



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER BUSINESS LINE

June 8, 2006

In reply refer to: PGPO

Mr. Cam Matheson
Manager, Generation Operations
BC Hydro and Power Authority
6911 Southpoint Drive, E15
Burnaby, B.C., Canada V3N 4X8

Dear Mr. Matheson:

This letter Agreement (06NTSSA) between our organizations will confirm discussions between our staffs on the storage and release of water, and deliveries of energy, during the period 25 May through 30 September 2006. For accounting purposes, this 06NTSSA is assigned the Bonneville Power Administration contract number 06PB-28322.

2006 Summer Storage Agreement (not Treaty) (06NTSSA) for the Period 25 May 2006 through 30 September 2006

The purpose of this Agreement between the Bonneville Power Administration (BPA) and the British Columbia Hydro and Power Authority (BC Hydro) (collectively "the Parties") is to reduce inflow into Grand Coulee during the current high flow period, provide summer flow support for U.S. fisheries, and enhance Arrow reservoir elevations. It is the intent of the Parties that this Agreement will not cause undue operational hardship to either BPA or BC Hydro and the Parties will work together to ensure smooth flow operations to the extent possible in both the U.S. and Canada. Storage under the 1990 Non-Treaty Storage Agreement (NTSA) Space into Mica Active, if elected, shall not be constrained by this 06NTSSA. All times are Pacific Time (PT).

1. Term

The term of this Agreement is from 2400 PT 25 May 2006 through 2400 PT 30 September 2006. The Parties agree that the principles and procedures contained herein do not set a precedent concerning any

current or future dispute over Treaty or Non-Treaty rights and obligations, nor do they set a precedent for nonpower purposes, objectives or target objectives and contents.

2. Changes to this Agreement

Changes may be made to the terms and conditions of this Agreement only by mutual consent of the Parties.

3. Storage

- a. The storage period of this 06NTSSA shall be 2400 hours PT 25 May 2006 through 2400 hours PT 31 July 2006, if not ended earlier pursuant to Section 4.a. of this Agreement. Water stored under this 06NTSSA shall be so stored by mutual agreement of the Parties.
- b. The available storage volume shall be the difference between the weekly Arrow Treaty discharge as per the Weekly Treaty Flow Agreement and the weekly actual Arrow discharge, and shall be controlled in equal shares by the Parties.
- c. Either party may elect, at its sole discretion, to store their share of the available storage volume under: (1) this 06NTSSA, (2) the 1990 Non-Treaty Storage Agreement, or (3) a combination of both agreements.
- d. Weekly storage volumes under this 06NTSSA for the upcoming Saturday through Friday period will be agreed in advance and will be finalized on the same schedule as the Weekly Treaty Flow Agreement. Energy associated with storage transactions shall be accounted for in accordance with Section 5 of this 06NTSSA.
- e. Storage under this 06NTSSA will be accounted for in available space in Mica and/or Arrow. Storage actions under this 06NTSSA shall not impact accounts under the 1990 Non-Treaty Storage Agreement, including account balances and Mica headloss calculations under that NTSA.

4. Release

- a. The release period of this 06NTSSA shall begin as early as 2400 hours PT 28 July 2006 but no later than 2400 hours PT 31 July 2006 (as determined by mutual agreement). The release period of this 06NTSSA shall end at 2400 hours PT 22 September 2006. The beginning of the release period will mark the end of the storage period described in Section 3.a. of this Agreement.
- b. BPA will release all of its storage by 2400 hours PT 1 September 2006, unless releases through the following week are preferred for fisheries reasons in the U.S. BC Hydro will release a minimum of one-half of its storage by 2400 hours PT 1 September 2006, unless BPA elects

- under this Section 4 to extend the release period; if that should happen, the time period for the BC Hydro release period shall also be extended by the same duration. The remainder of BC Hydro storage will be released by 2400 hours PT 22 September 2006.
- c. During the period marking the beginning of the release period through the later of 2400 hours PT 1 September 2006 and the end of BPA's release period as determined in Section 4.b., the maximum release rate each for BPA and BC Hydro will be the greater of 24.47 hm³/day (10 ksf/day) and the combined BPA/BC Hydro storage volume under this 06NTSSA divided by 42.
 - d. During the period from the end of BPA's release period as determined in Section 4.b., through 2400 hours PT 22 September 2006, the BC Hydro maximum release rate will be 36.71 hm³/day (15 ksf/day).
 - e. Energy associated with release transactions will be accounted in accordance with Section 5.

