

Five-Month Extension of 20.5 aMW Power Sale Contract No. 09PB-12106 With Port Townsend Paper Company

Administrator's Record of Decision

On November 13, 2009, Bonneville Power Administration (BPA) executed a power sales contract with Port Townsend Paper Company (Port Townsend) for the sale of up to 20.5 aMW by BPA to Port Townsend for the period November 15, 2009, through December 31, 2010 (Block Contract), and concomitantly issued its rationale for that sale in *Bonneville Power Administration – 20.5 aMW Power Sale to Port Townsend Paper Company for the Period November 15, 2009 Through December 31, 2010 – Administrator's Record of Decision* (November Record).

In the November Record, BPA described certain additional “tangible and intangible benefits to BPA’s operations” that it may accrue in connection with the Block Contract in the event that BPA made additional sales to its direct-service industrial (DSI) customers. November Record at 10. However, BPA indicated that it was not accounting for such benefits in its analysis of the Block Contract, inasmuch as the 20.5 aMW sale, in and of itself, was not of sufficient magnitude to significantly impact the financial benefit to BPA. BPA went on to state, however, that

[T]he accrual of other potential benefits associated with the Block Contract could be significant if the accumulation of additional sales to the DSIs in total were taken into account, resulting in a favorable impact to BPA’s forecast of positive net revenues resulting from the Block Contract.

November Record at 11.

On December 21, 2009, BPA executed a power sales contract with Alcoa Inc. (Alcoa), for the sale of up to 320 aMW commencing December 22, 2009 (Alcoa Contract). The Alcoa Contract is described in *Bonneville Power Administration – Power Sale to Alcoa Inc. Commencing December 22, 2009 – Administrator's Record of Decision*, issued December 21, 2009 (Alcoa Record). In the Alcoa Record, BPA described and analyzed in detail the nature and scope of these additional tangible (quantifiable) and intangible (unquantifiable) benefits to BPA associated with the DSI Service. Tangible benefits include avoided transmission costs to BPA’s power marketing function that would otherwise be incurred absent the sales to the DSIs, and higher market prices for BPA’s surplus sales as a result of DSI load operation (Demand Shift). See November Record at 10; Alcoa Record at 41.

In light of the foregoing, BPA decided to enter into a letter agreement extending the term of the Block Contract with Port Townsend by five months, to May 31, 2011. As explained in this record of decision, BPA believes the five-month extension is justified under the equivalent benefits analysis because of the additional tangible benefits now shown to accrue to BPA for the period from now to the end of the extension.

Benefits to BPA will equal or exceed costs for the extended Block Contract with Port Townsend

BPA forecasts that the revenues it will accrue from the sale to Port Townsend of up to 20 aMW at the Industrial Firm (IP) Power rate will exceed by approximately \$54,000 the forecast revenues BPA could otherwise obtain from selling that power into the market through the extended period of the Block Contract with Port Townsend. See Tables 1-6 below. As a consequence, BPA believes service to Port Townsend under the Block Contract is consistent with *Pacific Northwest Generating Cooperative v. BPA*, 580 F.3d 828 (9th Cir. 2009) (*PNGC II*), that service to a DSI only can be provided if benefits equal or exceed costs.

BPA's projected monthly revenues were determined by multiplying the heavy load hour (HLH) and light load hour (LLH) energy entitlements and demand entitlement by their respective IP rates for each month. BPA calculated revenues under the Block Contract based on the sale of 20 aMW of firm power (not 20.5 MW because power is scheduled in whole megawatts) each hour to Port Townsend under the IP-10 rate schedule beginning November 15, 2009, the commencement of Firm Power deliveries pursuant to the Block Contract, and ending on May 31, 2011. The energy entitlements are the projected amounts of megawatt-hours to be sold by diurnal period each month. The demand entitlement is the projected megawatt amount consumed during the hour of BPA's system peak. BPA's projected monthly revenues were then accumulated and the result is illustrated in Tables 1 and 2:

