November 15, 2012

Amendments, dated November 15, 2012, to the Bonneville Power Administration’s Request for Offers for Prepayment of Electricity

The Bonneville Power Administration (“BPA”) issued a Request for Offers for Prepayment of Electricity (“RFO”) on August 14, 2012, soliciting offers from BPA’s preference customers to prepay for electricity purchased from BPA pursuant to their existing power sales agreements (“PSAs”) with BPA. BPA subsequently amended the RFO on October 5, 2012 and November 2, 2012.

Under Paragraph 2(d) of the RFO template, as previously amended, BPA reserved the right to “amend and/or clarify the terms and conditions of this RFO at any time prior to Noon, Pacific Time on November 30, 2012, provided that notice of any such possible amendments or clarifications will be communicated by BPA to all preference customers not later than November 21, 2012.” BPA is exercising its right by changing two Paragraphs within the body of the RFO. BPA is making these amendments to provide customers with clarifications and assure additional flexibilities. Please note that unless otherwise defined within this letter, capitalized terms used below shall have the meaning as defined or described in the RFO.

As of this date November 15, 2012, BPA amends the RFO, as previously amended, as follows:

A. Assuring that the Market Rate Adjustment and Lock-In Date are Available to Customers that Offer to Fund the Related Prepayment with Cash.

Paragraph 6(d)(i) is changed by deleting the sub-heading “If Bond Financing Is Expected.” and replacing it with the new sub-heading “If Market Rate Adjustment Is Elected.”; and by deleting the phrase “is expected to issue Bonds to fund the related Prepayment(s)” and replacing it with the phrase “elects to establish the Market Rate Adjustment with respect to the Offer”.

The paragraph now reads as follows [highlights reflect the new language]:

(i) If Market Rate Adjustment Is Elected. Where an Offer states that the Awarded Customer or another entity elects to establish the Market Rate Adjustment with respect to the Offer, BPA may for any reason and without cause, at any time before an applicable Lock-In Date for the Offer, terminate the contract formed in respect of that Offer, including without limitation BPA’s right to receive the Prepayment and BPA’s obligation provide the related Prepayment Credits. Such termination shall be effective upon notice to the Awarded Customer; provided, that, for such notice to be effective it shall be delivered to the Awarded Customer no later than 2:00 PM Pacific Time on the business day before the Lock-In Date.

Paragraph 6(d)(ii) is changed by deleting the sub-heading “If Bond Financing Is Not Expected.” and replacing it with the new sub-heading “If Market Rate Adjustment Is Not Elected.”; by
deleting the word “states” and replacing it with the phrase “does not state”; and by deleting the phrase “is not expected to issue Bonds to fund the related Prepayment” and replacing it with the phrase “elects to establish the Market Rate Adjustment with respect to the Offer”.

The paragraph now reads as follows [highlights reflect the new language]:

(ii) **If Market Rate Adjustment Is Not Elected.** Where an Offer does not state that the Awarded Customer or another entity **elects to establish the Market Rate Adjustment with respect to the Offer**, BPA may, for any reason and without cause at any time before March 29, 2013, terminate the contract formed in respect of that Offer, including without limitation BPA’s right to receive the Prepayment and BPA’s obligation to provide the related Prepayment Credits. Such termination shall be effective upon notice to the Awarded Customer; provided, that, for such notice to be effective it shall be delivered to the Awarded Customer no later than 2:00 PM Pacific Time on March 28, 2013. In such an instance, BPA shall immediately return any funds theretofore transferred to BPA by the Awarded Customer in respect of its Prepayment obligation prior to the termination.

This amendment is being made in order to ensure that customers that are funding a Prepayment without issuance of Bonds may elect into the Market Rate Adjustment and thereby limit BPA’s ability to use an Off-Ramp. Without access to the Market Rate Adjustment, non-Bond issuing customers would have been subject in all cases to BPA’s ability to terminate until March 28, 2013. With this amendment it is clear that a non-Bond issuing customer that elects to take the Market Rate Adjustment may lock BPA into a Prepayment transaction upon the occurrence of the Lock-In Date noticed by the customer. Such customers should understand, however, that electing into the Market Rate Adjustment will make the Prepayment(s) subject to adjustment to reflect the interest rate environment at the time of the Lock-In Date (see RFO Paragraph 5), and that the Prepayment amount will be subject to a floor under the Adjustment Cap (see RFO Paragraph 5(c)). Such Customers should also plan to provide notice to BPA specifying the Lock-In Date (see RFO Paragraphs 5(a) and 5(b)) and should be prepared to consider exercising the Adjustment Cap Off-Ramp if the Prepayment amount, as adjusted by the Market Rate Adjustment, declines below the Adjustment Cap amount.