

September 21, 1993

TO: Gary A. Dahlke --representing Washington Water Power
Jim Thompson -- representing Idaho Power Company

FROM: Randy A. Roach

RE: WWP draft notice of RPSA termination faxed to me 9/20

This note is in response to the draft termination language that Gary faxed me on September 20. Inasmuch as section 9 of the RPSA references a time period for termination, BPA would request that you specify the duration of termination. That should, on that basis at least, remove any questions about the effectiveness of your termination and whether the agreement somehow revives itself once 7(B)(2) is no longer triggering. In addition, BPA believes we should agree now upon what the termination letter should state regarding how interest should be computed on the outstanding deemer account balance since (1) section 1 of the RPSA states that, notwithstanding termination of the agreement, liabilities under the agreement continue until satisfied, (2) section 10 states that the net balance in the deemer account shall accumulate interest, and (3) section 10 later states that the balance in the deemer account shall be carried forward to apply to any subsequent exchange by the utility. We believe the interest rate formula set forth in Idaho's RPSA suspension should apply. Re your suggestion that other matters be deferred to the time of a request for a post-2001 contract, we agree.

With all of the above changes, I would suggest that the inside caption of the letter reference the RPSA number or numbers and that the body of the letter read as follows:

The _____ Company (Company) hereby gives notice, pursuant to section 9 of its above-referenced Residential Purchase and Sale Agreement (RPSA), of its election to terminate its RPSA effective September 30, 1993, and continuing through 2400 hours on June 30, 2001. We request that BPA notify us as soon as possible of its calculations of the Company's deemer account balances through September 30, 1993, so that we might then either agree to the calculations or resolve any disagreements about them. Whatever the correct balances are, the Company agrees that the Company's deemer account balances accrued as of September 30, 1993, for each of its exchange jurisdictions shall continue to accrue interest, which shall be compounded quarterly, at an average prime rate for each calendar quarter, which shall be the arithmetic mean, to the nearest one-hundredth of 1 percent, of the prime rate values published in the Federal Reserve Bulletin, or in the Federal Reserve's "Selected Interest Rates" (Statistical Release G. 13), for the fourth, third and second months preceding the first month of the calendar quarter. Consistent with section 10 of the Company's RPSA, we understand that the balances in the Company's deemer accounts shall not be a cash obligation of the Company, but shall be carried forward to apply to any subsequent exchange by the Company for the jurisdiction under any new or succeeding agreement.

I have faxed this to the Public Power Council (Geoff Carr) and the Direct Service Industries (Steve Waddington) for their information and quick review.