



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER SERVICES

September 8, 2008

In reply refer to: PS-6

To interested persons:

This letter responds to comments made by parties in response to the Bonneville Power Administration's ("BPA") draft prototype Short-Term Bridge New Resource Block Contracts (the "Bridge NR Contract"). BPA made the Bridge NR Contract available for public review and comment on May 16, 2008. BPA's overriding interest in making the draft Bridge NR Contract available was to (1) notify persons of the draft contract and its terms and conditions, and (2) accept only those edits where there is a reasonable and substantive need to make a change.

BPA received timely comments from five of the six Pacific Northwest investor-owned utilities (Idaho Power Company, Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc.) ("PNW IOUs"). BPA appreciates the comments received and thanks parties for having taken the time and effort to respond to our request. The PNW IOUs submitted comments as a red-line version of the proposed draft contract without any explanatory comment. No other parties commented on this contract.

The Bridge NR Contract is proposed to be effective during the period FY 2009-2011 to meet requests for power sales contracts made by investor-owned utilities (IOUs) pursuant to section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). 16 U.S.C. 839 *et seq.* Section 5(b) provides that whenever requested, the Administrator shall offer to sell to a requesting IOU power to meet its firm power load net of the utility's own resources used to serve such load. Power that BPA sells to an IOU under section 5(b) is subject to BPA's new resources (NR) firm power rate. Because BPA is currently marketing power consistent with its Power Subscription Strategy, the draft prototype Bridge NR Contract retains the same non-rate terms and conditions of the previous 10 year Subscription Firm Power Block Power Sales Agreement that was offered by BPA to the IOUs under the Subscription Strategy and is consistent with the other Subscription power sales contracts. Therefore, if an IOU decides to make a request to purchase power from BPA under section 5(b) of the Northwest Power Act, the Bridge NR Contract will be offered. The duration of this contract will cover the remaining Subscription contract period, which ends on September 30, 2011.

The following discussion responds to comments received from the PNW IOUs. The PNW IOUs suggested the following edits to the definitions of "Mandated Retail Access" and "Voluntary Retail Access" contained in sections 3(g) and (r) of the contract. (IOUs, BNR001 at section 3).

(g) "Mandated Retail Access" means the right, if any, mandated either by Federal: or state law, of the retail electric power consumers to either acquire electric power service directly from one or more Alternate Suppliers of such electric power, or choose electric power service from a portfolio of power supply options, without <<Customer Name>>), taking an ownership interest in the power supplied to such consumer.

(r) "Voluntary Retail Access" means retail access, if any, -that is not Mandated Retail Access and under which the retail electric power consumer has the ability to either acquire electric power service directly from one or more Alternate Suppliers of such electric power, or choose electric power service from a portfolio of power supply options, without <<Customer Name>> taking an ownership interest in the power supplied to such consumer.

BPA does not believe it is substantively necessary to make the suggested edits since the proposed edits would not improve the operation of the contract.

The PNW IOUs suggested the following edits to section 14, "Uncontrollable Forces." (IOUs, BNR001 at section 14(c) and (f)).

(c) any planned transmission or distribution outage that affects either <<Customer Name>> or PBL which was provided by a third-party transmission or distribution owner, or by a transmission or distribution provider, including TBL and <<Customer Name>> that is functionally separated from the generation provider in conformance with Federal Energy Regulatory Commission (FERC) Orders 888 and 889 or its their successors;

(f) orders or injunctions issued by any court having competent subject matter jurisdiction, or any order of an administrative governmental regulatory officer which the Party claiming the Uncontrollable Force, after diligent efforts, was unable to have stayed, suspended, or set aside pending review by a court of competent subject matter jurisdiction. [[Comment: A BPA order should not be an Uncontrollable Force that excuses BPA's performance.]]

