PARTIAL SETTLEMENT AGREEMENT

Bonneville Power Administration 2016 Rate Case
Generation Inputs and Transmission Ancillary and Control Area Services Rates

THIS PARTIAL SETTLEMENT AGREEMENT, including Attachments 1, 2, and 3 ("AGREEMENT"), dated and effective as of the date established pursuant to section 3 of this Agreement, is among the Bonneville Power Administration ("Bonneville") and the BP-16 rate case parties (in the singular, "Party," in the plural, "Parties").

WHEREAS

A. Starting in October 2013, Bonneville and the Parties have been engaged in public meetings to reach agreement on the rates for certain transmission ancillary and control area services for the FY 2016-2017 Rate Period ("Rate Period");

B. Bonneville and the Parties wish to settle their disputes concerning generation inputs and transmission ancillary and control area services rates for the Rate Period;

C. Bonneville and the Parties recognize that both the rate structure and the operations related to the integration of variable energy resources and dispatchable energy resources in Bonneville's balancing authority area are in a transitional period; that there is considerable disagreement about how to design Bonneville's transmission ancillary and control area services rates, terms and conditions; and that there is disagreement about the allocation of balancing reserve capacity and energy costs; and

D. The purpose of this Agreement is to settle those differences for the Rate Period, without precedent for subsequent rate periods, so that Bonneville and the Parties can work collaboratively on developing operational tools, terms and conditions, and proposals for rates and the allocation of costs for the services necessary to balance the system in future rate periods.

NOW, THEREFORE, Bonneville, the undersigned Party signatories ("Party Signatories"), and Parties who otherwise indicate assent to this Agreement by not objecting to this Agreement or the Settlement Proposal (as defined in section 1) on the record of the BP-16 rate proceeding pursuant to section 3 ("Non-Objecting Parties", and collectively with the Party Signatories, the "Assenting Parties") agree to the following:

1. In the BP-16 rate proceeding, Bonneville staff will propose that the Administrator adopt a proposal to establish the costs of generation inputs and rates for transmission ancillary and control area services for the Rate Period ("Settlement Proposal"). The Settlement

Proposal will include only the terms specified in Attachment 1, the rate schedules and general rate schedule provisions specified in Attachment 2, the terms in Attachment 3, and the terms of this Agreement.

2. During the Rate Period, Bonneville and the Assenting Parties will abide by the terms specified in Attachment 1 and this Agreement.

3. Bonneville will notify the Hearing Officer of the Agreement and move the Hearing Officer to: (1) require any Party that did not sign or assent to the Agreement to state its objection to the Settlement Proposal, the basis for its objection, and to identify each issue included in the Settlement Proposal that such Party chooses to preserve in the BP-16 rate proceeding within 5 days of the date interventions are granted in the rate proceeding; and (2) specify that any Party that does not state its objection to the Settlement Proposal on such date will waive its rights to preserve any objections to the Settlement Proposal and shall be treated as an Assenting Party for all purposes under this Agreement and on the record in the BP-16 rate proceeding. Unless this Agreement terminates under the terms set forth in sections 4 and 5 below, this Agreement will become effective on November 12, 2014, and will terminate on September 30, 2017. If a Party has not preserved any issues originally through an objection to the Settlement Proposal, the Party waives its right to preserve such issue.

4. If, in response to the Hearing Officer's order made pursuant to section 3, any Party states an objection to the Settlement Proposal, Bonneville or any Assenting Party will have three business days from the date of the objection to withdraw its ~~support~~ assent to ~~for~~ the settlement. If Bonneville or any Assenting Party withdraws its ~~support for~~ assent to the settlement, Bonneville shall promptly meet with any other interested rate case parties to discuss how to proceed.

5. If the Administrator does not adopt the Settlement Proposal in the BP-16 Final Record of Decision, this Agreement and the Settlem ent Proposal will terminate upon the date the Administrator declines to adopt the Settlement Proposal.

6. Waiver

    a. Preservation of BP-16 ACS Rates and Settlement Proposal

        i. The Parties agree that this is a black box settlement. If the Administrator adopts the Settlement Proposal, Bonneville and the Assenting Parties

agree not to contest this Agreement or its implementation pursuant to its terms, including the Settlement Proposal and rates and rate schedule provisions in Attachment 2, from the effective date through September 30, 2017.

ii. The Assenting Parties agree to waive their rights to cross-examination and discovery with respect to the Settlement Proposal, except in response to issues raised by any party in the BP-16 rate proceeding that is not an Assenting Party to this Agreement.

b. Reciprocity

In the event that this Agreement is determined to be inconsistent or incompatible with a reciprocity transmission tariff, the Assenting Parties agree that this Agreement shall nonetheless remain in effect for the remainder of the Rate Period.

