

8/22/81

RESIDENTIAL PURCHASE AND SALE AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

Index to Sections

<u>Section</u>	<u>Page</u>
1. Term of Agreement.....	3
2. Purchase by Bonneville.....	3
3. Purchase by Utility.....	3
4. In Lieu Purchase by Bonneville.....	4
5. Provisions Relating to Delivery.....	5
6. Accounting, Review, and Budgeting.....	5
7. Payment.....	6
8. Cost Benefits.....	6
9. Termination of Agreement.....	6
10. Election to Equalize Rates.....	6
11. Relating Only to Residential Purchase and Sale Agreements...	8
12. Exhibits.....	8
Exhibit A (Priority Firm Power Rate Schedule PF-1 and General Rate Schedule Provisions).....	8

Section

Page

Exhibit B (General Contract Provisions [GCP Form PSC-1])....	8
Exhibit C (Average System Cost Methodology).....	8
Exhibit D (Residential Load Definition).....	8
Exhibit E (Load Factor Specification).....	8
Exhibit F (Determination of New Large Single Loads).....	8

This AGREEMENT, executed _____, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and _____ (Utility), a corporation of the State of _____,

W I T N E S S E T H :

WHEREAS the 96th Congress of the United States of America at the Second Session enacted the Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, as amended (Regional Act); and

WHEREAS the Regional Act, among other matters, provides that a Pacific Northwest electric utility may sell electric power to Bonneville at the average system cost (ASC) of that utility's resources and that Bonneville shall sell in return an equivalent amount of electric power for resale to that utility's residential and farm users within the Pacific Northwest (Region); and

WHEREAS, Bonneville is required under Section 4(g)(1) of the Regional Act to maintain comprehensive programs to insure widespread public involvement in the formulation of regional power policies; and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various hydroelectric projects in the Pacific Northwest or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into related agreements to carry out such authority;

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

1. Term of Agreement. This agreement shall be effective on the later of (1) 2400 hours on the date of execution; or (2) 2400 hours on September 30, 1981, and shall terminate at 2400 hours on June 30, 2001, unless terminated pursuant to section 9 below. Notwithstanding termination of this agreement, all liabilities incurred hereunder shall continue until satisfied.

2. Purchase by Bonneville. Subject to the provisions of section 4 below and subject to the per centum limitations specified in section 5(c)(?) of the Regional Act which shall apply separately to each Jurisdiction, as defined in Exhibit C, in which the Utility provides service, the Utility shall sell and Bonneville shall purchase each month an amount of electric power not in excess of the Utility's Residential Load, as defined in Exhibit D, for such month. The amount of power to be sold by the Utility under this section shall be determined pursuant to Exhibit D at the ASC determined pursuant to Exhibit C. The Utility may sell power hereunder only for Residential Load that is associated with its retail service areas. An exception to this is that the Utility may also sell power for the Residential Loads of another utility as agent for the other utility in accordance with an agreement with the other utility that is approved by Bonneville and terminable at will by the other utility.

3. Purchase by the Utility. Subject to the per centum limitations in section 5(c)(2) of the Regional Act, Bonneville shall sell and the Utility shall purchase each month an amount of electric power not in excess of the

A 001625

Utility's Residential Load for the month. The amount of energy purchased shall be determined pursuant to Exhibit D, and the purchase price shall be the rate determined pursuant to Exhibit A. Exhibit A shall be the then effective rate established pursuant to section 7(b) of the Regional Act. For billing purposes, the Utility's load factor shall be as determined pursuant to Exhibit E.

4. In Lieu Purchase by Bonneville.

(a) In lieu of purchasing all or a portion of the electric power referred to in section 2 above, Bonneville may acquire an equivalent amount of electric power from other sources if the cost of such acquisition is less than the cost of purchasing the electric power referred to in section 2. For the purpose of determining the cost of any such in lieu purchase, transmission and production costs, and transmission losses, as determined by Bonneville, shall be included. Bonneville shall give the Utility not less than seven years prior written notice of Bonneville's intent to use such acquisition in lieu of purchasing all or a portion of the electric power referred to in section 2 above. This notice shall state the amount, duration, source, estimated cost and estimated scheduling provisions of the intended acquisition. Any intended acquisition shall be at least five years in duration.

(b) The Utility shall elect upon receipt of such notice: (1) to reduce, in a manner determined by Bonneville pursuant to prudent utility practice, the amount of power purchased by Bonneville pursuant to section 2 above by the amount of the intended acquisition; or (2) to reduce to the cost of the intended acquisition the ASC applicable to a portion of the power purchased by Bonneville pursuant to section 2 above equal to the amount of the intended acquisition. A Utility shall have 60 working days from the receipt of the notice in subsection (a) above to elect (1) or (2).

