



Department of Energy

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

POWER SERVICES

February 15, 2011

In reply refer to:

The Bonneville Power Administration (BPA) Trading Floor, is reaching out to the Northwest Thermal owners to maximize Federal Columbia River Power System (FCRPS) generation, increase thermal flexibility, and to minimize dissolved gases during high stream flow events. Dissolved gases, resulting from excess spill, can harm fish and BPA is dedicated to minimizing the risk that this might occur in the future.

In June 2010, BPA faced a period of time when it had a temporary oversupply of generation due to surging spring runoff in the FCRPS, and high winds. During this period, the generation levels exceeded power demand and export capability. A lack of demand for the surplus federal hydropower, even at zero cost, threatened to create water conditions in the Columbia River dangerous to fish.

BPA managed through the June 2010 event, but with the potential for even higher stream flows and with more variable generations being integrated with the FCRPS, BPA is developing a list of action items it could use if faced with over generation events that threaten fish in the future.

One of these actions involves an aggressive outreach program by the BPA Trading Floor to Northwest thermal owners to discuss unique marketing transactions that help maximize FCRPS generation with the focus to minimize the levels of dissolved gases. To date, the BPA Trading Floor has contacted a number of thermal owners. We appreciate the time, energy, and creativity you have invested in sharing your feedback with BPA. We have learned a lot from these negotiations and are hopeful that this process results in transactions that help protect the health of the FCRPS and the reliability of the system.

We believe the enclosed Term Sheet accurately describes a transaction that is financially and operationally sound for both parties, with the appropriate notification requirements to facilitate greater thermal flexibility than was achieved in June 2010. We understand additional provisions may be necessary and we are eager to discuss them with you. This offer expires February 28th, 2011, and is capped at 1000 Flat MWs during the months of May through June 2011. Responses will be evaluated in the order they are received.

We want to know what you think about the enclosed Term Sheet and ask that you contact the BPA Trading Floor to discuss any alternatives to improved thermal flexibility and the safe operation of the FCRPS during fish passage season. Please address all inquires to Mark Miller, or Dan Le.

Mark Miller (503) 230-4003
Dan Le (503) 230-3144

Sincerely,



Alex Spain
Trading Floor Manager
(503) 230-5780

1 Enclosure:
Thermal Displacement Term Sheet

Cc:
Avista Corp
Centennial Energy Resources
Idaho Power
Pac NW Generating
PacifiCorp
Portland General Electric
PPL Montana
Puget Sound Energy
Seattle City and Light
Sierra Pacific Power
Transalta Corporation

Proposed Term Sheet: May-June Displacement

Product: Economic Thermal Displacement Energy

Buyer: XXX

Seller: Bonneville Power Administration (BPA)

Term: Begin May 1, 2011, through June 30, 2011

Demand: XXX FLAT (24 hr) Block MWs [Thermal Unit(s) must be off-line]

Notice: 12 Noon, Three (3) Trade Days advance notification

Duration: 14 Days Min / 21 Day Max [election made by BPA at time of notice]

Scheduling: Scheduled within BPA's normal pre-schedule window.

Delivery: To the extent transmission is available; BPA will provide and pay for Transmission required for delivery from the Federal Columbia River Power System to Load Balancing Authority identified by the Buyer.

Premium \$1.00 / MWh paid by BPA

[XXX Mw x 1,464 hours] x \$1.00 Mwh = XXX Total Premium

Energy Charge: For each day, an average daily price will be calculated and billed using the Intercontinental Exchange Mid-C Day Ahead Peak and Off-Peak indexes, specifically using the published volumetric weighted average index prices. The calculated average daily price is a weighted average based on the Peak and Off-Peak hours. The Peak and Off-Peak index prices used to calculate the daily average price will be constrained so that the price of each diurnal index will be capped at a specific Maximum Price and will be no lower than a specific Minimum Price.

Maximum Price: \$12.50 / MWh
Minimum Price: \$0.00 / MWh

Buyer notification:
Buyer provides BPA first right of refusal to sell at the prevailing market price, should thermal owner displace prior to receiving notification from BPA.

Service Type: WSPP Schedule C Firm Energy

Settlement Procedure: As described on the WSPP Agreement.

Additional Terms: Additional terms and products are negotiable and can be discussed as additions or in place of this term sheet.