c. No Precedent or Issue Preclusion beyond the Rate Period

i. Bonneville and the Assenting Parties understand, and will not argue otherwise, that this Agreement does not constitute consent or agreement in any future rate proceedings to the transmission ancillary and control area services rates and rate schedule provisions in Attachment 2 or to any rate, charge, or rate schedule provision, and that they retain all of their rights to take and argue whatever position they believe appropriate as to such matters; and

ii. The Assenting Parties and Bonneville acknowledge that this Agreement is a package, and that acceptance of the package does not create or imply any agreement with individual components of the package. Therefore, the Assenting Parties and Bonneville agree that they will not assert in any forum that anything in the Settlement Proposal, or that any action taken or not taken with regard to this Agreement by any Assenting Party, the Hearing Officer, the Administrator, the Federal Energy Regulatory Commission ("Commission"), or a court, creates or implies: (1) any procedural or substantive precedent (including, but not limited to, a substantive precedent with respect to rate design and a 3 MW dead band under the Dispatchable Energy Resource Balancing Service rate); (2)

agreement to any particular or individual treatment of costs, expenses, or revenues; (3) agreement to any particular interpretation of Bonneville's statutes; (4) any precedent under any contract or otherwise between Bonneville and any Party; or (5) any basis for supporting any Bonneville rate, terms or conditions for any period after the Rate Period.

7. Reservation of rights

   a. Except as provided in section 6(a) above, no Assenting Party waives any of its rights, under Bonneville's enabling statutes, the Federal Power Act, or other applicable law, to pursue dispute resolution procedures consistent with Bonneville's open access transmission tariff or to pursue any claim that a particular charge, methodology, practice, or rate schedule has been improperly implemented.

   b. Bonneville and the Assenting Parties reserve the right to file new complaints, petitions, or litigation related to any rates, terms and conditions, or other matters that are not a part of the Settlement Proposal.

   c. Notwithstanding section 6(a), but subject to section 8 of this Agreement, the Assenting Parties may seek review of the reliability tool described in Section 10 of Attachment 1.

   d. Bonneville and the Assenting Parties reserve the right to litigate any transmission or power rate at issue in the BP-16 rate proceeding that is not included in the Settlement Proposal. In addition, Bonneville reserves the right to propose changes to the transmission and power rates, rate schedules, and associated general rate schedule provisions for services that are not included in the Settlement Proposal.

   e. Bonneville and the Assenting Parties reserve the right to litigate and advance any arguments: (1) in proceedings that are pending before the Commission, the United States Court of Appeals for the Ninth Circuit, or any other judicial forum as of the effective date of this Agreement; and (2) in administrative or judicial review, now or hereafter pending, of such proceedings (collectively, "Pending Proceeding(s)").

f. Bonneville and the Assenting Parties reserve the right to respond during the Rate Period to any new filings, protests, or claims, by Bonneville or others; however, Bonneville and the Assenting Parties will not support a challenge to any rates, terms and conditions, or other matters described in this Agreement.

g. The parties specifically acknowledge that the self-supply and unbundling components of BPA's Self Supply of Balancing Services Business Practice, Version 1, and any successor thereto is not part of this Settlement Agreement for purposes of Sections 7(b) and 7(d). Nothing in this Section 7(g) is intended to give a party the right to challenge the Mid-Rate Period Adjustment provisions under sections 7 and 8 in Attachment 1.

8. If because of a legal challenge, Bonneville would be required to materially modify or discontinue the rates, terms, and conditions provided in this Agreement, including but not limited to the use of its balancing reserve capacity-related curtailment protocols during the Rate Period, Bonneville will seek, and the Assenting Parties agree to support, or not contest, a stay of enforcement of that ruling until after the Rate Period and Bonneville may, but shall not be required to, initiate a section 7(i) rate proceeding to revise or supplement any of the rates in Attachment 2.

9. Attachment 1 (Rate Period Terms), Attachment 2 (Transmission Ancillary and Control Area Services Rate Schedules and General Rate Schedule Provisions) and Attachment 3 (Inter-Business Line Allocations) are incorporated by reference into this Agreement.

10. Section 6(c) (No Precedent or Issue Preclusion beyond the Rate Period) of this Agreement will survive termination or expiration of this Agreement.

11. Nothing in this Partial Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's rates or the Assenting Parties' rights to challenge such revisions.

This Agreement may be executed in counterparts.

_____

[Print Party Name]

By: _____

Name: _____
(Print/Type)

Title: _____

Date: _____

ATTACHMENTS

Attachment 1, Rate Period Terms

Attachment 2, Transmission Ancillary and Control Area Services Rate Schedules and General Rate Schedule Provisions

Attachment 3, Inter-Business Line Allocations