

SUSPENSION OF 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

This Suspension Agreement, executed by the United States of America (Government), Department of Energy, acting by and through the Bonneville Power Administration (BPA), and The Washington Water Power Company (WWP), a corporation of the State of Washington,

WITNESSETH

WHEREAS section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §§ 839 et seq., provides that a Pacific Northwest electric utility may sell electric power to BPA at the average system cost (ASC) of that utility's resources and that BPA shall sell in exchange an equivalent amount of electric power to such utility for resale to that utility's residential users within the Region; and

WHEREAS WWP and BPA entered into a Residential Purchase and Sale Agreement (RPSA), Contract No. DE-MS79-81BP90606, dated 8/22/81 and executed 11/12/81; and

WHEREAS WWP has elected to deem its ASC equal to BPA's Priority Firm Rate (PF rate) pursuant to section 10 of the RPSA; and

WHEREAS in BPA's 1987 wholesale power rate case BPA adopted a PF rate for residential exchange participants, such as WWP, that is based on the application of the supplemental rate charge provided for in section 7(b)(3) of the Pacific Northwest Electric Power Planning and Conservation Act; and

WHEREAS WWP incurs and would continue to incur substantial costs in connection with the preparation and review of its ASC submissions, and BPA incurs substantial costs in connection with its review and processing of the ASC submissions and related documents of WWP;

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

1. SUSPENSION OF RPSA: The section 5(c) purchase and sale of power under the WWP Residential Purchase and Sale Agreement (RPSA), Contract No. DE-MS79-81BP90606, dated 8/22/81 and executed 11/12/81 is hereby suspended in accordance with and subject to the terms and conditions set forth hereafter.

2. TERM OF AGREEMENT: This Suspension Agreement shall be effective at 2400 hours, June 30, 1987, shall continue in full force and effect until such time on or after at least 2400 hours on September 30, 1990, as WWP thereafter elects by giving a revocation notice to BPA as provided for in paragraph 6 of this Suspension Agreement, and shall terminate at 2400 hours on September 30, 1994, unless BPA and WWP shall have previously agreed in writing to extend the term of the Suspension Agreement, either as it is currently written or as modified by mutual agreement of BPA and WWP. Until such time as revocation of this Suspension Agreement is

effective, WWP shall not offer to sell electric power to the BPA Administrator pursuant to section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act.

3. LIABILITIES INCURRED: Notwithstanding suspension of section 5(c) power sales under the RPSA, all liabilities heretofore incurred shall continue until satisfied; provided however, that neither a surcharge shall be assessed, nor a rebate given, to WWP under the Exchange Adjustment Clause of the General Rate Schedule Provisions of BPA's 1985 Wholesale Power Rates. BPA retains its right to conduct an audit or audits to determine whether exchange benefits previously paid to WWP have benefitted only residential and small farm customers, as required by section 5(c)(3) of the Pacific Northwest Electric Power Planning and Conservation Act.

The execution of this Suspension Agreement by WWP is wholly dependent upon WWP's understanding that such suspension may be agreed upon by BPA without causing WWP to incur any cash obligation to BPA as a result of the suspension. If it should be determined by a court of competent jurisdiction that this interpretation of the RPSA is incorrect, then this Suspension Agreement shall be null and void.

4. DEEMER ACCOUNT: The parties agree that the WWP's accrued deemer account balance as provided in section 10 of the RPSA is \$27,336,185, including interest, as of 2400 hours, June 30, 1987, for the Washington Jurisdiction, and \$11,988,313, including interest, as of 2400 hours, June 30, 1987, for the Idaho Jurisdiction. During the period of suspension under this Agreement, accruals to the deemer account shall cease, except for interest upon such amounts. From and after October 1, 1987, such

amounts shall accrue interest, which shall not be compounded, at an average prime rate for each calendar quarter, which shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin, or in the Federal Reserve's "Selected Interest Rates" (Statistical Release G. 13), for the fourth, third, and second months preceding the first month of the calendar quarter.

