

FIRM POWER SALES AGREEMENT
executed by the
BONNEVILLE POWER ADMINISTRATION
and
PORT TOWNSEND PAPER CORPORATION

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This FIRM POWER SALES AGREEMENT (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA), and PORT TOWNSEND PAPER CORPORATION

(Port Townsend), hereinafter individually referred to as “Party” and collectively referred to as the “Parties.” Port Townsend is a corporation organized under the laws of the State of Washington.

RECITALS

BPA is authorized to sell power to Port Townsend, a direct service industrial customer, pursuant to section 5(d) of the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §§ 839 et seq.

BPA offers this power sale contract to Port Townsend based on the Administrator’s record of decision (ROD) accompanying the offer of this contract. Such ROD also addresses comments regarding this Agreement following public review and comment and explains BPA’s rationale for its decision to enter into this Agreement.

For administrative and decision making purposes, BPA has functionally separated its organization into two business lines, Power Services (PS) and Transmission Services (TS). This separation is solely for the purpose of clarifying which BPA function is responsible for specific activities, even when those activities require joint participation by both business lines.

The Parties agree:

1. **TERM**

1.1 **Initial Term**

This Agreement becomes effective and binding on the parties as of the date signed by the Parties (Execution Date) and will terminate at 2400 hours on August 31, 2013 (termination date). Firm Power shall be made available by PS for delivery to Port Townsend beginning on June 1, 2011.

1.2 **Request to Extend Term**

Port Townsend shall have a recurring option to request that BPA conduct an analysis of Equivalent Benefits to determine if the Agreement can be extended. Port Townsend may submit such request to BPA anytime following September 30, 2011, but in no case can such request be submitted later than four months prior to the then-existing termination date. Within 90 days of the date of such request BPA shall conduct an Equivalent Benefits analysis (or replacement standard determined by BPA), to determine whether BPA may extend the term of the Agreement. If the Equivalent Benefits Test results or replacement standard results demonstrate that service can be provided beyond August 31, 2013, or the then-effective termination date under an extension of this Agreement, BPA may solicit public review and comment on its analysis and reserves its discretion whether to extend the Agreement. In the event BPA determines that it can extend the Agreement, it shall notify Port Townsend of any revisions to the Agreement that must be made to accommodate the extension, and Port Townsend shall notify BPA of its acceptance of the revisions.

1.3 **Liability**

All liabilities incurred by each Party hereunder shall be preserved until satisfied, notwithstanding the expiration, cancellation, or termination of this Agreement, or any other event that may cause the Agreement to expire prior to the termination date referred to in the previous paragraph.

2. **DEFINITIONS**

Capitalized terms that are not listed below are either defined within the section in which the term is used or in BPA's applicable Wholesale Power Rate Schedules, including the General Rate Schedule Provisions (GRSPs).

- 2.1 "Alternative Scheduling Point of Receipt" shall have the meaning set out in Section 8.1.2.
- 2.2 "Amounts Taken" means an amount deemed equal to the amount of power scheduled by Port Townsend under section 7 of this Agreement.
- 2.3 "Business Day" means every Monday through Friday except for federal holidays.
- 2.4 "Diurnal" means the division of hours within the month between Heavy Load Hours (HLH) and Light Load Hours (LLH).
- 2.5 "Equivalent Benefits" means benefits, as evaluated and determined by BPA in a record of decision, that are forecast to accrue to BPA as a result of providing Firm Power service to Port Townsend hereunder, and that equal or exceed the forecast cost of providing such service including, without limitation, receipt of revenues from the IP rate for sales to Alcoa, reserves and other operational benefits.
- 2.6 "Firm Power" means electric power that PS will make continuously available to Port Townsend under this Agreement.
- 2.7 "Fiscal Year" means the period that begins each October 1 and which ends the following September 30. For instance, Fiscal Year 2011 begins October 1, 2010, and continues through September 30, 2011.
- 2.8 "Hourly Preschedule of Firm Power" shall have the meaning described in Exhibit F.
- 2.9 "Minimum Demand" shall mean the lesser of i) 13 megawatts (MW); or ii) the hourly Peak Demand Entitlement established in Exhibit A, Peak Demand.
- 2.10 "Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, 16 U.S.C. §§ 839 et seq., Public Law No. 96-501, as amended.

- 2.11 “Planned Maintenance Outage” means a reduction in Total Plant Load due to periodic or routine plant maintenance that is typical for Port Townsend’s industry. Planned Maintenance Outages shall not exceed 10 days during a fiscal year, unless otherwise agreed to by BPA.
- 2.12 “Point of Delivery” or “POD” means the point(s) in BPA’s Fairmont Substation where the 115kV facilities of BPA and Clallam are connected as specified in Exhibit E where power is transferred from a transmission provider to Port Townsend.
- 2.13 “Point of Metering” or “POM” means the point(s) at which power is measured as specified in Exhibit E.
- 2.14 “Points of Receipt” means the points in the Pacific Northwest transmission system where Firm Power is to be made available by PS to Port Townsend.
- 2.15 “Power Reserves” shall have the meaning described in Exhibit H.
- 2.16 “Power Services” or “PS” means the organization, or its successor organization, within BPA that is responsible for the management and sale of federal power from the Federal Columbia River Power System.
- 2.17 “Primary Points of Receipt” shall have the meaning set out in Section 8.1.1.
- 2.18 “Purchase Deficiency” shall have the meaning set out in section 6.1.1.
- 2.19 “Region” means the definition established for “Region” in the Northwest Power Act (16 U.S.C. § 839a(14)).
- 2.20 “Scheduling Points of Receipt” shall have the meaning set out in Section 8.1.2.
- 2.21 “Term” means the period of time during which this Agreement shall be in effect, as set forth in section 1.
- 2.22 “Total Plant Load” means all electric power consumption including electric system losses, at Port Townsend’s production facilities as measured at Points of Metering. No distinction is made between load that is served with power under this Agreement and load that is served with electric power from other sources.
- 2.23 “Transmission Services” or “TS” means that portion of the BPA organization or its successor that is responsible for the management and sale of transmission service on the Federal Columbia River Transmission System (FCRTS).

3. APPLICABLE RATES

Purchases under this Agreement are subject to BPA's then-effective Wholesale Power Rate Schedules, established in accordance with BPA's 7(i) rate proceeding, and its GRSPs (or their successors).

3.1 Industrial Firm Power (IP) Rates

Port Townsend's purchases of Firm Power specified in section 4 of the body of this Agreement and billing entitlements specified in Exhibit B (Billing) are subject to the IP Rate Schedule, or its successor.

3.2 Additional Adjustments and Charges

Port Townsend is subject to any applicable additional adjustments or charges, including penalty charges (*e.g.*, the Unauthorized Increase Charge also noted in Exhibit B), established in BPA's then-effective Wholesale Power Rate Schedules and associated GRSPs.

4. PURCHASE AND SALE OF FIRM POWER

BPA shall sell Firm Power up to the amount of Port Townsend's Peak Demand Entitlement specified in Exhibit A rounded up to the next whole megawatt (MW) each hour, to accommodate scheduling requirements, and Port Townsend shall purchase on a take-or-pay basis such amount each hour, except as set forth in section 5.1, and Port Townsend agrees to purchase each month during the Term:

- 4.1 the lesser of the product of the Minimum Demand and the number of hours in the month or the product of the Peak Demand Entitlement specified in section 1 of Exhibit A and the number of hours in the month;
- 4.2 a maximum of the product of the Peak Demand Entitlement and the number of hours in the month; and,
- 4.3 a maximum in any hour of the Peak Demand Entitlement, rounded up to the next whole MW.