TABLE 1 - Usage and Rates

Month	Port Townsend Usage			IP-10 Rates		
	Demand (kW)	HLH (MWh)	LLH (MWh)	Demand (\$ / kW)	HLH (\$ / MWh)	LLH (\$ / MWh)
Nov-09	20,000	3,840	3,840	\$2.19	\$33.33	\$29.58
Dec-09	20,000	8,320	6,560	\$2.30	\$35.24	\$31.13
Jan-10	20,000	8,000	6,880	\$1.96	\$38.46	\$32.24
Feb-10	20,000	7,680	5,760	\$1.99	\$37.72	\$31.73
Mar-10	20,000	8,640	6,220	\$1.85	\$35.94	\$30.08
Apr-10	20,000	8,320	6,080	\$1.74	\$32.23	\$26.95
May-10	20,000	8,000	6,880	\$1.44	\$31.69	\$22.29
Jun-10	20,000	8,320	6,080	\$1.32	\$31.18	\$23.29
Jul-10	20,000	8,320	6,560	\$1.61	\$33.33	\$28.66
Aug-10	20,000	8,320	6,560	\$1.89	\$37.31	\$31.40
Sep-10	20,000	8,000	6,400	\$1.96	\$36.49	\$32.26
Oct-10	20,000	8,320	6,560	\$2.05	\$31.92	\$27.01
Nov-10	20,000	8,000	6,420	\$2.19	\$33.33	\$29.58
Dec-10	20,000	8,320	6,560	\$2.30	\$35.24	\$31.13
Jan-11	20,000	8,000	6,880	\$1.96	\$38.46	\$32.24
Feb-11	20,000	7,680	5,760	\$1.99	\$37.72	\$31.73
Mar-11	20,000	8,640	6,220	\$1.85	\$35.94	\$30.08
Apr-11	20,000	8,320	6,080	\$1.74	\$32.23	\$26.95
May-11	20,000	8,000	6,880	\$1.44	\$31.69	\$22.29
Jun-11	20,000	8,320	6,080	\$1.32	\$31.18	\$23.29

TABLE 2 - BPA's Projected Revenue

Month	Revenues by Rate Determinant			Projected IP Revenue	
	Demand (\$)	HLH (\$)	LLH (\$)	Month (\$)	Cumulative (\$)
Nov-09	\$43,800	\$127,987	\$113,587	\$285,374	\$285,374
Dec-09	\$46,000	\$293,197	\$204,213	\$543,410	\$828,784
Jan-10	\$39,200	\$307,680	\$221,811	\$568,691	\$1,397,475
Feb-10	\$39,800	\$289,690	\$182,765	\$512,254	\$1,909,730
Mar-10	\$37,000	\$310,522	\$187,098	\$534,619	\$2,444,349
Apr-10	\$34,800	\$268,154	\$163,856	\$466,810	\$2,911,158
May-10	\$28,800	\$253,520	\$153,355	\$435,675	\$3,346,834
Jun-10	\$26,400	\$259,418	\$141,603	\$427,421	\$3,774,254
Jul-10	\$32,200	\$277,306	\$188,010	\$497,515	\$4,271,770
Aug-10	\$37,800	\$310,419	\$205,984	\$554,203	\$4,825,973
Sep-10	\$39,200	\$291,920	\$206,464	\$537,584	\$5,363,557
Oct-10	\$41,000	\$265,574	\$177,186	\$483,760	\$5,847,317
Nov-10	\$43,800	\$266,640	\$189,904	\$500,344	\$6,347,660
Dec-10	\$46,000	\$293,197	\$204,213	\$543,410	\$6,891,070
Jan-11	\$39,200	\$307,680	\$221,811	\$568,691	\$7,459,761
Feb-11	\$39,800	\$289,690	\$182,765	\$512,254	\$7,972,016
Mar-11	\$37,000	\$310,522	\$187,098	\$534,619	\$8,506,635
Apr-11	\$34,800	\$268,154	\$163,856	\$466,810	\$8,973,444
May-11	\$28,800	\$253,520	\$153,355	\$435,675	\$9,409,120
Jun-11	\$26,400	\$259,418	\$141,603	\$427,421	\$9,836,540

Comparison of net revenues under the Block Contract to forecast revenues that might be obtained by selling an equivalent amount of power on the market.