A001626

(c) Bonneville shall not acquire power from a resource for an in lieu purchase hereunder if the Utility or another utility under a similar contract has reduced its ASC rate pursuant to section 4(b)(?) above. Such resource may be used for an in lieu purchase hereunder if such utility which reduced its ASC later terminates its purchase from Bonneville under this agreement or such similar agreement.

(d) Bonneville shall acquire power from a resource for an in lieu purchase hereunder only if such resource is not needed to meet Bonneville's obligations to supply firm power to customers in the Region, and such resource shall not be a resource the cost of which previously has been assigned to Bonneville's New Resource Firm Power rate under section 7(f) of the Regional Act. Bonneville shall not execute a resource purchase agreement to acquire power on behalf of the Utility in lieu of the electric power offered by the Utility hereunder during periods when Bonneville has issued a notice of restriction to any investor-owned utility, public body, cooperative, or Federal agency.

5. Provisions Relating to Delivery. The Utility shall submit to Bonneville no more frequently than once in any 30-day period an accounting invoice with supporting documentation for the Utility's Residential Load billed during the billing period selected by the Utility. Such documentation shall include the kilowatthours of energy which the Utility billed to its Residential Load in each Jurisdiction. This accounting invoice shall be deemed to be the receipt for the purchase and sale of power under this agreement.

6. Accounting, Review, and Budgeting. The Utility shall keep up-to-date records and documents showing all transactions and other arrangements made pertaining to the terms of this agreement. These records and documents shall

A 001627

contain information supporting the Utility's ASC as determined pursuant to Exhibit C and the Utility's Residential Load. The Utility shall retain these records and documents on file for at least five years. At Bonneville's expense, Bonneville or its designee may, from time to time, conduct reviews or inspection of the Utility's records, accounts, and related documents pertaining to this agreement. The Utility shall fully cooperate in good faith with any such reviews or inspections.

7. Payment. Within 30 days after receipt of the invoice referred to in section 5 above, Bonneville shall verify the invoice, compute the amount due the Utility from the sale under section 2 and the amount due Bonneville from the sale under section 3, and either pay or bill the Utility for the difference, as appropriate.

8. Cost Benefits. The cost benefits to the Utility within each Jurisdiction attributable to Bonneville's providing electric power and energy to the Utility's Residential Load under this agreement shall be passed through directly to the Utility's Residential Load within such Jurisdiction. Cost benefits means the reduction in the Utility's wholesale power costs during the term of this agreement as a result of this agreement.

9. Termination of Agreement. The Utility may terminate or suspend this agreement for a period of at least one year if the supplemental rate charge provided for in section 7(b)(3) of the Regional Act is applied by Bonneville and the cost of electric power sold to the Utility under section 3 of this agreement exceeds the ASC of the power sold to Bonneville under section 2.

10. Election to Equalize Rates. The Utility may elect to have its Exhibit C rate for any Jurisdiction deemed equal to the Exhibit A rate. Such election shall be made in writing to Bonneville within 25 working days following confirmation and approval by the Federal Energy Regulatory

A001628

Commission or its successor agency (FERC), on an interim or final basis, of a change in the Exhibit A rate or in Exhibit C methodology, and will take effect as of the effective date of that change.

During any period that such election is in effect, Bonneville shall debit to a separate account the net exchange payment to Bonneville, if any, that would have been required of the Utility if the Utility had not made such election and shall credit to that account any exchange payments that would have been made. The net balance in such account shall accumulate interest at the rate specified in section IV.E. of Exhibit C.

During the period of any such election, any portion of the costs for terminated resources associated with section 7(g) of the Regional Act included in the Exhibit A rate which would have been charged to the Utility shall be payable by the Utility by means of a surcharge to the Utility's power sales contract payments pursuant to section 5(b) of the Regional Act or, if the Utility is not party to such a contract, monthly in cash as accrued. Such surcharge payments shall not exceed the total costs incurred by Bonneville during the same period and attributable to terminated resources which the Utility has sold to Bonneville and which total costs are not otherwise recovered currently through such section 7(g) allocations to any other rate or rates paid by the Utility. Such payment also shall not exceed the payments which the Utility would have made to Bonneville during each exchange period had it not made such election. Section 7(g) costs so paid shall be excluded from the separate account maintained pursuant to this section.

The Utility may rescind such election and resume full participation in the exchange provided at that (a) the debit balance of such separate account be less than or equal to zero; or (b) the Utility makes payments to Bonneville in agreed upon installments to bring the debit balance to zero. Such rescission

A 001629

may be either by notice in writing effective upon delivery to Bonneville within 25 working days following confirmation and approval by FERC, on an interim or final basis, of a change in Exhibit A, or by notice in writing effective on a date to be agreed upon by Bonneville and the Utility, which date shall be within 13 months following delivery to Bonneville of the notice of rescission.

Upon termination of this agreement, any debit balance in such separate account shall not be a cash obligation of the Utility, but shall be carried forward to apply to any subsequent exchange by the Utility for the Jurisdiction under any new or succeeding agreement.