5. CURTAILMENT AND POWER RESERVES

5.1 Curtailment

If Port Townsend curtails Total Plant Load in whole or in part, then Port Townsend may request take-or-pay mitigation for the minimum purchase amount under section 4 pursuant to section 6.1 below. In addition, the take-or-pay obligation for the minimum purchase amount shall not apply to the extent it is the result of Uncontrollable Forces as set forth in section 13.

5.2 Power Reserves

Port Townsend shall provide Supplemental Contingency Reserves in a manner consistent with the Minimum DSI Operating Reserve - Supplemental section of the 2010 General Rate Schedule Provisions or its successor and as established in Exhibit H.

5.3 **Additional or Alternative Arrangements for Power Reserves**

Nothing in this Agreement shall preclude BPA and Port Townsend from entering into arrangements, either by amendment to this Agreement or through a separate agreement for Port Townsend to provide BPA with additional reserves or alternative restriction rights for purposes of providing reserves for BPA firm power loads within the region.

6. **TAKE-OR-PAY MITIGATION/RELIEF FROM TAKE-OR-PAY**

6.1 **Take-or-Pay Mitigation for Curtailments**

If Port Townsend chooses to curtail its purchase obligation pursuant to section 5.1 above, then the following terms and conditions shall apply:

6.1.1 **Notice of Curtailment**

Port Townsend shall endeavor to provide notice to PS at least seven (7) Business Days in advance of a curtailment; ***provided, however,*** that such notice shall in no event be less than three (3) Business Days prior to the beginning of a curtailment. Such notice shall specify the amount of power to be curtailed (Purchase Deficiency), below the Minimum Demand, and the duration of the curtailment. The election to curtail such power, and the amount and duration of such curtailment, may not be changed without BPA's consent.

6.1.2 **Limitation on Damages**

Port Townsend shall pay PS damages for any Purchase Deficiency equal to the amount by which the reasonable market value of such Purchase Deficiency is less than the price of the IP-10 Rate, including any reserve credit, or its successor. PS shall, for each month, calculate the reasonable market value for each monthly Purchase Deficiency. Reasonable market value and calculation of damages shall be determined by the method described in either sections 6.1.2.1 or 6.1.2.2 below.

6.1.2.1 No later than three (3) Business Days prior to the commencement of a curtailment under this section 6.1, Port Townsend may obtain one or more transactable quotes for all or a portion of such power from a third party acceptable to BPA. The transactable quote(s) may be for any length of time not exceeding the duration of the curtailment and the curtailment amount for power to be made available at Points of Receipt. Each quote shall be deemed equal to the reasonable market value of such power to which the quote applies for the purpose of calculating damages under this section 6.1.2. PS may, but shall not be obligated to, resell the curtailed power to the third party, retain the power, or dispose of the power as it chooses. Port Townsend shall allow PS at least four (4) hours during normal business hours to decide whether or not to transact under such quote.

It is expressly agreed by the Parties that BPA shall not be obligated to enter into replacement transactions to determine or collect damages under this section 6.1.2.

6.1.2.2 PS shall determine, by any reasonable method, the reasonable market value of the portion of each monthly Purchase Deficiency for which Port Townsend has not obtained a transactable quote. The reasonable market value shall be adjusted to reflect volume and BPA transmission costs associated with remarketing each such portion of the monthly Purchase Deficiency, regardless of whether each such portion is actually remarketed.

6.2 Take-or-Pay Mitigation Payment

6.2.1 Monthly Determination

Each month, PS shall bill Port Townsend and Port Townsend shall pay damages equal to the amount by which the product of the Purchase Deficiency and the applicable IP rate, including any reserve credit, that PS would have charged if the power had been taken under this Agreement, exceeds the product of Purchase Deficiency and the reasonable market value calculated pursuant to section 6.1.2.1 or 6.1.2.2.

6.2.2 End of Period True Up

In the case of Purchase Deficiencies that occur during the periods of (i) June 2011 through September 2011, (ii) Fiscal Year 2012, or (iii) October 2012 through August 2013, BPA shall, for the applicable period, and no later than 60 days following the applicable period, compute the algebraic sum of the amounts paid by Port Townsend to BPA for Purchase Deficiencies during the period and, for any other Purchase Deficiency during the period, the amount by which the reasonable market value of such Purchase Deficiency calculated pursuant to section 6.1.2.1 or 6.1.2.2 was more than the price of the IP-10 Rate, including any reserve credit, or its successor. If, as a result of that summation, the sum exceeds the total of Port Townsend's Purchase Deficiency payments for the period, BPA will credit the excess against amounts Port Townsend owes BPA. In the event this Agreement is extended pursuant to section 1.2, BPA shall notify Port Townsend what, if any, the revised periods under this section shall be during the term of the extension.

6.3 Planned Maintenance Outages

No less than seven days prior to the beginning of a Planned Maintenance Outage, Port Townsend shall provide PS with written notice that specifies the duration of the Planned Maintenance Outage and the amount of purchase obligation that is to be reduced. Such notice does not relieve Port

Townsend of its obligation to adjust the Hourly Preschedule of Firm Power for the month in accordance with section 7 of this Agreement.

7. SCHEDULING

All power transactions under this Agreement shall be scheduled and implemented consistent with Exhibit F, Scheduling.

8. DELIVERY

8.1 Definitions

8.1.1 “Primary Points of Receipt” means the points on the Pacific Northwest transmission system, identified in the Network Integration Transmission Service MOA (No. 02TX-10925) between TS & PS, where Firm Power is forecasted to be made available by Power Services to Port Townsend for purposes of obtaining a long-term firm transmission contract.

8.1.2 “Scheduling Points of Receipt” and “Alternate Scheduling Points of Receipt” means the points on the FCRTS where Firm Power is made available by PS to Port Townsend for purposes of transmission scheduling.

8.2 Transmission Service

8.2.1 Port Townsend is responsible for making arrangement for, and payment for, delivery of power from the Scheduling Points of Receipt, including all transmission and ancillary service costs.

8.2.2 Port Townsend shall obtain prior BPA approval for, and shall provide at least 60 days’ notice, in writing, to PS prior to changing Balancing Authority Areas.