BPA routinely shapes its inventory to meet the need of its portfolio of contracts and sells its surplus inventory by purchasing and selling in the Pacific Northwest power market as described in BPA's WP-10 rate proceeding.¹ BPA established its forecast of Mid-Columbia trading hub (Mid-C) electricity prices in the WP-10 rate proceeding to value these purchases and sales.² For the period covered by the Block Contract BPA has updated its natural gas forecast from that used in BPA's WP-10 rate proceeding to forecast electricity prices to reflect a more contemporary understanding of natural gas fundamentals and to be consistent with the natural gas forecast used in the November Record, the Alcoa Record, and BPA's draft Resource Program released September 30th, 2009.³

In the absence of the Block Contract selling 20 aMW of firm power to Port Townsend every hour BPA would have one less firm power requirement sale in its aggregated portfolio load shape to meet; as such BPA would have 20 aMW of surplus energy to sell in the market. As illustrated in Table 3, BPA forecast the revenues it would otherwise obtain from the market using the same forecasting methodology applied in the WP-10 rate proceeding to incorporate our updated forecast of natural gas prices in the development of our electricity price forecast used in this analysis of the five-month extension.⁴

¹ Refer to section 2.4 of the *Risk Analysis and Mitigation Study* in the WP-10 rate proceeding for a more complete description of the operating risk factors BPA faces in the course of doing business – in particular “the variation in hydro generation due to the variation in the volume of water supply from one year to the next...” which significantly impacts market prices, our need for shaping purchases and our ability to make surplus sales. (See WP-10-FS-BPA-04 beginning on page 21.)

² BPA employs its electricity price forecast for multiple purposes in the WP-10 rate proceeding as outlined in the *Market Price Forecast Study*. The study also details how BPA established its forecast of Mid-C electricity prices in the WP-10 rate proceeding. (See WP-10-FS-BPA-03, beginning on page 1.)

³ BPA's natural gas forecast used in the WP-10 rate proceeding is outlined in section 3.3 of the *Market Price Forecast Study*. (See WP-10-FS-BPA-03, beginning on page 11.) BPA's more contemporary understanding of natural gas market fundamentals caused a lowering of its natural gas price forecast in 2010 and an increase in 2011. The primary reasons for BPA's recent reductions became apparent in the progression of time since the natural gas price forecast for the WP-10 rate proceeding was constructed; these are: a) continued strength of natural gas production despite steep reductions in rig counts, b) continued slow recovery of natural gas demand – particularly on the industrial side, c) record amount of natural gas in storage, d) reduced risk of hurricane impact on supply now that the 2009 hurricane season is nearly over. (See also *Short-term Energy Outlooks* from the EIA for September and October that have reduced their forecasted Henry Hub Spot Price average for 2010 to \$4.78 and \$5.02 per Mcf respectively [or \$4.64 and \$4.87 per MMBtu using EIA's conversion of 1 Mcf = 1.031 MMBtu], *Short-term Energy Outlook*, DOE EIA, September 9, 2009, page 1; *Short-Term Energy and Winter Fuels Outlook*, DOE EIA, October 6, 2009, p. 3.)