11. Relating Only to Residential Purchase and Sale Agreements. The Utility agrees to comply with the following statutes, Executive Orders, and regulations to the extent applicable:

(a) the Rehabilitation Act of 1973, Public Law 93-112, as amended, and 41 CFR 60-741 (affirmative action for handicapped workers);

(b) the Vietnam Era Veterans Readjustment Assistance Act of 1974, Public Law 92-540, as amended, and 41 CFR 60-250 (affirmative action for disabled veterans and veterans of the Vietnam era);

(c) Executive Order 11625 and 41 CFR 1-1.1310-2(a) (utilization of minority business enterprises);

(d) the Small Business Act, as amended,

(e) Certification of Nonsegregated Facilities, 41 CFR 1-12.803-10.

12. Exhibits. Exhibit A (Priority Firm Power Rate, Schedule PF-1, and General Rate Schedule Provisions), Exhibit B (General Contract Provisions [GCP Form PSC-1]), Exhibit C (Average System Cost Methodology), Exhibit D (Residential Load Definition), Exhibit E (Load Factor Specification), and Exhibit F (Determination of New Large Single Loads) are hereby made part of

A 001630

this contract. Exhibit D shall be revised to incorporate additional qualifying tariff schedules, subject to Bonneville's determination that the loads served under these schedules are qualified under the Act. Each time Bonneville has a new rate adjustment date, the Utility shall submit a revised Exhibit E, prepared in the same manner as Exhibit E attached hereto, to Bonneville within 20 working days of such date. The revised Exhibit E shall become effective as of such date.

IN WITNESS WHEREOF, the parties have executed this Agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy

By Bonneville Power Administrator

By _____
Title _____
Date _____

ATTEST:

By _____
Title _____
Date _____

(WP-PCI-0054c)
(8/22/81)

WHOLESALE POWER RATE SCHEDULES AND GENERAL RATE SCHEDULE PROVISIONS

SCHEDULE PF-1 - PRIORITY FIRM POWER RATE

SECTION 1. Availability: This schedule is available for the purchase of firm power to be used within the Pacific Northwest for resale or for direct consumption by public bodies, cooperatives, Federal agencies, and investor-owned utilities participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act (Regional Act). This schedule supersedes Schedule EC-8 which went into effect on an interim basis on December 20, 1979.

SECTION 2: Rate:a. Demand Charge:

(1) for the billing months December through May, Monday through Saturday, 7 a.m. through 10 p.m.: \$2.80 per kilowatt of billing demand.

(2) for the billing months June through November, Monday through Saturday, 7 a.m. through 10 p.m.: \$1.44 per kilowatt of billing demand.

(3) all other hours: No demand charge.

b. Energy Charge:

(1) for the billing months September through March: 7.4 mills per kilowatthour of billing energy.

(2) for the billing months April through August: 6.9 mills per kilowatthour of billing energy.

SECTION 3. Billing Factors: The factors to be used in determining the billing for power purchased under this rate schedule are as follows:

a. For any purchaser not designated to purchase under subsection 3(b), 3(c), or 3(d):

(1) the contract demand as specified in the contract;

(2) the measured demand for the billing month adjusted for power factor;

(3) the measured energy for the billing month.

b. Designation of a purchaser to purchase on a computed demand basis will be according to this section unless the terms of an existing contract executed after December 5, 1980 provide otherwise. For any

EXHIBIT A

purchaser designated by BPA to purchase on a computed demand basis because of such purchaser's potential ability either to sell generation from its resources in such a manner as to increase BPA's obligation to deliver firm power to such purchaser in an amount in excess of BPA's obligation prior to such sale, or to redistribute the generation from its resources over time in such a manner as to cause losses of power or revenue on the Federal System; provided, however, that when a purchaser operates two or more separate systems, only those systems designated by BPA will be covered by this subsection:

- (1) the peak computed demand for the billing month;
- (2) the average energy computed demand for the billing month;
- (3) the lesser of the peak computed demand for the billing month or 60 percent of the highest peak computed demand during the previous 11 billing months;
- (4) the measured demand for the billing month adjusted for power factor;
- (5) the measured energy for the billing month;
- (6) the contract demand as specified in an agreement between a purchaser and BPA for a specified period of time.

c. For any purchaser contractually limited to an allocation of capacity and/or energy as determined by BPA pursuant to the terms of a purchaser's power sales contract:

- (1) the allocated demand for the billing month, as specified in the contract;
- (2) the measured demand for the billing month adjusted for power factor;
- (3) the allocated energy for the billing month, as specified in the contract;
- (4) the measured energy for the billing month.

d. For any purchaser participating in the exchange under Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act:

- (1) sixty percent of the energy associated with the utility's residential load as specified in the contract for each billing period;
- (2) the demand calculated by applying the load factor, determined as specified in the contract, to the energy in 3(d)(1) for each billing period.