8.2.3 At Port Townsend’s request, PS shall provide Port Townsend with Primary Points of Receipt and other information needed to enable Port Townsend to obtain long term firm transmission for delivery of power sold under this Agreement. If required by Transmission Services for purposes of transmission scheduling, then PS shall provide Port Townsend with Scheduling Points of Receipt. PS has the right to provide power to Port Townsend at Scheduling Points of Receipt that are different than the Primary Points of Receipt. If BPA does provide power to Port Townsend at Scheduling Points of Receipt that are different than the Primary Points of Receipt, then BPA shall reimburse Port Townsend for any incremental, direct, non-administrative costs incurred by Port Townsend to comply with delivering Firm Power from such a Scheduling Point of Receipt to the Port Townsend POD if the following conditions, as outlined in 8.2.3.1 or 8.2.3.2 below, as applicable, have been met:

- 8.2.3.1 If **Port Townsend** has long-term Point to Point (PTP) transmission service (as defined in BPA’s Open Access Transmission Tariff) for delivery of Firm Power to its load:
- 8.2.3.1.1 **Port Townsend** has requested long-term firm transmission service to deliver its Firm Power using the Primary Points of Receipt and other information provided by PS;
 - 8.2.3.1.2 **Port Townsend** has submitted a request to redirect its long-term firm PTP transmission service to deliver Firm Power from the Scheduling Point of Receipt on a firm basis, but that request was not granted; and
 - 8.2.3.1.3 **Port Townsend**’s transmission schedule was curtailed due to non-firm status under PTP transmission service or **Port Townsend** can provide proof of the reimbursable costs incurred to replace the curtailed schedule.
- 8.2.3.2 If **Port Townsend** has long-term Network Integration Transmission Service (as defined in BPA’s Open Access Transmission Tariff) for delivery of Firm Power to its load:
- 8.2.3.2.1 **Port Townsend** has requested long-term firm transmission service to deliver its Firm Power using the Primary Points of Receipt and other information provided by PS; and
 - 8.2.3.2.2 **Port Townsend**’s transmission schedule was curtailed due to non-firm status under its secondary service status and **Port Townsend** can provide proof of the reimbursable costs incurred to replace the curtailed schedule.
- 8.2.3.3 In the event power cannot be scheduled with TS from a Scheduling Point of Receipt (other than a Primary Point of Receipt), then Port Townsend may request and, consistent with BPA’s standard practices to achieve efficient system operation and reliability, BPA will move the Scheduling Point of Receipt to a point on the FCRTS where energy can be made available and scheduled to the Port Townsend POD (“Alternative Scheduling Point of Receipt”), if such a point is available and providing the power from that Alternative Scheduling Point of Receipt would not cause BPA to violate any type of non-power constraint.

8.3 **Liability for Delivery**

Port Townsend waives any claims against BPA arising under this Agreement for non-delivery of power to any points beyond the applicable Scheduling Points of Receipt, except for reimbursement of costs as described in section 8.2.3. BPA shall not be liable under this Agreement for any third-party claims related to the delivery of power after it leaves the Scheduling Points of Receipt. Neither Party shall be liable under this Agreement to the other Party for damage that results from any sudden, unexpected, changed, or abnormal electrical condition occurring in or on any electric system, regardless of ownership.

8.4 **Real Power Losses**

BPA is responsible for the real power losses necessary to deliver Firm Power across the Federal Columbia River Transmission System to Port Townsend's POD(s) listed in Exhibit E.

9. **METERING**

9.1 **Meter Measurements**

Port Townsend's purchase obligations in section 4 are dependant on amounts scheduled and do not require load meter measurements for billing and payment. However, PS may require load meter measurements for forecasting, planning and verification purposes.

9.2 **Co-generation Measurements**

No later than three (3) Business Days following the end of any month that BPA's use of reserves are requested, Port Townsend shall provide to BPA by e-mail an electronic copy of the hourly measurements for the preceding month of the electric energy produced by Port Townsend's onsite co-generation.

10. **BILLING AND PAYMENT**

All billing and payment under this Agreement shall be implemented consistent with Exhibit C, Billing and Payment.

11. **INFORMATION EXCHANGE AND CONFIDENTIALITY**

11.1 **General Requirements**

Upon request, each Party shall provide the other Party with any information that is necessary to administer this Agreement, and to forecast Port Townsend Load, forecast BPA system load, comply with North American Electric Reliability Corporation (NERC) reliability standards, prepare bills, resolve billing disputes, and otherwise implement this Agreement. For example, this obligation includes transmission and power scheduling information and load and resource metering information (such as one-line diagrams, metering diagrams, loss factors, etc.). Information requested under this section 11.1 shall be provided in a timely manner.

11.2 Reports

If requested by BPA, Port Townsend shall provide annual financial reports and any similar statements made by Port Townsend to BPA either by e-mail at kself@bpa.gov or at the address specified in section 12, Notices and Contact Information.

11.3 Meter Data

Port Townsend consents to allow PS to receive Port Townsend's meter data from Transmission Services or BPA's metering function required to administer or verify performance under this Agreement.

11.4 Confidentiality

Before Port Townsend provides information to BPA that Port Townsend deems to be confidential, commercial or financial information, Port Townsend shall clearly designate such information as confidential. BPA shall notify Port Townsend as soon as practicable, but in any case no later than as provided by applicable law or regulation, of any request received under the Freedom of Information Act (FOIA) (5 U.S.C. §§ 552 *et seq.*), or under any other federal law or court or administrative order, for any information designated as confidential by Port Townsend. BPA shall only release such confidential information consistent with FOIA, or if required by any other federal law or court or administrative order. BPA shall limit the use and dissemination of such confidential information within BPA to employees who need it for purposes of administering this Agreement.

12. NOTICES AND CONTACT INFORMATION

Any notice required under this Agreement that requires such notice to be provided under the terms of this section shall be provided in writing to the other Party in one of the following ways:

- 12.1 delivered in person;
- 12.2 by a nationally recognized delivery service with proof of receipt;
- 12.3 by United States Certified Mail with return receipt requested;
- 12.4 electronically, if both Parties have means to verify the electronic notice's origin, date, time of transmittal and receipt; or
- 12.5 by another method agreed to by the Parties.

Notices are effective when received. Either Party may change the name or address for delivery of notice by providing notice of such change or other mutually agreed method. The Parties shall deliver notices to the following person and address;

If to Port Townsend:

Port Townsend Paper Corporation
100 Paper Mill Hill Road
P.O. Box 3170
Port Townsend, WA 98368
Attn:

Phone:
FAX:
E-Mail:

If to BPA:

Bonneville Power Administration
905 NE 11th Avenue
P.O. Box 3621
Portland, OR 97208
Attn: Mark E. Miller
Account Executive
Phone: 503-230-4003
FAX: 503-230-3681
E-Mail: memiller@bpa.gov

13. UNCONTROLLABLE FORCES

The Parties shall not be in breach of their respective obligations to the extent the failure to fulfill any obligation is due to an Uncontrollable Force. "Uncontrollable Force" means an event beyond the reasonable control of, and without the fault or negligence of, the Party claiming the Uncontrollable Force that prevents that Party from performing its contractual obligations under this Agreement and which, by exercise of that Party's reasonable care, diligence and foresight, such Party was unable to avoid. Uncontrollable Forces include, but are not limited to:

- 13.1 any unplanned curtailment or interruption of firm transmission service used to deliver power sold under this Agreement to Port Townsend whether such curtailment or interruption occurs on BPA's or a third party's transmission system;
- 13.2 any failure of Port Townsend's production, distribution or transmission facilities that prevents Port Townsend from taking Firm Power delivered to the Point of Receipt;
- 13.3 strikes or work stoppage; including the threat of imminent strikes or work stoppages; *provided, however*, that nothing contained in this provision shall be construed to require any Party to settle any strike or labor dispute in which it may be involved.
- 13.4 floods, earthquakes, or other natural disasters; terrorist acts; and
- 13.5 final orders or injunctions issued by a court or regulatory body having competent jurisdiction 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.

Neither the unavailability of funds or financing, nor conditions of national or local economies or markets shall be considered an Uncontrollable Force. The economic hardship of either Party shall not constitute an Uncontrollable Force.

If an Uncontrollable Force prevents a Party from performing any of its obligations under this Agreement, such Party shall: (1) immediately notify the other Party of such Uncontrollable Force by any means practicable and confirm such notice in writing as soon as reasonably practicable; (2) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform, and resume full performance of its obligation hereunder as soon as reasonably practicable; (3) keep the other Party apprised of such efforts on an ongoing basis; and (4) provide written notice of the resumption of performance. Written notices sent under this section must comply with section 12, Notices and Contact Information.

