$$

In no instance shall any qualifying irrigation and pumping load for any month exceed 222,000 Kwh.

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above rate is subject to the provisions of Tax Adjustment Schedule 58.

Issued November 30, 1981

Effective December 4, 1981

Issued by The Washington Water Power Company

By

A. R. Reinhardt, Controller

THE WASHINGTON WATER POWER COMPANY

Load Factor Determination
June - November 1976-1980

Energy - 1976	3,006,735,633
1977	2,835,754,228
1978	3,310,911,526
1979	3,344,901,252
1980	<u>3,347,367,706</u>
	15,845,670,345

Demand - 1976	5,500,000
1977	5,552,000
1978	6,320,000
1979	6,272,000
1980	<u>6,329,000</u>
	29,973,000

$$\text{Load Factor} = \frac{E}{D} \times \frac{N}{H}$$

$$\frac{15,845,670,345}{29,973,000} \times \frac{30}{21,965}$$

$$528.865 \times .0013658 = \underline{72.23}$$

THE WASHINGTON WATER POWER COMPANY

Load Factor Determination
December - May 1976-1980

Energy - 1976	3,568,701,118
1977	3,759,258,250
1978	4,248,608,292
1979	4,093,391,182
1980	<u>4,071,737,906</u>
	19,741,696,748

Demand - 1976	6,574,000
1977	6,920,000
1978	8,089,000
1979	7,918,000
1980	<u>7,893,000</u>
	37,394,000

$$\text{Load Factor} = \frac{E}{D} \times \frac{N}{H}$$

$$\frac{19,741,696,748}{37,394,000} \times \frac{30}{21,859}$$

$$527.9376 \times .0013724 = \underline{72.45}$$

THE WASHINGTON WATER POWER COMPANY

Net System Load and Peak Demands
 1976-1981

	<u>Factor</u>	<u>Actual Net System Load</u>	<u>Peak Demand</u>	<u>Factor</u>	<u>Actual Net System Load</u>	<u>Peak Demand</u>
1976 76-77	76.54	3,006,735,633	5,500,000	76.00	3,568,701,118	6,574,000
1977 77-78	71.51	2,835,754,228	5,552,000	76.05	3,759,258,250	6,920,000
1978 78-79	73.34	3,310,911,526	6,320,000	73.53	4,248,608,292	8,089,000
1979 79-80	74.66	3,344,901,252	6,272,000	72.38	4,093,391,182	7,918,000
1980 80-81	74.04	3,347,307,706	6,329,000	72.22	4,071,737,906	7,893,000

Source: FERC Form 1 pg. 431-B (w/o meter corrections).

Note: 1979-80 Leap year hours = 4,391
 Dec. '80 from FERC Form 1 Jan.-May from Analysis Book.

Determination of New Large Single Loads

- (a) Determination of a Facility. Bonneville and the Utility shall make a reasonable determination of what constitutes a single facility, for the purpose of identifying a New Large Single Load, based upon the following criteria: (1) whether the load is operated by a single Consumer; (2) whether the load is in a single location; (3) whether the load serves a manufacturing process which produces a single product or type of product; (4) whether separable portions of the load are interdependent; (5) whether the load is contracted for, served, or billed as a single load under the individual Utility's customary billing and service policy; (6) consistent application of foregoing criteria in similar fact situations; and (7) any other factors the parties determine to be relevant.
- (b) Determination of Ten Average Megawatt Increase. An increase in load shall be considered a New Large Single Load if the energy consumption of the consumer's load associated with a new facility, existing facility or expansion of an existing facility during the immediately past 12-month period exceeds by 10 average megawatts or more the consumer's energy consumption for such new facility, existing facility, or expansion of an existing facility for the consecutive 12-month period one year earlier, or the amount of the contracted for, or committed to load of the consumer as of September 1, 1979, whichever is greater.
- The contracted for, or committed to load as of September 1, 1979, shall be the maximum amount of energy specified in such contract or commitment, or the maximum energy consumption of the load or the capacity limitation contained in such contract or commitment if energy is not specified or limited.
- (c) Identification of Potential New Large Single Loads. The Utility shall make reasonable efforts to identify potential New Large Single Loads, and shall report to Bonneville (1) the addition of electrical equipment of ten MVA or more by a single consumer; (2) the installation of additional transformation capacity of ten MVA or more by the Utility or a consumer which is designed to serve a single facility; or (3) the potential change in operation of a facility which may result in an increase of 10 average megawatts or more in a 12-month period.
- (d) Service to New Large Single Loads. If a consumer of a Purchaser provides a renewable or cogeneration resource to serve all or a portion of a load associated with a facility which would otherwise be a New Large Single Load, and thereby reduces the demand on the Utility, that portion of such load on the Utility, if any, shall not be a New Large Single Load, unless the load or portion thereof on the Utility is 10 average megawatts or more; provided, however,

that if a consumer sells, displaces or removes a resource or portion thereof, from service to the consumer's load at such facility, then all the load on the Utility shall be a New Large Single Load unless Bonneville, after consultation with the Utility and the consumer, determines that uncontrollable events prevent service to the consumer's load by such resource.

- (e) Normalization of Consumer's Load. For the sole purpose of computing the increase in energy consumption between any two consecutive 12-month periods of comparison under this exhibit, reductions in the consumer's load associated with a facility during the first 12-month period of comparison due to unusual events reasonably beyond the control of the consumer shall be determined, and the energy consumption shall be computed as if such reductions had not occurred.
- (f) Changes in Load. If an increase in load becomes a New Large Single Load, such increase shall, subject to the last paragraph of this subsection, remain a New Large Single Load and all subsequent increases in such load or portion thereof shall also be considered a New Large Single Load.

Load reductions to a consumer's load at a facility shall be on a last on, first off basis. Any load reductions made by a consumer at a facility shall first reduce that portion of the consumer's load at that facility which has been identified as a New Large Single Load.

If a consumer with a New Large Single Load physically and permanently removes equipment which imposes a load at a facility identified as a New Large Single Load the consumer's load may be reclassified as no longer being a New Large Single Load if Bonneville determines such equipment imposed a load equivalent to the original increase in load at each facility which caused such load to be classified as a New Large Single Load.

- (g) Renewal, Relocation, and Transfer. The following events shall not cause a load to be considered a New Large Single Load, if such event does not result in an increase in power requirements of a consumer on the Utility of 10 average megawatts or more during any consecutive 12-month period: (1) renewal or replacement of a contract between the Utility and the consumer if the capacity specified in the new contract based on the original commitment or contract does not exceed the capacity specified in the contract being renewed or replaced; (2) relocation, replacement, or renovation of a consumer's facility within the Utility's service area; and (3) transfer of a facility to a successor-in-interest provided that the service or product associated with the facility is essentially unchanged.