TABLE 3 - BPA's Forecasted Revenues Obtained from the Market

Month	Forecasted Market		Forecasted Revenues Obtained from the Market			
	HLH Price (\$ / MWh)	LLH Price (\$ / MWh)	HLH (\$)	LLH (\$)	Month (\$) (HLH + LLH)	Cumulative (\$)
Nov-09	\$28.75	\$26.38	\$110,386	\$101,285	\$211,671	\$211,671
Dec-09	\$30.61	\$27.41	\$254,686	\$179,826	\$434,512	\$646,183
Jan-10	\$34.13	\$29.51	\$273,032	\$203,019	\$476,051	\$1,122,233
Feb-10	\$34.46	\$29.77	\$264,654	\$171,473	\$436,127	\$1,558,361
Mar-10	\$33.92	\$29.16	\$293,105	\$181,373	\$474,478	\$2,032,839
Apr-10	\$32.95	\$28.05	\$274,139	\$170,563	\$444,702	\$2,477,541
May-10	\$33.93	\$24.45	\$271,455	\$168,220	\$439,675	\$2,917,217
Jun-10	\$34.33	\$26.33	\$285,619	\$160,085	\$445,704	\$3,362,921
Jul-10	\$37.33	\$32.18	\$310,572	\$211,074	\$521,646	\$3,884,566
Aug-10	\$42.48	\$35.63	\$353,413	\$233,703	\$587,116	\$4,471,682
Sep-10	\$42.86	\$38.00	\$342,871	\$243,178	\$586,049	\$5,057,731
Oct-10	\$43.31	\$36.85	\$360,342	\$241,727	\$602,070	\$5,659,801
Nov-10	\$45.36	\$40.59	\$362,894	\$260,574	\$623,467	\$6,283,268
Dec-10	\$48.81	\$43.42	\$406,097	\$284,854	\$690,951	\$6,974,219
Jan-11	\$50.70	\$42.13	\$405,610	\$289,834	\$695,445	\$7,669,664
Feb-11	\$50.78	\$42.80	\$390,015	\$246,519	\$636,533	\$8,306,197
Mar-11	\$49.33	\$40.83	\$426,216	\$253,956	\$680,172	\$8,986,369
Apr-11	\$46.35	\$38.79	\$385,603	\$235,843	\$621,446	\$9,607,815
May-11	\$47.15	\$32.65	\$377,203	\$224,647	\$601,849	\$10,209,665
Jun-11	\$46.50	\$33.58	\$386,879	\$204,196	\$591,076	\$10,800,740

Net Benefit (IP – Market)

BPA determined its net benefit of serving Port Townsend at the IP rate for each month by subtracting the opportunity cost forecast to be obtained in the market detailed in Table 3 from the projected IP revenues described in Table 2. BPA's net benefit before adjustments is illustrated in Table 4:

⁴ DSI load is assumed to include the total market load used to forecast the revenues obtained from the market at this stage. Please refer to the section on Demand Shift for how a shift in demand can affect BPA's surplus sales revenues.

TABLE 4 - BPA's Net Benefit before Adjustment
Net Revenue or (Cost)

Month	Month (\$)	Cumulative (\$)
Nov-09	\$73,704	\$73,704
Dec-09	\$108,898	\$182,601
Jan-10	\$92,640	\$275,242
Feb-10	\$76,127	\$351,369
Mar-10	\$60,141	\$411,510
Apr-10	\$22,107	\$433,617
May-10	(\$4,000)	\$429,617
Jun-10	(\$18,283)	\$411,334
Jul-10	(\$24,130)	\$387,203
Aug-10	(\$32,913)	\$354,290
Sep-10	(\$48,465)	\$305,826
Oct-10	(\$118,310)	\$187,516
Nov-10	(\$123,124)	\$64,392
Dec-10	(\$147,541)	(\$83,149)
Jan-11	(\$126,753)	(\$209,903)
Feb-11	(\$124,279)	(\$334,182)
Mar-11	(\$145,552)	(\$479,734)
Apr-11	(\$154,637)	(\$634,371)
May-11	(\$166,174)	(\$800,545)
Jun-11	(\$163,655)	(\$964,200)

Calculation of the net financial value of tangible benefits of selling power to Port Townsend as opposed to selling an equivalent amount of power on the market.

BPA has identified a number of tangible benefits to BPA that would not be achieved by a market sale of power compared to a sale to Port Townsend under the Block Contract at the IP rate. BPA conducted an economic analysis to determine the value of those benefits and included them in its analysis of the net value of the Block Contract to BPA. There were other, less tangible benefits accruing to BPA but assigning a financial value to those would have been more subjective, and based on the analysis below, doing so was unnecessary.

Value of Reserves⁵

The Block Contract requires that Port Townsend make contingency reserves available to BPA, reserves that would not be available from making a typical market sale. BPA takes into account the value to BPA of the reserves Port Townsend is required to make available to BPA under the Block Contract. Sales at the IP rate reflect the value of a right

⁵ The value of reserves analysis was described and evaluated in the November Record, and the benefit to BPA from reserves provided by Port Townsend were counted in BPA's analysis in the November Record, that monetary benefit to BPA is shown here again for illustrative purposes, and those benefits are not being double-counted.