14. GOVERNING LAW AND DISPUTE RESOLUTION

This Agreement shall be interpreted consistent with and governed by federal law. Port Townsend and BPA shall identify issue(s) in dispute arising out of this Agreement and make a good faith effort to negotiate a resolution of such disputes before either may initiate litigation or arbitration. Such good faith effort shall include discussions or negotiations between the Parties' executives or managers. Pending resolution of a contract dispute or contract issue between the Parties or through formal dispute resolution of a contract dispute arising out of this Agreement, the Parties shall continue performance under this Agreement unless to do so would be impossible or impracticable. Unless the Parties engage in binding arbitration as provided for in this section 14 the Parties reserve their rights to individually seek judicial resolution of any dispute arising under this Agreement.

14.1 Judicial Resolution

Final actions subject to section 9(e) of the Northwest Power Act are not subject to arbitration under this Agreement and shall remain within the exclusive jurisdiction of the United States Court of Appeals for the Ninth Circuit. Such final actions include, but are not limited to, the establishment and the implementation of rates and rate methodologies. Any dispute regarding any rights or obligations of Port Townsend or BPA under any rate or rate methodology, or BPA policy, including the implementation of such policy, shall not be subject to arbitration under this Agreement. For purposes of this section 14 BPA policy means any written document adopted by BPA as a final action in a decision record or record of decision that establishes a policy of general application or makes a determination under an applicable statute or regulation.

14.2 Arbitration

Any contract dispute or contract issue between the Parties arising out of this Agreement, which is not excluded by section 14.1 above, shall be subject to arbitration, as set forth below.

Port Townsend may request that BPA engage in binding arbitration to resolve any dispute. If Port Townsend requests such binding arbitration and BPA determines in its sole discretion that binding arbitration of the dispute is appropriate under BPA's Binding Arbitration Policy or its successor, then BPA shall engage in such binding arbitration, provided that the remaining requirements of this section 14.2 and sections 14.3 and 14.4 are met. BPA

may request that Port Townsend engage in binding arbitration to resolve any dispute. In response to BPA's request, Port Townsend may agree to binding arbitration of such dispute, provided that the remaining requirements of this section 14.2 and sections 14.3 and 14.4 are met. Before initiating binding arbitration, the Parties shall draft and sign an agreement to engage in binding arbitration, which shall set forth the precise issue in dispute, the amount in controversy and the maximum monetary award allowed, pursuant to BPA's Binding Arbitration Policy or its successor.

14.3 **Arbitration Procedure**

Any arbitration shall take place in Portland, Oregon, unless the Parties agree otherwise. The Parties agree that a fundamental purpose for arbitration is the expedient resolution of disputes; therefore, the Parties shall make best efforts to resolve an arbitrable dispute within one year of initiating arbitration. The rules for arbitration shall be agreed to by the Parties.

14.4 **Arbitration Remedies**

The payment of monies shall be the exclusive remedy available in any arbitration proceeding pursuant to this section 14. This requirement shall not be interpreted to preclude the Parties from agreeing to limit the object of arbitration to the determination of facts. Under no circumstances shall specific performance be an available remedy against BPA.

14.5 **Finality**

14.5.1 In binding arbitration, the arbitration award shall be final and binding on the Parties, except that either Party may seek judicial review based upon any of the grounds referred to in the Federal Arbitration Act, 9 U.S.C. §§ 1-16 (1988). Judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof.

14.5.2 In nonbinding arbitration, the arbitration award is not binding on the Parties. Each Party shall notify the other Party within 30 calendar days, or such other time as the Parties otherwise agreed to, whether it accepts or rejects the arbitration award. Subsequent to nonbinding arbitration, if either Party rejects the arbitration award, either Party may seek judicial resolution of the dispute, provided that such suit is brought no later than 395 calendar days after the date the arbitration award was issued.

14.6 **Arbitration Costs**

Each Party shall be responsible for its own costs of arbitration, including legal fees. Unless otherwise agreed to by the Parties, the arbitrator(s) may apportion all other costs of arbitration between the Parties in such manner as the arbitrator(s) deem reasonable taking into account the circumstances of

the case, the conduct of the Parties during the proceeding, and the result of the arbitration.

15. STATUTORY PROVISIONS

15.1 Prohibition on Resale

Port Townsend shall not resell Firm Power purchased from BPA under this Agreement (Bonneville Project Act of 1937, 16 U.S.C. § 832d(a) (2006)).

15.2 BPA Appropriations Refinancing

The text of the BPA Refinancing section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (BPA Refinancing Act), P.L. 104-134, 110 Stat. 1321, 350, is incorporated as shown in Exhibit D, Special Provisions.

16. STANDARD PROVISIONS

16.1 Amendments

Except where this Agreement explicitly allows for one Party to unilaterally amend a provision or revise an exhibit, no amendment or exhibit revision to this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.

16.2 Entire Agreement and Order of Precedence

This Agreement, including documents expressly incorporated by reference, constitutes the entire agreement between the Parties. It supersedes all previous communications, representations, or contracts, either written or oral, which purport to describe or embody the subject matter of this Agreement. In matters of contract interpretation, the body of this Agreement shall prevail over exhibits to this Agreement in the event of a conflict.

16.3 Assignment

Port Townsend may assign this Agreement upon 90 days written notice, but only to a successor-in-interest that has acquired ownership, through purchase or merger, of Port Townsend's facilities that are served, in whole or in part, with power provided under this Agreement, and then only if such assignee expressly agrees in writing to be bound by the terms of this Agreement. Such assignment will be subject to any reasonable requirement by BPA that the assignee provide credit security, in a form acceptable to BPA, to secure performance of assignee's obligations under this Agreement. It shall not be deemed unreasonable for BPA to require credit security from an assignee with a Moody's credit rating below "A" or the equivalent if rated by another credit rating agency. No other assignment of this Agreement by Port Townsend is permitted.

16.4 No Third-Party Beneficiaries

This Agreement is made and entered into for the sole benefit of the Parties, and the Parties intend that no other person or entity shall be a direct or indirect beneficiary of this Agreement.

16.5 Waivers

No waiver of any provision or breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving Party, and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other breach of this Agreement.

16.6 BPA Policies

Any reference in this Agreement to BPA policies, including any revisions, does not constitute agreement of Port Townsend to such policy by execution of this Agreement, nor shall it be construed to be a waiver of the right of Port Townsend to seek judicial review of any such policy.

16.7 Severability

If any term of this Agreement is found to be invalid by a court of competent jurisdiction then such term shall remain in force to the maximum extent permitted by law. All other terms shall remain in force unless that term is determined not to be severable from all other provisions of this Agreement by such court.

16.8 Performance Assurance

When reasonable grounds for insecurity arise with respect to the performance of Port Townsend, BPA may in writing demand adequate assurance of due performance in addition to prepayment and specify the form such assurance shall take. The type of assurance BPA may require includes, but is not limited to, providing a letter of credit or posting a security deposit, as appropriate. Failure of Port Townsend to provide such assurance within the time specified by BPA in its request for adequate assurance shall be considered a material breach and may, in BPA's sole discretion, create reasonable grounds to suspend or terminate this Agreement. If adequate assurance is not provided, or is not provided in the form specified in the request for adequate assurance, BPA shall have five (5) Business Days from the date such assurance was required to be provided to notify Port Townsend in writing of its intentions with respect to termination or suspension of the contract. Any waiver by BPA of its right to suspend or terminate this Agreement shall not be considered a waiver of said rights with respect to future instances when adequate assurance may be required. Written notices sent under this section must comply with section 12, Notices and Contact Information.