SECTION 4. Determination of Billing Demand and Billing Energy:

a. For a purchaser governed by subsection 3(a):

(1) the billing demand for the month shall be factor 3(a)(1) or 3(a)(2), as specified in the purchaser's power sales contract, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(a)(3) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3).

b. For a purchaser governed by subsection 3(b):

(1) the billing demand for the month shall be the largest of factors 3(b)(3), and 3(b)(4), or 3(b)(6) if applicable. Factor 3b(4), before adjustment for power factor, shall not exceed the largest of factors 3(b)(1), 3(b)(2), or 3(b)(6) if applicable, except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing demand for the month shall be factor 3(c)(2), provided, however, that billing demand factor 3(c)(2), before adjustment for power factor, shall not exceed factor 3(c)(1).

(2) the billing energy for the month shall be factor 3(b)(5) except that at such time as BPA determines that the limitation in Section 3(c) is necessary, the billing energy shall be factor 3(c)(4), provided, however, that factor 3(c)(4) shall not exceed factor 3(c)(3). Factor 3(b)(5) shall not exceed factor 3(b)(2) times the number of hours during such month.

c. For purchaser governed by subsection 3(d):

(1) The billing demand for the month shall be factor 3(d)(2).

(2) The billing energy for the month shall be factor 3(d)(1).

SECTION 5. Adjustments:

a. Power Factor: The adjustment for power factor, when specified in this rate schedule or in the power sales contract, may be made by increasing the measured demand for each month by 1 percent for each 1 percent or major fraction thereof by which the average lagging power factor, or average leading power factor, at which energy is supplied during such month is less than 95 percent, such average power factor to be computed to the nearest whole percent from the formula given in Section 9.1 of the General Rate Schedule Provisions.

EXHIBIT A

The adjustment for power factor may be waived in whole or in part by BPA. Unless specifically otherwise agreed, BPA may, if necessary to maintain acceptable operating conditions on the Federal System, restrict deliveries of power to a purchaser at a point of delivery or for a system at any time that the average power factor for all classes of power delivered to a purchaser at such point of delivery or for such system is below 75 percent lagging or 75 percent leading.

b. At-Site Power: At-site power purchased for consumption by a purchaser shall be used within 15 miles of the powerplant specified in the power sales contract. At least 90 percent of any at-site power purchased for resale shall be used within 15 miles of the specified powerplant.

The monthly demand charge for at-site firm power will be the monthly demand charge for priority firm power reduced by \$0.257 per kilowatt of billing demand.

At-site priority firm power is made available only for those utility customers purchasing at-site firm power under existing contracts. At-site priority firm power may be purchased by such utility customers under new contracts only until a date certain specified in such new contracts. If deliveries are made from an interconnection with the Federal System other than at one of such designated points, the purchaser shall pay an amount adequate to cover the annual cost of the facilities which would have been required to deliver such power to such point from either the generator bus at the generating plant, or from the adjacent point as designated by BPA. This use-of-facilities charge shall be in addition to the charge determined by the application of Section 2 of the Rate Schedule as reduced by the provisions of this subsection.

c. Low-Density Discount: A predetermined discount will be applied each month of a calendar year to the charges for power purchased under contracts between BPA and its customers. The amount of such discount is based on the ratio of the total annual energy requirements of the purchaser's electric operations during the preceding calendar year to the purchaser's depreciated investment in electric plant in service (excluding generating plant) at the end of such year, or the purchaser's ratio of residential consumers per mile of line. This calculation of such ratio will be made using the customer's entire system. Provided that the purchaser's ratio of residential consumers per mile of line does not exceed ten, this discount shall be:

(1) Seven percent if such ratio is less than 15 kilowatthours per dollar of net investment or if the number of consumers per mile of line is two or less.

(2) Five percent if such ratio is equal to or greater than 15 and less than 25 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is four or less.

EXHIBIT A

(3) Three percent if such ratio is equal to or greater than 25 and less than 35 kilowatthours per dollar of net investment, or if the number of consumers per mile of line is six or less.

SECTION 6. Unauthorized Increase: That portion of (a) any 60-minute clock-hour integrated demand or scheduled demand (the total amount of power scheduled to the purchaser from BPA) that cannot be assigned to a class of power which BPA delivers on such hour pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such hour, or (b) the total of a purchaser's 60-minute clock-hour integrated or scheduled demands during a billing month which cannot be assigned to a class of power which BPA delivers during such month pursuant to contracts between BPA and the purchaser or to a type of power which the purchaser acquires from sources other than BPA which BPA delivers during such month, may be considered an unauthorized increase. Each 60-minute clock-hour integrated or scheduled demand shall be considered separately in determining the amount which may be considered an unauthorized increase pursuant to (a) and the total of such amounts which are in fact considered unauthorized increases shall be excluded from the total of the integrated or scheduled demands for such month in determining the amount which may be considered an unauthorized increase under (b).