for BPA to obtain contingency reserves.⁶ Specifically, the energy rate tables in the IP-10 rate schedule include an \$0.80 per MWh credit for the value of these reserves. Therefore, BPA’s net benefit analysis above, compares a surplus power sale to a sale of power at the IP rate with reserves. We adjusted for this by adding back a value of reserves that provides an equal and opposite offset to the \$0.80 per MWh credit for the value of reserves in the IP-10 rate schedule.⁷ As illustrated by Table 5a, this was done for every megawatt hour not sold to Port Townsend Paper Company:

TABLE 5a - BPA's Net Benefit Adjustments
Value of Reserves

Month	Month (\$)	Cumulative (\$)
Nov-09	\$6,144	\$6,144
Dec-09	\$11,904	\$18,048
Jan-10	\$11,904	\$29,952
Feb-10	\$10,752	\$40,704
Mar-10	\$11,888	\$52,592
Apr-10	\$11,520	\$64,112
May-10	\$11,904	\$76,016
Jun-10	\$11,520	\$87,536
Jul-10	\$11,904	\$99,440
Aug-10	\$11,904	\$111,344
Sep-10	\$11,520	\$122,864
Oct-10	\$11,904	\$134,768
Nov-10	\$11,536	\$146,304
Dec-10	\$11,904	\$158,208
Jan-11	\$11,904	\$170,112
Feb-11	\$10,752	\$180,864
Mar-11	\$11,888	\$192,752
Apr-11	\$11,520	\$204,272
May-11	\$11,904	\$216,176
Jun-11	\$11,520	\$227,696

**Avoided Transmission and Ancillary Services Expenses
(additional going forward benefits)**

When BPA makes a DSI sale, the DSI customers – including Port Townsend – cover the cost of transmission and ancillary services through their own transmission contracts. Market prices, on the other hand, assume power is delivered by the seller to Mid-C. Power Services (PS) is the organization within BPA that is responsible for the management and sale of Federal power. PS must pay the transmission and ancillary

⁶ Sales at the IP rate require the provision of the DSI Minimum Operating Reserve – Supplemental. The Block Contract is an IP sale and, accordingly, it requires that Port Townsend make such a contingency reserve available to BPA, as defined in section 2.12 and implemented by Exhibit H to the Block Contract.

⁷ In other words, BPA has increased the IP rate by the value of reserves credit for purposes of this analysis so that the comparison to a surplus sale into the market is on an “apples to apples” basis.

services costs to move surplus power to the Mid-C delivery point in order to realize the full market value for its surplus sales. PS maintains an inventory of transmission products and services to deliver the surplus power it intends to sell. However, this inventory is not sufficient to deliver all of the surplus power PS would sell under all load and resource conditions, especially under high stream flows. As a result, there is a subset of load and resource conditions under which PS would incur incremental costs for transmission and ancillary services to deliver incremental surplus energy sales, if PS did not sign contracts to serve the DSI loads -- including the Block Contract with Port Townsend. The planned transmission and ancillary services expenses to address both the expected expenses and their uncertainty were addressed in the WP-10 rate proceeding.⁸ Since PS' overall marketing strategy is to serve all its loads out of inventory and meet any power deficits with short-term purchases, the incremental transmission and ancillary services costs are avoided when BPA makes firm power IP sales to the DSIs.

PS valued these avoided transmission and ancillary services costs using the same methodology used in the WP-10 rate proceeding to establish the total costs and risks associated with PS' inventory of transmission products and services. In these computations, both fixed, take-or-pay costs and variable incremental transmission and ancillary service costs were computed under 3,500 load and resource conditions for each month. Incremental transmission and ancillary services costs were computed by comparing the amount of surplus energy available to the monthly excess amount of firm transmission products in the PS inventory. Tariff costs established by BPA's Transmission Services organization were applied to the amount of surplus energy in excess of the PS transmission products inventory. Total monthly transmission and ancillary services costs were computed assuming no service to the DSI, and DSI service of 372 aMW.⁹ The average total monthly expense values of the 3,500 games were computed with and without service to the DSI and the differences were taken to determine the avoided PS transmission and ancillary services costs when PS makes these 372 aMW of IP sale(s) to the DSIs. For purposes of this analysis, Port Townsend has been allotted 5.4% of this PS benefit in each month as illustrated in Table 5b below. This percent allotment is the result of the proportion of the megawatt amounts in the Block Contract, as depicted in Table 1 above, and as compared to the 372 aMW forecasted for all DSI customers.

