



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

POWER BUSINESS LINE

December 24, 2009

Contract No. 02PB 10PB-12182
LETTER AGREEMENT

In reply refer to: PTL-5

Mr. Roger Loney
Senior Vice President, General Manager
100 Paper Mill Road
P.O. Box 3170
Port Townsend, WA 98368

RE: Extension of the Block Contract Consistent with BPA's Updated Determination of Equivalent Benefits.

Dear Mr. Loney,

On November 13, 2009, Port Townsend Paper Company ("Port Townsend") and the Bonneville Power Administration ("BPA" and collectively the "Parties") entered into the Block Power Sales Agreement, Contract No. 09PB-12106, ("Block Contract"), the approximate 14-month term of which commenced November 15, 2009, and is scheduled to terminate on December 31, 2010. In executing this contract, BPA adopted a Record of Decision setting forth its method for determining equivalent benefits consistent with *Pacific Northwest Generating Cooperative v. BPA*, 580 F.3d 828 (9th Cir. 2009) ("PNGC II").

In executing a Block Power Sales Agreement with Alcoa Inc. (another direct-service industrial ("DSI") customer of BPA) on December 21, 2009, BPA adopted a Record of Decision setting forth an updated method for determining equivalent benefits consistent with *PNGC II*. BPA has applied such updated method to all DSIs – including the Block Contract with Port Townsend. As a result, BPA has forecast it will achieve benefits in excess of costs ("equivalent benefits") from the Block Contract with Port Townsend for the period beginning November 15, 2009, and ending at 2400 hours on May 31, 2011. This determination and the amendment as now proposed to Block Contract, would constitute a new BPA final action, separate from and in addition to BPA's final action of entering into contract 09PB-12106.

By execution below, the Parties hereby amend the Block Contract to change the date that the Block Contract terminates to May 31, 2011, consistent with BPA's updated determination (attached hereto) of equivalent benefits, replacing December 31, 2010, and effectively extending the term of the Block Contract to a term of nearly 19 months.

ACCEPTED:

Sincerely,

Port Townsend Paper Company

By /s/ Eveleen T Muehlethaler

Mark Miller
Account Executive

Name _____

Name /s/ Mark Miller

Date 12/24/09