The charge for an unauthorized increase shall be \$0.13 per kilowatthour.

SECTION 7. General Provisions: Sales of power under this schedule shall be subject to the provisions of the BPA Project Act, as amended, the Regional Preference Act, the Federal Columbia River Transmission System Act, the Pacific Northwest Electric Power Planning and Conservation Act, and the General Rate Schedule Provisions.

GENERAL RATE SCHEDULE PROVISIONS

SECTION 1.1. Priority and New Resource Firm Power: Priority and new resource firm power is electric power which BPA will make continuously available to a purchaser to meet its net firm load requirements within the Pacific Northwest except when restricted because the operation of generation or transmission facilities used by BPA to service such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract. Such restriction of priority and new resource firm power shall not be made until industrial firm power has been restricted in accordance with Section 1.4 and until modified firm power has been restricted in accordance with Section 1.2.

SECTION 1.2. Modified Firm Power: Modified firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power, and (b) the following:

When a restriction is made necessary because the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract BPA shall restrict such purchaser's contract demand for modified firm power to the extent necessary to prevent, if possible, or minimize restriction of any priority and new resource firm power, provided, however that:

(1) such restriction of modified firm power shall not exceed at any time 25 percent of the contract demand therefore, and

(2) the accumulation of such restrictions of modified firm power during any calendar year, expressed in kilowatthours, shall not exceed 500 times the contract demand therefor. When possible, restrictions of modified firm power will be made ratably with restrictions of industrial firm power based on the proportion that the respective contract demands bear to one another. The extent of such restrictions shall be limited for modified firm power by this subsection and for industrial firm power by the Restriction of Deliveries Section of the General Contract Provisions of the contract.

SECTION 1.3. Firm Capacity: Firm capacity is capacity which BPA assures will be available to a purchaser on a contract demand basis except when operation of generation or transmission facilities used by BPA to serve such purchaser is suspended, interrupted, interfered with, curtailed, or restricted as the result of the occurrence of any condition described in the

Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 1.4. Industrial Firm Power: Industrial firm power is electric power which BPA will make continuously available to a purchaser on a contract demand basis subject to: (a) the restriction applicable to priority and new resource firm power; and (b) the following:

(1) the restrictions given in the Restriction of Deliveries Section of the Power Sales Provisions of the contract.

(2) when a restriction is made necessary because of the operation of generation or transmission facilities used by BPA to serve such purchaser and one or more priority and new resource firm power purchasers is suspended, interrupted, interfered with, curtailed, or restricted as a result of the occurrence of any condition described in the Uncontrollable Forces or Continuity of Service Sections of the General Contract Provisions of the contract, BPA shall restrict such purchaser's operating demand for industrial firm power to the extent necessary to prevent, if possible, or minimize restriction of priority and new resource firm power. When possible, restrictions of industrial firm power will be made ratably with restrictions of modified firm power based on the proportion that the respective contract and operating demands bear to one another. The extent of such restrictions shall be limited for modified firm power by Section 1.2(b) of these General Rate Schedule Provisions and for industrial firm power by the Restrictions of Deliveries Section of the contract.

SECTION 1.5. Authorized Increase: An authorized increase is an amount of electric power specified in the contract in excess of the contract or operating demand for priority firm power, new resource firm power, modified firm power, or industrial firm power that BPA may be able to make available to the purchaser upon its request. The purchaser shall make such request in writing stating the amount of increase requested, the purpose for which it will be used, and the period for which it is needed. Such request shall be made prior to the first calendar month beginning such specified period. BPA will then determine whether such increase can be made available, but it shall retain the right to restrict the delivery of such increase if it determines at any subsequent time that such increase will no longer be available.

The purchaser may curtail an authorized increase, in whole or in part, at the end of any billing month within the period such authorized increase is to be made available.

SECTION 1.6. Firm Energy: Firm energy is energy which BPA assures will be available to a purchaser during the period or periods specified in the contract except during hours as may be specified in the contract and when the operation of the Government's facilities used to serve the purchaser are suspended, interrupted, interfered with, curtailed, or restricted by the occurrence of any condition described in the Uncontrollable Forces or

Continuity of Service Sections of the General Contract Provisions of the contract.

SECTION 2.1. Contract Demand: The contract demand shall be the number of kilowatts that the purchaser agrees to purchase and BPA agrees to make available. BPA may agree to make deliveries at a rate in excess of the contract demand at the request of the purchaser (authorized increase), but shall not be obligated to continue such excess deliveries.