⁸ Refer to section 4 of the *Revenue Requirement Study*, WP-10-FS-BPA-02 and section 2.4 of the *Risk Analysis and Mitigation Study* in the WP-10 rate proceeding.

⁹This number is comprised on 285 aMW for Alcoa, 70 aMW for Columbia Falls Aluminum Company, and 17 aMW for Port Townsend Paper Company.

TABLE 5b - BPA's Net Benefit Adjustments
Avoided Tx and Ancillary Service Costs

Month	Month	Proportional Month	Cumulative
	(\$)	(\$)	(\$)
Nov-09	\$37,333	\$0	\$0
Dec-09	\$149,138	\$1,759	\$1,759
Jan-10	\$413,785	\$18,910	\$20,668
Feb-10	\$323,044	\$14,763	\$35,431
Mar-10	\$425,880	\$19,462	\$54,893
Apr-10	\$550,208	\$25,144	\$80,037
May-10	\$797,442	\$36,442	\$116,479
Jun-10	\$707,442	\$32,329	\$148,809
Jul-10	\$569,197	\$26,012	\$174,821
Aug-10	\$124,908	\$5,708	\$180,529
Sep-10	\$42,150	\$1,926	\$182,455
Oct-10	\$40,086	\$1,832	\$184,287
Nov-10	\$69,265	\$3,165	\$187,452
Dec-10	\$150,243	\$6,866	\$194,318
Jan-11	\$418,301	\$19,116	\$213,434
Feb-11	\$320,781	\$14,659	\$228,093
Mar-11	\$413,034	\$18,875	\$246,969
Apr-11	\$489,665	\$22,377	\$269,346
May-11	\$764,506	\$34,937	\$304,283
Jun-11	\$669,536	\$30,597	\$334,880

Demand Shift (additional going forward benefits)

When BPA serves the DSI loads – including Port Townsend – and they operate – as opposed to not operating if BPA does not sell to them – all of BPA’s surplus sales realize increased revenues because the mean value of prices for electricity in Western power markets are higher than they would otherwise be had the DSI loads not consumed electricity from Western power markets. BPA has forecasted these increased revenues by reducing loads in the Pacific Northwest by 372 aMW in each month for each of the 3,500 games AURORA simulated for the forecast used in Table 3 above. This lowered the mean price forecast by a 12-month average of \$0.29 per MWh and by \$0.41 per MWh for fiscal years 2010 and 2011 respectively.¹⁰ The monthly difference resulting from this lower mean price forecast was then multiplied by BPA’s monthly surplus energy from the WP-10 rate proceeding to determine the increased revenues available to BPA’s surplus sales when BPA makes an IP sale(s) to the DSIs – including the Block Contract with Port Townsend. For the purposes of this analysis, Port Townsend has been allotted 5.4% of this benefit to BPA in each month as illustrated in Table 5c below. This percent allotment is the result of the proportion of the megawatt amounts in the Block Contract,

¹⁰ AURORA is an electric energy market model that is owned and licensed by EPIS, Incorporated. The model assumes a competitive market pricing structure as the fundamental mechanism underlying how it estimates the wholesale electric energy market prices during the term of an analysis. In a competitive market, at any given time, electric energy market prices should be based on the marginal cost of production, which is the variable cost of the last generating unit needed to meet energy demand.

as depicted in Table 1 above, and as compared to the 372 aMW forecasted for all DSI customers.