Notwithstanding the parties' agreement to the aforementioned deemer account balances, which is a compromise, neither party, by entering into this Suspension Agreement, shall be deemed to have in any way approved, accepted, or consented to the facts, principal methods, or theories employed by either party in arriving at the stated balances of the deemer accounts as of June 30, 1987.

5. IN LIEU: Any rights and obligations of WWP and BPA respecting an RPSA section 4 in lieu acquisition shall be unaffected by this Suspension Agreement and shall be the same as would pertain in the case of a utility that has elected to deem its ASC equal to BPA's PF rate. This paragraph shall neither be construed nor argued to be construed as having any bearing on the proper interpretation of the parties' rights and obligations respecting an RPSA section 4 in lieu acquisition.

6. REVOCATION OF SUSPENSION AGREEMENT: WWP shall provide BPA at least 13 months' written notice of its election to revoke the suspension of section 5(c) purchases and sales under this Suspension Agreement, unless a shorter period is otherwise mutually agreed to, or at least 7 months' written notice prior to the proposed effective date of proposed changes to BPA's priority firm (PF) power rates, in which instance the revocation shall be

effective upon interim approval of the rates by FERC. Notice of revocation of suspension of section 5(c) purchases and sales under this Suspension Agreement shall not constitute notice of an election to rescind WWP's deeming election as to any subsequent section 5(c) purchases and sales. A notice to rescind WWP's deeming election may be separately given by WWP, at its option, as provided by section 10 of the RPSA to be effective on or after the date of WWP's revocation. On or before the effective date of WWP's revocation of section 5(c) purchases and sales under this Suspension Agreement, WWP shall file a Revised Appendix 1 filing with BPA based on the company's then-current rates in each jurisdiction, and the filing shall be governed by the substance and procedures specified in the then-current Average System Cost Methodology.

7. PROVISION OF INFORMATION BY WWP: WWP shall provide the information listed on Attachment 1 to this Suspension Agreement to BPA's Exchange Program Oversight Branch, Forecasting and Intervention Section on a September 30 annual basis unless another reasonable time is specified in the case of items 8 and 9.

8. ASSIGNMENT OF AGREEMENT. This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this Agreement. Such Agreement 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 BPA 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.

9. EXECUTION IN COUNTERPART. This Suspension Agreement may be executed in counterpart. Upon execution by BPA and WWP, each executed counterpart shall have the same force and effect as if both WWP and BPA had executed the same document. Any signature page of this Suspension Agreement may be detached from any counterpart without impairing the legal effect of any signature(s) thereon, and may be attached to another counterpart of this Suspension Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement:

UNITED STATES OF AMERICA  
Department of Energy

By \_\_\_\_\_  
Bonneville Power Administration

The Washington Water Power Company

By W. J. [Signature]  
Title Vice President Power Supply

ATTEST:

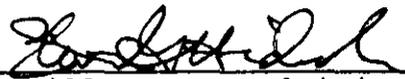
By [Signature]  
Title Ant. [Signature]

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.

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UNITED STATES OF AMERICA  
Department of Energy

By   
Bonneville Power Administration

The Washington Water Power Company

By \_\_\_\_\_

Title \_\_\_\_\_

ATTEST:

By \_\_\_\_\_

Title \_\_\_\_\_

ATTACHMENT 1

DATA REQUESTS

The Power Supply Department of the Washington Water Power Company will supply to BPA, on an annual basis, the following information:

1. The Power Supply Report or its equivalent, prepared by the Department.
2. A twenty-year load forecast.
3. The current tabulation of resources and requirements.
4. The current Avoided Cost Methodology and Rates.
5. A summary of PURPA contracts.
6. Copies of any new power sales or exchange agreements.
7. The current Least Cost plan on file with any regulatory commission.
8. At BPA's request, copies of all responses to date requests made by the staff of any regulatory commission, or intervenors, in any general rate case. Such requests and responses may be made at a reasonable time other than September 30.
9. Responses to any reasonable data requests made by BPA which, in the judgment of WWP, are not burdensome and do not defeat the purpose of this Suspension Agreement. Such requests and responses may be made at a reasonable time other than September 30.
10. The current FERC Form 1 on file with the Federal Energy Regulatory Commission.
11. The Annual Report to Shareholders.