16.9 Prepayment Reevaluation

Port Townsend may request BPA to reevaluate prepayment or performance assurances required pursuant to section 16.8. Upon such request, BPA shall reevaluate Port Townsend's creditworthiness to establish whether the

amount of prepayment or the performance assurance required to be posted or maintained by Port Townsend need to be revised.

16.10 Waiver of Damages

In the event the United States Court of Appeals for the Ninth Circuit or other court of competent jurisdiction issues a final order that declares or renders this Agreement, or any part thereof, void or otherwise unenforceable, neither Party shall be entitled to any damages or restitution of any nature, in law or equity, from the other Party, and each Party hereby expressly waives any right to seek such damages or restitution. For the avoidance of doubt, the Parties agree this provision is severable and, also, shall survive the termination of this Agreement, including any termination effected through any order described herein.

17. TERMINATION

BPA may terminate this Agreement if:

17.1 Port Townsend fails to cure non-payment as required by section 5 of Exhibit C, or

17.2 Port Townsend fails to provide performance assurance satisfactory to BPA as required by section 16.8.

Such termination is without prejudice to any other remedies available to BPA under law.

18. EXECUTION BY COUNTERPARTS

This Agreement may be executed in counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

19. SIGNATURES

The Parties have caused this Agreement to be executed as of the date both Parties have signed this Agreement.

PORT TOWNSEND PAPER CORPORATION

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By _____

By _____

Name _____
(Print/Type)

Name Mark E. Miller
(Print/Type)

Title _____

Title Account Executive

Date _____

Date _____

**Exhibit A
PEAK DEMAND**

1. PEAK DEMAND ENTITLEMENT

Port Townsend's Contract Demand equals 20.5 megawatts (MW) and such Contract Demand shall equal Port Townsend's hourly Peak Demand Entitlement.

2. REVISIONS TO CONTRACT DEMAND

Port Townsend's Contract Demand specified in section 1 of this Exhibit A was established at 2400 hours on September 30, 1997 under Revision No. 1, Exhibit C of Contract No. DE-MS79-81BP90347. The Parties recognize that Port Townsend is working with Jefferson County PUD No. 1 (Jefferson) to develop an agreement to provide service to Port Townsend's Old Corrugated Container (OCC) recycle plant.

To accomplish this, Port Townsend understands that Jefferson may request it be permitted to serve Port Townsend's OCC plant load, consistent with BPA's determination in 2005 that service to the OCC recycle plant could be served by a preference customer of BPA at the PF rate pursuant to Bonneville's Atochem policy. See, BPA's Policy for Power Supply Role for Fiscal Years 2007-2011 (February 2005) at page 56. To the extent Jefferson commences to serve OCC load, Port Townsend's Contract Demand will be reduced by 3.275 MW to reflect the change in status of that portion of the Port Townsend load and the OCC plant load shall not be included in Port Townsend's Total Plant Load.

Exhibit B BILLING PARAMETERS

1. FIRM POWER ENTITLEMENTS

1.1 Energy Entitlement

Port Townsend's HLH and LLH Energy Entitlements shall be the greater of: (i) the product of the MW amount established in section 4.1 of the body of the Agreement and the number of hours in the respective diurnal periods for the billing month; or, (ii) the sum of the megawatt amounts in the Hourly Preschedule of Firm Power for hours in the respective diurnal periods in the billing month.

The total monthly charge for energy shall be calculated as specified in the WP-10 IP Rate. However, beginning with billing month October 2011, the total monthly charge for energy shall be the sum of i) The product of Port Townsend's HLH Energy Entitlement and the HLH Energy Rate from Schedule IP-12 of the BP-12 Rate Schedule, or its successor; and ii) The product of Port Townsend's LLH Energy Entitlement and the LLH Energy Rate in Schedule IP-12 of the BP-12 Rate Schedule, or its successor.

1.2 Demand Entitlement

Port Townsend's Demand Entitlement shall be the lesser of: (i) Peak Demand Entitlement as specified in Exhibit A of this Agreement; or, (ii) the maximum megawatt amount in the Hourly Preschedule of Firm Power for the billing month. The monthly charge for demand shall be calculated as specified in the WP-10 IP Rate.

However, beginning with the billing month October 2011, Port Townsend's demand billing determinate shall be calculated as defined in Schedule IP-12 of the BP-12 Rate Schedule, or its successor, ***provided, however,*** during any billing month that a Planned Maintenance Outage is scheduled pursuant to section 6.3 of the body of the Agreement the average of Port Townsend's monthly schedule amount for the HLH diurnal period (as defined in such rate schedule) shall be established by the average of those HLHs not occurring during the Planned Maintenance Outage period. Furthermore, during any billing month that Port Townsend is assessed take-or-pay as described in section 4.1 of the body of the Agreement the monthly average schedule amount for the HLH diurnal period shall not in any event be deemed to be less than the Minimum Demand. If the monthly demand billing determinant calculation results in a value less than zero, the billing determinant is deemed to be zero. The monthly charge for demand shall be the product of the monthly demand billing determinate determined herein, and the appropriate Demand Rate specified in Schedule IP-12 of the BP-12 Rate Schedule, or its successor.

2. UNAUTHORIZED INCREASE CHARGE

Consistent with the applicable BPA Wholesale Power Rate Schedules and GRSPs, power scheduled pursuant to section 7 of the body of this Agreement is subject to unauthorized increase charges specified in section 2.1 and 2.2 of this Exhibit, unless such power is provided under another contract with PS.

2.1 Hourly Preschedule of Firm Power amounts in any hour that exceed the MW amount specified in section 4.3 of the body of the Agreement shall be subject to the Charge for Unauthorized Increase in Demand.

2.2 The total of Hourly Preschedule for Firm Power amount, submitted and updated by Port Townsend pursuant to Exhibit F, for the month that exceeds the product of Peak Demand Entitlement and the number of hours in the month shall be subject to the Charge for Unauthorized Increase in Energy.

3. REVISIONS

If this exhibit is inconsistent with BPA's IP-10 Rate Schedule, or its successor, as finally approved by FERC, the Parties shall make a good faith effort to revise this exhibit so that it is consistent.

**Exhibit C
BILLING AND PAYMENT**

1. BILLING

1.1 Take or Pay Minimum Firm Power

BPA shall bill Port Townsend for prepayment of monthly electric power and related services to be provided to Port Townsend under section 4.1 of the body of the Agreement (“Take or Pay Minimum Firm Power”) in the succeeding calendar month (the “Delivery Month”). The Issue Date is the earlier of the date BPA provides a bill for Take or Pay Products and Services by electronic transmission to Port Townsend and, in the case of physical delivery (whether by hand delivery, U.S. Mail, other reasonable means), the date the bill for Take or Pay Products and Services is received by Port Townsend.

1.2 Final Bill

BPA shall bill Port Townsend monthly for electric power and related services to be provided to Port Townsend under section 4.1 of the body of this Agreement and section 1 of Exhibit F to this Agreement, as well as for Purchase Deficiencies pursuant to sections 6.1 and 6.2 of this Agreement.