TABLE 5c - BPA's Net Benefit Adjustments
Demand Shift

Month	Demand Shift		Cumulative (\$)
	Month (\$)	Proportional Month (\$)	
Nov-09	\$654	\$0	\$0
Dec-09	\$38,176	\$450	\$450
Jan-10	\$143,990	\$6,580	\$7,030
Feb-10	\$182,763	\$8,352	\$15,382
Mar-10	\$274,682	\$12,553	\$27,935
Apr-10	\$428,112	\$19,564	\$47,499
May-10	\$1,332,323	\$60,886	\$108,385
Jun-10	\$893,459	\$40,830	\$149,215
Jul-10	\$515,175	\$23,543	\$172,758
Aug-10	\$36,163	\$1,653	\$174,411
Sep-10	(\$24,805)	(\$1,134)	\$173,277
Oct-10	\$3,389	\$155	\$173,432
Nov-10	(\$32,059)	(\$1,465)	\$171,967
Dec-10	\$37,076	\$1,694	\$173,661
Jan-11	\$443,369	\$20,262	\$193,923
Feb-11	\$289,762	\$13,242	\$207,165
Mar-11	\$638,108	\$29,161	\$236,326
Apr-11	\$614,677	\$28,090	\$264,416
May-11	\$1,525,976	\$69,735	\$334,151
Jun-11	\$1,213,864	\$55,472	\$389,623

Conclusion of Equivalent Benefits Test

The preceding analysis demonstrates how the projected revenues BPA recovers from the nearly 19-month IP sale to Port Townsend (from November 15, 2009 through May 31, 2011) exceed by approximately \$54,000 the forecasted revenues that BPA would otherwise obtain from the market. See Table 6 below. BPA's methodology for making this determination is based, to the extent possible, on modeling tools used in BPA's rate case. That process includes discovery, testimony, rebuttal testimony, and cross examination prior to a final determination by the Administrator. Further, the analysis is marked by thorough and thoughtful consideration of market fundamentals and other factors that insure the integrity of the results.

TABLE 6 - BPA's Net Benefit after Adjustments

Month	BPA's Adjusted Net Revenue or (Cost)					
	Net Revenue or (Cost) (A) Month (\$)	Value of Reserves (B) Month (\$)	Avoided Tx Costs (C) Month (\$)	Demand Shift (D) Month (\$)	A + B + C + D Month (\$)	Cumulative (\$)
Nov-09	\$73,704	\$6,144	\$0	\$0	\$79,848	\$79,848
Dec-09	\$108,898	\$11,904	\$1,759	\$450	\$123,011	\$202,858
Jan-10	\$92,640	\$11,904	\$18,910	\$6,580	\$130,034	\$332,893
Feb-10	\$76,127	\$10,752	\$14,763	\$8,352	\$109,994	\$442,886
Mar-10	\$60,141	\$11,888	\$19,462	\$12,553	\$104,044	\$546,930
Apr-10	\$22,107	\$11,520	\$25,144	\$19,564	\$78,335	\$625,266
May-10	(\$4,000)	\$11,904	\$36,442	\$60,886	\$105,232	\$730,497
Jun-10	(\$18,283)	\$11,520	\$32,329	\$40,830	\$66,396	\$796,894
Jul-10	(\$24,130)	\$11,904	\$26,012	\$23,543	\$37,328	\$834,222
Aug-10	(\$32,913)	\$11,904	\$5,708	\$1,653	(\$13,648)	\$820,574
Sep-10	(\$48,465)	\$11,520	\$1,926	(\$1,134)	(\$36,152)	\$784,422
Oct-10	(\$118,310)	\$11,904	\$1,832	\$155	(\$104,419)	\$680,003
Nov-10	(\$123,124)	\$11,536	\$3,165	(\$1,465)	(\$109,888)	\$570,115
Dec-10	(\$147,541)	\$11,904	\$6,866	\$1,694	(\$127,077)	\$443,038
Jan-11	(\$126,753)	\$11,904	\$19,116	\$20,262	(\$75,472)	\$367,566
Feb-11	(\$124,279)	\$10,752	\$14,659	\$13,242	(\$85,626)	\$281,940
Mar-11	(\$145,552)	\$11,888	\$18,875	\$29,161	(\$85,628)	\$196,312
Apr-11	(\$154,637)	\$11,520	\$22,377	\$28,090	(\$92,649)	\$103,662
May-11	(\$166,174)	\$11,904	\$34,937	\$69,735	(\$49,598)	\$54,065
Jun-11	(\$163,655)	\$11,520	\$30,597	\$55,472	(\$66,066)	(\$12,001)

Conclusion

For the foregoing reasons, BPA has signed on this date the letter agreement extending the term of the Block Contract with Port Townsend from December 31, 2010, until May 31, 2011.

Issued at Portland, Oregon, this 24th day of December, 2009.

/s/ Allen L Burns
Acting Administrator and Chief Executive Officer