



Department of Energy
Bonneville Power Administration
«P.O. Box ####»
«City, State Zip»

POWER SERVICES

DRAFT «mmmm dd, yyyy»

In reply refer to: PS«X»-«Location»

Contract No. 10PB-«#####»
PF Tier 2 Vintage Market Sourced Rate
STATEMENT OF INTENT

«Mr/Ms. _____»
Title
Customer Name
P.O. Box ####
Anywhere, OR 97####»

Dear «Mr/Ms. _____»:

Pursuant to section 9.1 of Power Sales Agreement Contract No. 09PB-«#####» (Agreement), and section 2.3 of Exhibit C of the Agreement «Full Name of Customer» («Customer Name») by executing this Statement of Intent (SOI) makes a binding commitment to purchase Firm Requirements Power sold under the Agreement by Bonneville Power Administration (BPA) at a PF Tier 2 Vintage Market Sourced Rate, if BPA establishes such a rate. «Customer Name» shall specify the portion of its Tier 2 Short-Term Rate power purchase to be converted and priced at a PF Tier 2 Vintage Market Sourced Rate in Table 1 within section 2.4 in the column labeled "MW Converted from Short Term." The PF Tier 2 Vintage Market Sourced Rate, if established by BPA, will be consistent with the Tiered Rate Methodology (TRM) and this SOI. If there is a conflict between the TRM and this SOI, the TRM shall take precedence. The specific PF Tier 2 Vintage Market Sourced Rate, if established, shall be referred to as the VR1-201X Rate.

The Parties agree:

1. CONDITIONS FOR SERVICE

- 1.1 BPA must receive requests for service at a PF Tier 2 Vintage Market Sourced Rate, as specified in the SOI executed by customers, in an aggregate load amount of 10 aMW or more for each year during Fiscal Years 201X-201Y for BPA to propose the VR1-201X Rate. If insufficient elections are received for this SOI, then «Customer Name» shall continue service from BPA at their Short Term Rates.

- 1.2 The deadline for «Customer Name» to sign this SOI is no later than «month day, year» to be eligible to purchase power at the VR1-201X Rate as proposed by BPA.
- 1.3 Additional criteria for service are included in Exhibit A which is attached and made a part of this SOI as if fully set out herein.

2. ESTABLISHING THE VR1-201X RATE AND ASSOCIATED COSTS

- 2.1 BPA shall establish a Tier 2 Vintage Rate for each Rate Period as part of the preceding 7(i) Process.
- 2.2 BPA shall set the VR1-201X Rate to recover the costs of BPA acquiring power plus the costs of shaping such power into annual flat block amounts of energy, equal in all hours of the year, to serve the customers' Above-RHWM Load. «Customer Name» elects to have BPA serve the portion of its Above-RHWM Load declared in this SOI at the VR1-201X Rate if established.
- 2.3 BPA shall set the VR1-201X Rate to also recover the administrative costs of developing, negotiating and executing BPA acquisition contracts.. These costs as well as other applicable costs including, but not limited to, acquisition fees, risk premiums, and odd lot charges, will be included in the 7(i) Process used to establish the applicable VR1-201X Rate.
- 2.4 The average undelivered cost for the power acquired by BPA that can be allocated to the VR1-201X Rate shall not exceed the weighted average of \$«XX.XX»/MWh over the 5 years of the Tier 2 Vintage Market Sourced Rate calculated as shown in the table 1 below.

BPA intends, but is in no way obligated, to purchase power for Fiscal Years 201X-201Y at prices no higher than the energy prices noted in order to establish the energy cost basis for the VR1-201X Rate. The energy cost allocated to the proposed rate shall not exceed the energy price that is stated above and in Table 1 below.

NUMBERS IN TABLE BELOW ARE FOR ILLUSTRATIVE PURPOSES ONLY

Table 1 – Average MW Converted from Short Term

| Fiscal year | aMW converted from Short Term | Maximum \$/MWh (see comments above) | Special Considerations (location, transmission, energy type, etc) |
|------------------|-------------------------------|-------------------------------------|-------------------------------------------------------------------|
| FY 201X | A | \$50 | Market purchase |
| FY 201L | A | \$52 | |
| FY 201M | A | \$54 | |
| FY201N | A | \$56 | |
| FY201Y | A | \$58 | |
| Weighted average | N/A | \$B* | |

* weighted average = \$XX /YY MW

2.5 Additional information describing the costs attributable to the VR1-201X Rate is stated in Exhibit A.

3. CONTRACT ADMINISTRATION

By «month day, year» BPA shall notify «Customer Name» of the amount of its request that may be accommodated by this Tier 2 Vintage Rate. Pursuant to section 2.3.1.6 of Exhibit C of the Agreement, BPA shall revise «Customer Name»’s exhibit by September 15 immediately following BPA’s establishment of a PF Tier 2 Vintage Market Sourced Rate. BPA shall include «Customer Name»’s purchase amount at the VR1-201X Rate in section 2.3.2 of Exhibit C.

4. RELIEF FROM «CUSTOMER NAME»’S ELECTION IN SOI

4.1 If BPA is not able to acquire power at or below the weighted average cost stated in section 2.4 above, then «Customer Name» shall not be bound by its election in this SOI.

4.2 If BPA is unable to establish a VR1-201X Rate or cannot meet the conditions set forth in this SOI, then «Customer Name» shall be relieved of any obligations under this SOI.