2. PAYMENT

Port Townsend shall pay all bills electronically in accordance with instructions on the bill.

2.1 Prepayment

For each prepayment bill for Take or Pay Minimum Firm Power provided by BPA under section 1.1 of this Exhibit, Port Townsend shall pay such bill no later than the latter to occur of (a) 15th calendar day of the month preceding the Delivery Month, or (b) five Business Days following the Issue Date.

2.1.1 Prepayment to be Billed

The amount to be included in a bill by BPA under section 1.1 of this Exhibit and to be paid by Port Townsend for Take or Pay Minimum Firm Power is the take-or-pay amount for the related Delivery Month established pursuant to section 4.1 of the body of this Agreement.

2.1.2 Prepayment Essential

Prepayment by Port Townsend of Take or Pay Minimum Firm Power is an essential term of this Agreement.

2.1.3 Non-Payment by Port Townsend of Take or Pay Minimum Firm Power

In the event of non-payment by Port Townsend of amounts billed for Take or Pay Minimum Firm Power, even if BPA by written agreement

waives breach and default for late payment thereof, Port Townsend shall be liable for unpaid amounts until the payment is satisfied or the obligations hereunder are discharged. Until such time as amounts in arrears are paid in full or are discharged, the unpaid balance shall accrue interest daily at the Default Rate and such accrued interest shall be included in the determination of the amount of the unpaid balance.

2.1.4 Effect of Partial Payments of Prepayment

In the event that Port Townsend makes a payment that is insufficient to cover amounts then due and payable for either Take or Pay Minimum Firm Power or for a final monthly bill under this Agreement, the insufficiency shall be deemed to be a nonpayment under section 5 of this Exhibit.

2.2 Final Payment

If payment is due, Port Townsend shall make payment of the final bill provided by BPA under section 1.2 of this Exhibit by the 20th day after the Issue Date of the final bill. If the 20th day is a Saturday, Sunday, or federal holiday, then the due date is the next Business Day. Failure to make payment by the due date shall be deemed to be a nonpayment of Firm Power.

2.2.1 If the amount of the final bill exceeds the amount of the bill for Take or Pay Minimum Firm Power for the Delivery Month, Port Townsend shall pay BPA the difference between the bill for Take or Pay Minimum Firm Power and final bill by the final bill's due date; or

2.2.2 If the amount of the final bill for the Delivery Month is less than the amount of the bill for Take or Pay Minimum Firm Power, then BPA shall pay Port Townsend the difference, by the 20th day after the final Issue Date, provided, however, such amount may be reduced by any damages asserted by BPA for Port Townsend taking less than the take or pay amount specified in section 4.1 of the Agreement, with adjustments, if any, pursuant to section 5 and 6 of the Agreement. If the 20th day is a Saturday, Sunday, or federal holiday, BPA shall pay the difference by the next Business Day.

3. DEFAULT RATE

The Default Rate shall be equal to the higher of:

3.1 the Prime Rate (as reported in the Wall Street Journal or successor publication, in the first issue published during the month in which payment was due), plus four percent, divided by 365; or

3.2 the Prime Rate times 1.5, divided by 365;

and shall be applied each day after the due date to any unpaid balance.

4. **DISPUTED BILLS**

- 4.1 If Port Townsend disputes any portion of a charge or credit on Port Townsend's bill, Port Townsend shall provide written notice to BPA with a copy of the bill noting the disputed amounts. Notwithstanding whether any portion of the bill is in dispute, Port Townsend shall pay the entire bill by the due date. This section 4.1 does not allow Port Townsend to challenge the validity of any BPA rate. Notice of a disputed charge on a bill does not constitute BPA's agreement that a valid claim under contract law has been stated.
- 4.2 If the Parties agree, or if after dispute resolution, Port Townsend is entitled to a refund of any portion of the disputed amount, then BPA shall make such refund with simple interest computed from the date of receipt of the disputed payment to the date the refund is made. The daily interest rate shall equal the Prime Rate (as reported in the Wall Street Journal or successor publication in the first issue published during the month in which payment was due) divided by 365.

5. **NON PAYMENT BY PORT TOWNSEND**

If Port Townsend fails to pay in full any bill for Take or Pay Minimum Firm Power or final bill by the applicable due date it shall be considered in default and such unpaid amount shall be charged interest at the default rate charge provided above in section 3. The unpaid amount and any interest shall be considered overdue and Bonneville shall have the right, at its sole option and without notice, to suspend delivery under this Agreement to Port Townsend on or after the third (3) calendar day after the applicable due date. If Port Townsend has not paid in full any unpaid amount including any interest on or before the seventh (7) calendar day after the applicable due date, Bonneville shall have the sole option to terminate this Agreement pursuant to section 17.1 of the body of the Agreement.

6. **DEPOSIT**

No later than June 1, 2011, Port Townsend shall irrevocably pay to BPA as security for a possible default by Port Townsend in its payment obligation to BPA under this Agreement an amount in dollars equal to the amount of the highest monthly bill less the prepayment amount for that month, which will be established by the product of the: i) subtraction of the take-or-pay amount established in section 4.1 of the body of the Agreement from the Peak Demand Entitlement; ii) highest monthly average IP-10 rate, or its successor (\$/MWh); and iii) number of hours in such month (the "Security Amount"). The Security Amount is \$213,267.60 and is the result of 20.5 MW minus 13 MW then multiplied by the \$38.22 per MWh average IP rate for January 2011 then multiplied by 744 hours in January 2011. In the event that Port Townsend does not default in its payment obligations to BPA for Take or Pay Minimum Firm Power under this Agreement, BPA shall provide a lump sum credit in an amount equal to the Security Amount toward payments otherwise due by Port Townsend to BPA for the final month of service, as agreed to herein, for Take or Pay Minimum Firm Power under this Agreement. In the event that the final month's bill for Take or Pay Minimum Firm Power under this Agreement is

less than the Security Amount, BPA shall, within 60 calendar days after the final bill is provided to Port Townsend, refund to Port Townsend the positive difference between the Security Amount less the final month's bill for Take or Pay Minimum Firm Power under this Agreement.

7. REVISIONS

BPA may unilaterally revise this Exhibit C to implement requirements resulting from updates to Port Townsend's creditworthiness determination as a result of BPA's determination pursuant to section 16.9 of the body of the Agreement.