5. Energy Accounting and Deliveries

- a. No energy will be associated with BPA transactions under this 06NTSSA.
- b. Energy associated with BC Hydro storage and release transactions will be tracked in a 06NTSSA account, and calculated based upon the daily effective incremental (reduced by spill) U.S. Federal Columbia River mainstem generation discharge factor (h/k) for the period of this 06NTSSA.
- c. The daily effective incremental U.S. Federal Columbia River mainstem h/k as determined by BPA is agreed to be zero (0) for the period from 2400 hours PT 25 May 2006 through 2400 hours PT 30 May 2006.
- d. There will be no energy deliveries concurrent with BC Hydro storage transactions.
- e. The value of energy associated with BC Hydro storage transactions will be calculated as the product of the energy in MWh determined in accordance with Section 5.b. and the daily average flat after-the-fact Mid-C index price.
- f. Except as described in 5.g., energy deliveries associated with BC Hydro release transactions will be shaped flat for the subsequent Sunday through Saturday. The value of deliveries of such energy will be netted against the value of energy owed to BPA by BC Hydro, calculated under Section 5.e. at the time the deliveries are made. The point of delivery shall be the U.S.-British Columbia border. Each party will be responsible for transmission scheduling and costs on its side of the U.S.-British Columbia border related to energy deliveries under this Agreement.
- g. During the period from the end of BPA's release period as determined in Section 4.b. through 2400 hours PT 22 September 2006, BC Hydro may request shaped energy deliveries within a day;

however, such delivery rates over heavy load hours shall not exceed the flat delivery rate, except by mutual agreement of the Parties.

- h. The Parties shall establish and maintain an "value of energy deviation" account to record differences in estimated versus actual incremental Columbia River mainstem Federal h/k and the Mid-C index price for the release period. Delivery of energy of equivalent value shall occur in within the following week (168 hours) unless otherwise agreed by the Parties.
- i. In the event of generation capacity limitations on the Federal Columbia River Power System during periods when the Canadian Columbia River Treaty Entity is exercising concurrent Arrow provisional draft rights under the Libby Coordination Agreement (LCA), LCA provisional draft rights will take precedence and energy deliveries under this 06NTSSA will be shaped in a mutually-agreed fashion so as to maintain the value of the energy delivered under this agreement.
- j. In the event of transmission limitation(s) on the Federal Columbia River Transmission System which curtail deliveries of energy under this 06NTSSA under the rules, regulations and tariffs of the BPA Transmission Business Line, curtailed deliveries shall be rescheduled for delivery as soon as is practical after clearance of the limitation(s) but in no event longer than 168 hours later.

6. Other Conditions

- a. BPA and BC Hydro water release rights under Section 4 of this 06NTSSA shall be limited equally so as not to cause actual or forecast discharges to exceed the daily flow rate change of $424.8 \text{ m}^3/\text{s}$ (15 kcfs) at Arrow or exceed $4672.3 \text{ m}^3/\text{s}$ (165 kcfs) at the water level gauge at Birchbank on the Columbia River. Flow changes that exceed $424.8 \text{ m}^3/\text{s}$ (15 kcfs), will be ramped at the BC Hydro maximum ramp rate requirement of $424.8 \text{ m}^3/\text{s}/\text{day}$ (15 kcfs/day). At BPA's discretion, ramping will either commence immediately prior to the start of the Treaty week, or may be delayed to the completion of the Treaty week, preserving the agreed volume of water.
- b. At any time during the term of this 06NTSSA, BPA and BC Hydro shall equally share in any forced release due to limited physical storage space at either Mica or Arrow, or compromised Mica flexibility which forces such release.
- c. BPA hereby agrees to indemnify and hold BC Hydro harmless from any claims and costs (including reasonable legal fees and disbursements), including any judgments or settlements resulting thereof, that may be asserted against BC Hydro related to the Wells, Rocky Reach, Rock Island, Wanapum, and Priest Rapids projects (commonly referred to as the Mid-Columbia Projects) arising from the storage and release of water, and deliveries of energy,

during the period 25 May through 30 September 2006 conducted pursuant to this 06NTSSA.

7. Force Majeure

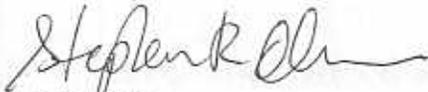
- a. If either Party is prevented or delayed in performing any obligation under this Agreement by any cause the specific or particular occurrence of which it cannot reasonably anticipate and which is beyond its reasonable control, performance by that Party of such obligation shall be excused to the extent that it is so prevented or delayed until such cause has been removed or overcome. To the extent that such causes are beyond the reasonable control of such Party, those causes shall include, without limiting the generality of the foregoing, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and the act or failure to act by a court, administrative authority or other lawful authority; but such causes shall not include lack of financial means.
- b. A Party excused under this Section from performance of any obligation, or reasonably anticipating that it will be so excused, shall promptly give notice to that effect to the other Party and shall make all reasonable efforts to remove or overcome the cause of the prevention or delay as soon as is practicable.

8. Charges

Unless provided otherwise under this Agreement, no storage fees, charges, tolls or assessments for 06NTSSA transactions will be charged by either Party to the other.

If the above terms and conditions are acceptable to BC Hydro, please indicate your approval by signing the three (3) originals of this Agreement and returning two (2) of them to BPA. The remaining original is for your files.

Sincerely,



Stephen R. Oliver
Vice President, Generation Supply

ACCEPTED:

BC HYDRO AND POWER AUTHORITY

By Allen W. [Signature] for CAM Matheson

Title Manager, Generation Operations

Date June 8, 2006