The Party claiming the Uncontrollable Force shall give notify notice of that party's the other Party as soon as practicable of that Party's inability to meet its obligations under this Agreement due to an Uncontrollable Force to the other Party as soon as practicable [Comment: Rearrange order of Sentence for clarity] The Party claiming the Uncontrollable Force also agrees to notify any control area involved in the scheduling of a transaction which may be curtailed due to an Uncontrollable Force.

The language in the draft NR Block Contract has been used widely throughout BPA's power sales contracts with its regional firm power customers. BPA does not believe that the concern expressed in the brackets rises to a level that requires a change in language. Because BPA does not issue orders, BPA has never (nor would it) based an Uncontrollable Force on an order issued

itself. Therefore, BPA does not believe it is reasonable and substantively necessary to make the suggested edits.

The PNW IOUs suggested following edits to section 16(a) and (f)(1). (IOUs, BNR001 at section 16(a)).

(a) Annual Financial Report and Retail Rate Schedules

<<Customer Name>> shall provide PBL with a current copy of its annual financial report and its retail rate schedules, as required by Section 5(a) of the Bonneville Project Act, P.L. 75-329. This requirement may be satisfied by <<Customer Name>>'s posting on its public website of its retail rate schedules and <<Customer Name>>'s filing of its annual Form 10-K with the Securities and Exchange Commission.

The proposed edit in 16(a) is self-explanatory. While the proposed language is reasonable it is not necessary because BPA allows customers to satisfy the requirements of this clause in the current Subscription contracts through the use of electronic posting and notification already. Therefore, it is not necessary to change the language in the contract to specify this specific issue.

In section 16(f)(1), the PNW IOUs suggest that the following language be added to the end of the section:

<<Customer Name>> shall have no obligation to notify PBL under this subsection (f) if and for so long as the Firm Power amounts as established in section 5(b) above are equal to zero.

BPA believes the addition of this language is reasonable. BPA agrees that if an IOU under the Bridge NR Contract is not buying any Firm Power then it should not be required to notify BPA of planned exports of the IOUs resources. Even though there is a concern that a planned export of a regional resource could impact the power requirements of other customers of BPA, the fact that no Firm Power is being purchased means that BPA has no ability to decrement such power. BPA's concern is ameliorated since no Firm Power is currently purchased by the IOUs and hence any present or planned exports appear to have no impact on BPA's total regional firm power supply obligations. However, once Firm Power is purchased under the contract the reporting requirements of section 16(f)(1) will apply.

The PNW IOUs suggested the following edits to section 17(d) and 17(h), "Standard Provisions." of the Bridge NR Block. (IOUs, BNR001 at section 17(d), 17(h)).

(d) Entire Agreement

This Agreement, including all provisions, exhibits that are incorporated as part of this Agreement, and documents incorporated by reference, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement. It supersedes all previous communications, representations, or

contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement

(h) BPA Policies

Any reference in this Agreement to BPA policies, including without limitation BPA's NSL Policy and the 5(b)/9(c) Policy, and any revisions thereto, does not constitute agreement by <>Customer Name<> to such policy or revision, nor shall it be construed to be a waiver of the right of <>Customer Name<> to seek judicial review of any such policy or revision.

While BPA appreciates the clarity added by the PNW IOUs proposed edits, BPA does not believe they are substantively necessary to make.

Finally, the PNW IOUs queried whether Exhibit E should reference "WECC" instead of the current reference to "WSCC." (IOUs, BNR001 at Exhibit E).

BPA agrees that the reference to "WSCC" in Exhibit E should be changed to "WECC," recognizing the Western Electricity Coordinating Council or WECC has replaced the former Western Systems Coordinating Council (WSCC). This is a reasonable and substantive edit to make.

In closing out the comment review on the draft prototype NR Block Contract, we will offer the contract in a form that reflects the edits that were accepted, as described above. Thank you for taking the time to review and the expression of interest in the NR Block Contract.

Sincerely,

/s/ Mark O. Gendron
Mark O. Gendron