Exhibit D
ADDITIONAL PRODUCTS, SERVICES, AND SPECIAL PROVISIONS

1. BPA APPROPRIATIONS REFINANCING

In accordance with section 15.2 of the body of this Agreement, section (i) of the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (BPA Refinancing Act), P.L. No. 104-134, 110 Stat. 1321, 350, is included in this Agreement--

1.1 Contract Provisions

In each contract of the Administrator that provides for the Administrator to sell electric power, transmission, or related services, and that is in effect after September 30, 1996, the Administrator shall offer to include, or as the case may be, shall offer to amend to include, provisions specifying that after September 30, 1996--

1.1.1 the Administrator shall establish rates and charges on the basis that

1.1.1.1 the principal amount of an old capital investment shall be no greater than the new principal amount established under subsection (b) of the BPA Refinancing Act;

1.1.1.2 the interest rate applicable to the unpaid balance of the new principal amount of an old capital investment shall be no greater than the interest rate established under subsection (c) of the BPA Refinancing Act;

1.1.1.3 any payment of principal of an old capital investment shall reduce the outstanding principal balance of the old capital investment in the amount of the payment at the time the payment is tendered; and

1.1.1.4 any payment of interest on the unpaid balance of the new principal amount of an old capital investment shall be a credit against the appropriate interest account in the amount of the payment at the time the payment is tendered;

1.1.2 apart from charges necessary to repay the new principal amount of an old capital investment as established under subsection (b) of the BPA Refinancing Act and to pay the interest on the principal amount under subsection (c) of the BPA Refinancing Act, no amount may be charged for return to the United States Treasury as repayment for or return on an old capital investment, whether by way of rate, rent, lease payment, assessment, user charge, or any other fee;

- 1.1.3 amounts provided under section 1304 of title 31, United States Code, shall be available to pay, and shall be the sole source for payment of, a judgment against or settlement by the Administrator or the United States on a claim for a breach of the contract provisions required by this Part; and
- 1.1.4 the contract provisions specified in this Part do not--
 - 1.1.4.1 preclude the Administrator from recovering, through rates or other means, any tax that is generally imposed on electric utilities in the United States, or
 - 1.1.4.2 affect the Administrator's authority under applicable law, including section 7(g) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839e(g)), to--
 - 1.1.4.2.1 allocate costs and benefits, including but not limited to fish and wildlife costs, to rates or resources, or
 - 1.1.4.2.2 design rates.

2. REVISIONS

This exhibit shall be revised as necessary by mutual agreement of the Parties to reflect additional special provisions during the Term.

**Exhibit E
METERING**

1. Directly Connected Points of Delivery and Load Metering

BPA POD Name: Fairmount 115 kV-CCPD;
BPA POD Number: 4020;
WECC Balancing Authority: BPAT;

Location: the point in BPA's Fairmount Substation where the 115 kV facilities of BPA and Clallam are connected;

Voltage: 115 kV;

Metering: in BPA's Fairmount Substation in the 115 kV circuit over which such electric power flows;

(A) **BPA Meter Point Name:** New Mill In;
BPA Meter Point Number: 2872;
Direction for Billing Purposes: Not used for billing purposes;
Manner of Service: Direct, Port Townsend to BPA;

(B) **BPA Meter Point Name:** New Mill Out;
BPA Meter Point Number: 2871;
Direction for Billing Purposes: Not used for billing purposes;
Manner of Service: Direct, BPA to Port Townsend

Metering Loss Adjustment: BPA shall adjust for losses between the POD, New Mill In, and the New Mill Out meter points. Such adjustments shall be specified in writing between BPA and Port Townsend;

Exception: None.

2. REVISIONS

Each Party shall notify the other in writing if updates to this exhibit are necessary to accurately reflect the actual characteristics of POD and meter information described in this exhibit. The Parties shall revise this exhibit to reflect such changes. The Parties shall mutually agree on any such exhibit revisions and agreement shall not be unreasonably withheld or delayed. The effective date of any exhibit revision shall be the date the actual circumstances described by the revision occur.

**Exhibit F
SCHEDULING**

1. SCHEDULING FEDERAL RESOURCES

Hourly preschedules of Firm Power for the month must be submitted by Port Townsend to PS in whole megawatts (MW) for each hour in the month in the format presented in Exhibit G of the Agreement, no later than 11 a.m. (1100) PPT three Business Days prior to the beginning of each month. Such submission shall constitute Port Townsend's Hourly Preschedule of Firm Power for the month and shall be communicated by Port Townsend to BPA Preschedule by entry of the schedule in BPA Scheduling Portal or e-mail at:

BPA Scheduling Portal: <https://TBD>
E-mail: presched@bpa.gov

Additional BPA Preschedule Contact Information

Preschedule Desk Phone: (503) 230-3813
Preschedule Facsimile: (503) 230-3039

Port Townsend shall provide PS a contact person available at the plant to contact 24 hours, 7 days a week at the following phone number.

Port Townsend

Phone: (XXX) XXX-XXXX

PS agrees to provide Port Townsend e-Tagging services for the purposes of scheduling power and for e-Tagging scheduled deliveries to Port Townsend under this Agreement. Port Townsend agrees to pay PS \$300 each month for such service and BPA shall bill for such amount on the monthly final bill. Port Townsend shall be responsible for any charges or penalties assessed schedules submitted by Port Townsend and scheduled by PS.

Changes during the month to the Hourly Preschedule of Firm Power for the month shall be submitted by Port Townsend to PS, in the format presented in Exhibit G of the Agreement, no later than 11 a.m. (1100) PPT in accordance with the WECC Preschedule Calendar for the Preschedule Day hourly schedules to be changed. Such changes shall be communicated by Port Townsend to BPA Preschedule by entry of the schedule in BPA Scheduling Portal or e-mail at:

BPA Scheduling Portal: <https://TBD>
E-mail: presched@bpa.gov

In the event of an emergency or unplanned outage Port Townsend shall notify the BPA Real-Time Loads Desk at the following number to update its hourly schedules as soon as Port Townsend identifies the event.

BPA Real-Time Loads Desk

Phone: (503) 230-3341

In the event that Port Townsend requires a real-time change to the Hourly Preschedule of Firm Power Port Townsend may request the change by contacting the BPA Real Time Loads Desk at the following number or by changing the schedule in BPA Scheduling Portal. All real time changes shall be submitted by XX:30 prior to the next scheduling hour

BPA Real-Time Loads Desk

Phone: (503) 230-3341

Both Parties shall notify each other of changes to telephone or fax numbers of key personnel (for Prescheduling, Real-Time Scheduling, or After the Fact, etc.)

BPA After the Fact Desk

Phone: (503) 230-3949

If BPA, in its sole discretion, determines that Port Townsend has intentionally submitted schedules that deviate, in magnitude and/or duration, from its actual metered load, in order to realize a significant financial benefit beyond what would normally be realized when managing its monthly energy imbalance, as determined by BPA, BPA may take action to mitigate further deviations. If BPA determines that there have been intentional deviations, it will provide written notice to Port Townsend giving Port Townsend 90 days from the date of such notice to alter its scheduling practices in a manner that avoids further intentional deviations. At the end of this 90-day cure period, if Port Townsend has altered its scheduling practices in a manner that will avoid future intentional deviations, no further action will be taken. If Port Townsend has not altered its scheduling practices to BPA's satisfaction, BPA shall have the right to unilaterally revise the Agreement to convert power deliveries from scheduled service to load following service and all charges and other requirements specified in BPA rate schedules and General Rate Schedule Provisions for that type of service will be applied.

In the event that Port Townsend moves its load to a different Balancing Authority Area, Scheduling will require 60-day notification and additional scheduling services may be required.

2. AFTER THE FACT

BPA and Port Townsend agree to reconcile all transactions, schedules and accounts at the end of each month (as early as possible within the first 10 calendar days of the next month). BPA and Port Townsend shall verify all transactions per this Agreement, as to product or type of service, hourly amounts, daily and monthly totals, and related charges.

3. REVISIONS

BPA may unilaterally revise this Exhibit F to implement changes that are applicable to Port Townsend and that BPA determines are reasonably necessary to:

(i) update contact information; (ii) meet its power and scheduling obligations under this Agreement; or, (iii) comply with requirements of the Western Energy Coordinating Council (WECC), North American Energy Standards Board (NAESB), or NERC, or their successors or assigns.