If the terms of this SOI are acceptable, please sign both originals and return one original of this Agreement to BPA. The remaining original is for your files.

ACCEPTED: _____ Sincerely,

«FULL NAME OF CUSTOMER»

By _____ Account Executive
«Title»

Name _____ Name _____

Date _____

(PBLAN-PS«X/LOC»-W:\PS«X»\PM\CT\«#####».DOC) «mm/dd/yy» {Insert date of finalized contract here}

09PB-«#####», «Customer Name»
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Exhibit «A»
«EXHIBIT TITLE HERE»

1. Cost Elements of the Tier 2 Vintage Rate

In addition to the costs discussed in the body of this SOI letter and resource-specific costs of power, including fixed and variable costs of a resource, BPA may also set the rate to recover the following cost components including, but not limited to:

Risk Adjustments: Cost adjustments for risks, if any, may include additional \$/MW charges or other true-up payments.

Resource Support Services: Cost of converting raw energy output into a flat annual block of energy. Because the energy purchase associated with this Tier 2 Vintage Rate is composed of flat annual blocks of market purchases, an RSS adder should not be required.

Overhead Cost Adder: Cost of administering the Tier 2 Vintage Rate

Excess Tier 1 System Resource contribution, if any: This refers to any adjustments necessary and consistent with the TRM, including the use of unused Tier 1 System Capability, if available, for providing part or all of the service to the Tier 2 Vintage Rate purchased at BPA's election.

2. Tier 2 Vintage Rate Availability Criteria

Eligibility: Consistent with the terms of and elections made by «Customer Name» under its Agreement, power purchase amounts «Customer Name» has elected to purchase from BPA at the Tier 2 Short-Term Rate are eligible to convert to service at this Tier 2 Vintage Rate.

Limits on Availability: The amount of «Customer Name»'s Above-RHWM Load at Tier 2 rates available for conversion to one or more Tier 2 Vintage Rates is limited by the amount of Tier 2 Short Term Rate «Customer Name» has elected to purchase and is included in Exhibit C of «Customer Name»'s Agreement. «Customer Name» may also be limited by the amount of energy BPA is able to procure at a Vintage Rate as described below.

Process if Customers' Requests Exceed Availability: If requests for service at a Tier 2 Vintage Rate in any year are in excess of the amount purchased by BPA, then BPA will reduce each customer's request for purchase from the Tier 2 Vintage Cost Pool pro rata comparing «Customer Name»'s originally requested amount for the year as compared to the total amount of megawatts requested of BPA for such Tier 2 Vintage Cost Pool.

3. Supplier Default/Dry Hole Risk

In the event that deliveries of power to BPA from a resource used to establish a Tier 2 Vintage Cost Pool are temporarily interrupted, then BPA may include the cost of replacement power in the Tier 2 Vintage Cost Pool for the next applicable Rate Period. In the event that deliveries of power to BPA from an acquired resource used

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to establish this Tier 2 Vintage Cost Pool permanently end, starting with the next applicable Rate Period BPA will price service to «Customer Name» at the Tier 2 Short-Term Rate until BPA proposes and establishes another Tier 2 Vintage Rate, at which time «Customer Name» may elect to purchase power at the new Tier 2 Vintage Rate.

If deliveries of power to BPA from an acquired resource cease for any reason, then BPA shall include all costs of acquiring power assigned to, but not yet fully recovered from, a Tier 2 Cost Pool for a Tier 2 Vintage Rate in an applicable Tier 2 rate paid by this Tier 2 Vintage Cost Pool to BPA. Recovery of such costs shall remain the obligation of those customers in the Tier 2 Vintage Cost Pool that take service under such Tier 2 Vintage Rate until fully recovered. BPA shall include any settlement, credit support or other monies BPA receives from the defaulted supplier as credit in the applicable Tier 2 Vintage Cost Pool.

4. Notification and Execution of Contract Revision

If the Tier 2 Vintage Rate is established, then, BPA shall revise Exhibit C of «Customer Name»'s Agreement to reflect the changes to «Customer Name»'s elections pursuant to section 2.3.1.6 of Exhibit C of the Agreement.

5. If BPA does not establish a Tier 2 Vintage Rate

BPA neither warrants nor guarantees that it will establish a Tier 2 Vintage Rate which meets the conditions established above for the proposed Tier 2 Vintage Rate. If BPA is unable to purchase power that meets the terms of this SOI for the Tier 2 Vintage Rate described above by «month day, year», then service at the rate described in this SOI will not be offered by BPA and «Customer Name» will retain its obligation to purchase power at the Tier 2 Short-Term Rate.

6. Remarketing of Tier 2 Amounts due to load loss

If «Customer Name» is purchasing power at a Tier 2 Vintage rate and experiences load loss or reductions to their Above-RHWM Load, such customer may elect to have BPA remarket an amount of power equal to such lost load or Above-RHWM Load from its Vintage Tier 2 purchase. Pursuant to section 10 of the Agreement, if a customer so elects, BPA will credit the proceeds from the remarketing, net of any remarketing cost to BPA, to the customer. «Customer Name» will still be required to pay for the entire amount of the purchase at the applicable Tier 2 Rate.

7. Conversion Costs to convert from Short Term to Vintage

Pursuant to section 2.3.1.4 of Exhibit C of the Agreement, BPA will determine in the applicable 7(i) Process whether any rates or charges should be applied to a customer transferring from the Tier 2 Short Term Rate service to a Tier 2 Vintage Rate service.

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