SECTION 2.2. Measured Demand:

a. The purchaser's measured demand will be determined according to this section unless the terms of a contract executed after December 5, 1980 provide otherwise.

b. Except where deliveries are scheduled as hereinafter provided, the measured demand in kilowatts shall be the largest of the 60-minute clock-hour integrated demands at which electric energy is delivered to a purchaser at each point of delivery during each time period specified in the applicable rate schedule during any billing period. Such largest 60-minute integrated demand shall be determined from measurements made as specified in the contract, or as determined in Section 3.2 herein. BPA, in determining the measured demand, will exclude any abnormal 60-minute integrated demands due to or resulting from (a) emergencies or breakdowns on, or maintenance of, the Federal System facilities; and (b) emergencies on the purchaser's facilities, provided that such facilities have been adequately maintained and prudently operated as determined by BPA. For those contracts to which BPA is a party and which provide for delivery of more than one class of electric power to the purchaser at any point of delivery, the portion of each 60-minute integrated demand assigned to any class of power shall be determined as specified in the contract. The portion of the total measured demand so assigned shall constitute the measured demand for each such class of power.

If the flow of electric energy to a purchaser's system through two or more points of delivery cannot be adequately controlled because such points are interconnected within the purchaser's system, or the purchaser's system is interconnected directly or indirectly with the Federal System, the purchaser's measured demand for each class of power for such system for any billing period shall be the largest of the hourly amounts of such class of power which are scheduled for delivery to the purchaser during each time period specified in the applicable rate schedule.

SECTION 2.3. Peak Computed Demand and Energy Computed Demand:

The purchaser's peak computed demand and energy computed demand will be determined according to this section unless terms of a contract executed after December 5, 1980 provide otherwise.

EXHIBIT A

The purchaser's peak computed demand for each billing month shall be the largest amount during such month by which the purchaser's 60-minute system demand exceeds its assured peaking capability.

The purchaser's average energy computed demand for each billing month shall be the amount during such month by which the purchaser's actual system average load exceeds its assured average energy capability.

a. General Principles:

(1) The assured peaking and average energy capability of each of the purchaser's systems shall be determined and applied separately.

(2) As used in this section, "year" shall mean the 12-month period commencing July 1.

(3) The critical period is that period, determined for the purchaser's system under adverse streamflow conditions adjusted for current water uses, assured storage operation, and appropriate operating agreements, during which the purchaser would have the maximum requirement for peaking or energy after utilizing the firm capability of all resources available to its system in such a manner as to place the least requirement for capacity and energy on BPA.

(4) Critical water conditions are those conditions of streamflow based on historical records, adjusted for current water uses, assured storage operation, and appropriate operating agreements, for the year or years which would result in the minimum capability of the purchaser's firm resources during the critical period.

(5) Prior to the beginning of each year the purchaser shall determine the assured capability of each of the purchaser's systems in terms of peaking and average energy for each month of each year or years within the critical period. The firm capability of all resources available to the purchaser's system shall be utilized in such a manner as to place the least requirement for capacity and energy on BPA. Such assured capability shall be effective after review and approval by BPA.

(6) The purchaser's assured energy capability shall be determined by shaping its firm resources to its firm load in a manner which places a uniform requirement on BPA within each year of the critical period with such requirement increasing each year not in excess of the purchaser's annual load growth.

(7) As used herein, the capability of a firm resource shall include only that portion of the total capability of such resource which the purchaser can deliver on a firm basis to its load. The capabilities of all generating facilities which are claimed as part of the purchaser's assured capability shall be determined by test or other substantiating data acceptable to BPA. BPA may require verification of the capabilities of any or all of the purchaser's generating facilities. Such verification will not

be required more often than once each year for operating plants, or more often than once each third year for thermal plants in cold standby status, if BPA determines that adequate annual preventive maintenance is performed and the plant is capable of operating at its claimed capability.

(8) In determining assured capability, the aggregate capability of the purchaser's firm resources shall be appropriately reduced to provide adequate reserves.

b. Determination of Assured Capability: The purchaser's assured peaking and energy capabilities shall be the respective sums of the capabilities of its hydroelectric generating plants based on the most critical water conditions on the purchaser's system, the capabilities of its thermal generating plants based on the adverse fuel or other conditions reasonably to be anticipated; and the firm capabilities of other resources made available under contracts prior to the beginning of the year, after deduction of adequate reserves. Assured capabilities shall be determined for each month if the purchaser has seasonal storage. The capabilities of the purchaser's firm resources shall be determined as follows:

(1) Hydroelectric Generating Facilities: The capability of each of the purchaser's hydroelectric generating plants shall be determined in terms of both peaking and average energy using critical water conditions. The average energy capability shall be that capability which would be available under the storage operation necessary to produce the claimed peaking capability.

Seasonal storage shall mean storage sufficient to regulate all the purchaser's hydroelectric resources in such a manner that when combined with the purchaser's thermal generating facilities, if any, and with firm capacity and energy available to the purchaser under contracts, a uniform energy computed demand for a period of one (1) month or more would result.

A purchaser having seasonal storage shall, within 10 days after the end of each month in the critical period, notify BPA in writing of the assured energy capability to be applied tentatively to the preceding month; such notice shall also specify the purchaser's best estimate of its average system energy load for such month. If such notice is not submitted, or is submitted later than 10 days after the end of the month to which it applies, subject to the limitations stated herein, the assured energy capability determined for such month prior to the beginning of the year shall be applied to such month and may not be changed thereafter.