Revisions are effective 45 days after BPA provides written notice of the revisions to Port Townsend unless, in BPA's sole judgment, less notice is necessary to comply with an emergency change to the requirements of the WECC, NAESB, NERC, or their successors or assigns. In this case, BPA shall specify the effective date of such revisions.

**Exhibit G
PRESCHEDULE EXAMPLES**

Monthly Preschedule of Firm Power
Port Townsend Pre-Schedule

To: presched@bpa.gov

Contract # 09PB-

Date	HE1	HE2	HE3	HE4	HE5	HE6	HE7	HE8	HE9	HE10	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	HE20	HE21	HE22	HE23	HE24	HE25	TOTAL	
4/1/09																										0	
4/2/09																											0
4/3/09																											0
4/4/09																											0
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Mid-Month Change to Monthly Preschedule of Firm Power

Port Townsend Pre-Schedule

To: presched@bpa.gov

Contract # 09PB-

Date	HE1	HE2	HE3	HE4	HE5	HE6	HE7	HE8	HE9	HE10	HE11	HE12	HE13	HE14	HE15	HE16	HE17	HE18	HE19	HE20	HE21	HE22	HE23	HE24	HE25	TOTAL	
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Exhibit H
POWER RESERVES

1. DEFINITIONS

- 1.1 “Event” is a system condition under which PS needs additional power to meet its obligations during a system disturbance. The beginning of an Event shall be identified by alarm notice to the PS Loads Scheduler of a system disturbance, and the PS Loads Scheduler will notify Port Townsend that Restricted Energy is required. The end of the Event shall occur the earlier of when: a) BPA has notified Port Townsend that full service may be restored; or b) 105 minutes from the beginning of the Event. An Event shall not include BPA electing not to purchase power for economic reasons, nor shall an Event include circumstances in which BPA elects not to purchase available transmission capacity to avoid the need to impose a restriction.
- 1.2 “Event Duration” shall be the total cumulative Event Minutes of the Event.
- 1.3 “Event Minute” shall be the minutes of restriction (or any portion thereof) during an Event.
- 1.4 “Contingency Reserves” are the Minimum DSI Operating Reserve – Supplemental specified in the 2010 GRSPs, or its successor – and are provided by Port Townsend under this Agreement for purposes of providing reserves for BPA’s firm power loads within the region, as provided for in the Northwest Power Act.
- 1.5 “Reserve Amount” shall be the kilowatt (kW) amount of Contingency Reserves available to BPA by Port Townsend specified in section 2 of this Exhibit.
- 1.6 “Restricted Energy” means the requested megawatt-hour (MWh) amount of energy not made available to Port Townsend hereunder because of an Event pursuant to section 2 of this Exhibit.

2. AMOUNT AND TYPES RESERVES

When necessary to provide Contingency Reserves, BPA may restrict the Reserve Amount, or the requested portion thereof, for a period of time (Restricted Energy). The Reserve Amount during each hour shall equal the lesser of : i) 2,000 kilowatts, or ii) 10 percent of the Amounts Taken rounded up to the next whole MW, consistent with the amount of Minimum DSI Operating Reserve – Supplemental specified in the 2010 GRSPs, or its successor.

Port Townsend will provide the Restricted Energy to BPA by an interruption of its loads or increased generation in an amount equal to or greater than the amount of such specified Restricted Energy, and in each case shall continue such load interruption or increased generation for the duration of the Event.

3. QUALITY AND CHARACTER OF RESERVES

Contingency Reserves provided by Port Townsend shall be consistent with North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC), and Northwest Power Pool (NWPP) standards and criteria for contingency reserves:

- 3.1 the Reserve Amount, or the requested portion thereof, must be offline by the full amount within ten (10) minutes of the Event and pursuant to section 4 of this Exhibit;
- 3.2 the Reserve Amount, or the requested portion thereof, must be made available in whole for up to one-hundred five (105) minutes.

4. NOTIFICATION

Port Townsend shall provide a contact at its facility at the following phone number:

Port Townsend
Phone: XXX-XXX-XXXX

Port Townsend shall maintain such contact for every hour in the Term of the Agreement in which the Minimum DSI Operating Reserve – Supplemental amount is greater than zero megawatts.

The PS Loads Scheduler will notify Port Townsend of each contingency event by means of a pre-programmed phone call or other electronic means. Within eight (8) minutes following such notice by the PS Loads Scheduler of an Event, Port Townsend shall commence providing the Restricted Energy to BPA. Port Townsend shall not restore its use of the Restricted Energy until the lesser of: (a) one-hundred five (105) minutes from the beginning of the Event; or (b) immediately following notice from the PS Loads Scheduler terminating an Event.

During an Event, Port Townsend shall call the BPA Loads Desk at the following number if Port Townsend has questions or concerns about a request from BPA to deploy reserves under this contract.

BPA Real-Time Loads Desk
Phone: (503) 230-3341

5. VERIFICATION

PS retains the right to verify Port Townsend’s provision of Restricted Energy by comparing the metered amounts before an Event, during an Event, and after an Event is terminated. If such verification of the Restricted Energy fails to demonstrate that the Reserve Amount was made available to BPA by Port Townsend for the Event Duration, then PS, in its sole discretion, may: (a) reduce the compensation specified in section 6 of this Exhibit for the undemonstrated portion of the Reserve Amount for the remaining Term of the Agreement; and,

(b) notify TS of the undemonstrated portion of the Reserve Amount. Port Townsend acknowledges that any undemonstrated portion of the Reserve Amount may cause its transmission supplier to take additional actions subject to the provisions of transmission service agreements Port Townsend maintains with its transmission supplier, that may include but may not be limited to an assessment of the monetary penalty described in the Failure to Comply provision of the prevailing TS tariff for transmission service, or the assessment of a strike(s) consistent with the process applicable to a Supplier providing reserves for a third party customer described in section 5.11 through 5.14 of the Operating Reserves, V5 Business Practice, or its successor, implementing the TS Open Access Transmission Tariff, or its successor.

6. COMPENSATION FOR CONTINGENCY RESERVES

Compensation by PS to Port Townsend for providing Minimum DSI Operating Reserve - Supplemental pursuant to this Agreement is through an adjustment to the IP rate determinants applied during a 7(i) rate making proceeding, as provided for in the Northwest Power Act, provided, however, such compensation maybe terminated pursuant to section 5 of this Exhibit.

7. RESTRICTED ENERGY RETURN

In lieu of BPA returning any Restricted Energy provided to BPA, BPA will provide Port Townsend a credit equal to the product of the amount of Restricted Energy and the appropriate IP rate. Such credit shall be calculated by BPA and included on Port Townsend's monthly final bill. Restricted Energy shall be treated as taken by Port Townsend for purposes of meeting its take-or-pay commitment under section 4.1 of the body of the Agreement.

8. TESTING OF RESERVES

BPA shall have the right to conduct tests of the procedure specified in this Exhibit.

9. REVISIONS

BPA may unilaterally revise this Exhibit H to implement changes that are applicable to Port Townsend and that BPA determines are reasonably necessary for reserves provided under this Agreement to: (a) reflect changes in the value of the DSI Reserves Adjustment adopted in a 7(i) rate making proceeding; and (b) comply with requirements of the WECC, NAESB, or NERC, or their successors or assigns.

Revisions are effective 45 days after BPA provides written notice of the revisions to Port Townsend unless, in BPA's sole judgment, less notice is necessary to comply with an emergency change to the requirements of the WECC, NAESB, NERC, or their successors or assigns. In this case, BPA shall specify the effective date of such revisions.