If notice has been submitted pursuant to the preceding paragraph, the purchaser shall, within 30 days after the end of the month, submit final specification of the assured energy capability to be applied to the preceding month; provided that the assured energy capability so specified shall not differ from the amount shown in the original notice by more than the amount by which the purchaser's actual average system energy load for such month differs from the estimate of that load shown in the original notice. If the assured energy capability for such month differs

from that determined prior to the beginning of the year for such month, the purchaser, if required by BPA, shall demonstrate by a suitable regulation study based on critical water conditions that such change could actually be accomplished, and that the remaining balance of its total critical period assured energy capability could be developed without adversely affecting the firm capability of other purchaser's resources. The algebraic sum of all such changes in the purchaser's assured energy capability shall be zero at the end of the critical period or year, whichever is earlier. Appropriate adjustments in the assured peaking capability shall be made if required by any change in reservoir operation indicated by such revisions in the monthly distribution of critical period energy capability.

(2) Thermal Generating Facilities: The capability of each of the purchaser's thermal generating plants shall be determined in terms of both peaking and average energy. Such capabilities shall be based on the adverse fuel or other conditions reasonably to be anticipated. The effect of limitations on fuel supply due to war or other extraordinary situations will be evaluated at the time of occurrence.

(3) Other Sources of Power: The assured capability of other resources available to the purchaser on a firm basis under contracts shall be determined prior to each year in terms of both peaking and average energy.

c. Determination of Computed Demand: The purchaser's computed demand for each billing month shall be the greater of:

(1) The largest amount during such month by which the purchaser's actual 60-minute system demand, excluding any loads otherwise provided for in the contract, exceeds its assured peaking capability for such month, or period within such month, or

(2) The largest amount for such month, or period within such month, by which the purchaser's actual system average energy load, excluding the average energy loads otherwise provided for in the contract, exceeds its assured average energy capability.

The use of computed demands as one of the alternatives in determining billing demand is intended to assure that each purchaser who purchases power from BPA to supplement its own firm resources will purchase amounts of power substantially equivalent to the additional capacity and energy which the purchaser would otherwise have to provide on the basis of normal and prudent operations, viz, sufficient capacity and energy to carry the load through the most critical water or other conditions reasonably to be anticipated, with an adequate reserve.

Since the computed demand depends on the relationship of capability of resources to system requirements, the computed demand for any month cannot be determined until after the end of the month. As each purchaser must estimate its own load, and is in the best position to follow its development from day to day, it will be the purchaser's responsibility to request scheduling of priority and new resource firm power, including any

increase over previously established demands, on the basis estimated by the purchaser to result in the most advantageous purchase of the power to be billed at the end of the month.

SECTION 2.4. Restricted Demand: A restricted demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results when BPA has restricted delivery of such power for one (1) clock-hour or more. Such restrictions by BPA are made pursuant to the power sales contract for industrial firm power and pursuant to Section 1.1 and 1.2 of the General Rate Schedule Provisions for priority and new resource firm power and modified firm power, respectively. Such restricted demand shall be determined by BPA after the purchaser has made its determination to accept such restriction or to curtail its contract demand for the month in accordance with Section 2.5 of the General Rate Schedule Provisions.

SECTION 2.5. Curtailed Demand: A curtailed demand shall be the number of kilowatts of priority firm power, new resource firm power, modified firm power, industrial firm power, or authorized increase of any of the preceding classes of power which results from the purchaser's request for such power in amounts less than the contract demand therefor. Each purchaser of industrial firm power or modified firm power may curtail its demand in accordance with the contract. Each purchaser of an authorized increase in excess of priority firm power, new resource firm power, modified firm power, or industrial firm power may curtail its demand in accordance with Section 1.5 of the General Rate Schedule Provisions.

SECTION 3.1. Billing: Unless otherwise provided in the contract, power made available to a purchaser at more than one point of delivery shall be billed separately under the applicable rate schedule or schedules. The contract may provide for combined billing under specified conditions and terms when (a) delivery at more than one point is beneficial to BPA; or (b) the flow of power at the several points of delivery is reasonably beyond the control of the purchaser.

If deliveries at more than one point of delivery are billed on a combined basis for the convenience of the customer, a charge will be made for the diversity between the measured demands at the several points of delivery. The charge for the diversity shall be determined in a uniform manner among purchasers and shall be specified in the contract.

SECTION 3.2. Determination of Estimated Billing Data: If the purchased amounts of capacity, energy, or the 60-minute integrated demands for energy must be estimated from data other than metered or scheduled quantities, BPA and the purchaser will agree on billing data to be used in preparing the bill. If the parties cannot agree on estimated billing quantities, a determination binding on both parties shall be made in accordance with the arbitration provisions of the contract.

EXHIBIT A

SECTION 4.1 Application of Rates during Initial Operation Period: For an initial operating period, not in excess of 3 months, beginning with the commencement of operation of a new industrial plant, a major addition to an existing plant, or reactivation of an existing plant or important part thereof, BPA may agree (a) to bill for service to such new, additional, or reactivated plant facilities on the basis of the measured demand for each day, adjusted for power factor; or (b) if such facilities are served by a distributor purchasing power therefor from BPA to bill for that portion of such distributor's load which results from service to such facilities on the basis of the measured demand for each day, adjusted for power factor. Any rate schedule provisions regarding contract demand, billing demand, and minimum monthly charge which are inconsistent with this Section shall be inoperative during such initial operating period.

The initial operating period and the special billing provisions may, on approval by Bonneville, be extended beyond the initial 3-month period for such additional time as is justified by the developmental character of the operations.

SECTION 5.1. Energy Supplies for Emergency Use: A purchaser taking priority and/or new resource firm power shall pay in accordance with Wholesale Nonfirm Energy Rate Schedule NF-1 and Emergency Capacity Schedule CE-1 for any electric energy which has been supplied; (a) for use during an emergency on the purchaser's system; or (b) following an emergency to replace energy secured from sources other than BPA during such emergency, except that mutual emergency assistance may be provided and settled under exchange agreements.

SECTION 6.1. Billing Month: Meters will normally be read and bills computed at intervals of 1 month. A month is defined as the interval between meter-reading dates which normally will be approximately 30 days. If service is for less or more than the normal billing month, the monthly charges stated in the applicable rate schedule will be appropriately adjusted. Winter and summer periods identified in the rate schedules will begin and end with the beginning and ending of the purchaser's billing month having meter-reading dates closest to the periods so identified.

SECTION 7.1. Payment of Bills: Bills for power shall be rendered monthly and shall be payable at BPA's headquarters. Failure to receive a bill shall not release the purchaser from liability for payment. Demand and energy billings under each rate schedule application shall be rounded to whole dollar amounts, by elimination of any amount of less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

If BPA is unable to render the purchaser a timely monthly bill which includes a full disclosure of all billing factors, it may elect to render an estimated bill for that month to be followed at a subsequent billing date by a final bill. Such estimated bill, if so issued, shall have the validity of and be subject to the same repayment provisions as shall a final bill.

EXHIBIT A

Bills not paid in full on or before the close of business of the 20th day after the date of the bill shall bear an additional charge which shall be the greater of one-fourth percent (0.25%) of the amount unpaid or \$50. Thereafter a charge on one-twentieth percent (0.05%) of the sum of the initial amount remaining unpaid and the additional charge herein described shall be added on each succeeding day until the amount due is paid in full. The provisions of this paragraph shall not apply to bills rendered under contracts with other agencies of the United States.

Remittances received by mail will be accepted without assessment of the charges referred to in the preceding paragraph provided the postmark indicates the payment was mailed on or before the 20th day after the date of the bill. If the 20th day after the date of the bill is a Sunday or other nonbusiness day of the purchaser, the next following business day shall be the last day on which payment may be made to avoid such further charges. Payment made by metered mail and received subsequent to the 20th day must bear a postal department cancellation in order to avoid assessment of such further charges.

BPA may, whenever a power bill or a portion thereof remains unpaid subsequent to the 20th day after the date of the bill, and after giving 30 days advance notice in writing, cancel the contract for service to the purchaser, but such cancellation shall not affect the purchaser's liability for any charges accrued prior thereto.

SECTION 8.1. Approval of Rates: Schedules of rates and charges, or modifications thereof, for electric power sold by BPA shall become effective on a final basis after confirmation and approval by the Federal Energy Regulatory Commission. Pending the establishment of procedures by the Commission to approve rates on a final basis, the entity or entities having been designated by the Secretary of Energy prior to December 5, 1980, shall have authority to confirm and approve schedules of rates and charges on an interim basis.

SECTION 9.1. Average Power Factor: The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

When deliveries to a purchaser at any point of delivery include more than one class of power or are under more than one rate schedule, and it is impracticable to separately meter the kilowatthours and reactive kilovoltamperehours for each class, the average power factor of the total deliveries for the month will be used, where applicable, as the power factor for each of the separate classes of power and rate schedules.

A 001645

EXHIBIT A

SECTION 10.1. Temporary Curtailment of Contract Demand: The reduction of charges for power curtailed pursuant to the purchaser's contract and Section 1.5 and 2.5 hereof shall be applied in a uniform manner.

SECTION 11.1. General Provisions: The Wholesale Rate Schedules and General Rate Schedule Provisions of the BPA Power Administration effective July 1, 1981, supersede in their entirety BPA's Wholesale Power Rate Schedule Provisions effective December 20, 1979.

(WP-PCI-0405c)